Translated
from the
Hebrew original

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021
INDEX

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021

INDEX

Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 6706703, Israel

Tel: 972 (3)6232525
Fax: 972 (3)5622555
ey.com

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Migdal Insurance and Financial Holdings Ltd. and its subsidiaries (collectively, "the Company") as of December 31, 2021. These control 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 financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting accompanying the periodic report as of the above date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control Components over Financial Reporting" (hereinafter "Auditing Standard (Israel) 911"). These components are: (1) entity level controls, including controls over the preparation and closure of the financial reporting process and general information technology controls ("GITCs"); (2) controls over processes that are very significant to the financial reporting and disclosure of Migdal Insurance Company Ltd. and other material subsidiaries (collectively, "audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. This Standard 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 internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists in the audited control components, and testing and evaluating the design and operating effectiveness of those control components based on the assessed risk. Our audit, regarding those control components, also included performing such 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 significant processes related to financial reporting, therefore our opinion refers to the audited control components only. Our audit also did not refer to reciprocal effects between audited control components and non audited control components, therefore our opinion does not take into account these possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any current evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective audited control components as of December 31, 2021.

We have also audited, in accordance with generally accepted auditing standards in Israel, 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 and our report dated March 23, 2022 expressed an unqualified opinion on those financial statements and also draws attention to the matter discussed in Note 38(1) to the consolidated financial statements regarding the exposure to contingent liabilities.

Tel-Aviv, Israel March 23, 2022	SOMEKH CHAIKIN Member of KPMG International	KOST FORER GABBAY & KASIERER Member of Ernst & Young Global

Joint auditors

Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 6706703, Israel

Tel: 972 (3)6232525
Fax: 972 (3)5622555
ey.com

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

INDEPENDENT AUDITORS' REPROT

To the Shareholders of

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.

We have audited the accompanying consolidated statements of financial position of Migdal Insurance and Financial Holdings Ltd. ("the Company") as of December 31, 2021 and 2020, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years the latest of which ended on 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 audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors' 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 audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies 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 conformity with International Financial Reporting Standards (IFRS) and with the disclosure requirements of the Commissioner of the Capital Markets, Insurance and Savings Division according to the Control of Financial Services (Insurance) Law, 1981.

Moreover, in our opinion, the financial statements referred to above are prepared in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010, insofar as these Regulations apply to companies that consolidate insurance companies.

Without qualifying our above opinion, we draw attention to Note 38(1) to the consolidated financial statements regarding exposure to contingent liabilities.

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", as amended, the Company's components of internal control over financial reporting as of December 31, 2021, and our report dated March 23, 2022 included an unqualified opinion on the effective maintenance of those components.

Tel-Aviv, Israel March 23, 2022	SOMEKH CHAIKIN Member of KPMG International	KOST FORER GABBAY & KASIERER Member of Ernst & Young Global

Joint auditors

Consolidated Statements of Financial Position

	Note	December 31 2021	December 31 2020
		NIS in thousands	
Assets			
Intangible assets	4	1,324,856	1,234,446
Deferred tax assets	21.g	5,949	4,814
Deferred acquisition costs	5	2,024,108	1,952,455
Fixed assets	6	1,205,998	1,179,397
Investments in affiliates	7	25,679	21,701
Investment property for yield dependent contracts	8	7,293,737	6,923,505
Investment property - other	8	686,773	714,589
Reinsurance assets	15-16	1,346,785	1,222,939
Current tax assets		5,661	173,116
Debtors and receivables	9	1,117,850	1,132,945
Outstanding premiums	10	713,892	730,272
Financial investments for yield dependent contracts	11	123,512,846	110,844,111
Other financial investments	12		
Quoted debt assets	12.a	14,073,555	14,466,334
Unquoted debt assets	12.b	26,206,881	25,125,185
Shares	12.d	256,647	315,480
Others	12.e	3,889,509	3,038,207
Total other financial investments		44,426,592	42,945,206
Cash and cash equivalents for yield-dependent contracts	13	13,621,535	9,168,697
Cash and cash equivalents – other	13.a	6,846,764	3,674,121
Total assets		204,159,025	181,922,314
Total assets for yield dependent contracts in an insurance subsidiary	11	145,293,566	127,942,531

The accompanying notes are an integral part of the consolidated financial statements
T

Consolidated Statements of Financial Position

	Note	December 31 2021	December 31 2020
		NIS in thousands	
Equity and Liabilities			
Equity	14		
Share capital		110,629	110,629
Share premium		273,735	273,735
Capital reserves		1,368,222	999,418
Retained earnings		6,804,856	5,492,861
Total equity attributable to equity holders of the Company		8,557,442	6,876,643
Non-controlling interests		6,822	5,145
Total equity		8,564,264	6,881,788
Liabilities			
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	15	41,150,591	39,020,383
Liabilities in respect of yield dependent insurance contracts and investment contracts	16	142,952,095	125,878,822
Liabilities in respect of deferred taxes	21.g	790,093	617,021
Liabilities in respect of employee benefits, net	22	303,200	300,465
Liabilities in respect of current taxes		258,472	5,745
Creditors and payables	23	3,159,073	2,986,908
Financial liabilities	24	6,981,237	6,231,182
Total liabilities		195,594,761	175,040,526
Total equity and liabilities		204,159,025	181,922,314

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

March 23, 2022	Shlomo Eliahu	Dr. Gavriel Picker	Yossi Ben Baruch
Date of approval of the financial statements	Chairman of the Board of Directors	CEO	Deputy CEO, CFO

Consolidated Statements of Profit and Loss

	Note	2021	2020	2019
		Year ended December 31		
		NIS in thousands		
Gross premiums earned		13,230,204	13,006,555	13,709,274
Premiums earned by reinsurers		789,902	766,479	754,829
Premiums earned on retention	25	12,440,302	12,240,076	12,954,445
Net investment gains and finance income	26	20,821,263	7,267,388	14,878,512
Income from management fees	27	3,007,832	2,013,176	2,347,570
Income from commissions	28	343,212	315,836	333,162
Other income	29	57,853	62,051	131,891
Total Income		36,670,462	21,898,527	30,645,580
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross		31,987,668	18,772,057	(* 28,052,630
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts		505,388	601,677	395,037
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	30	31,482,280	18,170,380	27,657,593
Commissions, marketing expenses and other acquisition expenses	31	1,791,717	1,879,419	1,847,907
General and administrative expenses	32	1,114,799	1,102,219	1,077,765
Other expenses	33	34,300	50,258	50,399
Finance expenses	34	165,056	171,922	170,483
Total expenses		34,588,152	21,374,198	30,804,147
Share of earnings (loss) of investees accounted for at equity	7.b	730	(1,488)	14,706
Income (loss) before taxes on income		2,083,040	522,841	(143,861)
Taxes on income (tax benefit)	21.f	729,110	167,978	(*(21,152)
Profit (loss) for the period		1,353,930	354,863	(122,709)
Attributable to:				
Equity holders of the Company		1,351,942	352,487	(125,075)
Non-controlling interests		1,988	2,376	2,366
Profit (loss) for the period		1,353,930	354,863	(122,709)
Basic and diluted net earnings (loss) per share attributable to equity holders of the Company (in NIS)	35	1.28	0.33	(*(0.12)

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

Consolidated Statements of Comprehensive Income

	Note	Year ended December 31 2021	2020	2019
		NIS in thousands		
Profit (loss) for the period		1,353,930	354,863	(122,709)
<u>Other comprehensive income (loss)</u>				
Items of other comprehensive income (loss) that have been or will be reclassified from comprehensive income to profit and loss after initial recognition				
Net change in fair value of available-for-sale financial assets allocated to other comprehensive income		715,971	349,779	1,089,229
Net change in fair value of available-for-sale financial assets transferred to profit and loss		(368,990)	(347,922)	(551,229)
Impairment loss of available-for-sale financial assets allocated to profit and loss		101,698	176,376	63,011
Foreign currency translation adjustment of foreign operation		(527)	(1,159)	(1,595)
Tax effect on available-for sale financial assets	21	(153,195)	(60,911)	(205,409)
Tax effect on other comprehensive income items	21	180	396	545
Total other comprehensive income for the period that has been or will be reclassified from comprehensive income to profit and loss after initial recognition, net of tax		295,137	116,559	394,552
Other items of other comprehensive income that will not be carried to profit and loss				
Actuarial gain (loss) from defined benefit plan	22.b	10,888	10,251	(8,483)
Revaluation of fixed assets		96,081	79,839	486,290
Revaluation of fixed assets transferred to investment property		-	758	-
Tax effect	21	(26,310)	(22,483)	(109,229)
Total other comprehensive income for the period that will not be carried to profit and loss, net of tax		80,659	68,365	368,578
Total other comprehensive income, net		375,796	184,924	763,130
Total comprehensive income for the period		1,729,726	539,787	640,421
Attributable to:				
Equity holders of the Company		1,727,799	537,392	638,204
Non-controlling interests		1,927	2,395	2,217
Comprehensive income for the period		1,729,726	539,787	640,421

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
			Capital reserves								
	Share capital	Share premium	Available-for-sale financial assets	Revaluation of investment after achieving control	Transactions with non-controlling interests	Translation of foreign operations	Revaluation	Retained earnings	Total	Non-controlling interests	Total equity
	NIS in thousands										
Balance at January 1, 2021	110,629	273,735	552,639	6,989	(1,735)	(1,986)	443,511	5,492,861	6,876,643	5,145	6,881,788
Profit for the period	-	-	-	-	-	-	-	1,351,942	1,351,942	1,988	1,353,930
Other comprehensive income (loss), net of tax	-	-	295,484	-	-	(347)	73,667	7,053	375,857	(61)	375,796
Total comprehensive income (loss)	-	-	295,484	-	-	(347)	73,667	1,358,995	1,727,799	1,927	1,729,726
Paid dividend	-	-	-	-	-	-	-	(47,000)	(47,000)	-	(47,000)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(250)	(250)
Balance at December 31, 2021	110,629	273,735	848,123	6,989	(1,735)	(2,333)	517,178	6,804,856	8,557,442	6,822	8,564,264

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
			Capital reserves								
	Share capital	Share premium	Available-for-sale financial assets	Revaluation of investment after achieving control	Transactions with non-controlling interests	Translation of foreign operations	Revaluation	Retained earnings	Total	Non-controlling interests	Total equity
	NIS in thousands										
Balance at January 1, 2020	110,629	273,735	435,317	6,989	(1,735)	(1,223)	381,910	5,133,629 *)	6,339,251	5,956	6,345,207
Profit for the period	-	-	-	-	-	-	-	352,487	352,487	2,376	354,863
Other comprehensive income (loss), net of tax	-	-	117,322	-	-	(763)	61,601	6,745	184,905	19	184,924
Total comprehensive income (loss)	-	-	117,322	-	-	(763)	61,601	359,232	537,392	2,395	539,787
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(3,206)	(3,206)
Balance at December 31, 2020	110,629	273,735	552,639	6,989	(1,735)	(1,986)	443,511	5,492,861	6,876,643	5,145	6,881,788

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
			Capital reserves								
	Share capital	Share premium	Available-for-sale financial assets	Revaluation of investment after achieving control	Transactions with non-controlling Interests	Translation of foreign operations	Revaluation	Retained earnings	Total	Non-controlling interests	Total equity
	NIS in thousands										
Balance at January 1, 2019	110,629	273,735	39,715	6,989	(1,735)	(173)	7,346	5,614,541	6, 051,047	10,242	6,061,289
Profit (loss) for the period	-	-	-	-	-	-	-	(125,075)*)	(125,075)	2,366	(122,709)
Other comprehensive income (loss), net of tax	-	-	395,602	-	-	(1,050)	374,564	(5,837)	763,279	(149)	763,130
Total comprehensive income (loss)	-	-	395,602	-	-	(1,050)	374,564	(130,912)	638,204	2,217	640,421
Paid dividend	-	-	-	-	-	-	-	(350,000)	(350,000)	-	(350,000)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(6,503)	(6,503)
Balance at December 31, 2019	110,629	273,735	435,317	6,989	(1,735)	(1,223)	381,910	5,133,629	6, 339,251	5,956	6,345,207

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

Consolidated Statements of Cash Flows

	Sch.	2021	2020	2019
		Year ended December 31		
		NIS in thousands		
Cash flows from current activities	A	7,122,780	(5,072,187)	4,657,165
Cash flows from investment activities				
Investment in affiliates		(8,717)	(8)	(990)
Proceeds from the realization of investment in affiliate and assets held for sale net of transaction costs		5,462	1,676	427,752
Investment in fixed assets		(38,568)	(23,364)	(22,284)
Investment in intangible assets		(203,927)	(162,795)	(155,627)
Dividend received from affiliates		412	2,287	9,172
Proceeds from sale of intangible assets		-	140	1,164
Proceeds from sale of fixed assets		91	222	125
Net cash from (used in) investment activities		(245,247)	(181,842)	259,312
Cash flows from finance activities				
Receipt of loans from banks and others		-	28	-
Repo liability in respect of non-yield dependent insurance contracts and investment contracts, net		319,642	1,006,700	-
Repo liability in respect of yield dependent insurance contracts and investment contracts, net		77,532		
Proceeds from issue of bonds		425,528	-	250,000
Less issue expenses		(4,015)	-	(306)
Repayment of loans from banks and others		-	(2,956)	-
Repayment of lease liability principal		(31,339)	(31,537)	(33,385)
Redemption of bonds		-	-	(517,860)
Change in short-term credit from banking institutions and others, net		33,138	(121)	(35,084)
Dividend to non-controlling interests		(250)	(3,206)	(6,503)
Dividend		(47,000)	-	(350,000)
Net cash from (used in) finance activities		773,236	968,908	(693,138)
Effect of exchange rate fluctuations on balances of cash and cash equivalents		(25,288)	(170,526)	(213,312)
Increase (decrease) in cash and cash equivalents		7,625,481	(4,455,647)	4,010,027
Balance of cash and cash equivalents at beginning of period	B	12,842,818	17,298,465	13,288,438
Balance of cash and cash equivalents at end of period	C	20,468,299	12,842,818	17,298,465

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

Consolidated Statements of Cash Flows

	Year ended December 31		
	2021	**2020**	**2019**
		NIS in thousands	
SCHEDULE A - CASH FLOWS FROM CURRENT ACTIVITIES BEFORE TAXES ON INCOME (1)			
Profit (loss) for the Period	1,353,930	354,863	(122,709)*)
Items not involving cash flows:			
Company's share in results of investees, net	(730)	1,488	(14,706)
Net gains from financial investments for yield dependent insurance and investment contracts	(17,381,785)	(5,796,290)	(11,926,432)
Net losses (gains) from other financial investments:			
Quoted debt assets	(387,718)	(279,164)	(444,611)
Unquoted debt assets	(1,768,543)	(1,063,306)	(1,244,204)
Shares	(110,474)	29,377	(138,028)
Other investments	(702,482)	(136,349)	(340,127)
Finance expenses in respect of financial and other liabilities	3,073	12,318	13,556
Loss (gain) from realization:			
Intangible assets	2,283	2,912	1,815
Fixed assets	1,410	909	154
Investees and assets held for sale	-	-	(84,048)
Change in fair value of investment property for yield dependent contracts	(297,165)	27,472	(306,611)
Change in fair value of other investment property	(65,973)	(3,057)	(17,581)
Depreciation and amortization:			
Fixed assets	126,650	117,146	95,205
Intangible assets	111,816	120,864	134,964
Impairment of intangible assets	4,449	491	-
Change in liabilities for yield dependent insurance and investment contracts	17,073,273	6,491,900	15,979,319
Change in liabilities for non-yield dependent insurance and investment contracts	2,130,208	1,333,910	(* 2,190,338
Change in reinsurance assets	(123,846)	(185,058)	(38,438)
Change in deferred acquisition costs	(71,653)	94,404	(24,089)
Taxes on income (tax benefit)	729,110	167,978	(21,152)*)
Changes in other balance sheet items			
Financial investments and investment property for yield dependent contracts			
Acquisition of investment property	(124,064)	(78,797)	(362,044)
Proceeds from sale of investment property	50,997	27,000	-
Net realizations (acquisitions) of financial investments	721,087	(9,517,446)	(3,667,214)
Other financial investments and investment property			
Acquisition of investment property	(22,505)	(17,818)	(131,972)
Proceeds from sale of investment property	118,903	103,500	-
Net realizations (acquisitions) of financial investments	(354,388)	(2,611,452)	218,557
Outstanding premiums	16,380	(16,234)	21,840
Debtors and receivables	15,191	94,395	605,698
Creditors and payables	322,776	1,215,612	200,157
Liabilities in respect of employee benefits, net	13,623	(1,048)	(27,451)
Assets held for sale	-	-	(5,312)
Total adjustments required for presenting cash flows from (used in) current activities	29,903	(9,864,343)	667,583

(1) The cash flows from current activities include net acquisitions and sales of financial investments and investment property, mainly deriving from the activity in respect of insurance and investment contracts.

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

Consolidated Statements of Cash Flows

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
SCHEDULE A - CASH FLOWS FROM CURRENT ACTIVITIES BEFORE TAXES ON INCOME (1) (Cont.)			
Cash paid and received during the period			
Interest paid	(162,139)	(162,666)	(163,330)
Interest received	2,765,083	2,861,622	2,946,485
Taxes paid, net	(316,316)	(120,376)	(114,180)
Dividend received from financial investments	3,452,319	1,858,713	1,443,316
Net cash from (used in) current activities	7,122,780	(5,072,187)	4,657,165

(1) The cash flows from current activities include net acquisitions and sales of financial investments and investment property, mainly deriving from the activity in respect of insurance and investment contracts.

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Schedule B – Cash and cash equivalents at the beginning of period			
Cash and cash equivalents for yield dependent contracts	9,168,697	13,983,926	10,564,992
Other cash and cash equivalents	3,674,121	3,314,539	2,723,446
	12,842,818	17,298,465	13,288,438
Schedule C – Cash and cash equivalents at the end of period			
Cash and cash equivalents for yield dependent contracts	13,621,535	9,168,697	13,983,926
Other cash and cash equivalents	6,846,764	3,674,121	3,314,539
	20,468,299	12,842,818	17,298,465
Schedule D – Significant activities not involving cash flows			
Acquisition of fixed assets, intangible assets and investment property against creditors	52,188	42,913	16,803
Recognition of right-of-use asset against lease liabilities	27,349	-	-
Proceeds not yet received in the sale of property for investment	1,350	1,500	-

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

Note 1 - General

a. The reporting entity

Migdal Insurance and Financial Holdings Ltd. ("the Company") is a company incorporated and resident in Israel whose formal address is 4 Efal St., Kiryat Arie, Petach Tikva. The Company's consolidated financial statements as of December 31, 2021 include the financial statements of the Company and its subsidiaries (collectively - "the Group") and investments in affiliates. The Group operates primarily in the insurance, pension, provident funds and financial services lines of business. The Company's securities are listed for trade on the Tel-Aviv Stock Exchange ("the TASE").

b. Control of the Company:

The Company is controlled by Eliahu Issues Ltd. ("Eliahu Issues"), a wholly owned subsidiary of Eliahu 1959 Ltd. ("Eliahu 1959"), which holds about 64% of the Company's share capital. Eliahu 1959 has informed the Company as follows:

- In September 2017 Eliahu Issues executed a private placement to institutional investors of long-term bonds that were listed for trade on the stock exchange TACT Institutional.
- As part of the issue, Eliahu Issues issued options to the buyers of the bonds, for no consideration, to purchase 159,900 thousand shares of the Company from Eliahu Issues, in three series of the same quantity, that will be exercisable over two, three and four years, respectively, from the date the shares were transferred to Eliahu Issues. The first of the three series expired in September 2019 and the second of the three series expired in September 2020. In the months July-September 2021 the buyer of the bonds exercised options in the amount of 44,052 thousand of the Company's shares. As a result of exercising the options the interest of Eliahu 1959 in the Company decreased from 68% to 64%. In September 2021 the balance of the third series expired.
- Mr. Shlomo Eliahu is the ultimate controlling shareholder of the Company and Eliahu 1959, among others, through Shlomo Eliahu Holdings Ltd. and Eliahu Brothers Trust and Investment Company Ltd., which are under his control.

c. The coronavirus crisis:

At the end of 2019 the coronavirus (COVID-19) ("the virus") broke out over the world and at the beginning of 2020 also in Israel. The outbreak of the virus, which caused a significant wave of disease around the world, was and is a macro-economic event with extensive effect on the economies of the world including Israel. As a result of the development of several vaccinations against the virus and a large part of the world's population being vaccinated, the spread of the virus around the world has been curbed and the global economy is recovering.

Notwithstanding the aforesaid, in 2021 new variants of the virus have spread (some of which were resistant to the vaccination to some extent) which caused additional waves of infection. The response of the Israeli economy to the spread of the new variants and to the waves of infection that were caused by them did not include serious restrictions on business activity, unlike the actions that were taken before to deal with the virus and its variants, so that also at the peak of the waves of infection experienced by the population in Israel, activity did not decrease significantly in the reporting period and the business activity of the Israeli economy continued without interruption.

Nevertheless, since as aforesaid this is a macro-economic event, it is clarified that at this time the Company is unable to fully assess the future and long-term effects of the coronavirus crisis on the Group's business activity and financial position because of, inter alia, the difficulty in assessing the long-term effects of the coronavirus crisis on the Israeli and global economy.

d. Definitions

The Company	-	Migdal Insurance and Financial Holdings Ltd.
The Group	-	Migdal Insurance and Financial Holdings Ltd. and its subsidiaries
Consolidated companies/ Subsidiaries	-	Companies controlled by the Company whose financial statements are consolidated with those of the Company.
Affiliates	-	Companies in which the Company has significant influence and that are not subsidiaries. The Company's investment therein is accounted for in the consolidated financial statements of the Company using the equity method.

Note 1 - General (Cont.)

d. Definitions (cont.)

Investee companies	-	Subsidiaries and affiliates
The parent company or Eliahu Issues	-	Eliahu Issues Ltd.
Migdal Insurance	-	Migdal Insurance Company Ltd.
Makefet	-	Migdal Makefet Pension and Provident Funds Ltd.
Yozma	-	Yozma Pension Fund For the Self Employed Ltd.
Migdal Capital Raising	-	Migdal Insurance Capital Raising Ltd., a subsidiary of Migdal Insurance.
The Institutional Entities	-	The institutional entities in the Group pursuant to the Control Law which include Migdal Insurance, Makefet and Yozma.
Related Parties	-	As defined in IAS 24 (2009) regarding related parties.
Interested parties	-	As defined in paragraph (1) to the definition of "an interested party" in a corporation, under Section 1 to the Securities Law, 1968.
The Commissioner or the Supervisor	-	Commissioner of the Capital Market, Insurance and Savings Division.
Control Law	-	The Control of Financial Services Law (Insurance), 1981.
Capital Regulations	-	Control of Financial Services Regulations (Insurance) (Minimum Shareholders' Equity required from an Insurer), 1998, as amended.
Ways of Investment Regulations	-	Control of Financial Services (Provident Funds) (Investment Regulations Applying to Institutional Entities), 2012 and the Institutional Entities Circular "Investment Rules applying to Institutional Entities" issued by the Commissioner.
Report Regulations	-	Control of Insurance Business Regulations (Details of Report) 1998, as amended
Insurance Contracts	-	Contracts under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment Contracts	-	Policies which are not considered to be insurance contracts.
Yield Dependent Contracts	-	Insurance contracts and investment contracts in the life assurance and health insurance segments, in which the liabilities, are linked to the investment portfolio's yield, due to the savings component or the risk therein (policies, participating in investment income).
Assets in respect of yield dependent contracts	-	Total assets held against liabilities derived from yield dependent contracts.
Reinsurance assets	-	Reinsurers' share in insurance reserves and outstanding claims.
Liabilities for insurance contracts and investment contracts	-	Insurance reserves and outstanding claims in the life assurance, general insurance and health insurance segments of activity.
Premiums	-	Premiums including fees.
Earned premiums	-	Premiums relating to the reporting period.
Bonds	-	Subordinated liability certificates.
Tier 2 capital	-	Other tier 1 equity instrument that was not included in tier 1, tier 2 equity instrument, hybrid tier 2 equity instrument, hybrid tier 3 equity instrument.

Note 2 - Significant Accounting Policies

a. Basis of measurement of the financial statements:

The consolidated financial statements have been prepared on the historical cost basis, with the exception of the following assets and liabilities: insurance liabilities, financial instruments measured at fair value through profit or loss, available-for-sale financial instruments and investment property, freehold land and office buildings, liabilities for employee severance benefits, deferred taxes and investments in affiliates.

For additional information regarding the measurement of these assets and liabilities see paragraphs i, j, k, l, m, q and u below.

b. Basis of preparation of the financial statements:

The consolidated financial statements have been prepared by the Group in accordance with IFRS.

Furthermore, the financial statements have been prepared in accordance with the disclosure requirements of the Control of Financial Services (Insurance) Law, 1981 and the regulations enacted thereunder, and in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010, insofar as these regulations apply to insurance companies.

The accounting policies adopted in the financial statements were applied consistently for all the reported periods, unless stated otherwise.

c. The significant judgements, estimates and assumptions used in the preparation of the financial statements:

The judgements.

In the process of applying the Group's accounting policies, management has considered the following issues which have the most significant effect on the amounts recognized in the financial statements:

1. Classification and designation of financial investments:

- Financial assets measured at fair value through profit or loss.
- Investments held to maturity.
- Loans and receivables.
- Available-for-sale financial assets.

See j(6) hereinafter.

2. Classification of insurance contracts and investment contracts:

Insurance contracts are contracts in which the insurer takes a significant insurance risk from another party. Management examines whether each contract or a group of contracts involve taking a significant insurance risk and, therefore, whether they should be classified as an insurance contract or an investment contract.

Estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the adoption of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates in view of, among other things, extensive regulatory changes in the insurance branch and long-term savings that are likely to have significant implications that cannot be estimated at this stage.

The preparation of accounting estimates used in the preparation of the Company's financial statements requires management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

The basis of the estimates and assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period in which the estimates are changed.

Critical estimates

Hereunder is information regarding critical estimates made during the application of the accounting policies and which have a significant effect on the financial statements:

Note 2 - Significant Accounting Policies (Cont.)

c. The significant judgements, estimates and assumptions used in the preparation of the financial statements: (cont.)

- Liabilities in respect of insurance contracts and investment contracts – these liabilities are based on the actuarial valuation method and on valuations regarding demographic and economic variables. The actuarial valuations and the various assumptions are based on past experience and are mainly based on the fact that past behavioral patterns and claims represent future behavior. Change in the risk factors, frequency of events or their severity, as well as a change in the legal situation, might have a significant influence on the volume of liabilities for insurance contracts.

  For additional details see Notes 36.b.2 and 36.b.3 below.

  Regarding changes in main assumptions and estimates used in calculation of life assurance and health insurance reserves, including supplementary reserve for annuity, see Note 36.b.3.b)(5)(a) below.

  Regarding the reserve adequacy test see paragraph i.1.g) below

- Legal claims – there are legal claims against the Group, as well as requests to approve claims as class actions. For the estimates of the chances of the legal claims that were filed against the Group, the companies relied on the opinion of its legal advisors. The legal advisors' opinion is based on their professional judgment, taking into consideration the stage reached in the legal proceedings and the legal experience gained in various issues. Since the outcome of the claims will be determined in court, actual results could differ from these estimates.

  In addition to the applications to approve class actions, legal proceedings and other proceedings that were filed against the Group, there is a general exposure that cannot be estimated and/or quantified, stemming, among others, from the complexity of the services that the Group renders to its policyholders. Inherent in the complexity of these arrangements is, among others, the potential for disagreements regarding interpretations and other differences due to information gaps between the Group and third parties to insurance contracts pertaining to a long series of commercial conditions and regulatory changes.

  For additional information see Note 38(1) below.

- Fair value measurements of unquoted debt assets - the fair value of unquoted debt assets measured at fair value through profit and loss and unquoted financial assets whose information for their fair value is given for disclosure purposes only, is calculated according to a model based on discounted cash flows in which the interest rates and price quotas used are determined by a company that provides them to institutional entities.

  For additional information, see Note 12.f.

- Impairment of goodwill – the Group examines impairment of goodwill at least annually. The examination requires management to make an estimate of the future cash flows expected to be derived from the disposal or continuing use of the cash generating unit (or group of cash generating units) to which goodwill is allocated. In addition, management is required to estimate the appropriate discount rates for these cash flows.

  For additional information, see Note 4.b.

- Determination of the recoverability of deferred acquisition costs – the recoverability of deferred acquisition costs is examined at least once a year using assumptions regarding rates of cancellations, mortality, morbidity and other variables. As mentioned in paragraphs j.1(e), j.1(f) and j.3(f) hereunder, if there is no recoverability according to these assumptions, it may be necessary to accelerate the amortization or to even write off the deferred acquisition costs.

  For additional information, see Note 5.

- Impairment of financial investments – when there is objective evidence that there is an impairment loss in respect of loans and debtors that are reported at amortized cost, or that the value of available for sale financial assets is impaired and there is impairment in their respect, the amount of loss is recognized in the statement of profit and loss. On the reporting date the Group examines whether such objective evidence exists.

  For additional information, see Note 12.

- Determination of the fair value of investment property - investment property that can be measured reliably is reported at fair value as at the reporting date and changes in fair value are recognized in the statement of profit and loss. The fair value is determined by independent external appraisers based on economic value estimates that include assumptions regarding estimates of anticipated future cash flows that will be generated from the asset and an estimate of the appropriate discount rate for these cash flows as well as by reference to recent real estate transactions with similar characteristics and locations as the estimated asset.

Note 2 - Significant Accounting Policies (Cont.)

c. The significant judgements, estimates and assumptions used in the preparation of the financial statements: (cont.)

In measuring the fair value of investment property, the Group's management and appraisers are required to use certain assumptions regarding the rate of return required for Group assets, future rental prices, occupancy rates, contract renewals, the probability of renting vacant space, the costs of operating the properties, the financial health of the tenants and implications arising from investments required for future development so as to estimate the future cash flows from the assets.

For additional information see Note 8.

- Revaluation of fixed assets – The Group measures freehold land and office buildings that constitute fixed assets at revalued amounts, and changes in fair value are recognized in other comprehensive income. The fair value is determined by qualified independent external appraisers in accordance with economic valuations that are based on comparisons to transactions in similar assets that were recently carried out on the real estate market with respect to real estate having similar characteristics including location, physical condition, designation and so forth, or by means of a discounted income method that is based on the present value of the estimated operating cash flows from rentals that derive from the property, according to net annual cash flows before tax, discounted at a discount rate that reflects the specific risks inherent in them

d. Change in classification**:**

Classifications were executed in the components of notes 6, 8, 10, 31 and 32.

The above reclassifications had no effect on the equity, profit and loss or comprehensive income

e. Financial statement structure and the operating cycle::

The Group's regular operating cycle usually exceeds one year, especially in relation to the following lines: life assurance and long-term savings, LTC, disease and hospitalization and general liability and motor act insurance.

The consolidated statements of financial position, which mainly include the assets and liabilities of an insurance subsidiary, are presented in order of liquidity with no distinction between current and non-current. This presentation provides more reliable and relevant information, consistent with IAS 1, "Presentation of Financial Statements”.

f. Functional currency and foreign currency:

1. Functional and presentation currencies:

The consolidated financial statements are reported in New Israeli Shekels ("NIS") and have been rounded to the nearest thousand. NIS is the Group's functional currency and is the currency that best reflects the economic environment in which the Group operates.

2. Transactions, assets and liabilities in foreign currency:

Foreign currency transactions are translated into the functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency exchange difference in respect of the monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising from translation to the functional currency are usually recognized in profit or loss, except for differences arising on the translation of available-for-sale financial equity instruments which are recognized in other comprehensive income (except in cases of impairment when the translation differences recognized in the other comprehensive income are allocated to profit or loss).

Non-monetary items denominated in foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign activities are translated to NIS at the exchange rate at the reporting date. Income and expenses of foreign activities are translated at exchange rates at the dates of the transactions.

Exchange rate differences from the translation of foreign activities are recognized in other comprehensive income and are presented in equity in translation reserve of foreign activities.

In general, exchange rate differences on loans received from or provided to foreign operations, are recognized in the consolidated financial statements in profit or loss

Note 2 - Significant Accounting Policies (Cont.)

f. Functional currency and foreign currency: (cont.)

2. Transactions, assets and liabilities in foreign currency: (cont.)

When the settlement of loans received or granted to a foreign operation is neither planned nor likely in the foreseeable future, profits and losses from exchange rate differences resulting from these monetary items are included as part of the investment in foreign operations, net, recognized in other comprehensive income and are presented as part of the foreign operation translation reserve.

When a foreign operation is disposed of, such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

g. Consolidated financial statements, business combinations and goodwill:

1. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Substantive rights held by the Group and others are taken into account when assessing control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

Significant intragroup balances and transactions, and gains or losses resulting from transactions between the Company and subsidiaries are eliminated in full in the consolidated financial statements.

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 have been consistently applied with those applied in the financial statements of the Company

2. Business combinations and goodwill:

The Group implements the acquisition method regarding every business combination.

The Group recognizes goodwill upon acquisition according to the fair value of the consideration transferred including the amounts recognized in respect of any non-controlling interests in the acquiree and the fair value as at the date of acquisition of the equity interests of acquiree previously held by the purchaser, less the net amount related upon acquisition to identifiable assets acquired and for the liabilities assumed.

The acquirer recognizes, at the acquisition date, a contingent liability assumed in a business combination if there is a present obligation resulting from past events and its fair value can be measured reliably.

The consideration transferred includes the fair value of the assets transferred to the former owners of the acquiree, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity instruments that were issued by the Group. In an acquisition achieved in stages, the difference between the acquisition date fair value of equity rights in the acquiree previously held by the Group and the carrying amount at that date is recognized in profit or loss under other income or expenses. In addition, the consideration transferred includes the fair value of any contingent consideration. After the acquisition date, the Group recognizes changes in fair value of the contingent consideration classified as a financial liability in profit or loss, whereas the contingent consideration which is classified as an equity instrument is not remeasured.

Acquisition-related costs incurred by the acquirer in a business combination such as: brokers fees, consultation commissions, legal commissions, valuation and other fees for professional services or consulting services, except those related to issuing debt instruments or equity in connection with the business combination, are expensed during the period in which the services are received.

Regarding the testing of goodwill impairment, see paragraph o below.

When goodwill is allocated to cash-generating units, upon realization of a cash generating unit, the difference between the consideration and the net assets plus the unamortized goodwill balance, is recognized in the statement of profit and loss. Profit or loss from the disposal of part of the cash generating unit includes part of the goodwill measured according to the proportion of the cash generating unit realized.

Note 2 - Significant Accounting Policies (Cont.)

g Consolidated financial statements, business combinations and goodwill: (cont.)

3 Non-controlling interests:

Non-controlling interests arise from the capital of a subsidiary which cannot be attributed directly or indirectly to the parent company.

Allocation of the comprehensive income to the shareholders

The profit or loss and any component of other comprehensive income are attributed to the Company's owners and to non-controlling interests. The amount of comprehensive income is attributed to the Company's shareholders and non-controlling interests even when the result is a negative balance of the non-controlling interest.

Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests, while retaining control, are accounted for as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is included in the equity attributable to the Company's shareholders within a capital reserve.

Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. The amounts recognized in capital reserves through other comprehensive income with respect to the same subsidiary are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the subsidiary had itself realized the same assets or liabilities. The gain or loss from loss of control is recognized under other expenses or other income.

h. Investment in affiliates:

Affiliates are entities in which the Group has significant influence, but not control, over their financial and operating policy.

In assessing significant influence, holding rates, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Investments in affiliates are accounted for using the equity method and are initially recognized at cost, including transaction costs. The investment includes initial differences calculated at the date of acquisition. The goodwill is calculated at the time of acquisition and is not amortized systematically. The investment is reported net of accumulated losses from impairment. The consolidated financial statements include the Group's share of the income and expenses, profit or loss and other comprehensive income of affiliates, accounted for under the equity method, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences and until the date that significant influence ceases.

Unrealized gains from transactions with affiliates are eliminated pro rata to the Group's share of the investments therein. Unrealized losses are eliminated in the same manner as unrealized gains as long as there is no evidence of impairment.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including long-term investments, which are part of the investment in the investee, is reduced to nil and the Group does not recognize further losses unless the Group has a commitment to support the investee or has made payments on its behalf.

The financial statements of the Company and the affiliates are prepared at the same dates and for the same periods.

Loss of significant influence

The Group discontinues implementing the equity method from the date it loses significant influence or obtains control and it accounts for the remaining investment as a financial asset or as a subsidiary, as applicable.

On the date on which the Group ceases to have a significant influence, the Group measures any investment that the Group still has in the former affiliate at fair value and recognizes in profit or loss under other income or expenses any difference between the fair value of any remaining investment and any consideration from the partial realization of the investment in the affiliate and the carrying value of the investment at that time.

Note 2 - Significant Accounting Policies (Cont.)

h. Investment in affiliates (cont.)

The amounts recognized in equity through other comprehensive income with respect to the same affiliate are reclassified to profit or loss or to retained earnings as would have been required if the affiliate had itself realized the related assets or liabilities.

Change in ownership interests in affiliates while retaining significant influence

When the Group increases its interest in an affiliate while retaining significant influence, it implements the acquisition method only with respect to the additional interest obtained whereas the previous interest remains unchanged.

When there is a decrease in the interest in an affiliate accounted for by the equity method while retaining significant influence, the Group derecognizes a proportionate part of its investment and recognizes in profit or loss a gain or loss from the sale under other income or other expenses.

Furthermore, on the same date, a proportionate part of the amounts recognized in equity through other comprehensive income with respect to the same affiliate are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the affiliate had itself realized the same assets or liabilities.

i. Insurance contracts and asset management contracts:

IFRS 4 which deals with insurance contracts allows the insurer to continue the accounting policies adopted before the transition to IFRS for insurance contracts it issues (including related acquisition costs and related intangible assets) as well as reinsurance contracts acquired.

Hereunder is a summary of the accounting principles relating to insurance contracts:

1. Life assurance and long-term savings:

a) Revenue recognition - see paragraph s below

b) Liabilities in respect of life assurance contracts:

Liabilities in respect of life assurance contracts are computed according to the Commissioner's directives (regulations and circulars), accounting principles and generally accepted actuarial methods. The liabilities are computed according to the relevant coverage data, such as: the age of the policyholder, number of years of coverage, type of insurance, amount of insurance, etc.

Liabilities in respect of life assurance contracts are determined on the basis of actuarial assessments, carried out by Migdal Insurance's appointed actuary, Mr. Daniel Katzman who is an employee of Migdal Insurance. The reinsurers' share in liabilities for life assurance contracts is determined according to the conditions of the relevant contracts.

c) Liabilities in respect of life assurance contracts linked to the index and the investments linked to the index that are utilized to cover these liabilities are included in the financial statements according to the last index published prior to the balance sheet date, including liabilities for life assurance contracts with respect to policies that, according to their terms, are semi-annually linked.

d) The Commissioner's directives regarding liabilities for payment of annuities:

Circulars issued by the Commissioner regarding the calculation of liabilities for annuities in life assurance policies, determine instructions for the calculation of the provisions as a result of the rate of the improvement in life expectancy. The instructions require monitoring the sufficiency of the liabilities with respect to life assurance contracts which allow receipt of an annuity and the supplementation of the reserves in an appropriate manner.

For further information see Note 36.b(3)(b) below.

e) Deferred acquisition costs in life assurance:

(1) Deferred acquisition costs ("DAC") in respect of life assurance policies include commissions for agents, distributors and acquisition supervisors as well as administrative and general expenses relating to the acquisition of new policies. The DAC is amortized in equal annual rates over the policy's term, but not over more than 15 years. The DAC in respect of cancelled policies are written-off at the time of cancellation.

Note 2 - Significant Accounting Policies (Cont.)

i. Insurance contracts and asset management contracts: (cont.)

1. Life assurance and long-term savings: (cont.)

(2) At least once a year the actuary of Migdal Insurance examines the recoverability of the DAC. The examination is performed in order to verify that the liabilities in respect of insurance contracts net of DAC are expected to produce future income that will cover the balance of the DAC and the insurance liabilities, the operating expenses and the commissions relating to those policies. The examination is performed for all individual insurance policies and for all underwriting years together

The assumptions underlying this examination include assumptions regarding cancellations, operating expenses, rate of return on assets, mortality and morbidity rates that are determined by Migdal Insurance's actuary every year based on past experience and relevant up-to-date research studies.

f) Deferred acquisition costs for the acquisition of asset management contracts:

Commissions paid to agents and acquisition supervisors for the purchase of asset-management contracts (pension funds and provident funds) are recorded as DAC if they can be identified separately and measured reliably and if their recoverability by way of management fees is expected. The DAC is amortized over the estimated period of receipt of revenues from management fees, and also considers cancellations. In accordance with international standards, as from 2018 the Company estimates cancellation rates over the average duration of the amortization. The actuary examines the recoverability of the DAC each year so as to reflect the value of the asset.

The assumptions used in the examination include assumptions regarding cancellations, operating expenses, rate of return on assets, mortality and morbidity that are determined by the Company's actuary every year based on past experience and relevant up-to-date research studies.

g) Liability Adequacy Test in respect of life assurance contracts:

Migdal Insurance examines the sufficiency of the liabilities in respect of life assurance contracts. If the examination shows that all the future income from the relevant policies does not cover all the future expenses from these policies, a special provision for the deficiency is recorded. The examination is performed separately for the individual policies and for group policies. In the case of group policies, the examination is performed for each group policy separately. The examination is performed for groups of policies that were defined by the Commissioner and in accordance with insurance circular 2015-1-14 from August 2, 2015 with respect to LAT and insurance circular 2020-1-5 "Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities – Liability Adequacy Test (LAT)".

The assumptions used in the abovementioned examinations include assumptions regarding cancellations, operating and commission expenses, return on assets, interest rates, illiquidity premiums, mortality rates, annuity realization rates and morbidity and taking into consideration fair value surplus of assets above their book value. The assumptions are determined by the actuary every year based on examinations of past experience, other relevant research and regulatory provisions.

For further information see Note 36.b.3.b)(4) below.

h) Outstanding claims:

Outstanding claims are computed on an individual case basis, according to the estimation of Migdal Insurance, on the basis of notifications regarding insurance events and sums insured.

The provisions for annuity payments and provisions for prolonged payment claims in payment for disability insurance, the direct and indirect expenses deriving from them, as well as the provisions for incurred but not yet reported claims (IBNR) are included under liabilities for insurance contracts.

i) Investment contracts:

Receipts in respect of investment contracts are not included in the item of earned premiums but are directly allocated to the item of liabilities for insurance and investment contracts. Surrenders and maturities of these contracts are not recognized in the statement of profit and loss, but are deducted directly from the liabilities for insurance and investment contracts.

Note 2 - Significant Accounting Policies (Cont.)

i. Insurance contracts and asset management contracts: (cont.)

Investment income, change in liabilities and payments in respect of insurance contracts due to the policyholders' share in investment income, management fees, commissions to agents, and general and administrative expenses are recognized in the statement of profit and loss, in respect of these contracts.

j) Provision for profit participation of policyholders in group insurance:

The provision is included under the item "creditors and payables". Also, the change in the provision is offset from the gross premiums earned item.

2. General insurance

a) Revenue recognition, see paragraph s below

b) The item of payments and change in liabilities in respect of gross and retained insurance contracts includes, among others, settlement and direct handling costs of claims paid, indirect expenses for settlement of outstanding claims that occurred during the reported period, as well as an update of the provision for outstanding claims (which includes a provision for direct and indirect claims handling costs) reported in previous years.

c) Liabilities for insurance contracts and deferred acquisition costs:

The insurance reserves and outstanding claims, included in the item liabilities in respect of insurance contracts, and the reinsurers' share in reserves and outstanding claims, included in the item reinsurance assets and deferred acquisition costs in general insurance were computed in accordance with the Financial Services Regulations (Insurance) (Calculation of Reserves in General Insurance), 2013 (hereinafter: "Regulation for Calculation of Reserves"), the Commissioner's directives and generally accepted actuarial methods for computing outstanding claims which are applied according to the discretion of the appointed actuary, Ms. Ronnie Ginor who is an employee of Migdal Insurance.

d) The item liabilities in respect of insurance contracts, is composed of insurance reserves and outstanding claims, as follows:

(1) Provision for the unearned premium reserve, reflects the insurance premiums relating to the insurance period after the balance sheet date.

(2) Provision for premium deficiency. This provision is recorded in the event that the unearned premium reserve (net of deferred acquisition costs) does not cover the anticipated cost in respect of insurance contracts. In the motor casco, motor compulsory and comprehensive residential branches the provision is based, among others, on a model determined in Regulations for Calculation of Reserves.

(3) Outstanding claims are computed according to the methods detailed below:

3.1 Outstanding claims (including IBNR) and the reinsurers' share therein are included based on an actuarial valuation, except for the branches detailed in Section 3.2 below. Indirect expenses for the settlement of claims are included according to an actuarial valuation. The actuarial calculation for Migdal Insurance was made by the appointed actuary Ms. Ronnie Ginor who is an employee of Migdal Insurance.

3.2 In the branches of comprehensive business premises, engineering insurance, contractors' insurance, marine insurance, aviation insurance, goods in transit, and incoming branches, the appointed actuary determined that an actuarial model cannot be applied due to lack of statistical significance. The outstanding claims in these branches were calculated on the basis of an individual valuation of each claim, according to an opinion received from the attorneys and experts of Migdal Insurance who handle claims, and with the addition of IBNR where necessary.

3.3 Subrogation and salvage are taken into account in the database used in the calculation of the actuarial valuations of outstanding claims

e) Examination of the adequacy of general insurance liabilities

The Company examines the adequacy of general insurance liabilities according to best practice principles as described in Note 36.b.3.c)(5).

Note 2 - Significant Accounting Policies (Cont.)

i. Insurance contracts and asset management contracts: (cont.)

2. General Insurance (cont.)

f) Deferred acquisition costs in general insurance include agents' commissions and administrative and general expenses related to the acquisition of polices, in respect of unearned insurance premiums. The acquisition costs are calculated at the lower of the actual costs or standard rates, set by the Control Regulations, calculated as a percentage of unearned premiums separately for each branch.

g) Incoming business from the Managing Corporation of Compulsory Vehicle Insurance Pool Ltd. (hereinafter: "The Pool"), from other insurance companies (including co-insurance) and from underwriting agencies, is reported according to reports received up to balance sheet date with the addition of the relevant provisions, based on Migdal Insurance's rate of participation in them.

3. Health Insurance

a) Revenue recognition – see paragraph s below.

b) Liabilities in respect of health insurance contracts:

The liabilities for health insurance contracts are computed according to the Commissioner's directives (Regulations and Circulars), generally accepted accounting principles and actuarial methods. The liabilities are computed according to relevant coverage data, such as age of policyholder, number of years of coverage, type of insurance and amount of insurance, etc.

Liabilities for health insurance contracts and the reinsurers' share therein are determined on the basis of an actuarial assessment carried out by Migdal Insurance appointed actuary, Mr. Daniel Katzman, an employee of Migdal Insurance.

c) Outstanding claims:

The provisions for prolonged payment claims with respect to long-term care (LTC) insurance, direct and indirect expenses deriving from them, as well as provisions for incurred but not yet reported claims (IBNR) are included under the item of liabilities in respect of insurance contracts.

In the travel insurance branch, the actuary determined that the actuarial model cannot be applied due to a lack of statistical significance. The outstanding claims in these branches were calculated on the basis of an individual valuation of each claim, according to an opinion received from the attorneys and experts of Migdal Insurance who handle claims, and with the addition of IBNR where necessary.

d) Provision for policyholders' participation in profits in group insurance:

The provision is included under "creditors and payables". In addition, the change in the provision is offset from the earned premium item.

e) The unexpired risk reserve included under liabilities for insurance contracts, includes, when necessary, a provision for anticipated loss on retention (premium deficiency) calculated on the basis of an actuarial valuation which is based on the cash flows estimate in respect of the contract.

f) Liability Adequacy Test in respect of health insurance contracts:

Migdal Insurance examines the sufficiency of the liabilities in respect of health insurance contracts. If the examination shows that the premiums received are not sufficient to cover the expected claims, a special provision for the deficiency is recorded. The examination is performed separately for policy groups that were defined by the Commissioner.

The assumptions used in the abovementioned examinations include assumptions regarding cancellations, operating expenses, mortality and morbidity, interest rates and illiquidity premiums, and take into consideration fair value surplus of assets above their book value. The assumptions are determined by the actuary every year based on examinations, past experience and other relevant research. For group policies the examination is performed based on the claims experience of the individual group and subject to the statistical reliability of such experience.

For further information, including update of the illiquidity premium, see Note 36.b.3.b)(4) below.

Note 2 - Significant Accounting Policies (Cont.)

i. Insurance contracts and asset management contracts (Cont.)

3. Health Insurance (cont.)

g) Deferred acquisition costs

(1) Deferred acquisition costs include commissions to agents and acquisition supervisors as well as administrative and general expenses related to acquisition of new policies. The deferred acquisition costs in health insurance are amortized at equal rates over the policy's term, but not more than 6 years and in long term health insurance (such as long term care and dread diseases) not more than 15 years. Deferred acquisition costs relating to cancelled policies are written off on the cancellation date.

(2) Each year the actuary of Migdal Insurance examines the recoverability of the DAC. The examination is performed in order to make sure that liabilities in respect of insurance contracts, less the DAC in respect of sold policies are sufficient and expected revenues from the policies will cover the amortization of the DAC and the insurance liabilities, operational expenses and commissions in respect of those policies. The examination is performed for all the underwriting years together.

The assumptions used for this examination, including assumptions in respect of cancellations, operating expenses, return on assets, mortality and morbidity, are determined by Migdal Insurance's actuary every year and are based on past experience and recent relevant research studies.

j. Financial instruments:

The accounting policies applied by the Company with respect to financial instruments are according to IAS 39. See Note 2.X.(2) below regarding deferral of the adoption of IFRS 9.

1. Non-derivative financial instruments

Non-derivative financial instruments include both financial assets and financial liabilities. Financial assets include financial investments (quoted debt assets, unquoted debt assets, shares and others) and other financial assets such as: outstanding premiums, other debtors and cash and cash equivalents. In addition, financial instruments include financial liabilities such as loans and credit received, debt instruments, REPO commitment, suppliers' credit and other creditors.

Initial recognition of non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are created. All other financial assets acquired in a regular way purchase, including assets designated at fair value through profit or loss, are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument, meaning on the date the Group undertook to purchase or sell the asset.

Non-derivative financial instruments include investments in equity and debt securities, customers, other receivables, and cash and cash equivalents.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

See paragraph 3 hereunder regarding the offset of financial assets and financial liabilities.

Regular way sales of financial assets are recognized on the trade date, meaning on the date the Group undertook to sell the asset.

Financial assets are classified to the following categories

Cash and cash equivalents

Cash and cash equivalents include cash balances available for immediate use and call deposits in banks. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less), which are readily convertible into known amounts of cash and are exposed to insignificant risks of changes in value.

Note 2 - Significant Accounting Policies (Cont.

j. Financial instruments (cont.)

1. Non-derivative financial instruments (cont.)

Held-to-maturity investments

When the Group has the explicit intention 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 directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

Financial assets at fair value through profit or loss

A financial asset is classified as measured at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss, if the Group manages this type of investment and makes purchase and sale decisions based on their fair value, in accordance with the Group's documented risk management or investment strategy, providing that the designation is intended to prevent an accounting mismatch or the financial instrument includes an embedded derivative. Attributable transaction costs are recognized in profit and loss as incurred. These financial instruments are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified in any of the previous categories. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. In subsequent periods, these investments are measured at fair value and changes therein, other than impairment losses, profits or losses from changes in the CPI and in the foreign exchange rate and the accrual of effective interest on available-for-sale debt instruments, are recognized directly in other comprehensive income and presented within equity in a reserve for available-for-sale financial assets. A dividend received in respect of available-for-sale financial assets is recognized in profit or loss on the date the entity’s right to receive the dividend is established. When an investment is derecognized, the cumulative gain or loss in the reserve for available-for-sale financial assets is transferred to profit or loss.

2. Non-derivative financial liabilities:

The Group initially recognizes debt instruments that were issued on the date that they originated. Other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

3. Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal enforceable right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously

Note 2 - Significant Accounting Policies (Cont.)

j. Financial Instruments (cont.)

4. Derivative financial instruments:

Financial derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the financial derivatives are measured at fair value and changes therein are recognized immediately in profit or loss as investment income, net and finance income.

5. CPI-linked financial assets and financial liabilities not measured at fair value:

The value of CPI linked financial assets and financial liabilities, which are not measured at fair value, is adjusted every period in accordance with the actual increase/decrease in the CPI.

6. The Group has made decisions to classify and designate the assets as follows:

Assets included in the investment portfolios of policies participating in investment income

Most of these assets, that include quoted and unquoted financial assets, were designated at fair value through profit or loss, for the following reasons: These are managed portfolios, separate and identifiable, whose presentation at fair value significantly reduces the chance of accounting mismatch in measurement of assets and liabilities at different measurement bases. In addition, asset management is conducted at fair value, portfolio performance is measured at fair value according to a documented risk management strategy, and information regarding the financial instruments is reported to management (the relevant investment committee) internally on the basis of fair value.

Some unquoted debt instruments, included in investment portfolios of policies participating in investment income, are measured at amortized cost using the effective interest method, as allowed by the temporary provision published by the Commissioner and in accordance to the standard.

Financial instruments that include embedded derivatives requiring separation – these instruments were designated at fair value through profit or loss.

Quoted assets not included in investment portfolios held against profit participating policies (Nostro) which do not include embedded derivatives or do not constitute derivatives

These instruments were classified as available-for-sale financial instruments.

Unquoted assets not included in investment portfolios held against profit- participating policies (Nostro)

Assets meeting the criteria of loans and designated as loans and receivables, including Hetz bonds, were classified to this group and are measured at amortized cost, using the effective interest method.

Unquoted equity instruments were designated as available-for-sale financial instruments.

Investments in quoted securities in the financial statements of a subsidiary engaged in investment management

These assets were designated as fair value through profit or loss since they are held for trading.

7. Determination of fair value:

The fair value of investments traded actively in organized financial markets is determined by the market prices at the reporting date. For investments that do not have an active market, the fair value is determined by means of valuation methods. These methods are based on recent transactions under market conditions, reference to the current market value of another similar instrument, discounted cash flows or other valuation methods.

In determining fair value of an asset or a liability, the Group uses quoted market prices whenever possible. The measurement of fair value is divided into three levels on the basis of the data used in the measurement as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: directly or indirectly observable market data not included in Level 1 above.
- Level 3: data that is not based on observable market data.

For additional information regarding the interest rates that were used to determine fair value, see Note 12.f below.

Note 2 - Significant Accounting Policies (Cont.)

j. Financial Instruments (cont.)

8. Net investment income (losses), finance income and expenses:

Investment income (losses), net and finance income

Net investment income (losses) and finance income include income (losses) on the sale and impairment of available-for-sale financial assets, changes in fair value of financial assets and financial liabilities designated at fair value through profit or loss, income (losses) from foreign currency exchange rate and linkage differences on debt assets, from realization of investments that are calculated as the difference between the net proceeds from the sale and the initial or amortized cost and are recognized at the time of the sale, interest income in respect of amounts invested (including available for sale financial assets), income from dividends, changes in the fair value of investment property and rent from investment property.

Interest income is recognized when accrued, using the effective interest method.

Dividend income is recognized on the date the Group is granted the right to receive payment.

Gains and losses from exchange rate differences, from changes in the fair value of investments and from the disposal of investments are reported on a net basis.

Finance expenses

Finance expenses include interest expenses, linkage and exchange rate differences on loans received, interest and exchange rate differences on reinsurers' deposits and balances, and changes in the time value in respect of provisions. Short-term credit costs, which are not capitalized, are recognized in the statement of profit and loss when incurred.

k. Fixed assets

1. Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses, other than freehold land and office buildings that are presented on the basis of a revaluation, see hereunder.

The cost of a number of items of fixed assets was determined at their fair value as at January 1, 2007, which is the date of transition to IFRS (deemed cost).

Cost includes expenditure which can be directly attributed to the purchase of the asset. The cost of software purchased, which constitutes an integral part of the operation of the related equipment, is recognized as part of the cost of such equipment.

Gain or loss from disposal of an item of fixed assets is determined by comparing the consideration from disposal of the asset with the carrying amount of the asset and are recognized net under "other income" or "other expenses", as relevant, in profit or loss, in profit or loss.

Revaluation of freehold land and office buildings is recognized in a revaluation reserve that is presented within equity, net of the tax effect. The revaluation reserve is transferred directly to retained earnings upon disposal of the asset, or throughout the period of using the asset according to its rate of depreciation.

Revaluations are performed on a regular basis to ensure that the balance in the financial statements does not differ materially from the fair value at the reporting date.

The decrease in value of an asset that was revalued is recognized directly in other comprehensive income, up to the amount credited to the revaluation reserve of that asset. Any additional decrease in value is recognized in profit or loss. An increase in the value of the asset as a result of the revaluation is recognized in profit or loss up to the amount that it reverses impairment that was previously recognized in profit or loss. Any additional subsequent increase is recognized in a revaluation reserve.

2. Subsequent costs

The cost of replacing part of fixed assets and other subsequent expenses are capitalized if it is probable that the future economic benefits affiliated with them will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Ongoing maintenance costs are charged to profit or loss as incurred.

Note 2 - Significant Accounting Policies (Cont.)

k. Fixed assets (cont.)

3. Depreciation

Depreciation is recognized in the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of fixed assets, since this method reflects the projected pattern of consumption of future economic benefits embodied in the property in the best way.

Freehold land is not depreciated.

Depreciation rates for the current and comparative periods are as follows:

Buildings	2%-4%
Leasehold improvements	5%-20%
Motor vehicles	15%
Computers and software	10%-33%
Furniture and equipment	6%-33%

Leasehold improvements are depreciated according to the straight-line method over the shorter of lease term (including option period for extending the lease which the Group has and intends to realize), and their useful lives.

The estimates regarding depreciation method, useful lives and residual values are reviewed at least at the end of each reporting year and adjusted if appropriate.

l. Investment property

Investment property is property (land or building – or part of a building - or both) held (by the Group as the owners or under a finance lease) either to earn rental income or for capital appreciation or for both but not for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.

Furthermore, leased properties that are leased by the Group and are intended for rent to a third party, are classified and treated as investment property.

Investment property is initially measured at cost with the addition of transaction costs directly attributable to the acquisition. In subsequent periods the investment property is measured at fair value, with changes therein recognized in the statement of profit and loss.

In order to determine the fair value of the investment property the Group uses the valuations performed by external independent appraisers who are experts in the valuation of real estate and possess the knowledge and experience required.

Investment property is derecognized when it is either realized or when it is no longer utilized, and no future economic benefits are expected from its sale. The difference between the net proceeds from sale of the asset and the balance in the financial statements is recognized in profit and loss in the period in which the asset is derecognized.

The transfer of an asset from investment property to fixed assets is performed when there is a change in use, such as the beginning of use of the asset by the owners.

The deemed cost of the asset transferred from investment property to fixed assets is the fair value on the date of the transition.

When the use of a property changes from owner-occupied to investment property, which is measured at fair value, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognized in other comprehensive income and presented within equity in a revaluation reserve that will never be transferred to profit or loss, unless the gain reverses a previous impairment loss on the specific property, in which case the gain is first recognized in profit or loss. Any loss is recognized directly in profit or loss.

Investment property in development intended for use as investment property is measured at fair value, as mentioned above, if and when the fair value can be measured reliably. If fair value cannot be measured reliably, due to the characteristics and the amount of risk in the project, the property is measured at cost, less losses from impairment, if they exist, until the earlier between, when fair value may be measured reliably and when construction is completed. Cost of investment property under development includes the cost of the real estate, direct additional cost of planning and development and brokerage for contracts for the rental of the property.

For additional information, see Note 8 below.

Note 2 - Significant Accounting Policies (Cont.)

m. Leases

The Company accounts for a contract as a lease contract if the terms of the contract convey the right to control an identified asset for a period of time in exchange for consideration.

- The Group as a lessee

  For transactions in which the Company is the lessee, it recognizes a right-of-use asset and a lease liability at the date of initial application other than for leases for a period of up to 12 months and leases in which the underlying asset has a low value, for which the Company elected to recognize the lease payments as an expense in profit or loss on a straight line basis over the lease term. In its measurement of the lease liability the Company elected to apply the expedient included in IFRS 16 of not separating lease components from non-lease components such as: management services, maintenance services, and so forth, that are included in the same transaction.

  Transactions by which employees are entitled to receive a car from the Company as part of their employment terms are accounted for by the Company as employee benefits in accordance with IAS 19 and not as a sublease transaction.

  On the date of initial application the lease liability includes all the future lease payments discounted at the interest rate implicit in the lease when it is readily determinable or at the incremental borrowing rate of the Company. Subsequently the Company measures the lease liability using the effective interest method.

  The right-of-use asset is recognized at the date of initial application at the same amount of the lease liability plus lease payments that were paid on or before initial application and plus any incurred transaction costs.

  The right-of use asset is measured using the cost model and is depreciated over the shorter of its useful life or lease term. When there are indications of impairment, the Company tests impairment of the right-of-use asset in accordance with IAS 36.

- The Group as a lessor:

  The tests for classifying leases as finance or operating leases are based on the nature of the agreements and they are examined at the date of the transaction according to the provisions of IFRS 16:

  1. Finance lease

     A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership of an underlying asset.

  2. Operating lease

     Leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases. The lease payments are recognized as revenue in profit or loss on a straight line basis over the term of the lease. Initial direct 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.

  1. CPI linked lease payments

     At initial application the Group uses the CPI known at that date to calculate the future lease payments.

     Changes in the amount of the future lease payments as a result of changes in the CPI are capitalized (without changing the discount rate applicable to the lease liability) to the balance of the right-of-use asset and recognized as an adjustment to the balance of the lease liability, only when the cash flows deriving from the change in the CPI have changed (in other words, when the adjustment to the lease payments comes into effect).

  2. Variable lease payments

     Variable lease payments that are based on performance or use and do not depend on an index or interest rate are recognized as an expense as incurred

  3. Option to extend and terminate the lease term

     The non-cancellable lease term includes also periods that are covered by an option to extend the lease when it is reasonably certain that the option will be exercised and also periods covered by a termination option when it is reasonably certain that the termination option will not be exercised.

Note 2 - Significant Accounting Policies (Cont.)

m. Leases (cont.)

2. The Group as a lessor: (cont.)

3. Option to extend and terminate the lease term (cont.)

When the assessment regarding the likelihood of exercising an extension option or not exercising a termination option changes, the Group re-measures the balance of the lease liability according to the adjusted lease term using the discount rate at the date of the change in the assessment, and the overall change in the liability is included in the balance of the right-of-use asset until it is reduced to zero with any additional amount being recognized in profit or loss.

4. Lease modifications

For lease modifications that do not decrease the scope of the lease and are not accounted for as a separate lease transaction, the Group re-measures the balance of the lease liability according to the modified lease terms, at a revised discount rate at the date of the modification and recognizes the total amount of the change in the balance of the lease liability as part of the balance of the right-of-use asset.

For lease modifications that decrease the scope of the lease, the Group recognizes a profit or loss from the partial or full derecognition of the right-of-use asset and lease liability. Subsequently, the Group re-measures the balance of the lease liability in accordance with the revised lease terms, at a revised discount rate at the date of the modification and recognizes the total amount of the change in the balance of the lease liability as part of the balance of the right-of-use asset.

n. Intangible assets:

Intangible assets acquired separately are measured upon initial recognition at cost with the addition of direct acquisition costs. Intangible assets acquired in business combinations are measured at fair value on the acquisition date.

Subsequent to initial recognition, intangible assets are measured at cost, less accumulated amortization and accumulated impairment losses.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, as mentioned above, the change in the useful life assessment from indefinite to finite is accounted for as prospective change in accounting estimate and on that date the impairment of the asset is tested, and it is amortized systematically over its useful economic life.

Intangible assets with finite useful lives are amortized over their useful life and are reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits from the asset are accounted for as prospective changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the statement of profit and loss.

Note 2 - Significant Accounting Policies (Cont.)

n. Intangible assets

1. Goodwill

Goodwill arising on the acquisition of a business combination is presented as part of intangible assets. For information regarding the measurement of goodwill at initial recognition see paragraph g.2 above.

In subsequent periods goodwill is measured at cost less accumulated impairment losses.

2. Software development costs

Software development costs are capitalized only if the development costs can be measured reliably; the technical and economic feasibility of the software can be demonstrated, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use the software. The capitalized costs include the cost of materials, direct salaries and overhead costs that are directly attributable to preparation of the asset for its intended use. Other software development costs are recognized in profit or loss as incurred.

In subsequent periods, capitalized software development costs are measured at cost less accumulated amortization and impairment losses.

3. Software

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it, is classified as fixed assets. In contrast, software that adds functionality to the hardware is classified as an intangible asset.

4. Subsequent expenditure

Subsequent expenditure is capitalized as an intangible asset only when it increases the future economic benefit embodied in the asset to which it relates. All other expenditure, including expenditure related to goodwill or brands that were developed by the Company are allocated to profit and loss as incurred.

5. Amortization

Amortization is recognized in the income statement over the estimated useful life of the intangible assets from the date the assets are available for use. Goodwill is not amortized when it is an asset with an indefinite useful life.

The estimated useful lives of principal intangible assets for the current and comparative periods are as follows:

a) The excess of cost created upon the acquisition of insurance agencies or from business combinations acquired from insurance agencies that are mainly attributed to commission portfolios is amortized at equal annual rates over a period of 5-10 years.

b) Future management fees – initial difference relating to future anticipated management fees is amortized according to the anticipated period of receiving the management fees.

c) Software – amortized on a straight line basis over 3-10 years.

d) Customers' portfolio - over a period of 10 years using the declining sum of digits method.

Estimates regarding amortization methods and useful lives are reviewed at least at the end of each reporting year.

o. Impairment

1. Financial assets

The accounting policy applied by the Company for impairment of financial assets is according to IAS 39. See Note 2.X(2) below regarding deferral of the adoption of IFRS 9.

A financial asset not measured at fair value through profit or loss is tested for impairment when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Note 2 - Significant Accounting Policies (Cont.)

o. Impairment (cont.)

1. Financial assets (cont.)

Objective evidence that financial assets are impaired can include default by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security and observable data that indicates that there is a measurable decrease in expected cash flows from a group of financial assets.

Evidence of impairment of available-for-sale financial assets

When testing available-for-sale financial assets that are equity instruments for impairment, the Group also examines the difference between the fair value of the asset and its original cost while taking into consideration the volatility of the instrument's price, the length of time the fair value of the asset is lower than its original cost and changes in the technological, economic or legal environment or in the market environment in which the issuer of the instrument operates. In addition, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Evidence of impairment of debt instruments

The Group considers evidence of impairment of loans and receivables at both the individual asset and collective level. All individually significant loans and receivables are assessed for specific impairment. Loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has occurred but not yet identified.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Treatment of impairment losses of financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected as a provision for loss against the balance of these financial assets.

Treatment of impairment losses of available-for-sale financial assets

Impairment losses are recognized by transferring the cumulative loss that has been recognized in a capital reserve, in respect of available for sale assets, to profit or loss. The cumulative loss which is transferred to profit and loss is the difference between the acquisition cost net of any principal repayments and amortization, and the current fair value less any impairment previously recognized in profit or loss.

Reversal of impairment losses

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale debt securities, the reversal is recognized in profit or loss. For available-for-sale equity securities, the reversal is recognized directly in other comprehensive income.

2. Reinsurance

a) The reinsurers' liabilities towards Migdal Insurance do not release it from its liabilities towards policyholders insured under the insurance policies.

Reinsurers who do not fulfill their obligations under the reinsurance treaties may cause losses to the Group.

b) Migdal Insurance records an allowance for doubtful accounts in respect of reinsurers' debts whose collection is doubtful on the basis of individual risk estimates and based on the age of the debts.

In addition, in determining the reinsurers' share in the insurance liabilities, the Company takes into consideration, among others, the likelihood of collection from the reinsurers. When the reinsurers' share is calculated on an actuarial basis, the share of reinsurers having difficulties is calculated according to the actuary's recommendations, taking all the risk factors into consideration. Furthermore, when Migdal Insurance records the provisions, it takes into consideration, among others, the willingness of the parties to reach agreements terminating engagements by way of final settlement of the debts (cut-off) in order to reduce the exposure.

Note 2 - Significant Accounting Policies (Cont.)

o. Impairment (cont.)

3. Outstanding premiums:

The allowance for doubtful accounts in respect of outstanding premiums is calculated based on estimates of the age of the debt in arrears and actual rates of policy cancellations in previous years.

4. Non-financial assets:

Timing of impairment testing

The carrying amounts of the Group's non-financial assets, other than deferred acquisition costs, investment property, assets arising from employee benefits, inventories, and deferred tax assets, are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Group tests the impairment of goodwill once a year, on a fixed date or more frequently if events or changes in circumstances indicate that impairment exists.

Measurement of recoverable amounts

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less realization costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating unit"). For the purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment of goodwill is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes but in any event not larger than a business segment before aggregation of similar segments. Goodwill acquired in a business combination is allocated to groups of cash-generating units, including those existing in the Group before the business combination, which are expected to benefit from the synergies of the combination.

Affiliates

Goodwill that forms part of an investment in an affiliate is not recognized separately, and therefore is not tested separately for impairment. Instead, the entire amount of the investment in an affiliate is tested for impairment when there is objective evidence indicating impairment.

Recognition of an impairment loss

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

Reversal of an impairment loss

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset after reversal of the impairment loss does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversal of such a loss is recognized in profit or loss.

p. Share capital

Ordinary shares are classified as equity.

q. Employee benefits

The Group has a number of employee benefit plans.

The classification of employee benefits for measurement purposes, as short-term benefits or long-term benefits is determined on the basis of the Group's forecasts of the date when the benefits are expected to be fully settled.

Note 2 - Significant Accounting Policies (Cont.)

q. Employee benefits (cont.)

1. Short-term benefits:

Short-term employee benefits are benefits which are expected to be settled fully, up to 12 months from the end of the annual reporting period in which employees provide related services.

These employee benefits include salaries, recreation, vacation and social security payments that are measured on an undiscounted basis and are recognized as expenses as the services are rendered or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave). A liability in respect of a bonus is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

a) Defined contribution plan:

The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law, 1963 (in this section - "the Law"), in which it pays regular contributions without having a legal or constructive obligation to pay further amounts, even if the amounts accrued in the fund are insufficient to pay all the employee benefits relating to the employee's service in the current and previous periods.

Deposits in the defined contribution plan for severance pay or pension are recognized as an expense when the money is deposited in the plan, in the period during which related services are rendered by employees, and no additional provision in the financial statements is necessary.

b) Defined benefit plans:

The Group operates a defined benefit plan for the payment of severance pay in accordance with the law. By law employees are entitled to severance pay when they are dismissed or on retirement.

The Group's obligation in respect of defined benefit plans regarding post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that is due to the employees in return for their service in the current and prior periods. This benefit is reported at its present value less the fair value of the plan's assets. The Group determines the net interest expense on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). The discount rate is the yield at the reporting date of high quality CPI-linked corporate bonds denominated in the same currency, and which have maturity dates approximating the terms of the Group's obligations. The calculations are made by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). Re-measurements are recognized immediately directly in retained earnings through other comprehensive income.

Interest costs on a defined benefit obligation, interest income on plan assets and interest from the effect of the asset ceiling that were recognized in profit or loss are presented under general and administrative expenses.

When the benefits of a plan are improved or curtailed, the portion of the increased benefit relating to past service by employees or the gain or loss on curtailment are recognized immediately in profit or loss when the plan improvement or curtailment occurs.

Assets held against the compensation component in policies issued by Migdal Insurance, do not constitute defined benefit plan assets and are offset from liabilities in respect of insurance contracts.

Note 2 - Significant Accounting Policies (Cont.)

q. Employee benefits (cont.)

3. Other long-term benefits:

The Group's net obligation in respect of long-term employee benefits other than post-employment benefit plans is the amount of future benefit that employees have earned for service rendered in current and prior periods. This benefit is discounted to its present value. The discount rate is determined by reference to the yields at the reporting date on high-quality CPI-linked corporate bonds whose currency and maturity dates are consistent with the terms of the Group's obligation. The calculation is performed using the projected unit credit method. Actuarial gains and losses are recognized in profit or loss in the period in which they arise.

The Group's employees are entitled to benefits in respect of sick leave and some of them are entitled to long service grants. These benefits are accounted for as other long-term benefits since the Group estimates that these benefits will be used subsequent to one year from the reporting date.

4. Termination benefits:

Employee termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

5. Share-based payment transactions:

Equity-settled transactions:

The grant date fair value of share-based payment awards granted to employees is recognized as a salary expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense in respect of share-based payment awards that are conditional upon meeting service and non-market performance conditions, is adjusted to reflect the number of awards that are expected to vest.

For share-based payment awards with non-vesting conditions or with market performance vesting conditions, the grant date fair value of the share-based payment awards is measured to reflect such conditions, and therefore the Group recognized an expense in respect of the awards whether or not the conditions have been met.

Transactions in which the parent company grants the Group's employees' rights to its equity instruments are treated as equity-settled share-based payment transactions. In other words, the fair value of the grant is recognized directly in equity, as aforementioned.

Cash-settled transactions:

The cost of a transaction that is settled in cash is measured at fair value at the time of the transaction. The fair value is recognized as an expense over the vesting period with a corresponding increase in liabilities. The liability is remeasured at each reporting period at the fair value until it is settled. Any changes in the fair value of the liability are recognized in the income statement, taking into account the amount of services provided by the employees up until that time.

r. Provisions:

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. The carrying amount of the provision in respect of a long term liability is adjusted each period to reflect the passage of time.

Legal claims

A provision for claims is recognized if the Group has a present obligation (legal or constructive) as result of a past event; it is more likely than not that the Group's economic resources will be required to settle the obligation; and the obligation can be estimated reliably. The Group management is assisted by its legal advisors in examining the necessity of making provisions and in quantifying them.

For further information see Note 38.

Note 2 - Significant Accounting Policies (Cont.)

r. Provisions (cont.)

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets related to that contract.

s. Revenue recognition

Presented hereunder is the Group's revenue recognition policy.

1. Premiums

a) Premiums in life assurance and health insurance segments, including savings premiums but excluding receipts in respect of investment contracts are recorded as income when due.

Cancellations are recorded upon receipt of notice from the policyholder or initiated by Migdal Insurance due to arrears in payments, subject to legal provisions.

The participation in profit of group insurance policyholders is deducted from the item gross earned premiums.

b) General insurance premiums are accounted for as income based on monthly new business reports. Insurance premiums usually refer to an insurance period of one year. Gross income from premiums and changes in unearned premium are included in the item gross earned premiums.

Since in the motor act line of insurance, the insurance comes into effect only after payment of the insurance premium, the premium is accounted for on the date of payment.

Premiums from policies that will be in force after the reporting date are reported as prepaid premiums.

Income included in the financial statements is after cancellation notices received from policyholders and after the deduction of cancellations and provisions due to the non-payment of premiums, subject to legal provisions and net of the policyholders' participation in profits, based on the agreements that are in force.

2. Management fees

a) Management fees in respect of yield dependent insurance and investment contracts:

Management fees are calculated in accordance with the Commissioner's directives on the basis of the yield and the accumulated savings of policyholders in the profit-participating portfolio.

Management fees include the following components:

For policies sold from January 1, 2004 – fixed management fees only.

For policies sold up to December 31, 2003 – fixed and variable management fees.

The fixed management fees are calculated at fixed rates from the accumulated savings and are recorded on an accrual basis.

Variable management fees are calculated as a percentage of the annual yield, in real terms (from January 1 and up to December 31) credited to the policy after deducting the fixed management fees collected from that policy.

During the year the variable management fees are reported on an accumulated basis in accordance with the real monthly yield, as long as the yield is positive. During the months that the real yield is negative, the variable management fees are reduced to the amount of the cumulative variable management fees recorded from the beginning of the year. Negative yields in respect of which reductions in management fees have not been made in the current year, will be deducted for the purpose of calculating management fees from positive yields in subsequent periods.

b) Management fees from pension and provident funds:

Income from the management of pension and provident funds is recognized on the basis of the balances of the assets managed and on the basis of member contributions, according to the Commissioner's directives.

Note 2 - Significant Accounting Policies (Cont.)

2. Management fees (cont.)

c) Management fees from mutual funds and from management of customers' portfolios:

Income from mutual funds management fees and income from management of investment portfolios are recognized on the basis of the balances of the managed assets.

3. Commissions

Revenues from general insurance commissions in insurance agencies are recognized as income when incurred.

Revenues from reinsurance commissions in general insurance, life assurance and health insurance are recognized when incurred.

Revenues from life assurance commissions in insurance agencies are recognized on the basis of entitlement dates for payment of the commissions, according to the agreements with the insurance companies, less provisions for commission refunds due to cancellations of insurance policies.

4. Net investment gains (losses), finance income and finance expenses – see paragraph j.8 above.

In the statement of cash flows, the Company chose to present interest received, dividend received, and interest paid in cash flows from current activities. Dividends paid are presented in cash flows from finance activities.

t. General and administrative expenses:

General and administrative expenses are classified to indirect expenses for settlement of claims (that are included under payments and change in liabilities in respect of the insurance and investment contracts), to expenses relating to acquisitions (included under commissions, marketing, and other acquisition expenses) and to the balance of administrative and general expenses that are included under this item. The classification is made according to the Group's internal models that are based on direct expenses and allocated indirect expenses.

u. Taxes on income:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or are recognized directly in equity or in other comprehensive income.

Current taxes

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates applicable under laws enacted or substantively enacted at the reporting date and adjustments required in relation to the payment of tax liability for previous years.

Deferred taxes

Deferred taxes are recognized with respect to temporary differences between the carrying amounts of the assets and liabilities for financial reporting and their value for tax purposes. The Group does not recognize deferred taxes for the following temporary differences: Initial recognition of goodwill, initial recognition of assets and liabilities in a transaction that does not constitute a business combination and does not affect accounting income and income for tax purposes, and provisions derived from investment in subsidiaries and affiliates, if it is not expected that they will be reversed in the foreseeable future and to the extent the Group controls the date of reversal.

The deferred taxes in respect of investment property held for the purpose of recovering substantially all of the economic benefits embodied in it by way of realization and not by way of use, are measured according to the manner of the expected recovery of the underlying asset, on the basis of realization and not on the basis of use.

Deferred taxes are measured at the tax rates that are expected to apply to the temporary differences on the date they are realized, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each report date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Note 2 - Significant Accounting Policies (Cont.)

u. Taxes on income (cont.)

Deferred taxes (cont.)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Offsetting of deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset current tax assets and liabilities and they relate to the income taxes levied by the same tax authority and in respect of the same taxable entity, or in different tax entities, when they intend to settle current tax assets and liabilities on a net basis or if the current tax assets and liabilities will be realized simultaneously.

Tax addition in respect of dividend distribution

In the calculation of deferred taxes provisions are not made for tax liabilities in respect of the realization of investments in investee companies, including investee companies whose only activity is holding real estate rights, and are consolidated in the separate financial statements of the Company, if the realization of the investment is not expected in the foreseeable future. In addition, provisions for deferred taxes are not made for distribution of dividends by investee companies when the distribution of the dividend does not result in additional taxes or since the Group's policy is to not initiate the distribution of a dividend by a subsidiary which results in an additional tax liability.

Intercompany transactions

Deferred tax in respect of intercompany transactions in the consolidated financial statements is recorded at the tax rate applicable to the purchasing company.

Uncertain tax positions

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

v. Earnings (loss) per share:

The Group presents basic and diluted earnings per share data with respect to its Ordinary shares. Basic earnings per share are calculated by dividing the net profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of Ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of Ordinary shares outstanding, for the effects of all dilutive potential Ordinary shares which comprise share options granted to employees.

w. Disclosure of new IFRS in the period before their adoption

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 June 2020.

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces the current guidance on the matter. The new standard is expected to cause significant changes in the financial reporting of insurance companies.

According to the new standard, an entity shall measure the insurance liability at the present value of the cash flows expected from the insurance contracts taking into consideration the uncertainty inherent in these forecasts (the risk margin). Furthermore, the inherent profit that is expected from the insurance contracts as is derived from those calculations will be recognized over the coverage period, and the effect of changes in assumptions (other than interest) will also be spread over the coverage period. A loss will be recognized immediately if a group of insurance contracts is not expected to be profitable or begins to be unprofitable.

With respect to certain insurance contracts (usually general insurance contracts with insurance coverage of up to one year) a simpler measurement model can be applied.

In December 2021 the IASB published an amendment to the transition requirements of IFRS 17. The amendment permits the Company, at initial application of the standard, to change the measurement group of the financial assets in the comparative information without restating the comparative information pursuant to the transition requirements of IFRS 9, this in order to prevent an accounting mismatch in the comparative information between the insurance liabilities and financial assets at initial application.

Note 2 - Significant Accounting Policies (Cont.)

w. Disclosure of new IFRS in the period before their adoption (cont.)

1. IFRS 17 – Insurance Contracts (cont.)

According to the amendment, the Company can chose whether to apply the expected credit loss model of IFRS 9 or to leave the provision that was calculated pursuant to IAS 39 in respect of the assets for which the amendment was applied. The amendment will require qualitative disclosure with respect to the approach the Company used to calculate the provision for credit losses in respect of assets for which the amendment was applied.

According to the draft adjustment “Roadmap for Adopting IFRS 17 *Insurance Contacts*”, which was published by the Supervisor in January 2022, the date for initial application of the standard in Israel will be as from the interim and annual periods beginning on January 1, 2024 (instead of initial application on January 1, 2023). Accordingly, the transition date will be January 1, 2023. Furthermore, according to the draft, in 2023 the Company will report, in a special note in the financial statements, pro-forma primary financial statements (without comparative information) pursuant to the provisions of IFRS 17 and IFRS 9.

The new standard shall be applied retrospectively. If retrospective implementation is impractical, one of the following two approaches may be chosen:

a) Modified retrospective approach.

b) Fair value approach.

The Company is preparing to adopt the standard.

2. IFRS 9 – Financial Instruments

IFRS 9 "Financial Instruments" came into effect in January 2018 and replaces IAS3 9 "Financial Instruments: Recognition and Measurement". IFRS9 (“‘the new standard”) mainly changes the instructions of classification and measurement of financial assets and it applies to all the financial assets in the scope of IAS 39.

An amendment to IFRS 4 enables an entity that issues insurance contract to adopt IFRS 9 with modifications (hereinafter: "the overlay approach") or to defer the adoption of IFRS 9 to January 1, 2023 (hereinafter: "the deferral approach" or "the temporary exemption"). Nevertheless, pursuant to the draft adjustment “Roadmap for Adopting IFRS 17 *Insurance Contacts*”, which was published by the Supervisor in January 2022, the date for initial application of the standard in Israel will be as from the interim and annual periods beginning on January 1, 2024 (instead of initial application on January 1, 2023). Accordingly, the transition date will be January 1, 2023.

The new standard prescribes that all financial assets be measured at fair value upon initial recognition. In subsequent periods, debt instruments will be measured at amortized cost only if the following two conditions are met:

- The asset is held in a business model whose objective is to hold assets in order to collect resulting contractual cash flows ("the sole payment of principal and interest criterion").
- According to the contractual terms of the financial asset, the Company is entitled, on specified dates, to receive cash flows representing solely payments of principal and interest on the unpaid principal.

All other debt instruments and financial assets will be subsequently measured at fair value. The new standard distinguishes between debt instruments that will be measured at fair value through profit or loss and debt instruments that will be measured at fair value through other comprehensive income.

Financial assets that are equity instruments will be measured at fair value in subsequent periods, and the differences will be recognized in profit or loss or in other comprehensive income (loss), as elected by the Company with respect to each individual instrument. If the equity instruments are held for trading, they must be measured at fair value through profit or loss.

The new standard also includes a new expected credit loss model for measuring impairment of financial debt instruments not measured at fair value through profit or loss.

As to de-recognition and financial liabilities, the new standard includes the same requirements of IAS 39.

The new standard includes new hedge accounting requirements.

The Company applies the temporary exemption from IFRS 9 as permitted by IFRS 4 since it did not apply before then any version of IFRS 9 and its operations are predominantly connected with insurance.

Note 2 - Significant Accounting Policies (Cont.)

w. Disclosure of new IFRS in the period before their adoption (cont.)

3. Amendment to IFRS 3, "Business Combinations"

In May 2020 the IASB published an amendment to IFRS 3, "Business Combinations", Reference to the Conceptual Framework. The purpose of the amendment is to replace the reference to the framework for preparing and presenting the financial statements, with reference to the conceptual framework for financial reporting that was issued in March 2018, without significantly changing its requirements.

The Amendment adds an exception to the principle for recognizing liabilities in accordance with IFRS 3 in order to prevent situations of recognizing day 2 gains or losses deriving from liabilities and contingent liabilities that would have been included in the scope of IAS 37 or IFRIC 21 if they had been recognized separately.

According to the exception, liabilities or contingent liabilities in the scope of IAS 37 or IFRIC 21 are to be recognized on the date of acquisition pursuant to the requirements of IAS 37 or IFRIC 21 and not according to the conceptual framework.

The amendment also clarifies that contingent assets are not to be recognized on the date of the business combination.

The Amendment is applicable on a prospective basis for annual reporting periods beginning on or after January 1, 2022.

4. Amendment to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"

In February 2021 the IASB published an amendment to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" (hereinafter – the amendment). The purpose of the amendment is to present a new definition of the term "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty”. The amendment clarifies what is considered a change in an accounting estimate and how they are different from changes in accounting policies and corrections of errors.

The amendment is applicable on a prospective basis for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The Group is examining the effects of the amendment on the financial statements.

5. Amendment to IAS 12, "Income Taxes"

In May 2021 the IASB published an amendment to IAS 12, "Income Taxes" (hereinafter: "IAS 12" or "the standard") which narrows the scope of the "initial recognition exemption" in deferred taxes that is included in paragraphs 15 and 24 of IAS 12 (hereinafter: "the amendment").

The guidance in IAS 12 on recognition of deferred tax assets and liabilities exempts certain temporary differences arising from the initial recognition of assets and liabilities in certain transactions from recognition of deferred tax assets and liabilities. This exemption is called 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 and offsetting temporary differences were created even if they meet the other conditions of the exemption.

The amendment is applicable for annual periods beginning on or after January 1, 2023. Earlier application is permitted. As regards lease transactions and recognition of decommissioning obligations – the amendment is applicable as from the beginning of the earliest reporting period presented in the financial statements in which the amendment was initially applied, with the cumulative effect of initial application being included in the opening balance of retained earnings (or other component of equity, as relevant) at that date.

In the opinion of the Group, the aforesaid amendment will not have a material effect on the Company's financial statements.

Note 2 - Significant Accounting Policies (Cont.)

x. Initial application of amendments to existing accounting standards

Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 with respect to the IBOR reform

In August 2020, the IASB published amendments to International Financial Reporting Standard 9, Financial Instruments, to International Financial Reporting Standard 7, Financial Instruments: Disclosures, to International Accounting Standard 39, Financial Instruments: Recognition and Measurement, to International Financial Reporting Standard 4, Insurance Contracts and to International Financial Reporting Standard 16, Leases (hereinafter: “the amendments”).

The amendments provide practical expedients for dealing with effects of the accounting treatment in the financial statements when the Interbank Offered Rates (IBORs) are replaced by Risk Free Interest Rates (RFRs).

In accordance with one of the practical expedients, a company will account for contract modifications or cash flow changes that are a direct consequence of applying the reform according to the same accounting treatment for changes in variable interest. In other words, the Company is required to recognize changes in interest rates by adjusting the effective interest rate without changing the carrying amount of the financial instrument. Applying this practical expedient depends on the transition from IBOR to RFR being made on an economically equivalent basis.

The amendments added disclosure requirements regarding the expected effect of the reform on the company's financial statements including on how the company manages application of the IBOR reform, the risks it is exposed to as a result of the expected reform and quantitative disclosures regarding IBOR financial instruments that are expected to change.

The amendments are applied as from annual periods beginning on or after January 1, 2021. The amendments are applied on a retrospective basis but do not require restatement of comparative data.

The effect of the aforesaid amendments on the Company's financial statements is immaterial.

z. Below are changes in the CPI and exchange rate of the dollar

	Consumer Price Index		Representative exchange rate of the USD
	Index in respect of	Known index	
	%		
Year ended December 31, 2021	2.8	2.4	(3.3)
Year ended December 31, 2020	(0.7)	(0.6)	(7.0)
Year ended December 31, 2019	0.6	0.3	(7.8)

Note 3 - Operating Segments

a. General

The operating segments Note includes a number of sectors that constitute strategic business units of the Group. These business units include a variety of products and are managed separately for the purpose of allocating resources and assessing performance. The products at the base of each segment are substantially similar with regard to the nature, manner of distribution, customer mix, the essence of the supervisory environment and economic and demographic characteristics of long-term exposure that derive from exposure of similar characteristics to insurance risks. In addition, the results of the investment portfolio held against insurance liabilities could have a significant impact on profitability.

Assets and liabilities in each segment include items directly attributable to a segment and items that can be attributed on a reasonable basis. Insofar as the assets of a segment are managed separately from other segments and there is no regulatory restriction, the assets and results are presented according to the specific accounts managed for that segment, and otherwise the results are attributed according to the proportion of the insurance liabilities.

The accounting principles applied in segment reporting correspond to the accounting principles applied in the preparation and presentation of the Group's financial statements.

Between the segments there are inter-company movements that include, inter alia, interest that is calculated according to law.

1. The life assurance and long-term savings segment:

The life assurance and long-term savings segment includes the lines of life assurance, pension and provident funds and it concentrates mainly on long-term savings (in the framework of various types of insurance policies, pension and provident funds including educational funds), as well as insurance coverage for various risks such as: death, disability, occupational disability, etc.

According to the Commissioner's directives, the life assurance and long-term savings segment is broken down into life assurance, pension and provident funds.

2. Health insurance segment:

The health insurance segment consolidates the Group's entire activities in health insurance – the segment includes long-term care insurance, medical expense insurance, operations, transplants, dental insurance, etc.

3. General insurance segment:

The general insurance segment includes the liability and property branches. Under the Commissioner's directives, the general insurance segment is broken down into the lines of motor act, motor casco, other property branches, other liability branches.

- The motor act insurance line of insurance

  The motor act insurance line of business focuses on coverage whose acquisition by the owner of the vehicle, or the driver is compulsory by law, and which provides coverage for bodily injuries (to the driver of the vehicle, the passengers in the vehicle or to pedestrians), as a result of the use of the motor vehicle.

- The motor casco line of insurance

  The motor casco line of business focuses on the property damage coverage for the insured vehicle and property damages that the insured vehicle causes to a third party.

- Other liability branches

  The liability branches are intended for the coverage of the policyholders' liabilities for any damage they cause to a third party. These lines of business include: third party liability, employers' liability, professional liability, product warranty, marine hull and aviation hull.

- Property and other branches

  The other general insurance branches that are not vehicles and liabilities, including property loss, comprehensive business premises, comprehensive residential, mortgage banks, personal accidents, cargo in transit, engineering insurance and other risks.

4. Financial services segment:

This segment mainly includes financial assets management services and marketing for investments (mainly management of mutual funds and portfolio management), market making of various securities as well as other services.

Note 3 - Operating Segments (Cont.)

a. General (cont.)

5. Other operating segments

Other operating segments include mainly operating results of insurance agencies.

6. Activities not attributed to operating segments

This includes part of the Group's headquarters not attributable to the operating segments, activities related to the Group's operations, and the assets and liabilities held against Migdal Insurance equity in accordance with the Capital Regulations.

Note 3 - Operating Segments (Cont.)

b. Reportable segments.

	Year ended December 31, 2021							
	Life assurance and long-term savings	**Health**	**General insurance**	**Financial services**	**Other operating segments**	**Unallocated to operating segments**	**Adjustments and offsets**	**Total**
	NIS in thousands							
Gross premiums earned	9,573,558	1,715,287	1,941,359	-	-	-	-	13,230,204
Premiums earned by reinsurers	212,353	127,925	449,624	-	-	-	-	789,902
Premiums earned on retention	9,361,205	1,587,362	1,491,735	-	-	-	-	12,440,302
Net investment income and finance income	19,668,805	568,179	302,756	1,249	544	303,685	(23,955)	20,821,263
Income from management fees	2,784,955	-	-	222,877	-	-	-	3,007,832
Income from commissions	65,447	13,643	74,465	5,293	323,531	-	(*(139,167)	343,212
Other income	-	-	299	11,995	41,221	26,667	(22,329)	57,853
Total income	31,880,412	2,169,184	1,869,255	241,414	365,296	330,352	(185,451)	36,670,462
Payments and change in liabilities in respect of insurance and investment contracts, gross	28,583,671	1,768,072	1,654,728	-	-	-	(18,803)	31,987,668
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	120,268	107,808	277,312	-	-	-	-	505,388
Payments and change in liabilities in respect of insurance and investment contracts on retention	28,463,403	1,660,264	1,377,416	-	-	-	(18,803)	31,482,280
Commissions, marketing expenses and other acquisition expenses	825,483	477,880	426,402	63,878	139,725	-	(141,651)	1,791,717
General and administrative expenses	642,255	82,123	61,270	117,907	147,881	77,301	(13,938)	1,114,799
Other expenses	3,837	-	3,686	715	3,343	23,054	(335)	34,300
Finance expenses	2,659	183	1,377	195	3,551	172,850	(15,759)	165,056
Total expenses	29,937,637	2,220,450	1,870,151	182,695	294,500	273,205	(190,486)	34,588,152
Share in profits of equity accounted investees	315	-	146	-	269	-	-	730
Income (loss) before taxes on income	1,943,090	(51,266)	(750)	58,719	71,065	57,147	5,035	2,083,040
Other comprehensive income before taxes on income	242,261	54,779	76,589	136	117	181,239	-	555,121
Total comprehensive income for the period before taxes on income	2,185,351	3,513	75,839	58,855	71,182	238,386	5,035	2,638,161

* Derived from income from commissions received by agencies owned by the Group, from activities in life assurance and long-term savings in the amount of NIS 104,229 thousand, in health insurance in the amount of NIS 20,509 thousand, in general insurance in the amount of NIS 13,322 thousand and in financial services in the amount of NIS 1,107 thousand.

Note 3 - Operating Segments (Cont.)

b. Reportable segments (cont.)

	Year ended December 31, 2020							
	Life assurance and long-term savings	Health	General insurance	Financial services	Other operating segments	Unallocated to operating segments	Adjustments and offsets	Total
	NIS in thousands							
Gross premiums earned	9,081,676	1,658,599	2,266,280	-	-	-	-	13,006,555
Premiums earned by reinsurers	184,417	113,148	468,914	-	-	-	-	766,479
Premiums earned on retention	8,897,259	1,545,451	1,797,366	-	-	-	-	12,240,076
Net investment income (loss) and finance income	6,909,716	185,882	52,805	5,498	(172)	142,662	(29,003)	7,267,388
Income from management fees	1,865,665	-	-	147,511	-	-	-	2,013,176
Income from commissions	42,084	9,540	81,478	3,015	322,842	-	(*(143,123)	315,836
Other income	-	-	482	18,155	38,870	43,442	(38,898)	62,051
Total income	17,714,724	1,740,873	1,932,131	174,179	361,540	186,104	(211,024)	21,898,527
Payments and change in liabilities in respect of insurance and investment contracts, gross	16,017,238	1,060,351	1,730,266	-	-	-	(35,798)	18,772,057
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	128,350	79,720	393,607	-	-	-	-	601,677
Payments and change in liabilities in respect of insurance and investment contracts on retention	15,888,888	980,631	1,336,659	-	-	-	(35,798)	18,170,380
Commissions, marketing expenses and other acquisition expenses	896,691	500,579	449,722	42,509	138,329	-	(148,411)	1,879,419
General and administrative expenses	640,235	85,581	66,096	102,700	141,506	80,352	(14,251)	1,102,219
Other expenses	4,180	-	5,900	677	3,517	35,984	-	50,258
Finance expenses	10,154	615	2,096	262	5,057	173,899	(20,161)	171,922
Total expenses	17,440,148	1,567,406	1,860,473	146,148	288,409	290,235	(218,621)	21,374,198
Share in profits (losses) of equity accounted investees	(1,264)	-	(646)	-	434	(12)	-	(1,488)
Income (loss) before taxes on income	273,312	173,467	71,012	28,031	73,565	(104,143)	7,597	522,841
Other comprehensive income before taxes on income	95,887	19,279	48,567	159	54	103,976	-	267,922
Total comprehensive income (loss) for the period before taxes on income	369,199	192,746	119,579	28,190	73,619	(167)	7,597	790,763

* Derived from income from commissions received by agencies owned by the Group, from activities in life assurance and long-term savings in the amount of NIS 103,682 thousand, in health insurance in the amount of NIS 22,225 thousand, in general insurance in the amount of NIS 16,889 thousand and in financial services in the amount of NIS 327 thousand.

Note 3 - Operating Segments (Cont.)

b. Reportable segments (cont.)

	Year ended December 31, 2019							
	Life assurance and long-term savings	**Health**	**General insurance**	**Financial services**	**Other operating segments**	**Unallocated to operating segments**	**Adjustments and offsets**	**Total**
	NIS in thousands							
Gross premiums earned	9,764,954	1,610,868	2,333,452	-	-	-	-	13,709,274
Premiums earned by reinsurers	197,753	94,472	462,604	-	-	-	-	754,829
Premiums earned on retention	9,567,201	1,516,396	1,870,848	-	-	-	-	12,954,445
Net investment income and finance income	14,000,600	363,470	191,862	1,593	245	352,698	(31,956)	14,878,512
Income from management fees	2,191,387	-	-	156,183	-	-	-	2,347,570
Income from commissions	63,165	575	83,798	3,042	336,833	-	(*(154,251)	333,162
Other income	38,967	-	727	3,963	33,943	95,767	(41,476)	131,891
Total income	25,861,320	1,880,441	2,147,235	164,781	371,021	448,465	(227,683)	30,645,580
Payments and change in liabilities in respect of insurance and investment contracts, gross	(** 24,626,091	1,877,528	1,587,085	-	-	-	(38,074)	28,052,630
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	82,131	93,725	219,181	-	-	-	-	395,037
Payments and change in liabilities in respect of insurance and investment contracts on retention	24,543,960	1,783,803	1,367,904	-	-	-	(38,074)	27,657,593
Commissions, marketing expenses and other acquisition expenses	880,115	478,127	448,911	45,069	150,667	-	(154,982)	1,847,907
General and administrative expenses	620,196	84,713	60,832	97,848	154,226	75,919	(15,969)	1,077,765
Other expenses	4,027	-	7,007	623	4,285	34,457	-	50,399
Finance expenses	15,533	699	1,319	338	2,800	172,803	(23,009)	170,483
Total expenses	26,063,831	2,347,342	1,885,973	143,878	311,978	283,179	(232,034)	30,804,147
Share in profits (losses) of equity accounted investees	6,609	-	(633)	-	513	8,217	-	14,706
Income (loss) before taxes on income	(195,902)	(466,901)	260,629	20,903	59,556	173,503	4,351	(143,861)
Other comprehensive income (loss) before taxes on income	403,584	29,072	143,188	(604)	(1,411)	503,394	-	1,077,223
Total comprehensive income (loss) for the period before taxes on income	207,682	(437,829)	403,817	20,299	58,145	676,897	4,351	933,362

* Derived from income from commissions received by agencies owned by the Group, from activities in life insurance and long-term savings in the amount of NIS 109,821 thousand, in health insurance in the amount of NIS 26,166 thousand, in general insurance in the amount of NIS 17,310 thousand and in financial services in the amount of NIS 934 thousand.

Note 3 - Operating Segments (Cont.)

c. Additional information regarding the life assurance and long-term savings segment:

	Year ended December 31, 2021			
	Life assurance	Pension funds	Provident funds	Total
	NIS in thousands			
Gross premiums earned	9,573,558	-	-	9,573,558
Premiums earned by reinsurers	212,353	-	-	212,353
Premiums earned on retention	9,361,205	-	-	9,361,205
Net investment income and finance income	19,647,716	15,820	5,269	19,668,805
Income from management fees	2,298,349	364,824	121,782	2,784,955
Income from commissions	65,447	-	-	65,447
Total Income	31,372,717	380,644	127,051	31,880,412
Payments and change in liabilities for insurance and investment contracts, gross	28,583,671	-	-	28,583,671
Reinsurers' share in payments and change in liabilities for insurance contracts	120,268	-	-	120,268
Payments and change in liabilities for insurance and investment contracts on retention	28,463,403	-	-	28,463,403
Commissions, marketing expenses and other acquisition expenses	650,669	122,731	52,083	825,483
General and administrative expenses	386,763	199,357	56,135	642,255
Other expenses	213	-	3,624	3,837
Finance expenses	2,659	-	-	2,659
Total expenses	29,503,707	322,088	111,842	29,937,637
Group's share of losses of equity accounted investees	315	-	-	315
Income before taxes on income	1,869,325	58,556	15,209	1,943,090
Other comprehensive income (loss) before taxes on income	243,285	(699)	(325)	242,261
Total comprehensive income for the period before taxes on income	2,112,610	57,857	14,884	2,185,351

Note 3 - Operating Segments (Cont.)

c. Additional information regarding the life insurance and long-term savings segment (cont.)

	Year ended December 31, 2020			
	Life assurance	Pension funds	Provident funds	Total
	NIS in thousands			
Gross premiums earned	9,081,676	-	-	9,081,676
Premiums earned by reinsurers	184,417	-	-	184,417
Premiums earned on retention	8,897,259	-	-	8,897,259
Net investment income and finance income	6,908,257	1,148	311	6,909,716
Income from management fees	1,407,274	346,321	112,070	1,865,665
Income from commissions	42,084	-	-	42,084
Total Income	17,254,874	347,469	112,381	17,714,724
Payments and change in liabilities for insurance and investment contracts, gross	16,017,238	-	-	16,017,238
Reinsurers' share in payments and change in liabilities for insurance contracts	128,350	-	-	128,350
Payments and change in liabilities for insurance and investment contracts on retention	15,888,888	-	-	15,888,888
Commissions, marketing expenses and other acquisition expenses	729,247	120,803	46,641	896,691
General and administrative expenses	387,164	197,413	55,658	640,235
Other expenses	153	-	4,027	4,180
Finance expenses	10,154	-	-	10,154
Total expenses	17,015,606	318,216	106,326	17,440,148
Group's share of losses of equity accounted investees	(1,264)	-	-	(1,264)
Income before taxes on income	238,004	29,253	6,055	273,312
Other comprehensive income before taxes on income	91,337	3,443	1,107	95,887
Total comprehensive income for the period before taxes on income	329,341	32,696	7,162	369,199

Note 3 - Operating Segments (Cont.)

c. Additional information regarding the life insurance and long-term savings segment (cont.)

	Year ended December 31, 2019			
	Life assurance	**Pension funds**	**Provident funds**	**Total**
	NIS in thousands			
Gross premiums earned	9,764,954	-	-	9,764,954
Premiums earned by reinsurers	197,753	-	-	197,753
Premiums earned on retention	9,567,201	-	-	9,567,201
Net investment income and finance income	13,993,095	5,843	1,662	14,000,600
Income from management fees	1,723,348	353,120	114,919	2,191,387
Income from commissions	63,165	-	-	63,165
Other income	38,967	-	-	38,967
Total income	25,385,776	358,963	116,581	25,861,320
Payments and change in liabilities for insurance and investment contracts, gross	(* 24,626,091	-	-	24,626,091
Reinsurers' share in payments and change in liabilities for insurance contracts	82,131	-	-	82,131
Payments and change in liabilities for insurance and investment contracts on retention	24,543,960	-	-	24,543,960
Commissions, marketing expenses and other acquisition expenses	704,954	125,068	50,093	880,115
General and administrative expenses	367,897	193,728	58,571	620,196
Other expenses	-	-	4,027	4,027
Finance expenses	15,533	-	-	15,533
Total expenses	25,632,344	318,796	112,691	26,063,831
Group's share of profits of equity accounted investees	6,609	-	-	6,609
Income (loss) before taxes on income	(239,959)	40,167	3,890	(195,902)
Other comprehensive income before taxes on income	393,593	7,766	2,225	403,584
Total comprehensive income for the period before taxes on income	153,634	47,933	6,115	207,682

Note 3 - Operating Segments (Cont.)

d. Additional information regarding the general insurance segment:

	Year ended December 31, 2021				
	Motor act	Motor casco	Property and other branches *)	Other liability branches *)	Total
	NIS in thousands				
Gross premiums	355,365	574,119	563,484	378,937	1,871,905
Reinsurance premiums	6,767	3,954	336,994	113,972	461,687
Premiums on retention	348,598	570,165	226,490	264,965	1,410,218
Change in unearned premium balance, on retention	22,342	33,820	26,855	(1,500)	81,517
Earned premiums on retention	370,940	603,985	253,345	263,465	1,491,735
Net investment income and finance income	154,260	24,750	13,690	110,056	302,756
Income from commissions	-	8	60,781	13,676	74,465
Other income	152	24	15	108	299
Total income	525,352	628,767	327,831	387,305	1,869,255
Payments and change in liabilities for insurance contracts, gross	540,141	532,784	210,893	370,910	1,654,728
Reinsurers' share in payments and in change in liabilities for insurance contracts	12,004	2,957	129,095	133,256	277,312
Payments and change in liabilities for insurance contracts on retention	528,137	529,827	81,798	237,654	1,377,416
Commissions, marketing expenses and other acquisition expenses	44,297	148,213	154,784	79,108	426,402
General and administrative expenses	13,316	15,942	16,933	15,079	61,270
Other expenses	911	1,490	592	693	3,686
Finance expenses (income)	1,247	218	(993)	905	1,377
Total expenses	587,908	695,690	253,114	333,439	1,870,151
Share of profits of equity accounted investees	74	12	7	53	146
Income (loss) before taxes on income	(62,482)	(66,911)	74,724	53,919	(750)
Other comprehensive income before taxes on income	38,885	6,234	3,732	27,738	76,589
Total comprehensive income (loss) for the period before taxes on income	(23,597)	(60,677)	78,456	81,657	75,839
Liabilities in respect of gross insurance contracts at December 31, 2021	2,235,783	443,489	585,878	2,166,558	5,431,708
Liabilities in respect of insurance contracts on retention at December 31, 2021	2,160,341	442,192	188,192	1,527,918	4,318,643

* Property and other branches mainly include the results of comprehensive residential, comprehensive business premises, cargo in transit and engineering insurance branches, whose activities constitute about 98% of the total premiums in these branches.

Other liability branches mainly include the results of employers' liability insurance, third party liability and professional liability branches whose activities constitute about 87% of the total premiums in these branches.

Note 3 - Operating Segments (Cont.)

d. Additional information regarding the general insurance segment (cont.)

	Year ended December 31, 2020				
	Motor act	**Motor casco**	**Property and other branches *)**	**Other liability branches *)**	**Total**
	NIS in thousands				
Gross premiums	452,120	778,280	617,765	389,011	2,237,176
Reinsurance premiums	8,308	6,253	324,816	138,149	477,526
Premiums on retention	443,812	772,027	292,949	250,862	1,759,650
Change in unearned premium balance, on retention	15,682	19,963	4,197	(2,126)	37,716
Earned premiums on retention	459,494	791,990	297,146	248,736	1,797,366
Net investment income and finance income	26,791	4,953	1,868	19,193	52,805
Income from commissions	-	14	64,209	17,255	81,478
Other income	242	44	23	173	482
Total income	486,527	797,001	363,246	285,357	1,932,131
Payments and change in liabilities for insurance contracts, gross	508,393	556,064	326,493	339,316	1,730,266
Reinsurers' share in payments and in change in liabilities for insurance contracts	15,327	4,670	175,940	197,670	393,607
Payments and change in liabilities for insurance contracts on retention	493,066	551,394	150,553	141,646	1,336,659
Commissions, marketing expenses and other acquisition expenses	47,951	162,811	161,813	77,147	449,722
General and administrative expenses	15,070	18,983	17,169	14,874	66,096
Other expenses	1,488	2,589	982	841	5,900
Finance expenses (income)	1,300	286	(443)	953	2,096
Total expenses	558,875	736,063	330,074	235,461	1,860,473
Share of losses of equity accounted investees	(325)	(59)	(30)	(232)	(646)
Income (loss) before taxes on income	(72,673)	60,879	33,142	49,664	71,012
Other comprehensive income before taxes on income	24,413	4,470	2,215	17,469	48,567
Total comprehensive income (loss) for the period before taxes on income	(48,260)	65,349	35,357	67,133	119,579
Liabilities in respect of gross insurance contracts at December 31, 2020	2,188,732	456,233	587,898	2,035,457	5,268,320
Liabilities in respect of insurance contracts on retention at December 31, 2020	2,102,015	454,424	240,066	1,459,379	4,255,884

* Property and other branches mainly include the results of comprehensive residential, comprehensive business premises, cargo in transit and engineering insurance branches, whose activities constitute about 97% of the total premiums in these branches.

Other liability branches mainly include the results of employers' liability insurance, third party liability and professional liability branches whose activities constitute about 88% of the total premiums in these branches.

Note 3 - Operating Segments (Cont.)

d. Additional information regarding the general insurance segment (cont.)

	Year ended December 31, 2019				
	Motor act	Motor casco	Property and other branches *)	Other liability branches *)	Total
	NIS in thousands				
Gross premiums	484,927	835,639	633,942	376,500	2,331,008
Reinsurance premiums	9,687	6,127	331,953	117,616	465,383
Premiums on retention	475,240	829,512	301,989	258,884	1,865,625
Change in unearned premium balance, on retention	(8,783)	24,238	13	(10,245)	5,223
Earned premiums on retention	466,457	853,750	302,002	248,639	1,870,848
Net investment income and finance income	96,544	20,465	7,835	67,018	191,862
Income from commissions	-	-	66,017	17,781	83,798
Other income	364	77	34	252	727
Total income	563,365	874,292	375,888	333,690	2,147,235
Payments and change in liabilities for insurance contracts, gross	458,866	575,697	283,340	269,182	1,587,085
Reinsurers' share in payments and in change in liabilities for insurance contracts	12,106	2,725	143,172	61,178	219,181
Payments and change in liabilities for insurance contracts on retention	446,760	572,972	140,168	208,004	1,367,904
Commissions, marketing expenses and other acquisition expenses	46,967	160,848	162,798	78,298	448,911
General and administrative expenses	14,444	17,142	15,503	13,743	60,832
Other expenses	1,786	3,116	1,133	972	7,007
Finance expenses (income)	1,276	318	(1,181)	906	1,319
Total expenses	511,233	754,396	318,421	301,923	1,885,973
Share of losses of equity accounted investees	(316)	(67)	(30)	(220)	(633)
Income before taxes on income	51,816	119,829	57,437	31,547	260,629
Other comprehensive income before taxes on income	71,592	15,140	6,775	49,681	143,188
Total comprehensive income for the period before taxes on income	123,408	134,969	64,212	81,228	403,817
Liabilities in respect of gross insurance contracts at December 31, 2019	2,191,422	496,532	589,436	1,911,964	5,189,354
Liabilities in respect of insurance contracts on retention at December 31, 2019	2,093,438	494,794	242,642	1,502,485	4,333,359

* Property and other branches mainly include the results of comprehensive residential, comprehensive business premises, cargo in transit and engineering insurance branches, whose activities constitute about 97% of the total premiums in these branches.

Other liability branches mainly include the results of employers' liability insurance, third party liability and professional liability branches whose activities constitute about 88% of the total premiums in these branches.

Note 3 - Operating Segments (Cont.)

e. Details on segment assets and liabilities:

	December 31, 2021							
	Life assurance and long-term savings	Health	General insurance	Financial services	Other operating segments	Unallocated to operating segments	Adjustments and offsets	Total
	NIS in thousands							
Assets								
Intangible assets	268,910	-	172,156	354,739	92,641	437,800	(1,390)	1,324,856
Deferred acquisition costs	1,325,554	573,283	190,170	-	-	-	(64,899)	2,024,108
Investments in affiliates	10,082	-	4,006	-	5,552	6,039	-	25,679
Investment property for yield dependent contracts	7,141,941	151,796	-	-	-	-	-	7,293,737
Investment property - other	426,050	53,374	151,740	-	-	55,609	-	686,773
Reinsurance assets	143,373	90,347	1,113,065	-	-	-	-	1,346,785
Outstanding premiums	276,122	49,466	388,304	-	-	-	-	713,892
Financial investments for yield dependent contracts	121,010,798	2,502,048	-	-	-	-	-	123,512,846
Other financial investments:								
Quoted debt assets	5,843,432	507,298	2,068,202	3,080	10,046	5,641,497	-	14,073,555
Unquoted debt assets	23,750,631	1,723,051	658,044	58,862	879	62,557	(47,143)	26,206,881
Shares	150,004	13,393	46,756	-	2	46,492	-	256,647
Other	2,158,471	189,167	553,471	13,195	3,266	971,939	-	3,889,509
Total other financial investments	31,902,538	2,432,909	3,326,473	75,137	14,193	6,722,485	(47,143)	44,426,592
Cash and cash equivalents for yield dependent contracts	13,338,046	283,489	-	-	-	-	-	13,621,535
Cash and cash equivalents – other	2,370,505	219,638	744,296	116,759	66,184	3,329,382	-	6,846,764
Other assets	827,079	708,356	501,651	41,796	233,012	1,371,393	(1,347,829)	2,335,458
Total Assets	179,040,998	7,064,706	6,591,861	588,431	411,582	11,922,708	(1,461,261)	204,159,025
Total assets for yield dependent contracts	142,393,528	2,900,038	-	-	-	-	-	145,293,566
Liabilities								
Liability due to non-yield dependent insurance and investment contracts	32,613,038	3,105,845	5,431,708	-	-	-	-	41,150,591
Liability due to yield dependent insurance and investment contracts	139,976,874	2,975,221	-	-	-	-	-	142,952,095
Financial liabilities	876,903	213,076	104,007	51,737	157,881	5,715,063	(137,430)	6,981,237
Other liabilities	4,061,191	197,281	1,056,146	143,482	253,701	77,752	(1,278,715)	4,510,838
Total liabilities	177,528,006	6,491,423	6,591,861	195,219	411,582	5,792,815	(1,416,145)	195,594,761

Note 3 - Operating Segments (Cont.)

e. Details on segment assets and liabilities (cont.)

	December 31, 2020							
	Life assurance and long-term savings	Health	General insurance	Financial services	Other operating segments	Unallocated to operating segments	Adjustments and offsets	Total
	NIS in thousands							
Assets								
Intangible assets	272,535	-	175,842	353,806	93,505	340,148	(1,390)	1,234,446
Deferred acquisition costs	1,269,302	560,411	190,976	-	-	-	(68,234)	1,952,455
Investments in affiliates	14,741	-	3,993	-	1,459	1,508	-	21,701
Investment property for yield dependent contracts	6,779,690	143,815	-	-	-	-	-	6,923,505
Investment property - other	482,939	41,134	141,830	-	-	48,686	-	714,589
Reinsurance assets	144,258	66,245	1,012,436	-	-	-	-	1,222,939
Outstanding premiums	294,815	53,843	381,614	-	-	-	-	730,272
Financial investments for yield dependent contracts	108,607,555	2,236,556	-	-	-	-	-	110,844,111
Other financial investments:								
Quoted debt assets	6,423,717	420,142	2,326,346	3,079	9,992	5,283,058	-	14,466,334
Unquoted debt assets	22,668,362	1,533,985	494,135	52,363	1,478	421,090	(46,228)	25,125,185
Shares	158,280	10,709	55,807	35,672	1	55,011	-	315,480
Other	1,718,595	112,374	482,269	7,530	3,145	714,294	-	3,038,207
Total other financial investments	30,968,954	2,077,210	3,358,557	98,644	14,616	6,473,453	(46,228)	42,945,206
Cash and cash equivalents for yield dependent contracts	8,978,244	190,453	-	-	-	-	-	9,168,697
Cash and cash equivalents – other	1,098,791	80,817	461,621	53,021	39,178	1,940,693	-	3,674,121
Other assets	746,051	444,704	225,609	169,668	182,007	1,717,722	(995,489)	2,490,272
Total Assets	159,657,875	5,895,188	5,952,478	675,139	330,765	10,522,210	(1,111,341)	181,922,314
Total assets for yield dependent contracts	125,357,354	2,585,177	-	-	-	-	-	127,942,531
Liabilities								
Liability due to non-yield dependent insurance and investment contracts	31,298,622	2,453,441	5,268,320	-	-	-	-	39,020,383
Liability due to yield dependent insurance and investment contracts	123,263,939	2,614,883	-	-	-	-	-	125,878,822
Financial liabilities	622,837	163,642	11,260	147,167	122,552	5,263,633	(99,909)	6,231,182
Other liabilities	2,915,296	102,811	672,898	126,342	208,213	847,318	(962,739)	3,910,139
Total liabilities	158,100,694	5,334,777	5,952,478	273,509	330,765	6,110,951	(1,062,648)	175,040,526

Note 4 - Intangible Assets

a. Composition

	Goodwill	Initial differences attributed to value of insurance portfolios	Future management fees	Brand name	Computer software	Customer portfolio	Other	Total
	NIS in thousands							
Cost								
Balance at January 1, 2020	1,068,928	740,327	214,593	7,559	1,660,455	81,115	24,819	3,797,796
Acquisitions and internal development (1)	-	-	-	-	181,747	-	943	182,690
Disposals during the year	-	-	-	-	(20,005)	-	-	(20,005)
Balance at December 31, 2020	1,068,928	740,327	214,593	7,559	1,822,197	81,115	25,762	3,960,481
Acquisitions and internal development (1)		720			206,413	-	1,300	208,433
Disposals during the year					(8,435)			(8,439)
Balance at December 31, 2021	1,068,928	741,047	214,593	7,559	2,020,171	81,115	27,062	4,160,475
Accumulated amortization and impairment losses								
Balance at January 1, 2020	223,981	734,555	192,600	7,559	1,375,210	67,843	20,025	2,621,773
Amortization recognized during the year	-	2,812	4,270	-	106,700	5,900	1,182	120,864
Impairment	491	-	-	-	-	-	-	491
Disposals during the year	-	-	-	-	(17,093)	-	-	(17,093)
Balance at December 31, 2020	224,472	737,367	196,870	7,559	1,464,817	73,743	21,207	2,726,035
Amortization recognized during the year	-	2,407	3,624	-	100,702	3,686	1,397	111,816
Impairment	4,449				-	-	-	4,449
Disposals during the year					(6,681)	-	-	(6,681)
Balance at December 31, 2021	228,921	739,774	200,494	7,559	1,558,838	77,429	22,604	2,835,619
Net carrying amount								
At December 31, 2021	840,007	1,273	14,099	-	461,333	3,686	4,458	1,324,856
At December 31, 2020	844,456	2,960	17,723	-	357,380	7,372	4,555	1,234,446

(1) In respect of computer software, an amount of about NIS 171 million and NIS 149 million was included in the years 2021 and 2020, respectively, in respect of internal development

Note 4 - Intangible Assets (Cont.)

b. Examination of impairment of intangible assets with an indefinite life.

In order to examine the impairment of goodwill as of December 31, 2021, the goodwill was allocated to the following cash generating units: pension funds, provident funds, general insurance, financial services and others (insurance agencies and activities not allocated to operating segments).

Hereunder is the carrying amount of the goodwill that was allocated to the following cash generating units.

	December 31	
	2021	2020
	NIS in thousands	
Pension funds	190,866	190,866
Provident funds	63,621	63,621
Financial services	349,886	349,886
General insurance	168,470	168,470
Other	67,164	71,613
	840,007	844,456

In order to examine the impairment of the goodwill, the recoverable amount of the cash generating unit, to which the goodwill was allocated, is examined in relation to its carrying amount. If the recoverable amount of the cash generating unit is higher than its carrying amount, the value of the unit and the assets allocated to it will be considered unimpaired.

The recoverable amount of the pension unit is determined on the basis of forecast revenues less expenses expected from the existing pension portfolio based on the embedded value of that portfolio, according to economic discount rates and rates of return. The assumptions used in this assessment include, inter alia, assumptions regarding expected rates of management fees, cancellations, operating expenses, commissions and yield of the investment portfolio, which are made each year by management of the Group based on the business environment and level of competition in the industry, past experience and relevant recent studies. The recoverable amount exceeds the carrying amount of the unit.

As at December 31, 2021 and December 31, 2020, it was found that the recoverable amount of the pension unit exceeds its carrying amount.

The recoverable amount of the provident fund unit is based on its value in use and determined based on the estimated future cash flows deriving from the overall activities of the unit.

As at December 31, 2021 and December 31, 2020, it was found that the recoverable amount of the provident fund unit exceeds its carrying amount. which mainly comprises goodwill, future management fees and deferred acquisition costs. Accordingly, no impairment loss was recognized.

The recoverable amount of the financial services unit, which mainly comprises the mutual funds activity, is based on its value in use and determined based on the estimated future cash flows deriving from the overall activities of the unit.

As at December 31, 2021 and December 31, 2020, it was found that the recoverable amount of the financial services unit exceeds its carrying amount.

The recoverable amount of the general insurance unit is based on its value in use and determined based on the estimated future cash flows of the general insurance branches.

As at December 31, 2021 and December 31, 2020, it was found that the recoverable amount of the general insurance unit exceeds its carrying amount,

The other units relate to the activity of the Group's insurance agencies. In 2020 also activities not allocated to operating segments were included.

The recoverable amount of each of the other units is based on their value in use and determined based on the estimated future cash flows of each unit.

As at December 31, 2021 and December 31, 2020 impairment losses were recognized in immaterial amounts.

The impairment losses are all included in the item of other expenses.

Fair value measurements are classified as Level 3 in the fair value hierarchy, see the definition of the fair value hierarchy in Note 2.j.7 regarding determination of the fair value.

Note 4 - Intangible Assets (Cont.)

b. Examination of impairment of intangible assets with an indefinite life (cont.)

The key assumptions used for the calculation of the recoverable amount

The calculation of the recoverable amount of the pension unit is based, among others, on the following main assumptions:

Future yield on the assets according to a weighting of designated bonds and yield guaranteed assets together with a 4% yield on investments (about 4% in 2020).

Post-tax real discount interest rate of about 8% (about 8% in 2020).

The calculation of the recoverable amount of the provident fund unit is based on the following main assumptions:

Post-tax real discount interest rate of about 8.4% (about 8.2% in 2020). This rate was determined using the WACC model, on the basis of parameters characteristic of this type of activity.

Real long term growth rate of about 1% (about 1% in 2020). This rate was determined on the basis of the average long-term growth rate for this type of activity.

The cash flow forecast was built for 5 years.

The calculation of the recoverable amount of the mutual funds activity is based in the following main assumptions:

Post-tax real discount interest rate of about 7.7% (about 8.4% in 2020). This rate was determined using the WACC model, on the basis of parameters characteristic for this type of activity.

Real long term growth rate of about 2% (about 2% in 2020). This rate was determined based on the average long-term growth rate for this type of activity.

Average management fees in long term mutual funds about 0.45% (about 0.45% in 2020).

The cash flow forecast was built for 5 years.

The calculation of the recoverable amount of the general insurance unit is based in the following main assumptions:

Nominal post-tax real interest discount of about 9.6% (about 10% in 2020). The cash flow forecast was built for five years, overall damage ratio in the various general insurance lines of 71%-123% (in the year 2020, 85%-120%); premium growth rate in the various general insurance lines of 2% (in the year 2020, 2% in the motor act, motor casco and other liability lines of about 2% and in the property and other lines of about 2.4%), long-term nominal growth rate of net income from insurance of about 1.5% (in 2020 about 1.5%).

The calculation of the recoverable amount of the insurance agencies and operations unallocated to operating segments is based on the following main assumptions:

Average post-tax discount interest rate of about 12% (about 11.8% in 2020) and long-term growth rate mainly of about 0%-1.5% (about 0%-1.5% in 2020).

Those rates were determined based on parameters characteristic for this type of activity.

Note 5 - Deferred Acquisition Costs

a. Composition

	December 31	
	2021	2020
	NIS in thousands	
Life assurance and long-term savings		
Life assurance	1,016,901	1,005,495
Pension and provident funds	258,624	211,549
	1,275,525	1,217,044
Health insurance	558,413	544,435
General insurance	190,170	190,976
	2,024,108	1,952,455

b. The movement in deferred acquisition costs in life assurance and long-term savings and in health insurance:

	Life assurance and long-term savings			Health	Total
	Life assurance	Pension and provident funds	Total		
	NIS in thousands				
Balance at January 1, 2020	1,081,209	204,114	1,285,323	561,041	1,846,364
Additions					
Acquisition commissions	131,465	44,681	176,146	101,488	277,634
Other acquisition expenses	90,394	16,579	106,973	57,557	164,530
Total additions	221,859	61,260	283,119	159,045	442,164
Current amortization	122,020	53,825	175,845	103,636	279,481
Amortization due to cancellations	175,553	-	175,553	72,015	247,568
Balance at December 31, 2020	1,005,495	211,549	1,217,044	544,435	1,761,479
Additions					
Acquisition commissions	131,070	71,864	202,934	93,035	295,969
Other acquisition expenses	94,459	22,185	116,644	52,836	169,480
Total additions	225,529	94,049	319,578	145,871	465,449
Current amortization	118,189	46,974	165,163	103,501	268,664
Amortization due to cancellations	95,934	-	95,934	28,392	124,326
Balance at December 31, 2021	1,016,901	258,624	1,275,525	558,413	1,833,938

Note 6 - Fixed Assets

a. Composition and movement

2021	Land and office buildings	Computers and software	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
	NIS in thousands					
Cost						
Cost at January 1, 2021	1,122,832	203,915	56,125	207,864	20,059	1,610,795
Additions during the year (*)	12,584	23,163	25,779	3,987	4,633	70,146
Transfer to investment property	(6,846)	-	-	-	-	(6,846)
Revaluation recognized in other comprehensive income (see c below)	28,975	-	-	-	-	28,975
Disposals during the year	(9,540)	(11,914)	(17,674)	(4,542)	(1,511)	(45,181)
Cost at December 31, 2021	1,148,005	215,164	64,230	207,309	23,181	1,657,889
Accumulated depreciation						
Accumulated depreciation at January 1, 2021	59,893	165,874	29,404	160,498	15,729	431,398
Additions during the year (*)	82,113	14,339	21,925	7,153	1,120	126,650
Transfer to investment property	(3,137)	-	-	-	-	(3,137)
Revaluation recognized in other comprehensive income	(67,106)	-	-	-	-	(67,106)
Disposals during the year	(3,483)	(11,295)	(15,813)	(4,172)	(1,151)	(35,914)
Accumulated depreciation at December 31, 2021	68,280	168,918	35,516	163,479	15,698	451,891
Carrying amount at December 31, 2021	1,079,725	46,246	28,714	43,830	7,483	1,205,998

(*) Including right-of-use asset			
Additions to cost during the year	1,621		25,728
Current year depreciation	10,281		21,846
Balance at December 31, 2021	58,576		28,477

Note 6 - Fixed Assets (Cont.)

a. Composition and movement (cont.)

2020	Land and office buildings	Computers and software	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
	NIS in thousands					
Cost						
Cost at January 1, 2020	1,125,048	233,551	51,635	212,391	20,126	1,642,751
Additions during the year (*)	1,639	23,518	13,142	4,909	192	43,400
Revaluation of assets transferred to investment property	758	-	-	-	-	758
Transfer to investment property	(2,763)	-	-	-	-	(2,763)
Revaluation recognized in other comprehensive income (see c below)	1,471	-	-	-	-	1,471
Disposals during the year	(3,321)	(53,154)	(8,652)	(9,436)	(259)	(74,822)
Cost at December 31, 2020	1,122,832	203,915	56,125	207,864	20,059	1,610,795
Accumulated depreciation						
Accumulated depreciation at January 1, 2020	64,225	205,139	17,206	161,502	15,197	463,269
Additions during the year (*)	75,190	13,588	19,976	7,601	791	117,146
Transfer to investment property	(336)	-	-	-	-	(336)
Revaluation recognized in other comprehensive income	(78,368)	-	-	-	-	(78,368)
Disposals during the year	(818)	(52,853)	(7,778)	(8,605)	(259)	(70,313)
Accumulated depreciation at December 31, 2020	59,893	165,874	29,404	160,498	15,729	431,398
Carrying amount at December 31, 2020	1,062,939	38,041	26,721	47,366	4,330	1,179,397

(*) Including right-of-use asset	Land and office buildings	Motor vehicles
Additions to cost during the year	674	13,142
Current year depreciation	11,463	19,896
Balance at December 31, 2020	73,068	26,439

Note 6 - Fixed Assets (Cont.)

b. Details of rights to real estate used by the Group as fixed assets

	December 31	
	2021	2020
	NIS in thousands	
Freehold	993,804	961,695
Leased *)	85,921	101,244
	1,079,725	1,062,939

*) Assets under capitalized lease amount to NIS 18,930 thousand (2020 - NIS 19,346 thousand) with a remaining lease period of up to 16 years.

Assets under capitalized lease in the amount of NIS 8,415 thousand (2020 - NIS 8,830 thousand) with a remaining lease period of over 45 years.

Right-of-use real estate assets in which the Company is the lessor in the amount of NIS 58,576 thousand (2020 – NIS 73,068 thousand).

c. The Company engages qualified external independent appraisers to determine the fair value of the land and buildings it owns. The fair value was assessed in December 2021.

As a result of applying the revaluation model, a revaluation reserve was created that as at December 31, 2021 has a balance of NIS 662,210 thousand before tax (December 31, 2020 - NIS 566,129 thousand before tax). The change in the revaluation reserve during the year amounted to NIS 96,081 thousand before tax.

For additional details see Note 2.k.1.

If the land and buildings had been measured using the cost model, their values in the financial statements would have been as follows:

	December 31	
	2021	2020
	NIS in thousands	
Cost	726,189	723,188
Accumulated depreciation and accumulated impairment losses	303,319	281,620
Carrying amount	422,870	441,568

*) Reclassified, see Note 2.d for more details.

The fair value of the land and buildings was measured based on a comparison to transactions in similar assets that were recently carried out on the real estate market with respect to real estate having similar characteristics including location, physical condition, designation and so forth, if any such transactions exist. Sometimes the fair value is measured using a discounted income method: the valuation model is based on the present value of the estimated operating cash flows from rentals that derive from the property.

d. Additional information

The Group has fully depreciated assets which are still operating. The original cost of these assets as of December 31, 2021 is about NIS 258 million (December 31, 2020 - about NIS 254 million).

In the year 2021, the Group derecognized fixed assets that are not utilized by the Group with an original cost of about NIS 32 million (December 31, 2020 - about NIS 67 million).

Note 6 - Fixed Assets (Cont.)

e. Disclosures for lease transaction in which the Company is a lessee

The Company has lease agreements that include leases of buildings, land and vehicles that are used in the Company's current operations. The lease agreements of the buildings are for periods between 3 and 20 years, whereas the lease agreements of the vehicles are for 3 years.

Some of the Company's lease agreements include extension and/or termination options.

In addition, the Company has lands and buildings under capitalized leases for periods longer than 50 years that the Company uses in its current operations.

Information regarding lease transactions

	Year ended December 31	
	2021	2020
	NIS in thousands	
Interest expenses on lease liabilities	2,423	2,675
Total negative cash flows for leases	31,339	31,537

Extension and termination options

The Company has lease agreements that include both extension options and termination options. These options give the Company flexibility in managing the lease transactions and matching them to the business needs of the Company.

The Company exercises significant discretion when examining whether it is reasonably certain that extension and termination options will be exercised.

For information regarding lease liabilities see Note 24.

Note 7 - Investments in Investees

a. Details of subsidiaries

A list of the Group's principal subsidiaries

	Principal location of the company's activity	The Group's ownership interests in the subsidiary for the year ended December 31	
		2021	2020
		%	
Migdal Insurance Company Ltd.	Israel	100	100
Yozma Pension Fund for the Self Employed Ltd. (1)	Israel	-	100
Migdal Makefet Pension and Provident Funds Ltd. (1)	Israel	100	100
Migdal Holdings and Insurance Agency Management Ltd.	Israel	100	100
Mivtach Simon Insurance Agencies Ltd.	Israel	100	100
Sagi Yogev Insurance Agencies (1988) Ltd.	Israel	100	100
Orlan Insurance Agency (1994) Ltd.(2)	Israel	-	100
Shaham Orlan Insurance Agencies Ltd. (2)	Israel	100	100
Peltours Insurance Agencies Ltd.	Israel	73.28	73.28
Ihud Insurance Agencies Network Ltd.	Israel	100	100
Migdal Health and Quality of Life Ltd.	Israel	100	100
B-Well Quality of Life Solutions Ltd.	Israel	100	100
Migdal Capital Markets (1965) Ltd.	Israel	100	100

(1) In April 2021 the Migdal Group executed a restructuring by which Yozma Pension Fund for the Self Employed Ltd. ("Yozma") was merged into Migdal Makefet Pension and Provident Funds Ltd. ("Makefet") against an allotment of shares. In addition, management of the veteran fund managed by Yozma was transferred to the management of Makefet. The merger was completed after all the necessary approvals were received and the conditions for completing it were met including the approval of the Capital Markets Authority and the Tax Authority.

(2) In July 2021 Orlan Insurance Agencies (1994) Ltd. was merged into Shaham Insurance Agencies (1977) Ltd. The merging company changed its name to Shaham Orlan Insurance Agencies Ltd. as a result of the merger.

b. Details of affiliates

1. Composition of the investment in affiliates:

	December 31	
	2021	2020
	NIS in thousands	
Cost of shares	25,634	24,311
The Group's share in profits and capital reserves accrued from the date of acquisition, less dividends	45	(2,610)
	25,679	21,701

2. Group's share of operating results of affiliates

The data are presented according to the percentage of holding in the affiliates:

	Year ended on December 31		
	2021	2020	2019
	NIS in thousands		
Group's share of net income (loss)	730	(1,488)	14,706
Group's share of other comprehensive loss	(527)	(1,159)	(1,595)

Note 7 - Investments in Investees (Cont.)

c. Capital management and requirement in the Group companies

1. The Company's policy is to maintain a strong capital base in order to preserve the Company's ability to continue its operations in order to generate returns for its shareholders and in order to support future business activities.

2. The Group companies, which are institutional entities are subject to capital requirements laid down by the Commissioner of the Capital Market, Insurance and Savings (hereinafter – “the Commissioner”).

3. Regulatory capital framework applicable to Migdal Insurance

Migdal Insurance is subject to an economic solvency regime based on Solvency II pursuant to application guidelines that were issued in June 2017 (hereinafter –"the Solvency circular”) and were updated in October 2020 (hereinafter – "the Solvency circular").

Risk-based solvency ratio

The risk-based solvency ratio is calculated as the ratio between the economic shareholders' equity of an insurance company and the solvency capital requirement.

The economic shareholders' equity is the total of capital according to the economic balance sheet (see hereunder) and debt instruments that include mechanisms for absorbing losses (tier 2 equity instrument, hybrid tier 2 capital and hybrid tier 3 capital).

Economic balance sheet items are calculated according to economic value, with the insurance liabilities being calculated based on a best assessment regarding all the future flows expected from existing business, without conservatism margins, plus a risk margin.

The solvency capital requirement (SCR) is aimed at assessing the exposure of the economic shareholders' equity to a series of scenarios included in the Solvency circular that reflect insurance risks, market and credit risks and operating risks.

The Solvency circular includes, inter alia, transitional provisions for meeting the capital requirements as follows:

a) Selecting one of the following alternatives:

1) Gradual spreading of the required equity until 2024 (hereinafter: “the application period”), such that the required equity will increase gradually, at the rate of 5% every year, beginning from 60% of the SCR up to the complete SCR. The required equity at December 31, 2020 - 80% of the SCR (December 31, 2019 - 75%); It should be noted that this was the only alternative until the solvency ratio report for December 31, 2019.

2) Increasing the economic capital by means of a deduction from the insurance reserves that will be gradually reduced, up to 2032 (hereinafter: “deduction in the application period”). This alternative is possible only as of the report for December 31, 2019.

Migdal Insurance have chosen the second alternative, after receiving the approval of the Commissioner, as required.

On October 16, 2020 the Commissioner sent Migdal Insurance a letter relating to approval of the deduction in the application period in which he stated that in view of the concern that the proper management of Migdal Insurance has been impaired which may affect the ability to build the required equity during the application period, the amount of the deduction in the application period will not exceed 80% of the basic amount of the deduction that was approved by the Commissioner. The letter states that this limitation shall apply at least until the corporate governance audit of the Capital Market Authority at Migdal Insurance is completed, and the instructions issued following the audit are fulfilled and the deficiencies found in it are corrected, and in any event until the limitation is removed by the Commissioner. On January 31, 2022 the Commissioner announced that he is removing the limitation on the amount of the deduction in the application period, this after having examined the actions and steps Migdal Insurance had taken in the area of corporate governance and capital management policies, as a result of the Commissioner's audit proceeding, and the subsequent fulfilment of his instructions, and which are the reason that the Commissioner believes that the circumstances that led to imposing a limitation of the amount of the deduction no longer exist at this time; since in the opinion of the Commissioner there is no longer any concern that the proper management of Migdal Insurance has been impaired and with respect to the effect of this on its ability to reach the necessary capital according to the principles for calculating the deduction in the application period. According to the Commissioner's announcement, the calculation of the deduction in the application period, without the limitation on the amount of the deduction, will apply as from the calculation of the economic solvency ratio as at December 31, 2021 (which according to the Authority's instructions will be published by June 30, 2022).

Note 7 - Investments in Investees (Cont.)

c. Capital management and requirement in the Group companies (cont.)

3. Regulatory capital framework applicable to Migdal Insurance (cont.)

b) Reduced equity demand, which will grow gradually until 2032, in respect of specific types of investments.

4. Disclosure and reporting instructions in respect of economic solvency ratio report for 2019 and thereafter

According to the consolidated circular, an economic solvency ratio report in respect of the data for December 31, and June 30 of each year will be included in the framework of the periodic report following the date of the calculation. However, in letters the Commissioner sent to the managers of the insurance companies, the last of which is dated September 22, 2020 (hereinafter – "the letter"), it was stated that notwithstanding that said in the consolidated circular, the date for issuing the economic solvency ratio report and for submitting to the Commissioner the solvency reporting files for December 31, 2019 will be October 29, 2020. The letter also exempts the companies from calculating and issuing a solvency ratio report with respect to June 2020.

On March 14 2021, the Commissioner sent a letter which, among other things, permits not issuing to the public an economic solvency ratio report for June 30, 2021.

5. Solvency ratio and capital policy of Migdal Insurance

a) According to the solvency ratio report for December 31, 2020 that was issued on June 30, 2021, Migdal Insurance has a considerable amount of surplus equity when taking into account the transitional provisions for the application period.

The equity of Migdal Insurance in 2020 was positively affected mainly by the positive yields on the markets in 2020, which their positive effect was offset by changes in the risk-free interest curve, and by the update to demographic assumptions that Migdal Insurance made in that period. The yields that were reported in the markets, above the risk-free interest, contributed to an increase in the economic value of the future management fees of Migdal Insurance from managing members' money and to investment income in the nostro portfolio and accordingly to an increase in the economic capital of Migdal Insurance. On the other hand, there was an increase in future annuity liabilities and an increase in equity requirements from the increase in accruals. The changes in the risk-free interest curve that year partly offset this positive effect.

The situation of Migdal Insurance's equity was significantly adversely affected by an update to a cancellations study that caused a reduction in the cancellation rate of savings policies that their effect on the equity of Migdal Insurance is negative, and on the other hand an increase in the cancellation rate of savings policies that their effect on the equity is positive. Besides that, the significant volume of migrations and cancellations in life and health insurance in 2020, which intensified on the backdrop of the coronavirus crisis, had a negative effect in itself on the economic capital of Migdal Insurance and the situation of its equity.

The calculation that was performed by Migdal Insurance as aforesaid, was examined by the auditors of Migdal Insurance in accordance with International Standard on Assurance Engagements (ISAE) 3400 – The Examination of Prospective Financial Information. This standard is relevant to an audit of solvency calculations and is not part of the auditing standards applicable to financial statements. It is emphasized that the forecasts and assumptions that were a basis for preparing an economic solvency ratio report are mainly based on past experience, as derived from actuarial studies conducted from time to time. In view of the reforms in the capital, insurance and savings markets 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, management's actions and the pattern of future development in the risk margin, that will not necessarily be realized or may be realized in a manner that differs from the assumptions that were the basis for the calculation. In addition, actual results may be materially different from the calculation, since the combined scenarios of the events may be realized in a manner that is materially different from the assumptions in the calculation.

The auditor's examination in the special report did not include adequacy of the amount of the deduction in the application period as at December 31, 2020, other than an examination that the amount of the deduction does not exceed the expected discounted amount of the risk margin and the solvency capital requirement in respect of life and health insurance risks from existing businesses in the application period, according to the pattern of future development in the required equity that affects both the calculation of the expected release of equity and the expected release of the risk margin, as described in the directives regarding calculation of the risk margin. Attention is also drawn to that stated in the solvency ratio report regarding the uncertainty deriving from regulatory changes and exposure to contingencies that its effect on the solvency ratio cannot be assessed.

Note 7 - Investments in Investees (Cont.)

c. Capital management and requirement in the Group companies (cont.)

5. Solvency ratio and capital policy of Migdal Insurance (cont.)

b) Capital management policy of Migdal Insurance

As a result of the update to the Solvency circular as mentioned above, the board of directors of Migdal Insurance examined the company's capital policy and on May 26, 2021 established a capital policy by which Migdal Insurance will aim to operate in a solvency ratio range of 155%-175%. In addition the board of directors of Migdal Insurance set a minimum solvency ratio of 140%. These targets are for a solvency ratio that takes into account the amount of the deduction in the application period until the end of 2032 (and before applying the 80% factor on the amount of the deduction according to the letter of the Commissioner from October 16 as mentioned above).

The solvency ratio of Migdal Insurance, without taking into account the transitional provisions, will be gradually built according to these targets until the end of 2032, pursuant to the capital policy of Migdal Insurance.

c) Solvency ratio as regards dividend distribution

Further to a letter the Commissioner published in October 2017 (hereinafter – "the letter"), an insurance company will be permitted to distribute a dividend only if after the distribution the company has a solvency ratio according to the Solvency circular of at least 100%, calculated without the transitional provisions and subject to a solvency ratio target as decided by the Company’s Board of Directors.

The aforesaid ratio will be calculated without the alleviation that was granted in respect of an original difference allocated to acquisition of the operations of the provident funds and management companies. In addition, the letter includes instructions for reporting to the Commissioner.

According to the solvency ratio report as at December 31, 2020, the solvency ratio of Migdal Insurance for the purpose of dividend distribution, i.e. without considering the transitional provisions, is lower than 100%.

For further details see paragraph 3.2 and paragraph 5.1 of the board of directors' report and the economic solvency ratio reports of Migdal insurance as at December 31, 2019 and December 31, 2020 that were published on the website of Migdal Insurance.

d) Own risk and solvency assessment (ORSA) of insurance company

On January 5, 2022 the Commissioner published an amendment to the consolidated circular "Reporting to the Capital Market Commissioner" – Own risk and solvency assessment (ORSA) of insurance company (hereinafter – "the amendment") – by which an insurance company is required to report to the Commissioner once a year in the month of January with respect to its own risk and solvency assessment (ORSA). The circular is effective as from January 1, 2023.

6. Capital requirements from management companies

The capital requirements from Group management companies include capital requirements according to the scope of assets under management and annual expenses, but not less than primary capital of NIS 10 million. As at the date of this report, these companies comply with the capital regulations.

Consolidated companies that manage mutual funds and investment portfolios are required to have minimum capital according to directives of the Securities Authority. As at the date of this report, the consolidated companies comply with these directives.

Note 8 - Investment Property

a. Composition and movement:

	Investment property for yield dependent contracts					
	Leased for retail use		Leased for office and other use		Total	
	2021	2020	2021	2020	2021	2020
	NIS in thousands					
Balance at January 1	1,649,723	1,684,139	5,273,782	5,215,041	6,923,505	6,899,180
Additions during the year						
Purchases	4,095	6,090	111,129	47,432	115,224	53,522
Capitalized costs and expenses	-	-	8,840	25,275	8,840	25,275
Total additions	4,095	6,090	119,969	72,707	124,064	78,797
Derecognitions during the year						
Disposals	-	-	(50,997)	(27,000)	(50,997)	(27,000)
Total derecognitions	-	-	(50,997)	(27,000)	(50,997)	(27,000)
Changes in fair value (unrealized)	45,698	(40,506)	237,173	7,924	282,871	(32,582)
Changes in fair value (realized)	-	-	14,294	5,110	14,294	5,110
Balance at December 31	1,699,516	1,649,723	5,594,221	5,273,782	7,293,737	6,923,505

	Investment property – other					
	Leased for retail use		Leased for office and other use		Total	
	2021	2020	2021	2020	2021	2020
	NIS in thousands					
Balance at January 1	187,037	193,046	527,552	603,691	714,589	796,737
Additions during the year						
Purchases	352	590	20,867	13,636	21,219	14,226
Capitalized costs and expenses	-	-	1,286	3,142	1,286	3,142
Transfer from fixed assets	-	-	3,709	2,427	3,709	2,427
Total additions	352	590	25,862	19,205	26,214	19,795
Derecognitions during the year						
Disposals	(15,000)	-	(105,003)	(105,000)	(120,003)	(105,000)
Total derecognitions	(15,000)	-	(105,003)	(105,000)	(120,003)	(105,000)
Changes in fair value (unrealized)	9,290	(6,599)	44,790	15,006	54,080	8,407
Changes in fair value (realized)	600	-	11,293	(5,350)	11,893	(5,350)
Balance at the day of December 31	182,279	187,037	504,494	527,552	686,773	714,589

b. Investment property is measured at fair value and classified as Level 3 in the fair value hierarchy.

Note 8 - Investment Property (Cont.)

c. Data regarding fair value measurement of investment property

Type of asset	Valuation techniques to determine fair value	Significant non-observable data	Interactions between unobservable significant data and the fair value measurement
Assets for rent for commercial / office use	The fair value is estimated using the discounted income technique: The valuation model is based on the estimated present value of the operating rental income resulting therefrom. Real estate valuation is based on the net annual cash flows discounted using a pre-tax discount rate that reflects the specific risks inherent in them. When actual lease agreements are signed, which have payments which are unreasonable when compared to market rates; adjustments are made to reflect the actual rental payments during the contract period or alternatively determining the discount rate which reflects specific risk.. The valuations take into account the type of tenants actually leasing the premises or responsible for meeting lease commitments or likely to be in occupation after letting vacant premises (a lower discount rate for tenants such as a government body, institutional body, tenants having a particularly strong financial back), and a general assessment regarding their creditworthiness and the remaining economic life of the asset, in those places where these parameters are relevant. Sometimes the fair value is determined based on a comparison to recent transactions in similar properties in the real estate market in relation to real estate with similar characteristics including location, physical condition, designation, and so forth, if there are any such transactions, and sometimes by performing a combination of comparing transactions of similar properties and the discounted income valuation technique. In addition, there are properties that have a clear planning potential because of the approval of a new urban building plan or a new urban building plan being in advanced stages of approval, in which the fair value of the property includes the positive economic contribution that derives from the aforesaid potential.	• The market value of the lease payments. • Discount rate of cash flows (4.7% to 10 %, weighted average of 6.7% in 2021, and 5.2% to 10%, weighted average of 6.9% in 2020)	Estimated fair value will increase if: • The market value of the lease payments increases. • The discount rate of the cash flows decreases.

Note 8 - Investment Property (Cont.)

d. Sensitivity analysis

The discount rate represents a major estimate in determining fair value since any changes therein materially affect the fair value of investment property. Nevertheless, it should be noted that a change in the fair value of investment property for part of the insurance contracts (yield dependent contracts) does not entirely affect the Group's profit or loss since in respect of such assets most of the change in value is allocated to the rights of members

The following sensitivity analysis presents the effect of a change in the discount rate (the analysis below does not include the effect of a change in the discount rate on assets whose value is measured using the approach of comparison to similar assets. The value of these assets is insignificant compared to the total value of the investment property.

	Increase (decrease) in fair value at December 31		**Increase (decrease) in profit and loss before tax**	
	2021	2020	2021	2020
	NIS in thousands			
0.5% increase	(470,384)	(437,210)	(88,221)	(88,098)
0.5% decrease	530,103	513,487	100,210	103,071

e. Evaluation processes adapted by the company

The fair value of investment property is determined based on valuations performed by independent external appraisers who hold recognized and relevant professional qualifications and who have up-to-date experience regarding the location and type of the property being valued. The valuations are examined by the responsible officers in the Company.

f. Transactions for the acquisition of investment property

Regarding transactions for the acquisition of investment property, see Note 38.2.c.

g. Operating lease agreements

For details of operating lease agreements arrangements in which the Group serves as lessor that are classified as investment property, see Note 38.2.g).

h. Rental income and operating expenses recognized in the statement of profit and loss

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Rental income from investment property	441,268	443,377	489,765
Direct operating expenses *)	(62,566)	(50,428)	(65,692)
	378,702	392,949	424,073

*) Direct operating expenses arising from investment property that did not produce rental income during the period are immaterial

i. Details of real estate rights used by the Group as investment property.

	December 31	
	2021	2020
	NIS in thousands	
Freehold	3,916,369	3,771,813
Capitalized leases	4,064,141	3,866,281
	7,980,510	7,638,094

Some of the freehold rights and leasehold rights have not yet been registered in the name of the Group companies with the Land Registry Office and the Israel Lands Authority, as relevant, mainly due to technical registration arrangements.

Note 8 - Investment Property (Cont.)

i. Details of real estate rights used by the Group as investment property (cont.)

The remaining lease periods in years:

	December 31	
	2021	2020
	NIS in thousands	
Up to 15 years	32,301	(* 29,920
16–50 years	1,269,880	1,162,304
More than 50 years	2,761,960	(* 2,674,057
Total	4,064,141	3,866,281

*) Reclassified, see Note 2.d for more details.

Note 9 - Debtors and Receivables

a. Composition

	December 31	
	2021	2020
	NIS in thousands	
Government authorities and institutions	104,100	1,176
Income receivable	61,665	64,531
Prepaid expenses	40,865	44,815
Employees	38,784	36,790
Advances to suppliers	8,898	7,918
Receivables for securities	535,584	584,492
Advances on account of commissions to insurance agents	9,997	7,057
Insurance companies and insurance brokers	98,504	80,339
Other	221,270	306,342
Less - allowance for doubtful accounts	(1,817)	(515)
Total debtors and receivables	1,117,850	1,132,945

For a breakdown of assets and liabilities according to linkage bases see Note 36.c.

b. Allowance for doubtful accounts:

	2021	2020
	NIS in thousands	
Balance at January 1	(515)	(569)
Change in provision during the period	(1,302)	54
Balance at December 31	(1,817)	(515)

Note 10 - Outstanding Premiums

a. Composition

	December 31 2021	December 31 2020
	NIS Thousands	
Outstanding premiums *)	723,200	743,953
Less - allowance for doubtful accounts	(9,308)	(13,681)
Total outstanding premiums	713,892	730,272
*) Including checks receivable and standing orders	180,754	169,612

Regarding the outstanding premiums' linkage terms, see Note 36.c.

b. Aging

	December 31 2021	December 31 2020
	NIS in thousands	
Unimpaired outstanding premiums: *)		
Without arrears	471,263	473,839
In arrears		
Less than 90 days	54,865	63,622
Between 90-180 days	41,858	41,782
Over 180 days	145,150	148,156
Total unimpaired outstanding premiums	713,136	727,399
Impaired outstanding premiums	756	2,873
Total outstanding premiums	713,892	730,272

*) Includes an amount of NIS 276,122 thousand (as at December 31, 2020 – NIS 294,815 thousand) of debts in arrears in the life assurance segment. These debts are mainly backed by the policy's redemption value.

**) Reclassified, see Note 2.d for more details.

c. Movement in allowance for doubtful accounts in respect of outstanding premiums:

	2021	2020
	NIS in thousands	
Balance at January 1	(13,681)	(10,846)
Change in allowance in the period	4,373	(2,835)
Balance at December 31	(9,308)	(13,681)

Note 11 - Assets for Yield Dependent Contracts

a. Details of assets presented at fair value through profit and loss:

	December 31	
	2021	2020
	NIS in thousands	
Investment property	7,293,737	6,923,505
Financial investments:		
Quoted debt assets	34,782,174	35,048,470
Unquoted debt assets *)	16,294,670	15,401,601
Shares	37,194,839	26,171,439
Other financial investments	35,241,163	34,222,601
Total financial investments	123,512,846	110,844,111
Cash and cash equivalents	13,621,535	9,168,697
Other	865,448	1,006,218
Total assets for yield dependent contracts	145,293,566	127,942,531
*) Including debt assets measured at amortized cost	324,534	318,191
Fair value of debt assets measured at amortized cost	333,525	350,417

Regarding exposure in respect of yield dependent policy assets see Note 36.b.1.

Regarding details of linkage of debt assets see Note 36.d.1.

Regarding price quotes and interest rates used to determine the fair value of the unquoted debt assets see Note 12.f.

Note 11 - Assets for Yield Dependent Contracts (Cont.)

b. Fair value levels of financial assets distributed into levels:

The table below analyses assets held against insurance contracts and investment contracts that are presented at fair value through profit or loss.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Financial investments:				
Quoted debt assets	28,808,905	5,973,269	-	34,782,174
Unquoted debt assets	-	9,899,497	6,070,639	15,970,136
Shares	33,658,755	-	3,536,084	37,194,839
Other financial investments	17,749,306	3,194,057	14,297,800	35,241,163
Total financial investments	80,216,966	19,066,823	23,904,523	123,188,312
Unquoted debt assets for which disclosure of fair value is provided (11.a above)	-	333,525	-	333,525

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Financial investments:				
Quoted debt assets	28,769,222	6,279,248	-	35,048,470
Unquoted debt assets	-	8,941,607	6,141,803	15,083,410
Shares	23,752,644	-	2,418,795	26,171,439
Other financial investments *)	22,278,700	3,081,348	8,862,553	34,222,601
Total financial investments	74,800,566	18,302,203	17,423,151	110,525,920
Unquoted debt assets for which disclosure of fair value is provided (11.a above)	-	350,417	-	350,417

c. Level 3 financial assets carried at fair value:

	Fair value measurement on the reporting date			
	Financial assets at fair value through profit or loss			
	Unquoted debt assets	Shares	Other financial investments	Total
	NIS in thousands			
Balance at January 1, 2021	6,141,803	2,418,795	8,862,553	17,423,151
Total gains (losses) recognized:				
In profit and loss*)	(97,151)	351,494	2,005,556	2,259,899
Receipts from interest and dividend	(197,884)	(71,022)	(1,647,529)	(1,916,435)
Investments	1,122,836	1,020,046	5,442,374	7,585,256
Realizations	-	(119,061)	(365,154)	(484,215)
Surrenders	(898,965)	-	-	(898,965)
Transfers from level 3	-	(64,168)	-	(64,168)
Balance at December 31, 2021	6,070,639	3,536,084	14,297,800	23,904,523
*) Total gains (losses) in the period included in profit and loss for assets held at December 31, 2021	(77,674)	297,372	1,967,810	2,187,508

Note 11 - Assets for Yield Dependent Contracts (Cont.)

c. Level 3 financial assets carried at fair value: (cont.)

The transition between levels derives from the use of observable and unobservable market inputs.

The transition from level 3 is due to an issuance.

	Fair value measurement on the reporting date			
	Financial assets at fair value through profit or loss			
	Unquoted debt assets	Shares	Other financial investments	Total
	NIS in thousands			
Balance at January 1, 2020	5,425,156	2,364,001	6,725,598	14,514,755
Total gains (losses) recognized:				
In profit and loss*)	2,869	(163,627)	969,276	808,518
Receipts from interest and dividend	(205,282)	(44,151)	(882,540)	(1,131,973)
Investments	1,630,441	327,292	2,672,601	4,630,334
Realizations	-	(64,720)	(449,052)	(513,772)
Surrenders	(711,381)	-	-	(711,381)
Transfers from level 3	-	-	(173,330)	(173,330)
Balance at December 31, 2020	6,141,803	2,418,795	8,862,553	17,423,151
*) Total losses in the period included in profit and loss for assets held at December 31, 2020	(211,400)	(216,794)	(60,499)	(488,693)

The transition between levels derives from the use of observable and unobservable market inputs.

The transition from level 3 is due to an issuance.

Note 12 - Details of Other Financial Investments

	December 31, 2021			
	Presented in fair value through profit or loss	Available for sale	Loans and receivables	Total
	NIS in thousands			
Quoted debt assets (a)	639,572	13,433,983	-	14,073,555
Unquoted debt assets (b)	12,634	-	26,194,247	26,206,881
Shares (d)	-	256,647	-	256,647
Other (e)	257,477	3,632,032	-	3,889,509
Total	909,683	17,322,662	26,194,247	44,426,592

	December 31, 2020			
	Presented in fair value through profit or loss	Available for sale	Loans and receivables	Total
	NIS in thousands			
Quoted debt assets (a)	1,022,497	13,443,837	-	14,466,334
Unquoted debt assets (b)	20,746	-	25,104,439	25,125,185
Shares (d)	35,672	279,808	-	315,480
Other (e)	163,442	2,874,765	-	3,038,207
Total	1,242,357	16,598,410	25,104,439	42,945,206

a. Quoted debt assets

Composition

	December 31	
	2021	2020
	NIS in thousands	
Government bonds:		
Presented at fair value through profit and loss - held for trade	3,080	3,079
Available for sale	10,717,263	9,333,557
Total government bonds	10,720,343	9,336,636
Other debt assets:		
Unconvertible:		
Presented at fair value through profit and loss and designated at initial recognition	636,492	1,019,418
Available for sale	2,716,720	4,110,280
Total other unconvertible debt assets	3,353,212	5,129,698
Total quoted debt assets	14,073,555	14,466,334
Impairment allocated to profit and loss (accumulated)	177	-

Note 12 - Details of Other Financial Investments (Cont.)

b. Unquoted debt assets

Composition

	December 31			
	Carried Value		Fair Value	
	2021	2020	2021	2020
	NIS in thousands			
Government bonds - designated bonds *)	23,637,188	22,463,254	33,770,054	30,906,560
Other unconvertible debt assets:				
Presented at fair value through profit and loss	149	183	149	183
Presented as loans and receivables, excluding bank deposits	2,114,204	2,189,708	2,328,428	2,396,233
Bank deposits	455,340	472,040	582,848	606,142
Total other unconvertible debt assets	2,569,693	2,661,931	2,911,425	3,002,558
Total unquoted debt assets	26,206,881	25,125,185	36,681,479	33,909,118
Impairment allocated to profit and loss	16,411	51,874		

*) The fair value of designated bonds is calculated according to the contractual maturity date.

c. Details of interest and linkage of debt assets (effective interest):

	December 31	
	2021	2020
	%	
Quoted debt assets:		
Linkage basis:		
Linked to the CPI	(0.7)	0.2
In NIS	1.4	1.7
Linked to foreign currency	3.4	2.7
Unquoted debt assets:		
Linkage basis:		
Linked to the CPI	5.0	5.0
In NIS	2.5	2.5
Linked to foreign currency	4.0	4.0

d. Shares

	December 31	
	2021	2020
	NIS in thousands	
Quoted:		
Available for sale	157,020	226,363
Total quoted shares	157,020	226,363
Unquoted:		
Presented at fair value through profit and loss	-	35,672
Available for sale	99,627	53,445
Total unquoted shares	99,627	89,117
Total shares	256,647	315,480
Impairment allocated to profit and loss (accumulated)	54,030	81,403

Note 12 - Details of Other Financial Investments (Cont.)

e. Other financial investments

Other financial investments mainly include investments in exchange traded funds, mutual fund participation certificates, investment funds, hedge funds, financial derivatives, futures contracts, options and structured products.

	December 31	
	2021	2020
	NIS in thousands	
Quoted		
Presented at fair value through profit and loss, held for trade	10,055	7,503
Available for sale	1,150,136	1,086,693
Derivative instruments (e.1)	281	229
Total quoted financial investments	1,160,472	1,094,425
Unquoted		
Presented at fair value through profit and loss, held for commerce	3,110	37,003
Available for sale	2,481,896	1,788,072
Derivative instruments (e.1)	244,031	118,707
Total unquoted financial investments	2,729,037	1,943,782
Total other financial investments	3,889,509	3,038,207
Impairment allocated to profit and loss (accumulated)	958,169	687,310

e.1 Derivative instruments

Hereunder is the amount of net exposure of the base asset, reported in delta terms of financial transactions performed as at the date of the financial statements. Exposure to interest derivative instruments is shown by value:

	December 31	
	2021	2020
	NIS in thousands	
Shares	355,032	(149,172)
Index	3,043,472	1,570,808
Quoted	(10,289)	
Foreign currency	(5,081,129)	(5,090,213)
Interest	(13,151)	(2,500)

f. The interest rates used for determining fair value:

The fair value of the unquoted debt assets that are measured at fair value through profit or loss and the unquoted financial debt assets for which information regarding their fair value is given for disclosure purposes only is determined by discounting their estimated anticipated cash flows. The discount rates are based on yields of government bonds and the spreads of corporate bonds, as measured on the TASE. The price quotations and interest rates used for discounting are determined by the company which won the tender published by the Ministry of Finance for the construction and operation of price quotations and discount rates pool for institutional entities.

Hereunder are the weighted average interest rates for unquoted debt assets, included in each rating group in other financial investments (*):

	December 31	
	2021	2020
	%	
AA and above	(1.7)	(0.6)
AAA	0.3	1.3
BBB	4.0	5.7
Lower than BBB	6.4	3.1
Not rated	2.9	2.3

Note 12 - Details of Other Financial Investments (Cont.)

f. The interest rates used for determining fair value (cont.)

(*) The sources for the level of rating in Israel are the rating companies of Ma'alot and Midroog and internal rating. The data from Midroog were transferred to the rating categories according to the generally accepted conversion coefficients. Each rating includes all the ranges: for example, rate A includes A- up to A+.

Regarding internal rating, see Note 36.b(4)b)(1).

g. Fair value levels of financial assets:

Presented hereunder is an analysis of financial assets presented at fair value

The balance in the financial statements of cash and cash equivalents, outstanding premiums and debtors and receivables are the same or proximate to their fair value.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Quoted debt assets	12,670,220	1,403,335	-	14,073,555
Unquoted debt assets	-	-	149	149
Shares	157,020	-	99,627	256,647
Other	1,160,472	268,730	2,460,307	3,889,509
Total	13,987,712	1,672,065	2,560,083	18,219,860
Unquoted debt assets for which disclosure of fair value is provided (12.b above)	-	35,846,266	835,064	36,681,330

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Quoted debt assets	12,103,399	2,362,935	-	14,466,334
Unquoted debt assets	-	-	183	183
Shares	226,363	-	89,117	315,480
Other *)	1,094,425	162,456	1,781,326	3,038,207
Total	13,424,187	2,525,391	1,870,626	17,820,204
Unquoted debt assets for which disclosure of fair value is provided (12.b above)	-	33,008,637	900,298	33,908,935

Note 12 - Details of Other Financial Investments (Cont.)

g. Fair value levels of financial assets (cont.)

Financial assets measured at fair value at level 3

	Fair value measurement on the reporting date Financial assets at fair value through profit or loss and available-for-sale financial assets			
	Unquoted debt assets	Shares	Other financial investments	Total
	NIS in thousands			
Balance at January 1, 2021	183	89,117	1,781,326	1,870,626
Total gains (losses) recognized:				
In profit or loss*)	72	32,494	170,453	203,019
In other comprehensive income	-	(12,418)	120,303	107,885
Receipts from interest and dividend	-	(5,174)	(426,275)	(431,449)
Investments	-	62,141	861,494	923,635
Realizations	(106)	(31,833)	(46,994)	(78,933)
Transfers from level 3	-	(34,700)	-	(34,700)
Balance at December 31, 2021	149	99,627	2,460,307	2,560,083
*) Including Total gains (losses) in the period included in profit and loss for assets held at December 31, 2021	(30)	(197)	171,538	171,311

The transition from level 3 is due to an issuance.

	Fair value measurement on the reporting date Financial assets at fair value through profit or loss and available-for-sale financial assets			
	Unquoted debt assets	Shares	Other financial investments	Total
	NIS in thousands			
Balance at January 1, 2020	186	103,990	1,502,482	1,606,658
Total gains (losses) recognized:				
In profit or loss*)	114	874	70,116	71,104
In other comprehensive income	-	(397)	24,271	23,874
Receipts from interest and dividend	(67)	(4,280)	(260,969)	(265,316)
Investments	-	(2,639)	567,799	565,160
Realizations	(50)	(8,431)	(88,433)	(96,914)
Transfers from level 3	-	-	(33,940)	(33,940)
Balance at December 31, 2020	183	89,117	1,781,326	1,870,626
*) Including Total gains (losses) in the period included in profit and loss for assets held at December 31, 2020	47	332	(225,895)	(225,516)

The transition from level 3 is due to an issuance.

Note 12 - Details of Other Financial Investments (Cont.)

h. Aging of investments in unquoted debt assets:

	December 31	
	2021	2020
	NIS in thousands	
Government bonds - designated bonds	23,637,188	22,463,254
Unimpaired debt assets:		
Without arrears	2,549,423	2,650,252
In arrears *)		
Less than 90 days	174	1,958
Between 90 – 180 days	567	941
Over 180 days	5,719	7,274
Total unimpaired debt assets	2,555,883	2,660,425
Impaired assets		
Specifically impaired assets, gross	30,221	53,380
Impairment allocated to profit and loss (accumulated)	(16,411)	(51,874)
Total debt assets specifically impaired	13,810	1,506
Total unquoted debt assets	26,206,881	25,125,185

*) Mainly loans for which policies are pledged against which there are full surrender values and/or mortgages.

It should be noted that the amounts presented above do not represent the actual amount in arrears but rather the outstanding debt in arrears.

i. Disclosures required according to IFRS9

The table below presents the fair value of financial assets as at December 31, 2021 and 2020 according to two categories:

- Assets that meet the criterion of solely payment of principal and interest (not including assets held for trading or managed on a fair value basis (hereinafter: "category A”))
- All other financial assets (hereinafter: "category B”).

	December 31, 2021	
	Category A	Category B
	NIS in thousands	
Financial investments for yield dependent contracts	333,525	123,188,312
Other financial investments – shares	-	256,647
Other financial investments – other	-	3,889,509
Other financial investments – quoted debt assets	13,437,063	636,492
Other financial investments – unquoted debt assets *)	36,681,479	-
Cash and cash equivalents for yield dependent contracts	-	13,621,535
Cash and cash equivalents - other	6,846,764	-

	December 31, 2020	
	Category A	Category B
	NIS in thousands	
Financial investments for yield dependent contracts	350,417	110,525,920
Other financial investments – shares	-	315,480
Other financial investments – other	-	3,038,207
Other financial investments – quoted debt assets	13,446,916	1,019,418
Other financial investments – unquoted debt assets *)	33,909,118	-
Cash and cash equivalents for yield dependent contracts	-	9,168,697
Cash and cash equivalents - other	3,674,121	-

*) Including designated bonds.

Note 13 - Cash and Cash Equivalents for Yield Dependent Contracts

	December 31	
	2021	2020
	NIS in thousands	
Cash and deposits for immediate withdrawal	13,621,535	9,168,697
Cash and cash equivalents	13,621,535	9,168,697

The cash in the banking corporations as of the reporting date bear current interest based on the interest rate in respect of daily bank deposits at the average rate of about 0.03% (2020 - about 0.05%).

Regarding the linkage terms of the cash and short-term deposits, see Note 36.d.1.

Note 13.a - Cash and Cash Equivalents - Other

	December 31	
	2021	2020
	NIS in thousands	
Cash and deposits for immediate withdrawal	6,846,764	3,674,121
Cash and cash equivalents	6,846,764	3,674,121

The cash in the banking corporations as of the reporting date bear current interest based on the interest rate in respect of daily bank deposits at the average rate of about 0.06% (2020 - about 0.06%).

Regarding the linkage terms of the cash and short-term deposits, see Note 36.c.

Note 14 - Equity

a. Composition of share capital

	December 31, 2021		December 31, 2020		December 31, 2019	
	Authorized	Issued and paid up *)	Authorized	Issued and paid up *)	Authorized	Issued and paid up *)
	NIS in thousands					
Ordinary shares of NIS 0.01 par value each	15,000	10,539	15,000	10,539	15,000	10,539

*) In nominal values.

b. 1. Movement in share capital:

There was no change in the Company's authorized share capital during the year.

2. The issued and paid up share capital:

The number of issued and paid up shares in each of the years is 1,053,908,234 having a par value of NIS 10,539 thousand.

c. The shares are traded on the TASE and confer voting rights in the general assembly, rights to receive dividends, rights upon liquidation of the Company and the right to appoint the Company's directors.

d. Distributed dividends:

The following dividends were distributed by the Company:

	Year ended on December 31, 2020		
	2021	2020	2019
	NIS in thousands		
Total dividend	(* 47,000	-	(** 350,000

*) 0.04 NIS per share

**) 0.33 NIS per share

Note 15 - Liabilities in respect of Non-Yield Dependent Insurance and Investment Contracts

	December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		On retention	
	NIS in thousands					
Life assurance and long-term savings:						
Insurance contracts	32,406,075	31,068,308	139,558	140,298	32,266,517	30,928,010
Investment contracts	237,405	259,774	-	-	237,405	259,774
	32,643,480	31,328,082	139,558	140,298	32,503,922	31,187,784
Less - amounts deposited in the Group under defined benefit plan for the Group's employees	30,442	29,460	-	-	30,442	29,460
Total life assurance and long term savings	32,613,038	31,298,622	139,558	140,298	32,473,480	31,158,324
Insurance contracts included in the health insurance segment	3,105,845	2,453,441	78,843	59,861	3,027,002	2,393,580
Insurance contracts included in the general insurance segment	5,431,708	5,268,320	1,113,065	1,012,436	4,318,643	4,255,884
Total liabilities in respect of non-yield dependent insurance and investment contracts	41,150,591	39,020,383	1,331,466	1,212,595	39,819,125	37,807,788

Note 16 - Liabilities in respect of Yield Dependent insurance and Investment Contracts

	December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		On retention	
	NIS in thousands					
Life assurance and long-term savings:						
Insurance contracts	136,653,287	121,064,326	3,815	3,960	136,649,472	121,060,366
Investment contracts	3,479,165	2,342,806	-	-	3,479,165	2,342,806
	140,132,452	123,407,132	3,815	3,960	140,128,637	123,403,172
Less - amounts deposited in the Group under defined benefit plan for the Group's employees	155,578	143,193	-	-	155,578	143,193
Total life assurance and long-term savings	139,976,874	123,263,939	3,815	3,960	139,973,059	123,259,979
Insurance contracts included in the health insurance segment	2,975,221	2,614,883	11,504	6,384	2,963,717	2,608,499
Total liabilities in respect of yield dependent insurance and investment contracts	142,952,095	125,878,822	15,319	10,344	142,936,776	125,868,478

In yield-dependent insurance contracts, the insurance benefits to which the beneficiary is entitled depend on the yield generated by certain investments made by Migdal Insurance less management fees. Among other things, these contracts include insurance plans that entitle/obligate the insured to a bonus/malus depending on the results of the investments in the profit-sharing policies portfolio of Migdal Insurance. In insurance contracts that are not yield-dependent, the insurance benefits to which the policyholder is entitled do not depend on the gain or loss from the investments made by Migdal Insurance.

The distinction between yield-dependent contracts and contracts that are non-yield dependent is made at individual cover level, so that some policies have several coverages, some of which are yield dependent and others are not.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment

a1. Liabilities in respect of insurance contracts included in the general insurance segment according to type:

	December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		In retention	
	NIS in thousands					
Motor act and liability branches						
Provision for unearned premium	354,155	381,279	71,099	77,381	283,056	303,898
Outstanding claims and provision for premium deficiency	4,048,186	3,842,910	642,983	585,414	3,405,203	3,257,496
Total motor act and liability branches (see b.1 below)	4,402,341	4,224,189	714,082	662,795	3,688,259	3,561,394
Of which: liabilities in respect of the motor act branch (see c.3 and c.4 below)	2,235,783	2,188,732	75,442	86,717	2,160,341	2,102,015
Property and other branches:						
Provision for unearned premium	511,011	553,340	180,259	161,913	330,752	391,427
Provision for premium deficiency	50,507	4,307	-	-	50,507	4,307
Outstanding claims	467,849	486,484	218,724	187,728	249,125	298,756
Total property and other branches (see b.2 below)	1,029,367	1,044,131	398,983	349,641	630,384	694,490
Total liabilities in respect of insurance contracts included in the general insurance segment	5,431,708	5,268,320	1,113,065	1,012,436	4,318,643	4,255,884
Deferred acquisition expenses:						
Motor act and liability branches	61,398	60,076	9,991	13,362	51,407	46,714
Property and other branches	128,772	130,900	35,672	33,340	93,100	97,560
Total deferred acquisition costs	190,170	190,976	45,663	46,702	144,507	144,274
Liabilities in respect of general insurance contracts less deferred acquisition costs:						
Motor act	2,215,602	2,169,250	75,442	86,717	2,140,160	2,082,533
Other liabilities branches	2,125,341	1,994,863	628,649	562,716	1,496,692	1,432,147
Property and other branches	900,595	913,231	363,311	316,301	537,284	596,930
Total liabilities in respect of general insurance contracts less deferred acquisition costs	5,241,538	5,077,344	1,067,402	965,734	4,174,136	4,111,610

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

a2. Insurance liabilities in respect of insurance contracts included in the general insurance segment according to their calculation method:

	December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		On retention	
	NIS in thousands					
Actuarial valuations:						
Total actuarial valuations by the appointed general insurance actuary Ms. Ronnie Ginor	4,295,196	4,064,876	618,254	537,146	3,676,942	3,527,730
Provisions on the basis of other valuations:						
Claims department valuation in respect of known outstanding claims	265,616	262,871	239,681	232,061	25,935	30,810
Addition to outstanding claims due to claims incurred but not yet reported (IBNR)	5,730	5,954	3,772	3,935	1,958	2,019
Provision for unearned premium	865,166	934,619	251,358	239,294	613,808	695,325
Total insurance liabilities in respect of insurance contracts included in the general insurance segment.	5,431,708	5,268,320	1,113,065	1,012,436	4,318,643	4,255,884

b. Movement in liabilities in respect of insurance contracts included in the general insurance segment, net of deferred acquisition costs:

1. Motor act and liability branches:

	December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		On retention	
	NIS in thousands					
Balance at the beginning of the year (1)	4,164,113	4,041,693	649,433	494,797	3,514,680	3,546,896
Estimate of the cumulative cost of claims in respect of the current underwriting year (2)	764,637	816,286	94,473	94,238	670,164	722,048
Change in balances at the beginning of the year as a result of linkage to the index	91,607	(21,927)	14,549	(2,744)	77,058	(19,183)
Change in the estimate of the cumulative cost of claims in respect of previous underwriting years (3)	26,361	51,684	33,327	131,080	(6,966)	(79,396)
Total change in cumulative cost of claims	882,605	846,043	142,349	222,574	740,256	623,469
Payments for settlement of claims during the year (4)						
In respect of current underwriting year	4,805	7,660	165	157	4,640	7,503
In respect of previous underwriting years	700,970	715,963	87,526	67,781	613,444	648,182
Total payments for the period	705,775	723,623	87,691	67,938	618,084	655,685
Balance at the end of the year	4,340,943	4,164,113	704,091	649,433	3,636,852	3,514,680

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

b. Movement in liabilities in respect of insurance contracts included in the general insurance segment, net of deferred acquisition costs: (cont.)

1. Motor act and liability branches (cont.)

Comments

(1) The opening and closing balances include: outstanding claims, provision for premium deficiency and unearned premium, net of deferred acquisition costs.

(2) The ultimate claims cost is: outstanding claims balance, provision for premium deficiency, unearned premium net of deferred acquisition costs with the addition of the total claims payments including direct or indirect expenses for claims settlement.

The ultimate claims cost is updated based on the model in light of actual claims development.

(3) The increase in the estimate of the cumulative cost of claims on retention in respect of underwriting years before 2021 stems mainly from the motor act branch.

(4) The difference between the gross and on retention amounts of the estimate of the cumulative cost of claims in respect of underwriting years before 2020 is mainly due the professional liability branch, for a claim that is mostly covered by reinsurance.

(5) The payments include indirect expenses for settling claims attributable to the underwriting years.

2. Other property branches

	December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		On retention	
	NIS in thousands					
Balance at the beginning of the year (1)	913,231	947,166	316,301	313,456	596,930	633,710
Estimate of the cumulative cost of claims in respect of events during the reporting year (2)	797,811	930,017	163,630	176,407	634,181	753,610
Change in the estimate of the cumulative cost of claims in respect of events prior to the reporting year (3)	(100,334)	(51,767)	(31,578)	4,203	(68,756)	(55,970)
Payment to settle claims during the year (4)						
In respect of events during the reporting year	479,894	599,730	34,702	79,927	445,192	519,803
In respect of events prior to the reporting year	236,218	298,843	66,354	97,913	169,864	200,930
Total payments	716,112	898,573	101,056	177,840	615,056	720,733
Change in provision for unearned premium, net of deferred acquisition costs (6)	(40,201)	(17,919)	16,014	75	(56,215)	(17,994)
Change in provision for premium deficiency (5)	46,200	4,307	-	-	46,200	4,307
Balance at the end of the year (1)	900,595	913,231	363,311	316,301	537,284	596,930

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

b. Movement in liabilities in respect of insurance contracts included in the general insurance segment, net of deferred acquisition costs: (cont.)

Comments:

(1) The opening and closing balances include: outstanding claims with the addition of provision for premium deficiency and unearned premium, net of deferred acquisition costs.

(2) The cumulative cost of claims in respect of events in the reporting year include the balance of outstanding claims at the end of the reporting year plus the total claims payments during the reporting period, including direct and indirect expenses for settling claims.

(3) The change in the estimate of the cumulative cost of claims is mainly due to the motor casco and comprehensive residential branches in which there was a positive development in claims experience.

(4) The payments for claims settlement include direct and indirect expenses attributed to the years of damage.

(5) The provision for premium deficiency in 2020-2021 is due to the motor casco branch.

(6) The decrease in the provision for unearned premiums is mainly due to the motor casco branch following a decrease in the premium threshold recorded in the reporting year.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c1. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, gross, in the motor act and liability branches

	December 31, 2021										
	Underwriting year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	NIS in thousands adjusted to the CPI of November 2021										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	5,123	6,872	6,897	7,228	8,415	6,929	9,657	9,662	7,821	4,863	
After two years	30,053	44,109	59,838	65,140	86,747	72,265	89,241	82,693	58,234		
After three years	79,403	149,393	168,068	196,444	242,112	200,249	234,987	220,289			
After four years	145,882	252,366	286,117	307,716	383,126	315,461	361,988				
After five years	199,226	339,345	360,018	398,950	494,807	406,804					
After six years	272,119	397,428	430,904	476,359	575,102						
After seven years	317,068	454,369	492,226	538,843							
After eight years	354,221	501,050	548,721								
After nine years	375,305	526,671									
After ten years	391,957										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	453,872	733,423	761,600	748,048	936,206	793,285	848,742	856,982	835,871	764,695	
After two years	469,903	782,642	763,786	792,198	926,869	791,756	841,412	841,767	884,002		
After three years	488,303	729,412	749,211	787,502	937,198	794,783	873,045	894,558			
After four years	422,016	714,805	787,093	812,376	950,556	856,336	892,103				
After five years	438,365	736,603	785,926	808,524	958,341	853,260					
After six years	463,134	690,678	758,628	776,628	929,593						
After seven years	456,615	668,918	715,352	748,227							
After eight years	439,487	725,118	697,285								
After nine years	438,060	710,369									
After ten years	434,554										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	(12,538)	19,043	66,501	(179)	6,613	(59,975)	(43,361)	(37,576)	(48,131)		(109,603)
The rate of deviation in relation to the first year that does not include accumulation, in percentage	(2.97%)	2.61%	8.71%	(0.02%)	0.71%	(7.56%)	(5.11%)	(4.38%)	(5.76%)		(1.58%)
Accumulated claims cost as at December 31, 2021	434,554	710,369	697,285	748,227	929,593	853,260	892,103	894,558	884,002	764,695	7,808,646
Accumulated payments up to December 31, 2021	391,957	526,671	548,721	538,843	575,102	406,804	361,988	220,289	58,234	4,863	3,633,472
Outstanding claims balance	42,597	183,698	148,564	209,384	354,491	446,456	530,115	674,269	825,768	759,832	4,175,174
Outstanding claims in respect of the years up to and including the underwriting year 2011											127,652
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (3)											38,117
Total liability in respect of insurance contracts in the motor act and liability branches net of deferred acquisition costs at December 31, 2021											4,340,943

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c1. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, gross, in the motor act and liability branches (cont.)

(1) The amounts presented above are in values adjusted for inflation so that it may be possible to examine development on the basis of real values.
(2) Excess (deficiency) in relation to the first year that does not include the accumulation in the claims estimate.
The change in the estimate of the cumulative cost of claims in respect of previous underwriting years is mainly due to, inter alia, a change in the cost of individual claims in its effect on the actuarial model as well as regulatory changes.
(3) Data of a run-off insurance portfolio that was added in 2016 and was excluded from the claims triangle. See Note 37.e.2.

Comments

* The significance level of the actuarial models is higher when the development in claims is examined on the level of all underwriting years, so it is more correct to examine the development in the Company's estimates on the level of all the underwriting years and not for each separate underwriting year.

** The accumulated claims estimate at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

*** The data include the accumulation (excess of income over expenses), insofar as exists.

**** According to an examination the Company performed of the property and others branches, the cost of claims is usually resolved within one year. Therefore, no information is provided regarding the development in claims in these branches.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c2. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, on retention, in the motor act and liability branches

	December 31, 2021										
	Underwriting year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	NIS in thousands adjusted to the CPI of November 2021										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	5,003	6,612	6,706	7,116	8,295	6,693	9,621	9,382	7,660	4,696	
After two years	28,594	42,878	59,257	63,773	85,583	70,258	86,894	80,359	56,833		
After three years	76,851	147,911	166,794	194,217	239,718	192,720	224,753	212,549			
After four years	142,893	247,639	282,855	304,518	378,277	300,291	339,347				
After five years	194,154	333,843	355,758	386,562	487,249	367,658					
After six years	257,231	390,521	415,969	460,004	560,685						
After seven years	300,031	443,357	472,944	516,606							
After eight years	334,065	487,766	528,212								
After nine years	354,237	512,429									
After ten years	366,749										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	400,478	669,321	693,394	718,400	885,197	714,547	774,300	779,013	739,369	670,220	
After two years	405,500	705,789	732,754	747,622	878,393	694,856	766,183	750,210	778,912		
After three years	421,489	698,967	703,882	749,533	889,328	687,862	776,665	790,373			
After four years	404,283	684,092	736,309	770,687	904,567	731,437	790,044				
After five years	410,207	705,893	726,517	769,994	905,234	725,508					
After six years	435,617	661,772	708,628	739,988	886,630						
After seven years	427,087	638,662	672,783	712,791							
After eight years	413,258	619,857	652,469								
After nine years	410,109	600,570									
After ten years	405,646										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	(1,363)	98,397	80,285	5,609	(1,433)	(10,961)	(15,744)	(11,360)	(39,543)		103,887
The rate of deviation in relation to the first year that does not include accumulation, in percentage	(0.34%)	14.08%	10.96%	0.78%	(0.16%)	(1.53%)	(2.03%)	(1.46%)	(5.35%)		1.61%
Accumulated claims cost as at December 31, 2021	405,646	600,570	652,469	712,791	886,630	725,508	790,044	790,373	778,912	670,220	7,013,163
Accumulated payments up to December 31, 2021	366,749	512,429	528,212	516,606	560,685	367,658	339,347	212,549	56,833	4,696	3,465,764
Outstanding claims balance	38,897	88,141	124,257	196,185	325,945	357,850	450,697	577,824	722,079	665,524	3,547,399
Outstanding claims in respect of the years up to and including the underwriting year 2011											89,547
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (3)											(94)
Total liability in respect of insurance contracts in the motor act and liability branches net of deferred acquisition costs at December 31, 2021											3,636,852

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c2. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, on retention, in the motor act and liability branches (cont.)

(1) The amounts presented above are in values adjusted for inflation so that it may be possible to examine development on the basis of real values.

(2) Excess (deficiency) in relation to the first year that does not include the accumulation in the claims estimate.
The change in the estimate of the cumulative cost of claims in respect of previous underwriting years is mainly due to, inter alia, a change in the cost of individual claims in its effect on the actuarial model as well as regulatory changes.

(3) Data of a run-off insurance portfolio that was added in 2016 and was excluded from the claims triangle. See Note 37.e.2.

Comments

* The significance level of the actuarial models is higher when the development in claims is examined on the level of all underwriting years, so it is more correct to examine the development in the Company's estimates on the level of all the underwriting years and not for each separate underwriting year.

** The accumulated claims estimate at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

*** The data include the accumulation (excess of income over expenses), insofar as exists.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c3. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, gross, in the motor act branch.

	December 31, 2021										
	Underwriting year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	NIS in thousands adjusted to the CPI of November 2021										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	3,012	3,720	3,644	5,279	5,570	4,980	7,155	7,022	5,117	2,850	
After two years	16,001	27,390	43,295	47,310	67,653	54,172	75,314	68,022	44,766		
After three years	45,760	107,721	128,754	152,677	189,401	149,619	193,074	176,937			
After four years	86,468	182,031	210,481	231,406	290,472	222,421	282,802				
After five years	115,755	242,116	258,132	290,791	367,546	262,378					
After six years	158,655	279,753	297,652	337,900	414,717						
After seven years	190,325	314,014	336,583	378,580							
After eight years	212,974	345,697	379,177								
After nine years	221,767	358,397									
After ten years	228,524										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	249,447	497,461	490,146	461,464	582,166	428,132	517,239	500,384	488,938	419,194	
After two years	252,971	514,240	472,793	485,406	578,823	407,688	513,977	483,091	522,390		
After three years	259,683	462,471	445,715	477,822	591,966	397,807	542,545	517,586			
After four years	216,388	449,853	481,632	514,836	602,239	447,925	557,799				
After five years	227,385	474,992	477,659	514,709	611,012	448,547					
After six years	252,971	451,023	481,784	519,078	618,643						
After seven years	253,156	431,179	452,794	497,193							
After eight years	248,568	416,463	439,351								
After nine years	242,390	403,757									
After ten years	242,076										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	(25,688)	58,714	33,442	(35,729)	(36,477)	(20,415)	(40,560)	(17,202)	(33,452)		(117,367)
The rate of deviation in relation to the first year that does not include accumulation, in percentage	(11.87%)	12.70%	7.07%	(7.74%)	(6.27%)	(4.77%)	(7.84%)	(3.44%)	(6.84%)		(2.84%)
Accumulated claims cost as at December 31, 2021	242,076	403,757	439,351	497,193	618,643	448,547	557,799	517,586	522,390	419,194	4,666,536
Accumulated payments up to December 31, 2021	228,524	358,397	379,177	378,580	414,717	262,378	282,802	176,937	44,766	2,850	2,529,128
Outstanding claims balance	13,552	45,360	60,174	118,613	203,926	186,169	274,997	340,649	477,624	416,344	2,137,408
Outstanding claims in respect of the years up to and including the underwriting year 2011											44,689
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (3)											33,505
Total liability in respect of insurance contracts in the motor act branch net of deferred acquisition costs at December 31, 2021											2,215,602

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

C3. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, gross, in the motor act branch (cont.)

(1) The amounts presented above are in values adjusted for inflation so that it may be possible to examine development on the basis of real values.

(2) Excess (deficiency) in relation to the first year that does not include the accumulation in the claims estimate.

The change in the estimate of the cumulative cost of claims in respect of previous underwriting years is mainly due to, inter alia, a change in the cost of individual claims in its effect on the actuarial model as well as regulatory changes.

(3) Data of a claims portfolio that was added in 2016 and was excluded from the claims triangle. See Note 37.e.2.

Comments

* The significance level of the actuarial models is higher when the development in claims is examined on the level of all underwriting years, so it is more correct to examine the development in the Company's estimates on the level of all the underwriting years and not for each separate underwriting year.

** The accumulated claims estimate at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

*** The data include the accumulation (excess of income over expenses), insofar as exists.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c4. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, on retention, in the motor act branch

	December 31 2021										
	Underwriting year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	NIS in thousands adjusted to the CPI of November 2021										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	3,012	3,720	3,644	5,279	5,570	4,919	7,155	7,022	5,117	2,854	
After two years	16,001	27,390	43,295	47,310	67,653	54,111	75,314	68,022	44,766		
After three years	45,760	107,721	128,754	152,677	189,401	149,558	193,074	176,937			
After four years	86,468	182,030	210,481	231,406	290,472	222,360	282,265				
After five years	115,755	242,115	258,132	288,283	367,546	262,317					
After six years	158,655	279,753	297,652	335,401	412,625						
After seven years	190,325	314,014	336,583	376,092							
After eight years	211,956	345,697	379,177								
After nine years	221,278	358,397									
After ten years	227,895										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	244,999	490,641	482,022	456,887	578,948	425,375	514,475	497,361	485,134	415,627	
After two years	246,958	503,061	470,126	482,187	574,570	404,862	509,725	479,385	516,501		
After three years	253,491	458,887	442,496	475,125	587,819	394,721	536,106	514,009			
After four years	214,644	446,309	478,935	512,071	598,492	444,471	551,004				
After five years	225,960	471,274	474,893	511,060	606,809	444,900					
After six years	250,962	447,406	480,313	514,968	614,727						
After seven years	250,390	428,705	450,863	493,287							
After eight years	246,247	413,840	437,627								
After nine years	240,554	401,247									
After ten years	240,138										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	(25,494)	57,640	32,499	(36,400)	(35,779)	(19,525)	(36,529)	(16,648)	(31,367)		(111,603)
The rate of deviation in relation to the first year that does not include accumulation, in percentage	(11.88%)	12.56%	6.91%	(7.97%)	(6.18%)	(4.59%)	(7.10%)	(3.35%)	(6.47%)		(2.72%)
Accumulated claims cost as at December 31, 2021	240,138	401,247	437,627	493,287	614,727	444,900	551,004	514,009	516,501	415,627	4,629,067
Accumulated payments up to December 31, 2021	227,895	358,397	379,177	376,092	412,625	262,317	282,265	176,937	44,766	2,854	2,523,325
Outstanding claims balance	12,243	42,850	58,450	117,195	202,102	182,583	268,739	337,072	471,735	412,773	2,105,742
Outstanding claims in respect of the years up to and including the underwriting year 2011 (3)											34,491
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (4)											(73)
Total liability in respect of insurance contracts in the motor act branch net of deferred acquisition costs at December 31, 2021											2,140,160

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

C4. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, on retention, in the motor act branch (cont.)

(1) The amounts presented above are in values adjusted for inflation so that it may be possible to examine development on the basis of real values.

(2) Excess (deficiency) in relation to the first year that does not include the accumulation in the claims estimate.

The change in the estimate of the cumulative cost of claims in respect of previous underwriting years is mainly due to, inter alia, a change in the cost of individual claims in its effect on the actuarial model as well as regulatory changes.

(3) Includes also data regarding the acquisition of a general insurance portfolio for years before the 2008 underwriting year that were added in 2016. See Note 37.e.2.

(4) Data of a claims portfolio that was added in 2016 and was excluded from the claims triangle. See Note 37.e.2.

Comments

* The significance level of the actuarial models is higher when the development in claims is examined on the level of all underwriting years, so it is more correct to examine the development in the Company's estimates on the level of all the underwriting years and not for each separate underwriting year.

** The accumulated claims estimate at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

*** The data include the accumulation (excess of income over expenses), insofar as exists.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c5. Cumulative data regarding underwriting years in the motor act insurance branch

	Underwriting year						
	2021	2020	2019	2018	2017	2016	2015
	NIS in thousands						
For the year ended on December 31, 2021							
Gross premiums	365,660	452,190	481,088	514,687	415,243	565,032	508,432
Cumulative comprehensive income (loss) on retention in respect of the underwriting year *)	(87,401)	(76,674)	(34,508)	(34,809)	(42,709)	(45,596)	15,614
*) Including excess of income over expenses on retention that were recognized in 2015 directly to retained earnings of	-	-	-	-	-	-	889
Cumulative effect of investment income on cumulative comprehensive income on retention in respect of the underwriting year	16,592	48,151	63,992	72,614	57,474	91,288	82,671

c6. Cumulative data regarding underwriting years in the other liability insurance branches

	Underwriting year						
	2021	2020	2019	2018	2017	2016	2015
	NIS in thousands						
For the year ended December 31, 2021							
Gross premiums	355,936	374,182	377,816	343,508	357,948	341,374	308,032
Cumulative comprehensive income (loss) on retention in respect of the underwriting year *)	(60,410)	(52,907)	(51,394)	(34,414)	(55,481)	(28,651)	11,109
*) Including excess of income over expenses on retention that were recognized in 2015 directly to retained earnings at the amount of	-	-	-	-	-	-	2,210
Cumulative effect of investment income on cumulative comprehensive income on retention in respect of the underwriting year	9,109	25,533	38,261	42,952	48,697	58,370	50,351

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c7. Composition of comprehensive income (loss) on retention in the motor act insurance branch:

	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years
	Gross		Retention	
	NIS in thousands			
For the year ended on December 31				
2021	(86,561)	57,727	(87,401)	63,804
2020	(62,058)	6,779	(64,087)	15,827
2019	(36,004)	156,993	(39,604)	163,012

c8. Composition of comprehensive income (loss) on retention in the other liability insurance branches

	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years
	Gross		Retention	
	NIS in thousands			
For the year ended on December 31				
2021	(60,700)	115,679	(60,410)	142,067
2020	(55,397)	35,481	(63,277)	130,410
2019	(64,639)	182,535	(76,845)	158,073

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings

a. Details of the liabilities in respect of insurance contracts and investment contracts according to exposure

	December 31, 2021						
	Policies with savings component (including riders) according to policy's date of issue				Policies without savings component		Total
			From 2004		Risk sold as separate policy		
	Up to 1990 [(1)]	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	
	NIS in thousands						
(a) According to insurance exposure: Liabilities in respect of insurance contracts:							
Annuity without guarantied coefficients	-	-	-	9,445,033	-	-	9,445,033
Annuity with guaranteed coefficients:							
Up to May 2001	18,453,520	57,877,751	-	-	-	-	76,331,271
From June 2001	-	12,648,961	39,810	40,231,636	-	-	52,920,407
Annuity in payment	8,504,322	7,351,243	208,922	2,503,291	-	-	18,567,778
Lump sum (without annuity option)	1,358,763	1,024,122	-	14,321	-	-	2,397,206
Supplementary annuity reserve [(2)]	3,026,616	2,910,855	-	2,131	-	-	5,939,602
Other risk components	119,385	892,959	-	1,610,979	701,849	132,893	3,458,065
Total in respect of insurance contracts	31,462,606	82,705,891	248,732	53,807,391	701,849	132,893	169,059,362
Liabilities in respect of investment contracts	-	900	236,505	3,479,165	-	-	3,716,570
Total	31,462,606	82,706,791	485,237	57,286,556	701,849	132,893	172,775,932
(b) According to financial exposure							
Non yield	30,192,234	294,447	485,237	1,152,365	480,142	39,055	32,643,480
Yield dependent	1,270,372	82,412,344	-	56,134,191	221,707	93,838	140,132,452
Total	31,462,606	82,706,791	485,237	57,286,556	701,849	132,893	172,775,932

(1) The products issued up to the year 1990 (including their increases) are mainly yield guaranteed and are mainly backed by designated bonds.

(2) The supplementary annuity reserve included in the table above is in respect of a deferred annuity component. Another component is included in the annuity in payment item. See Note 36.b.3.b)(6).

An additional amount of NIS 3,287 million in respect of the existing accumulation will be recognized in profit or loss over the remaining life of the policy until the age of retirement. See Note 36.b.3.b)(6) for more details.

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

a. Details of the liabilities in respect of insurance contracts and investment contracts according to exposure (cont.)

	December 31, 2020						
	Policies with savings component (including riders) according to policy's date of issue				Policies without savings component		Total
			From 2004		Risk sold as separate policy		
	Up to 1990 (1)	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	
	NIS in thousands						
(a) According to insurance exposure: Liabilities in respect of insurance contracts:							
Annuity without guarantied coefficients	-	-	-	6,627,810	-	-	6,627,810
Annuity with guaranteed coefficients:							
Up to May 2001	18,186,220	51,966,048		-	-	-	70,152,268
From June 2001	-	11,621,113	43,498		-	-	48,067,250
Annuity in payment	7,530,717	5,930,770	241,493	2,050,281	-	-	15,753,261
Lump sum (without annuity option)	1,508,785	966,362	-	14,179	-	-	2,489,326
Supplementary annuity reserve (2)	3,161,570	2,723,281	-	1,867	-	-	5,886,718
Other risk components	119,048	855,221	-	1,421,731	635,413	124,588	3,156,001
Total in respect of insurance contracts	30,506,340	74,062,795	284,991	46,518,507	635,413	124,588	152,132,634
Liabilities in respect of investment contracts	-	808	258,966	2,342,806	-	-	2,602,580
Total	30,506,340	74,063,603	543,957	48,861,313	635,413	124,588	154,735,214
(b) According to financial exposure							
Non yield dependent	29,078,542	303,885	543,957	953,352	427,351	20,995	31,328,082
Yield dependent	1,427,798	73,759,718	-	47,907,961	208,062	103,593	123,407,132
Total	30,506,340	74,063,603	543,957	48,861,313	635,413	124,588	154,735,214

(1) The products issued up to the year 1990 (including their increases) are mainly yield guaranteed and are mainly backed by designated bonds.

(2) The supplementary annuity reserve included in the table above is in respect of a deferred annuity component. Another component is included in the annuity in payment item. See Note 36.b.3.b)(6).

An additional amount of NIS 2,992 million in respect of the existing accumulation will be recognized in profit or loss over the remaining life of the policy until the age of retirement. See Note 36.b.3.b)(6) for more details.

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

b. Details of results according to types of policies

	For the year ended December 31, 2021						
	Policies with savings component (including riders) according to policy's date of issue				**Policies without savings component**		
			From 2004		**Risk sold as separate policy**		
	Up to 1990	**Up to 2003**	**Non yield dependent**	**Yield dependent**	**Individual**	**Group**	**Total**
	NIS in thousands						
Gross premiums:							
Traditional/endowment	13,944	13,625	-	-	-	-	27,569
Savings component	234,879	2,167,616	-	5,599,892	-	-	8,002,387
Other	30,933	193,621	-	618,520	677,863	22,643	1,543,580
Total	279,756	2,374,862	-	6,218,412	677,863	22,643	9,573,536
Financial margin including management fees	406,936	1,746,104	14,199	612,362	-	-	2,779,601
Payments and change in liabilities in respect of gross insurance contracts	2,234,540	13,218,685	(14,328)	12,402,586	385,710	47,881	28,275,074
Payments and change in liabilities in respect of investment contracts	-	92	10,189	298,316	-	-	308,597
Income (loss) from life assurance business	278,539	1,470,409	19,743	(39,271)	145,057	(5,152)	1,869,325
Other comprehensive income from life assurance business	193,181	5,920	13,752	20,814	8,971	647	243,285
Total comprehensive income (loss) from life assurance business	471,720	1,476,329	33,495	(18,457)	154,028	(4,505)	2,112,610
Profit from pension and provident funds							73,765
Other comprehensive income from pension and provident funds							(1,024)
Total comprehensive income from life assurance and long term savings							2,185,351
Receipts in respect of investment contracts allocated directly to insurance reserves	-	-	-	1,180,429	-	-	1,180,429
Annualized premium in respect of insurance contracts – new business	-	-	-	234,421	87,959	-	322,380
One time premium in respect of insurance contracts	8	-	-	2,110,872	-	-	2,110,880
Annualized premium in respect of investment contracts – new business	-	-	-	37,040	-	-	37,040
One time premium in respect of investment contracts	-	-	-	1,061,167	-	-	1,061,167
Transfers to the company in respect of insurance contracts and investment contracts	-	-	-	899,233	-	-	899,233
Transfers from the company in respect of insurance contracts and investment contracts	150,942	1,216,154	-	2,661,294	-	-	4,028,390

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

b. Details of results according to types of policies (cont.)

Comments

1. The products issued up to 1990 (including their increases) were mainly guaranteed yield and are mainly backed up by designated bonds.
2. Increases in existing policies are not included as part of the annualized premium in respect of new business, but as part of the original policy's activity results.
3. The financial margin includes gains (losses) from investments that were recognized in other comprehensive income, does not include additional income of Migdal Insurance collected as a percentage of the premium and calculated before deduction of investment management expenses. The financial margin in policies with a guaranteed yield is based on actual investment income for the reported year, net of the multiplication of the guaranteed rate of annual yield by the average reserve for the year, in various insurance reserves. In respect of yield dependent policies, the financial margin is the total of the fixed and variable management fees calculated on the basis of the yield and the average balance of the insurance reserves.
4. Payments and change in liabilities in respect of investment contracts include only the amount of the gains (losses) from investments in respect of investment contracts.

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

b. Details of results according to types of policies (cont.)

	For the year ended December 31, 2020						
	Policies with savings component (including riders) according to policy's date of issue				**Policies without savings component**		
			From 2004		**Risk sold as separate policy**		
	Up to 1990	**Up to 2003**	**Non yield dependent**	**Yield dependent**	**Individual**	**Group**	**Total**
	NIS in thousands						
Gross premiums:							
Traditional/endowment	17,531	15,820	-	-	-	-	33,351
Savings component	244,977	2,142,152	-	5,124,228	-	-	7,511,357
Other	35,286	206,518	-	605,649	658,213	31,282	1,536,948
Total	297,794	2,364,490	-	5,729,877	658,213	31,282	9,081,656
Financial margin including management fees	296,340	914,070	945	511,146	-	-	1,722,501
Payments and change in liabilities in respect of gross insurance contracts	1,261,231	6,399,063	(11,864)	7,925,582	353,388	21,179	15,948,579
Payments and change in liabilities in respect of investment contracts	-	23	(5,252)	73,888	-	-	68,659
Income (loss) from life assurance business	205,274	25,150	34,882	(150,984)	111,723	11,959	238,004
Other comprehensive income (loss) from life assurance business	87,814	2,855	(11,518)	8,088	3,833	265	91,337
Total comprehensive income (loss) from life assurance business	293,088	28,005	23,364	(142,896)	115,556	12,224	329,341
Profit from pension and provident funds							35,308
Other comprehensive income from pension and provident funds							4,550
Total comprehensive income from life assurance and long term savings							369,199
Receipts in respect of investment contracts allocated directly to insurance reserves	-	-	18,220	447,296	-	-	465,516
Annualized premium in respect of insurance contracts – new business	-	-	-	244,462	110,623	-	355,085
One time premium in respect of insurance contracts	28	-	-	1,611,668	-	-	1,611,696
Annualized premium in respect of investment contracts – new business	-	-	-	18,821	-	-	18,821
One time premium in respect of investment contracts	-	-	18,220	334,594	-	-	352,814
Transfers to the company in respect of insurance contracts and investment contracts	- ~	-	-	746,542	-	-	746,542
Transfers from the company in respect of insurance contracts and investment contracts	75,158	854,489	-	1,547,360	-	-	2,477,007

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

b. Details of results according to types of policies (cont.)

Comments

5. The products issued up to 1990 (including their increases) were mainly guaranteed yield and are mainly backed up by designated bonds.
6. Increases in existing policies are not included as part of the annualized premium in respect of new business, but as part of the original policy's activity results.
7. The financial margin includes gains (losses) from investments that were recognized in other comprehensive income, does not include additional income of Migdal Insurance collected as a percentage of the premium and calculated before deduction of investment management expenses. The financial margin in policies with a guaranteed yield is based on actual investment income for the reported year, net of the multiplication of the guaranteed rate of annual yield by the average reserve for the year, in various insurance reserves. In respect of yield dependent policies, the financial margin is the total of the fixed and variable management fees calculated on the basis of the yield and the average balance of the insurance reserves.
8. Payments and change in liabilities in respect of investment contracts include only the amount of the gains (losses) from investments in respect of investment contracts.

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

b. Details of results according to types of policies (cont.)

	For the year ended December 31, 2019						
	Policies with savings component (including riders) according to policy's date of issue				Policies without savings component		
			From 2004		Risk sold as separate policy		
	Up to 1990	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	Total
	NIS in thousands						
Gross premiums:							
Traditional/endowment	22,353	18,873	-	-	-	-	41,226
Savings component	264,980	2,215,116	-	5,681,387	-	-	8,161,483
Other	40,484	227,485	-	628,156	635,478	30,586	1,562,189
Total	327,817	2,461,474	-	6,309,543	635,478	30,586	9,764,898
Financial margin including management fees	747,517	1,255,142	77,283	490,096	-	-	2,570,038
Payments and change in liabilities in respect of gross insurance contracts	2,414,757	11,174,416	39,112	10,472,870	245,730	33,830	24,380,715
Payments and change in liabilities in respect of investment contracts	-	93	25,298	219,985	-	-	245,376
Income (loss) from life assurance business	(299,034)	(78,466)	(18,831)	(47,471)	198,059	5,784	(239,959)
Other comprehensive income from life assurance business	302,592	12,177	40,961	23,112	13,424	1,327	393,593
Total comprehensive income (loss) from life assurance business	3,558	(66,289)	22,130	(24,359)	211,483	7,111	153,634
Profit from pension and provident funds							44,057
Other comprehensive income from pension and provident funds							9,991
Total comprehensive income from life assurance and long term savings							207,682
Receipts in respect of investment contracts allocated directly to insurance reserves	-	-	96,138	552,503	-	-	648,641
Annualized premium in respect of insurance contracts – new business	-	-	-	296,164	108,460	-	404,624
One time premium in respect of insurance contracts	32	-	-	1,910,876	-	-	1,910,908
Annualized premium in respect of investment contracts – new business	-	-	-	27,589	-	-	27,589
One time premium in respect of investment contracts	-	-	96,138	419,142	-	-	515,280
Transfers to the Company in respect of insurance contracts and investment contracts	-	-	-	783,630	-	-	783,630
Transfers from the Company in respect of insurance contracts and investment contracts	39,978	604,964	-	1,039,795	-	-	1,684,737

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

b. Details of results according to types of policies (cont.)

Comments

1. The products issued up to 1990 (including their increases) were mainly guaranteed yield and are mainly backed up by designated bonds.
2. Increases in existing policies are not included as part of the annualized premium in respect of new business, but as part of the original policy's activity results.
3. The financial margin includes gains (losses) from investments that were recognized in other comprehensive income, does not include additional income of Migdal Insurance collected as a percentage of the premium and calculated before deduction of investment management expenses. The financial margin in policies with a guaranteed yield is based on actual investment income for the reported year, net of the multiplication of the guaranteed rate of annual yield by the average reserve for the year, in various insurance reserves. In respect of yield dependent policies, the financial margin is the total of the fixed and variable management fees calculated on the basis of the yield and the average balance of the insurance reserves.
4. Payments and change in liabilities in respect of investment contracts include only the amount of the gains (losses) from investments in respect of investment contracts.

Note 19 - Details of the insurance Liabilities for Insurance Contracts included in the Health Insurance Segments

a.1 Details of the insurance liabilities in respect of insurance contracts according to financial exposure:

	December 31, 2021				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Yield dependent	2,846,252	-	128,969	-	2,975,221
Other	2,066,654	14,404	1,020,151	4,636	3,105,845
Total	4,912,906	14,404	1,149,120	4,636	6,081,066

*) The most significant coverage included in other long-term health insurance is medical expenses and in short-term is overseas travel.

	December 31, 2020				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Yield dependent	2,490,656	-	124,227	-	2,614,883
Other	1,543,154	18,408	888,280	3,599	2,453,441
Total	4,033,810	18,408	1,012,507	3,599	5,068,324

*) The most significant coverage included in other long-term health insurance is medical expenses and in short-term is overseas travel.

a.2 Details of the liabilities in respect of insurance contracts according to insurance exposure:

	December 31, 2021				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Annuity being paid	348,679	8,821	19,937	-	377,437
Other risk components	4,564,227	5,583	1,129,183	4,636	5,703,629
Total	4,912,906	14,404	1,149,120	4,636	6,081,066

*) The most significant coverage included in other long-term health insurance is medical expenses and in short-term is overseas travel.

	December 31, 2020				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Annuity being paid	275,821	11,553	18,286	-	305,660
Other risk components	3,757,989	6,855	994,221	3,599	4,762,664
Total	4,033,810	18,408	1,012,507	3,599	5,068,324

*) The most significant coverage included in other long-term health insurance is medical expenses and in short-term is overseas travel.

Note 19 - Details of the insurance Liabilities for Insurance Contracts included in the Health Insurance Segments (Cont.)

b. Details of the results according to policy type

	For the year ended December 31, 2021				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Gross premiums	459,531	4,663	1,244,453	6,934	1,715,581
Payments and change in liabilities in respect of insurance contracts, gross	989,297	6,610	767,427	4,738	1,768,072
Profit (loss) from health insurance business	(138,285)	(847)	89,707	(1,841)	(51,266)
Other comprehensive income from health insurance business	40,942	303	13,511	23	54,779
Total comprehensive income (loss) from health insurance business	(97,343)	(544)	103,218	(1,818)	3,513
Annualized premium - new**)	64	-	110,221	-	110,285

*) The most significant coverage included in other long-term health insurance is medical expenses, and in short-term is travel insurance.

Of this, individual premiums in the amount of NIS 1,058,034 thousand and group premiums in the amount of NIS 193,353 thousand.

**) Including policy riders.

	For the year ended December 31, 2020				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Gross premiums	463,301	5,005	1,180,234	7,555	1,656,095
Payments and change in liabilities in respect of insurance contracts, gross	418,795	9,260	624,144	8,152	1,060,351
Profit (loss) from health insurance business	66,484	(3,275)	114,616	(4,358)	173,467
Other comprehensive income from health insurance business	13,895	161	5,202	21	19,279
Total comprehensive income (loss) from health insurance business	80,379	(3,114)	119,818	(4,337)	192,746
Annualized premium - new**)	9,961	-	129,032	-	138,993

*) The most significant coverage included in other long-term health insurance is medical expenses, and in short-term is travel insurance.

Of this, individual premiums in the amount of NIS 999,279 thousand and group premiums in the amount of NIS 188,510 thousand.

**) Including policy riders.

Note 19 - Details of the insurance Liabilities for Insurance Contracts included in the Health Insurance Segments (Cont.)

b. Details of the results according to policy type (cont.)

	For the year ended December 31, 2019				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Gross premiums	430,492	5,782	1,137,508	37,070	1,610,852
Payments and change in liabilities in respect of insurance contracts, gross	1,223,664	11,531	619,591	22,742	1,877,528
Profit (loss) from health insurance business	(607,339)	(4,414)	145,738	(886)	(466,901)
Other comprehensive income from health insurance business	18,521	406	10,075	70	29,072
Total comprehensive income (loss) from health insurance business	(588,818)	(4,008)	155,813	(816)	(437,829)
Annualized premium - new**)	57,574	-	146,439	-	204,013

*) The most significant coverage included in other long-term health insurance is medical expenses, and in short-term is travel insurance.

Of this, individual premiums in the amount of NIS 983,540 thousand and group premiums in the amount of NIS 191,038 thousand.

**) Including policy riders.

Note 20 - Movement in Liabilities in respect of Life Assurance Contracts, Investment Contracts and Health Insurance

	Life assurance and Long Term Savings			
	Insurance contracts	Investment contracts	Total	Health insurance
	NIS in thousands			
Balance as at January 1, 2020	144,802,756	2,570,992	147,373,748	4,685,917
Interest, linkage differences and investment income (1)	6,048,150	76,403	6,124,553	107,665
Increase in respect of premiums and deposits allocated to liabilities (2)	7,519,091	465,516	7,984,607	263,018
Decline in respect of management fees from accrued savings	(1,386,665)	(20,609)	(1,407,274)	-
Decrease in respect of claims, surrenders and maturities	(5,242,266)	(481,978)	(5,724,244)	(43,782)
Other changes (3)	391,568	(7,744)	383,824	55,506
Balance as at December 31, 2020	152,132,634	2,602,580	154,735,214	5,068,324
Interest, linkage differences and investment income (1)	17,524,199	302,240	17,826,439	313,157
Increase in respect of premiums and deposits allocated to liabilities (2)	8,006,818	1,180,429	9,187,247	282,308
Decline in respect of management fees from accrued savings	(2,272,889)	(25,460)	(2,298,349)	-
Decrease in respect of claims, surrenders and maturities	(6,866,566)	(349,576)	(7,216,142)	(33,835)
Other changes (3)	535,166	6,357	541,523	451,112
Balance as at December 31 2021	169,059,362	3,716,570	172,775,932	6,081,066

Comments

(1) Interest, linkage differences and investment income – this item includes interest, linkage differences and investment income in respect of the balance as at the beginning of the year, with the addition of interest, linkage differences and investment income in respect of premiums for savings only recorded during the reported period.

(2) Increase in respect of premiums allocated to liabilities – this premium does not include the entire premium recorded as income in the Company. The premium includes the premium for savings and part of the premium in products with fixed premium less management fees calculated as a percentage of premiums.

(3) Other changes –The item includes changes in reserve in respect of outstanding claims, reserve for future claims, IBNR, annuities in payment, etc. (according to assumptions used at the end of the previous year). In addition, the item includes the interest effect, linkage differences and investment income not included in the "interest, linkage differences and investment income" item, such as: interest, linkage differences and investment income for claims payment and non-savings premiums.

In 2021 an increase was recorded in the item that is due to the investment income included in the reserves as aforesaid being considerably higher than that included last year mainly in life assurance. In the reporting year, there was a decrease in the provision in respect of the supplementary annuity reserve in life assurance in an amount of approximately NIS 437 million compared with an increase in the said provision in an amount of approximately NIS 271 million last year, and an increase in the provision following a liability adequacy test (LAT) in health insurance in an amount of approximately NIS 293 million compared with a decrease in the said provision in an amount of approximately NIS 34 million last year (see Note 36.b.3.(b)(5)(a).

Note 21 - Taxes on Income

a. General

The income of the Company and all other Group companies is subject to corporate tax according to the Income Tax Ordinance (New Version), 1961 ("the Ordinance"). Furthermore, the income of Group companies that are classified as "financial institutions" as defined in the Value Added Tax Law, 1975 is subject to profit and salary tax. It is noted that the activity of companies classified as financial institutions in the insurance, pension and the finance branches constitute the major part of the Group's operations.

b. Tax arrangements that are unique to the insurance industry

Industry agreements were signed between the Association of Life insurance Companies Ltd. and the Tax Authorities that arrange the unique issues of the insurance business, as described below. The most recent industry agreement that was signed between the Tax Authorities and the Association of Life Insurance Companies is for the tax years 2017 up to and including 2019.

The tax items are accounted for in the financial statements on the basis of the aforementioned agreements.

The industry agreements relate, among others, to the following matters:

1. Deferred acquisition costs (DAC) – expenses incurred in the acquisition of life assurance policies up to and including the year 2014 are deductible for tax purposes in equal portions over a period of four years and for the underwriting years 2015 to 2020 over ten years. Such expenses relating to life assurance contracts that have been canceled will be deductible in the year of the cancellation.

   Acquisition expenses of pension and provident funds contracts (as defined in the agreement) for the underwriting years 2015 up to and including 2020 will be deductible for tax purposes equally over ten years, or by the rate of amortization in the financial statements, as chosen by the Company. An early recognition of an expense will not be allowed in respect of pension and provident funds contracts canceled.

   Deferred acquisition costs in sickness and hospitalization insurance are not included in the industry agreement and are amortized over a period of six years, similar to the amortization in the financial statements. Expenses relating to such policies that have been canceled will be deductible in the year of the cancellation.

2. Allocation of expenses to preferred income – expenses will be allocated to tax exempt income received by insurance companies ("preferred income"), which means that part of the preferred income becomes income subject to the full rate of tax, according to the rate of allocation. The rate of allocation provided in the industry agreement depends on the source of the money creating the preferred income.

3. Provision for indirect expenses to settle claims – a portion of the provision for indirect expenses to settle claims in the general insurance and health fields, for each underwriting year beginning from the year 2013 up to the year 2020 will not be allowed. The amount not allowed will be recognized for tax purposes over three years beginning from the year after the disallowment.

4. Taxation of income from assets held as investments in respect of yield-dependent liabilities – in order to prevent possible tax distortions, it was agreed that the taxation of profits from quoted securities and of profits from the revaluation and realization of real estate will be performed such that there is a matching of income to expenses.

5. The tax applicable to the cancellation of the reserve for extraordinary risks in life assurance – the Arrangements in the State Economy Law (Legislative Amendments for Attaining the Budget Goals and the Economic Policy for the Fiscal Year 2007), 2007, dated January 11, 2007, prescribed regulations for the tax applicable due to the cancellation of the reserve for extraordinary risks in life assurance that was included in the financial statements as at December 31, 2006. According to the regulations, a portion of the reserve which is calculated at the rate of 0.17% of the insurance risk amount, on retention, in life assurance and for which a capital requirement was defined, will be exempt from tax. In the industry taxation agreement, it was noted that the basis for the exemption is the capital requirement, as mentioned above, and in the event of a cancellation or decrease in the capital requirement, the parties will discuss the consequent tax implications, if any.

6. Provisions for expenses in respect of application of the recommendations of Winograd Committee – a partial adjustment will be made in the provision for expenses in respect of application of the recommendations of the Winograd Committee in the 2016 tax year. The amount of the adjustment will be recognized for tax purposes in 2019.

7. Provision for LAT, which was recognized in retained earnings as at December 31, 2019 – it was agreed that the portion of the provision recognized in retained earnings as at December 31, 2019, the source of which is in respect of 2019, will be included as taxable income already in 2019 and the remainder of the amount, which is in respect of the years up and including 2018, will be included as taxable income only in 2020.

Note 21 - Taxes on Income (Cont.)

b. Tax arrangements that are unique to the insurance industry (cont.)

In January 2017, the Board of Directors of Migdal Insurance decided to withdraw from the Association of Insurance Companies in Israel (RA) and from the Association of Life Insurance Companies, effective as from the end of 2017. As from such time Migdal Insurance no longer handles the various regulatory issues by means of these bodies. Nonetheless, Migdal Insurance took upon itself to apply the instructions of the industry agreement for the tax years from 2017 up to and including 2019, as signed on November 5, 2020. In the opinion of Migdal Insurance, the withdrawal does not have material effects on the tax items in the Company’s financial statements.

The industry agreement for the tax years from 2017 up to and including 2019 did not have a material effect on the taxes in respect of previous years.

c. The tax rates

1. The statutory tax applicable to financial institutions which constitute the Group’s main activities is comprised of corporate tax and profit tax.

2. Hereunder are the statutory tax rates applicable to the Group’s companies, including financial institutions, beginning from 2018:

Corporate tax rate	Profit tax rate	Overall effective tax rate in financial institutions
	%	
23.00	17.00	34.19

d. Tax assessments

Corporate tax assessments

1. Migdal Insurance has final tax assessments up to and including the year 2019, other than one issue in 2019 relating to the issue of paying profit tax on a dividend that was received that year from the subsidiaries Migdal Real Estate Holdings Ltd. (hereinafter – "Real Estate Holdings") and Hamagen Properties Ltd.

2. In respect of the years 2011 and 2012, the District Court ruled in August 2019 that Migdal Insurance is required to pay profit tax on the dividends it had received from affiliates that are not financial institutions and were passed on by it to the Company. In December 2019 Migdal Insurance filed an appeal on this ruling with the Supreme Court. In September 2021, with the recommendation of the Court, Migdal Insurance withdrew the appeal and a ruling denying the appeal was handed down.

   In December 2018 Migdal Insurance was issued best judgement assessments in respect of the years 2013-2015 with respect to the same issue, on which Migdal Insurance submitted a reservation in January 2019. As a result of the reservation being rejected, Migdal Insurance was issued orders in respect of the aforesaid years. In February 2020 Migdal Insurance filed an appeal with the Tel Aviv District Court on the aforesaid orders. In October 2021, following the withdrawal of the appeal to the Supreme Court as mentioned above, Migdal Insurance withdrew the appeal to the District Court.

   The full amount of the tax liability in respect of the aforesaid assessments has been provided for in the financial statements and paid to the tax authorities.

3. In September 2020 Real Estate Holdings was issued a best judgement property tax assessment in resect of the appreciation deriving from the sale of its shares in Ramat Aviv Mall Ltd. in December 2019. In that assessment the tax authorities did not recognize profits available for distribution that accumulated in Ramat Aviv Mall Ltd. In October 2021, after holding discussions with the tax authorities, the request of Real Estate Holdings to amend the assessment was denied. With the agreement of the parties, the Court approved an extension until May 15, 2022 of the date for filing an appeal on the assessment. Real Estate Holdings plans to submit an appeal on the assessment by the aforesaid date.

   The Company's management believes that no tax provision is required in addition to that already recorded in its books.

Note 21 - Taxes on Income (Cont.)

d. Tax assessments (cont.)

Corporate tax assessments (cont.)

4. The Company and a subsidiary have final tax assessments by agreement or under the statute of limitations up to and including the year 2017. Migdal Insurance has final tax assessments by agreement or under the statute of limitations as described in paragraph 1 above. Other subsidiaries of the Company have final tax assessments by agreement or under the statute of limitations up to and including the year 2016 except for one company that has final tax assessments by agreement or under the statute of limitations up to and including 2015.

e. Carryforward losses for tax purposes and other temporary differences:

The Group has carryforward business losses for tax purposes in the amount of approximately NIS 91 million as of December 31, 2021 (December 31, 2020 – about 139 million) in respect of which deferred tax assets of about NIS 21 million (December 31, 2020 – about NIS 132 million) were recognized in the financial statements.

Furthermore, deferred tax assets relating to carryforward business losses of about NIS 85 million and capital losses for tax purposes of about NIS 113 million (December 31, 2020 – about NIS 84 million and NIS 115 million, respectively) were not recognized because their utilization in the foreseeable future is not probable.

f. Taxes on income included in the statements of income:

	For the year ended on December 31 2020		
	2021	2020	2019
	NIS in thousands		
Current taxes	717,103	157,455	88,091
Deferred taxes relating to the creation and reversal of temporary differences *)	(7,388)	12,088	(108,246)
Taxes in respect of previous years	19,395	(1,565)	(997)
Taxes on income (tax benefit)	729,110	167,978	(21,152)

*) See also paragraph g hereunder.

Note 21 - Taxes on Income (Cont.)

g. Deferred taxes

Composition

	Deferred acquisition costs	Available for sale financial assets	Fixed assets and investment property *)	Intangible assets	Losses for tax purposes	Others	Total
	NIS in thousands						
Balance of deferred tax asset (liability) as at January 1, 2020	(133,212)	(162,563)	(183,433)	(171,753)	380,865	(* (247,025)	(517,121)
Changes recognized in profit and loss	29,970	(35,858)	10,584	(4,355)	(349,315)	336,886	(12,088)
Changes recognized in other comprehensive income	-	(60,911)	(18,996)	-	-	(3,091)	(82,998)
Balance of deferred tax asset (liability) as at December 31, 2020	(103,242)	(259,332)	(191,845)	(176,108)	31,550	86,770	(612,207)
Changes recognized in profit and loss	13,733	26,417	(12,799)	(5,787)	(10,869)	(3,307)	7,388
Changes recognized in other comprehensive income	-	(153,195)	(22,414)	-	-	(3,716)	(179,325)
Balance of deferred tax asset (liability) as at December 31, 2021	(89,509)	(386,110)	(227,058)	(181,895)	20,681	79,747	(784,144)

*) Including deferred taxes in respect of software that is presented in the balance sheet in the item of intangible assets.

Note 21 - Taxes on Income (Cont.)

g. Deferred taxes (cont.)

The deferred taxes are reflected in the statement of financial position as follows:

	December 31	
	2021	2020
	NIS in thousands	
Deferred taxes assets	5,949	4,814
Liabilities in respect of deferred taxes	(790,093)	(617,021)
	(784,144)	(612,207)

h. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	For the year ended on December 31		
	2021	2020	2019
	NIS in thousands		
Income (loss) before taxes on income	2,083,040	522,841	(* (143,861)
Overall statutory tax rate applicable to financial institutions (see c above)	34.19%	34.19%	34.19%
Tax computed at the overall statutory tax rate	712,191	178,759	(49,186)
Deduction in respect of companies that are not financial institutions	(10,690)	(9,307)	(25,192)
Increase (decrease) in taxes on income resulting from the following factors:			
Non-deductible expenses	4,600	3,008	2,686
Exempt income, mainly from dividends	(946)	(6,767)	(12,636)
Group's share of earnings of affiliates	(264)	(1,695)	(5,284)
Increase in losses for tax purposes for which no deferred taxes were allocated and utilization of losses for tax purposes from previous years, for which no deferred taxes were allocated in the past	3,954	1,447	30,408
Taxes on income that was not included in the income statement	-	-	37,768
Taxes in respect of previous years	19,395	(1,565)	(997)
Differences in measurement basis and others	870	4,098	1,281
Taxes on income (tax benefit)	729,110	167,978	(21,152)
Effective tax rate	35.00%	32.13%	14.70%

Note 22 - Employee Benefit Assets and Liabilities

Employee benefits include short term benefits, post-employment benefits, other long term benefits, termination benefits, as defined in IAS 19, and share based payments.

For additional details on accounting policy for these benefits see Note 2.q.

Regarding benefits for those who hold key management positions see Note 37.h in respect of related and interested parties.

Labor laws and the Severance Pay Law in Israel require the Company to pay severance pay to an employee upon dismissal or retirement or to make current deposits in a defined contribution plan, according to Section 14 as described below. The Company's liabilities in this respect are treated as a post-employment benefit.

The calculation of the Group's liability for employee benefits after termination of employment is made in accordance with a valid employment contract and is based on the Group's forecast of the employee's salary at the time of dismissal or retirement.

Post-employment benefits to employees are generally financed by deposit amounts in insurance policies and are classified as defined contribution plans or defined benefit plan as follows:

Defined contribution plans

The provisions of Section 14 to the Severance Pay Law, 1963 ("Section 14") apply to a portion of the severance pay obligations. According to Section 14, the Group's current contributions in insurance companies' policies and/or in pension funds, release it from any additional liability for severance pay to employees in respect of whom amounts were deposited, as mentioned above. These deposits and deposits in respect of provident benefits constitute a defined contribution plan. In 2021, 2020 and 2019 the expenses in respect of the defined contribution plans amounted to NIS 65,500 thousand, NIS 62,609 thousand and NIS 67,954 thousand, respectively, and were included under general and administrative expenses.

Defined benefit plans

The portion of severance pay obligations that is not covered by deposits in defined contribution plans, as mentioned above, are handled by the Group as a defined benefit plan according to which a liability is recorded in respect of employee benefits.

Plan assets

The Group has defined benefit plans for which deposits are made to provident funds, pension funds and appropriate insurance policies.

a. Composition of employee benefit liabilities, net:

	December 31	
	2021	2020
	NIS in thousands	
Liabilities in respect of defined benefit plan which is not financed	14,841	16,815
Liability in respect of financed defined benefit plan	455,009	427,379
Total liability in respect of defined benefit plan – see b.1	469,850	444,194
Less - fair value of the plan's assets – see b.1 and c below	242,957	212,759
Total net liability in respect of defined benefit plans	226,893	231,435
Other short term benefits – provision for vacation	64,214	55,911
Other long term benefits	12,093	13,119
Total liabilities for employee benefits, net	303,200	300,465

Note 22 - Employee Benefit Assets and Liabilities (Cont.)

b. Information regarding defined benefit plans:

1. Changes in the present value of the liability for defined benefit plan and movement in the fair value of the plan assets:

	Expenses (income) allocated to profit or loss *)						Actuarial loss (gain) from re-measurement in other comprehensive income						
	Balance at January 1 2021	**Past service cost**	**Interest expenses, net**	**Current service cost**	**Total**	**Payments from the plan**	**Yield on plan assets **)**	**Changes in demographic assumptions**	**Changes in financial assumptions**	**Other actuarial loss (gain)**	**Total**	**Employer contributions to plan**	**Balance at December 31, 2021**
Defined benefit liabilities	444,194	(1,106)	9,951	43,617	52,462	(37,222)	-	2,744	(9,668)	17,340	10,416	-	469,850
Fair value of plan assets	(212,759)	-	(5,028)	-	(5,028)	22,756	(21,304)	-	-	-	(21,304)	(26,622)	(242,957)
Net liability (asset) from defined benefit	231,435	(1,106)	4,923	43,617	47,434	(14,466)	(21,304)	2,744	(9,668)	17,340	(10,888)	(26,622)	226,893

*) The expenses are included in wages and related expenses in general and administrative expenses, see Note 32.

**) Other than amounts recognized in interest expenses, net.

Note 22 - Employee Benefit Assets and Liabilities (Cont.)

b. Information regarding defined benefit plans: (cont.)

1. Changes in the present value of the liability for defined benefit plan and movement in the fair value of the plan assets: (cont.)

		Expenses (income) allocated to profit or loss *)					Actuarial gain (loss) from re-measurement in other comprehensive income						
	Balance at January 1 2020	Past service cost	Interest expenses, net	Current service cost	Total	Payments from the plan	Yield on plan assets **)	Changes in demographic assumptions	Changes in financial assumptions	Other actuarial loss (gain)	Total	Employer contributions to plan	Balance at December 31, 2020
Defined benefit liabilities	434,028	(1,586)	9,661	46,848	54,923	(37,712)	-	-	(652)	(6,393)	(7,045)	-	444,194
Fair value of plan assets	(194,120)	-	(4,663)	-	(4,663)	15,702	(3,206)	-	-	-	(3,206)	(26,472)	(212,759)
Net liability (asset) from defined benefit	239,908	(1,586)	4,998	46,848	50,260	(22,010)	(3,206)	-	(652)	(6,393)	(10,251)	(26,472)	231,435

*) The expenses are included in wages and related expenses in general and administrative expenses, see Note 32.

**) Other than amounts recognized in interest expenses, net.

Note 22 - Employee Benefit Assets and Liabilities (Cont.)

b. Information regarding defined benefit plans: (cont.)

2. The main actuarial assumptions in determining liabilities in respect of defined benefit plans:

	Year ended December 31		
	2021	2020	2019
	%		
Discount rate on December 31	2.72	2.35	2.33
Anticipated real salary increase	3.62	3.63	3.54

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	December 31, 2021		December 31, 2020	
	+1%	-1%	+1%	-1%
	NIS in thousands			
Future increase in salary costs	24,702	(14,488)	32,090	(20,430)
Discount rate	(19,072)	33,821	(25,069)	35,774

3. Actual yield

	Year ended December 31		
	2021	2020	2019
	%		
Actual yield on plan assets	9.62	3.92	9.93

4. Impact of the plan on future cash flows of the Group:

- The Group estimates the expected deposits in plan assets in 2022 to fund the defined benefit plan to amount to about NIS 26 million.
- The Group estimates the weighted average life of the plan at the end of the reporting period to be 8 years.

c. Composition of plan assets:

	December 31	
	2021	2020
	%	
Central severance pay fund	5.8	5.9
Executive insurance	19.2	21.0
Provident funds and pension funds	75.0	73.1
	100	100

Note 23 - Creditors and Payables

	December 31	
	2021	2020
	NIS in thousands	
Payables from securities	1,376,722	1,362,436
Employees and other salary-related liabilities	195,690	135,573
Expenses payable	173,599	192,469
Suppliers and service providers	158,291	138,560
Government authorities and institutions	33,590	52,145
Deferred acquisition costs in respect of reinsurance	45,663	46,715
Insurance companies and brokers		
Deposits by reinsurers	98,507	92,799
Other accounts	150,005	148,106
Total insurance companies and insurance brokers	248,512	240,905
Insurance agents	395,326	359,449
Policyholders and members	355,779	341,859
Provision for profit participation of policyholders	3,101	2,311
Prepaid premium	126,552	65,950
Others	46,248	48,536
Total creditors and payables	3,159,073	2,986,908

See details of assets and liabilities distributed according to linkage basis in Note 36.c below.

Note 24 - Financial Liabilities

This Note provides information regarding the contractual conditions of financial liabilities. Additional information regarding the Group's exposure to interest risks, foreign currency and liquidity risks is provided in Note 36.b below.

a1. Details of financial liabilities:

		December 31			
		Carrying amount		Fair value	
		2021	2020	2021	2020
		NIS in thousands			
1.	Financial liabilities at amortized cost:				
	Loans from banking institutions	36,101	2,970	36,101	2,970
	Loans from non-banking institutions	1,658	1,560	1,629	1,529
	Subordinated liability certificates (hereinafter: “bonds”) *)	5,293,986	4,864,903	5,660,952	5,283,793
	REPO liability	1,320,141	1,007,669	1,320,141	1,007,669
	Total financial liabilities reported at amortized cost	6,651,886	5,877,102	7,018,823	6,295,961
2.	Financial liabilities at fair value through profit or loss:				
	Derivatives for yield dependent contracts	110,143	71,599	110,143	71,599
	Derivatives for non-yield dependent contracts	44,344	48,921	44,344	48,921
	REPO liability	77,480		77,480	
	Short sales	6,193	131,933	6,193	131,933
	Total financial liabilities reported at fair value through profit and loss	238,160	252,453	238,160	252,453
	Total	6,890,046	6,194,455	7,256,983	6,548,414
	Lease liabilities	91,191	101,627		
	Total financial liabilities	6,981,237	6,231,182		

*) The fair value of the quoted bonds, which is provided for disclosure purposes only, was determined according to their price at the closing of trade on the reporting date.

Note 24 - Financial Liabilities (Cont.)

a2. Movement in liabilities deriving from financing activities

	Bank loans	Non-bank loans	Subordinated liability certificates	In respect of REPO liabilities *)	Other financial liabilities	Total
	NIS in thousands					
Balance at January 1, 2021	2,970	1,560	4,929,803	1,007,669	101,627	6,043,629
Movement in liabilities deriving from financing activities						
Changes deriving from cash flows from financing activities						
Additions	38,520	61	421,513	397,174	-	857,268
Maturities	(5,389)	(54)	-	-	(31,339)	(36,782)
Interest payments	-	-	(161,929)	(210)	-	(162,139)
Total net cash from financing activities	33,131	7	259,584	396,964	(31,339)	658,347
Other changes	-	91	169,610	(7,012)	20,903	183,592
Balance at December 31, 2021	36,101	1,658	5,358,997	1,397,621	91,191	6,885,568

*) REPO transactions are short term and are presented net.

**) The movement in liabilities does not include derivative and short sales.

	Bank loans	Non-bank loans	Subordinated liability certificates	In respect of REPO liabilities *)	Other financial liabilities	Total
	NIS in thousands					
Balance at January 1, 2020	2,792	4,640	4,922,013	-	121,222	5,050,667
Movement in liabilities deriving from financing activities						
Changes deriving from cash flows from financing activities						
Additions	1,055	28	-	1,006,700	10,443	1,018,226
Maturities	(877)	(3,255)	-	-	(32,712)	(36,844)
Interest payments	-	-	(161,928)	(738)	-	(162,666)
Total net cash from financing activities	178	(3,227)	(161,928)	1,005,962	(22,269)	818,716
Other changes	-	147	169,718	1,707	2,674	174,246
Balance at December 31, 2020	2,970	1,560	4,929,803	1,007,669	101,627	6,043,629

*) REPO transactions are short term and are presented net.

**) The movement in liabilities does not include derivative and short sales.

Note 24 - Financial Liabilities (Cont.)

a2. Movement in liabilities deriving from financing activities (cont.)

	Bank loans	Non-bank loans	Subordinated liability certificates	Other financial liabilities	Total
	NIS in thousands				
Balance at January 1, 2019	34,703	7,740	5,186,331	-	5,228,774
Movement in liabilities deriving from financing activities					
Changes deriving from cash flows from financing activities					
Additions	2,779	2,520	249,694	152,732	407,725
Maturities	(34,690)	(5,693)	(517,860)	(34,514)	(592,757)
Interest payments	-	-	(163,331)	-	(163,331)
Total net cash from financing activities	(31,911)	(3,173)	(431,497)	118,218	(348,363)
Other changes	-	73	167,179	3,004	170,256
Balance at December 31, 2019	2,792	4,640	4,922,013	121,222	5,050,667

*) The movement in liabilities does not include derivatives.

Note 24 - Financial Liabilities (Cont.)

b. Financial liabilities at amortized cost:

1. Details of interest and linkage:

	Effective interest December 31	
	2021	2020
	%	
Linkage basis		
The Consumer Price Index	2.5	2.3
In NIS	2.9	3.0
Foreign currency	0.5	0.1

2. Maturity dates:

	December 31	
	2021	2020
	NIS in thousands	
First year	1,382,070	1,103,458
Second year	1,916,745	17,653
Third year	905,784	1,907,393
Fourth year	1,372,669	902,321
Fifth year and thereafter	1,165,809	2,112,804
Total	6,743,077	6,043,629

See details of maturity dates of non-discounted financial liabilities in Note 36.b.2.

*) Out of which, lease liabilities:

	December 31	
	2021	2020
	NIS in thousands	
First year	25,773	27,872
Second year	17,337	17,653
Third year	8,529	10,608
Fourth year	5,539	6,488
Fifth year and thereafter	34,013	39,006
Total	91,191	101,627

c. Fair value levels of financial liabilities presented at fair value through profit or loss:

Following is an analysis of financial liabilities that are presented at fair value.

The carrying amount of creditors and payables matches or approximates their fair value.

Note 24 - Financial Liabilities (Cont.)

c. Fair value levels of financial liabilities presented at fair value through profit or loss (cont.)

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Derivatives	27,315	126,456	716	154,487
REPO liability	-	77,480	-	77,480
Short sales	6,193	-	-	6,193
Total financial liabilities	33,508	203,936	716	238,160
Financial liabilities whose fair value is disclosed (Note 24.a above)	5,660,952	1,357,871	-	7,018,823

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Derivatives	10,175	110,345	-	120,520
Short sales	131,933	-	-	131,933
Total financial liabilities	142,108	110,345	-	252,453
Financial liabilities whose fair value is disclosed (Note 24.a above)	5,283,793	1,012,168	-	6,295,961

d. Interest rates used in determining fair value:

	December 31	
	2021	2020
	%	
Loans	0.3	2.3
Bonds constituting hybrid tier 2 capital and tier 2 equity instruments	1.2	1.4
Bonds constituting hybrid tier 3 capital	0.8	1.2
REPO liability	0.0	0.2

e. Bonds

e.1 Issues

Issue of Series H bonds

In December 2021 Migdal Capital Raising issued 425,528,000 bonds (Series H) of NIS 1 par value each, pursuant to a shelf offering report from December 22, 20218 and a shelf prospectus of Migdal Capital Raising.

The bonds that were issued are not linked to the CPI and bear annual interest of 2.38%. The interest on the Series H bonds is payable once a year on March 31, between the years 2022 and 2034 (inclusive), and on December 31, 2034. The bonds principal will be repaid in one payment on December 31, 2034, unless a full or partial early redemption of the bonds (Series H) is made before then as prescribed in the trust deed.

The first early redemption date of the bonds (Series H) will be March 31, 2027, and at the terms prescribed in the trust deed, and insofar as an early redemption, full or partial, is made after that date and until the determining date for additional interest (not including an early redemption on the determining date for additional interest), the instructions included in the trust deed shall apply which include the Company paying to the holders of the bonds (Series H) the higher of: (1) the market value of the bonds' balance in the thirty trading days before the date of

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.1 Issues (cont.)

Issue of Series H bonds (cont.)

the board of directors' decision to make an early redemption; (2) the liability value of the outstanding bonds (Series H) being early redeemed, meaning principal plus interest until the actual early redemption date; (3) the cash flow balance of the bonds (Series H) being early redeemed (principal plus interest) discounted according to a discount rate and at the terms prescribed in the trust deed.

In the event that this full early redemption right is not exercised by or on March 31, 2030 ("the determining redemption date for additional interest"), additional interest will be paid to the holders of the bonds (Series H) beyond the interest borne by the bonds at that time, for the balance of the period (from the early repayment date that was not exercised as stated and up to the actual settlement date), at the rate of 50% of the initial risk margin determined for the issue.

Early redemption will be possible in one of the following cases: a) the issue of a capital instrument (within the meaning of the Capital Composition Circular) of the same or higher quality; b) with the Insurance Commissioner's prior approval and at terms as determined by him.

The issue proceeds were deposited and recorded in the Company's financial statements, and pursuant to the approval of the Commissioner were recognized as second tier capital in Migdal Insurance, subject to restrictions on the maximum rate of the second tier capital.

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.2 Information and composition of bonds constituting tier 2 capital in Migdal Insurance:

Bonds	Type of instrument (1)(2)	Date of issue	Nominal value	Issue proceeds (3)	Type of interest	Nominal interest rate (4)	Effective interest rate	Linkage terms	Principal payment date	Interest payment date (5)	Midroog rating(6)	First possible early repayment date	Quoted on the Stock Exchange	Interest payment date
Series C	Hybrid tier 2 capital	June 2015	1,191,594	1,179,150	Fixed	3.58%	3.74%	NIS	Dec. 2027	Annual	Aa3.il (hyb)	Mar. 31, 2023	Quoted	One annual payment, on March 31 of each of the years 2016-2027
Series D	Hybrid tier 3 capital	Dec. 2015	711,215	704,654	Fixed	3.39%	3.53%	NIS	Dec. 2027	Annual	Aa2.il (hyb)	March 31, 2023	Quoted	One annual payment, on March 31 of each of the years 2017-2027
Series E	Hybrid tier 2 capital	Sep. 2016	901,115	890,238	Fixed	3.29%	3.47%	NIS	June 2029	Annual	Aa3.il (hyb)	June 30, 2024	Quoted	One annual payment, on June 30 of each of the years 2017-2029
Series F	Tier 2 equity instrument	Jan. 2018	1,379,149	1,359,852	Fixed	2.63%	2.86%	NIS	Dec. 2030	Annual	Aa3.il (hyb)	Dec. 31, 2025	Quoted	One annual payment, on June 30 of each of the years 2018-2030
Series G	Tier 2 equity instrument	Dec. 2018	713,205	706,294	Fixed	4.10%	4.24%	NIS	Dec. 2031	Annual	Aa3.il (hyb)	Dec. 31, 2026	Quoted	One annual payment, on June 30 of each of the years 2019-2031
Series H	Tier 2 equity instrument	Dec. 2021	425,528	421,513	קבועה	2.38%	2.51%	NIS	Dec. 2034	Annual	Aa3.il (hyb)	March 31, 2027 (7)	Quoted	One annual payment, on March 31 of each of the years 2022-2034 and on Dec. 31, 2034

Comments

(1) The bonds will be recognized as tier 2 capital in Migdal Insurance subject to restrictions on the maximum rate of tier 2 capital, as stated in the Commissioner's directives regarding composition of the shareholders' equity of an insurance company.

(2) The bonds are not secured under any pledge.

(3) The issue proceeds are net of deferred issue expenses that are amortized using the effective interest method.

(4) Insofar as the Company does not make an early repayment, additional interest will be paid as described in paragraph e.3.

(5) The last interest payment will be paid together with the payment of principal.

(6) Stable rating outlook. See paragraph e.5 below regarding the rating of Midroog.

(7) The first early redemption date of the bonds (Series H) will be March 31, 2027. After that date the Company will be entitled to early redeem the bonds (Series H), all or part, on any date, and subject to stock exchange regulations and the instructions that apply according to them. The determining date for additional interest will be March 31, 2030.

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.2. Information and composition of bonds constituting tier 2 capital in Migdal Insurance (cont.)

Bonds	Carrying amount *)		Accrued interest		Fair value *)		Balance of deferred issue expenses	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Series C	1,189,375	1,187,666	31,994	31,994	1,265,949	1,284,538	2,219	3,928
Series D	710,033	709,118	18,083	18,083	751,896	763,560	1,182	2,097
Series E	897,255	895,832	14,823	14,823	966,266	975,277	3,860	5,283
Series F	1,367,129	1,364,392	-	-	1,448,106	1,451,002	12,020	14,757
Series G	708,677	707,895	-	-	802,356	809,416	4,528	5,310
Series H	421,517	-	111	-	426,379	-	4,011	-
Total bonds	5,293,986	4,864,903	65,011	64,900	5,660,952	5,283,793	27,820	31,375

*) The fair value of Series C-H was determined according to the value on the stock exchange at balance sheet date.

e.3 The status of the bonds

Migdal Insurance undertook to bear all the amounts that were required to settle the bonds (Series C-G) constituting tier 2 capital for their holders. This commitment of Migdal Insurance is subordinated to its other liabilities towards its creditors as follows:

The commitment of Migdal Insurance is subordinated to its other liabilities to its creditors and it has preference over liabilities towards its creditors in respect of components and instruments included in the first tier capital of Migdal Insurance.

Bonds that constitute a hybrid third tier equity instrument of Migdal Insurance that are included in tier 2 capital, as aforesaid, have preference also over its liabilities to its creditors in respect of components and instruments included in the hybrid tier 2 capital and tier 2 equity instrument of Migdal Insurance.

1. Liens and collateral

   The bonds are not secured by any lien.

2. Deferral of principal and/or interest payment dates

   The terms of the bonds provide that in case of the existence of conditional terms (as detailed below), the payment of the principal and/or interest in respect of tier 2 hybrid capital and tier 2 equity instruments in Migdal Insurance and the principal payments of tier 3 hybrid equity instruments in Migdal Insurance will be deferred, without impairing the right of Migdal Insurance to pay other payments having a higher preference.

   This deferral will apply until such conditional terms no longer exist or up to three years from the date of repayment of the initially determined principal and/or interest, whichever the earlier, unless the Commissioner approved the payment of principal and/or interest at an earlier date.

   "Conditional terms" with respect to bonds that constitute tier 2 capital in Migdal Insurance refer to the existence of one or more of the following circumstances:

   a) With respect to the deferral of the payment of interest on hybrid tier 2 equity instruments and tier 2 equity instruments of Migdal Insurance: according to the latest financial statements of Migdal Insurance that were published prior to the repayment date of the interest, Migdal Insurance does not have distributable profits as defined in the Companies Law, 1999 ("the Companies Law").

   b) With respect to the deferral of the payment of principal and/or interest on hybrid tier 2 equity instruments and tier 2 equity instruments, or with respect to the deferral of the payment of principal of a hybrid tier 3 equity instrument: according to the latest financial statements of Migdal Insurance that were published prior to the relevant date of settlement of the principal and/or interest:

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.3. The status of the bonds (cont.)

1) The shareholders' equity of Migdal Insurance is lower than the equity required for suspending circumstances according to the Solvency circular as described in e above.

2) Migdal Insurance did not perform an equity supplementation as at the date of publication of the financial statements.

c) Migdal Insurance's Board of Directors gave instructions to defer the payment of the principal or the interest, if it saw that there is an actual concern regarding Migdal Insurance's ability to meet the shareholders' equity required for suspending circumstances, or to repay on time the liabilities whose priority is higher than that of the bonds, provided that a prior approval is received from the Commissioner.

The terms "shareholders' equity" and "equity required for suspending circumstances" are included in this section according to the position of the Commissioner regarding the proper interpretation of the terms "required equity" and "recognized equity" as regards suspending circumstances.

The terms of the bonds provide that as long as all the payments of principal and/or interest whose repayment date is deferred have not yet been settled, Migdal Insurance will not perform any distributions, as defined in the Companies Law, will not repay any capital note, liability certificate, or loan from its controlling shareholders or from those in whom the controlling shareholders have a personal interest, and will not pay any amount of money for any transaction that was approved or should be approved pursuant to the provisions at the end of Section 270(4) to the Companies Law, unless all the aforementioned deferred payments of the principal or interest have been settled. As regards hybrid tier 2 capital and hybrid tier 3 capital, the aforesaid restrictions will not apply to the types of payments as detailed in the Commissioner's circular in relation to "the composition of the insurer's shareholders' equity." As regards tier 2 equity instruments, the restrictions will not apply to types of payments as indicated in the Solvency circular.

3. Early redemption

Migdal Capital Raising will be entitled, without any election right to the holders of the bonds and/or the trustee, to redeem the bonds at an early redemption fully or partially, on condition that the first early redemption date will be as detailed in the table in e.2 above. In the event that this right for early redemption is not exercised, there will be a payment of additional interest over the interest the bonds bear at that time that are indicated in the table above, for the balance of the period (from the early repayment date that was not exercised as stated and up to the actual settlement date), at the rate and terms indicated hereunder:

a) As regards hybrid tier 2 equity instruments and tier 2 equity instruments additional interest will be paid at the rate of 50% of the initial risk margin that was determined for the issue. An early redemption of hybrid tier 2 equity instruments and tier 2 equity instruments will be possible in one of the following cases: (a) the issue of an equity instrument which has the same or higher quality; (b) with the Insurance Commissioner's prior approval and at terms as determined by him; (c) generally, an early redemption will be possible if the shareholders' equity of an insurance company after the early redemption is higher than the SCR.

b) As regards hybrid tier 3 equity instruments additional interest will be paid at the rate of 30% of the initial risk margin that was determined for the issue and at the conditions applicable to hybrid tier 2 equity instruments as described in paragraph a) above.

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.3. The status of the bonds (cont.)

4. Immediate redemption:

As regards the Series F bonds, Series G bonds and Series H bonds it was determined that they may be declared immediately due and payable if Migdal Insurance decides on a liquidation (other than a liquidation for the purpose of merging with another company, or a restructuring of the company) or if the court issues a permanent and final liquidation order with respect to Migdal Insurance, or Migdal Insurance is appointed a permanent liquidator, whereas as regards the other bonds that were issued by Migdal Capital Raising, it was determined that that may be declared immediately payable under additional certain circumstances, including (1) a delay beyond a specified period in the payment of any amount in connection with the bonds; (2) Migdal Insurance discontinuing its payments and/or notifying of its intention to discontinue its payments; (3) a breach of material terms of the bonds: (4) the insurer license of Migdal Insurance being revoked, etc.

The deferral of principal payments on the bonds due to suspending circumstances as mentioned, does not establish the right to declare the bonds immediately due and payable. The trustee may not declare unpaid bonds immediately due and payable without the prior written approval of the Commissioner.

5. Rating

Migdal Insurance is rated Aa1 for financial stability (IFSR) by the rating agency Midroog Ltd.

On July 7, 2021 and December 15, 2021 Midroog Ltd. announced that it is not making any change in the following ratings:

A rating of Aa1.il for financial stability (IFSR) of Migdal Insurance, a rating of Aa3.il for tier 2 subordinated liability certificates (Series C and E) and for subordinated liability certificates that are tier 2 equity instruments (Series F, G and H), a rating of Aa2.il for subordinated liability certificates that are hybrid tier 3 capital (Series D) that were issued by Migdal Insurance by means of Migdal Capital Raising. The rating outlook is stable.

e.4 The trustee for the bonds is Reznik Paz Nevo Trusts Ltd. The person in charge at the trust company – Adv. Hagar Shaul, email: hagar@rpn.co.il; tel.: 03-6389200; fax: 03-6389222; address: 14 Yad Harutsim, Tel Aviv.

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.5 Rating

Following are details of the rating of the bonds:

Series	Rating company	Rating awarded as of the Series issue date	Ratings between the Series issue date and the reporting date: Date	Rating	Outlook	Rating at the reporting date and the date the rating was awarded
Bonds (Series C)	Midroog Ltd.	Aa2 (Awarded on 28.05.15)	15.11.15	Aa2.il (hyb)	Stable	05.12.21 Aa3.il (hyb)
			12.09.16	Aa3.il (hyb)		
			28.09.17	Aa3.il (hyb)		
			25.09.18	Aa3.il (hyb)		
			16.09.19	Aa3.il (hyb)		
			15.09.20	Aa3.il (hyb)		
			07.07.21	Aa3.il (hyb)		
Bonds (Series D)	Midroog Ltd.	Aa1.il (hyb) (Awarded on 15.11.15)	12.09.16	Aa1.il (hyb)	Stable	05.12.21 Aa2.il (hyb)
			28.09.17	Aa2.il (hyb)		
			25.09.18	Aa2.il (hyb)		
			16.09.19	Aa2.il (hyb)		
			15.09.20	Aa2.il (hyb)		
			07.07.21	Aa2.il (hyb)		
Bonds (Series E)	Midroog Ltd.	Aa3.il (hyb) (Awarded on 15.09.16)	28.09.17	Aa3.il (hyb)	Stable	05.12.21 Aa3.il (hyb)
			25.09.18	Aa3.il (hyb)		
			16.09.19	Aa3.il (hyb)		
			15.09.20	Aa3.il (hyb)		
			07.07.21	Aa3.il (hyb)		
Bonds (Series F)	Midroog Ltd.	Aa3.il (hyb) (Awarded on 18.12.17)	25.09.18	Aa3.il (hyb)	Stable	05.12.21 Aa3.il (hyb)
			16.09.19	Aa3.il (hyb)		
			15.09.20	Aa3.il (hyb)		
			07.07.21	Aa3.il (hyb)		

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.5 Rating (cont.)

Following are details of the rating of the bonds: (cont.)

Series	Rating company	Rating awarded as of the Series issue date	Ratings between the Series issue date and the reporting date			Rating at the reporting date and the date the rating was awarded
			Date	Rating	Outlook	
Bonds (Series G)	Midroog Ltd.	Aa3.il (hyb) (Awarded on 27.11.18)	16.09.19 15.09.20 07.07.21	Aa3.il (hyb) Aa3.il (hyb) Aa3.il (hyb)	Stable	05.12.21 Aa3.il (hyb)
Bonds (Series H)	Midroog Ltd.	Aa3.il (hyb) (Awarded on 05.12.21)	-	-	Stable	05.12.21 Aa3.il (hyb)

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.6 To the best of the Company's knowledge, during 2021 and as of December 31, 2021 and as of the date of issuing the report, Migdal Capital Raising was in compliance with all the conditions and obligations under the trust deeds for the bonds, no grounds existed for declaring the bonds immediately due and payable, and it had not received any notice from the trustee for the bonds regarding its failure to comply with the conditions and obligations under the trust deeds.

e.7 Migdal Insurance committed to Migdal Capital Raising to bear all its expenses, including issue expenses, current operating expenses as well as reimbursement of directors' indemnification expenses, if and to the extent there should be any such.

Note 25 - Premium Earned on Retention

	Year ended December 31, 2021		
	Gross	Reinsurance	On retention
	NIS in thousands		
Premiums in life assurance	9,573,536	212,353	9,361,183
Premiums in health insurance	1,715,581	127,886	1,587,695
Premiums in general insurance	1,871,905	461,687	1,410,218
Total premiums	13,161,022	801,926	12,359,096
Less - change in the unearned premium balance *)	69,182	(12,024)	81,206
Total premiums earned	13,230,204	789,902	12,440,302

	Year ended December 31, 2020		
	Gross	Reinsurance	On retention
	NIS in thousands		
Premiums in life assurance	9,081,656	184,417	8,897,239
Premiums in health insurance	1,656,095	113,143	1,542,952
Premiums in general insurance	2,237,176	477,526	1,759,650
Total premiums	12,974,927	775,086	12,199,841
Less - change in the unearned premium balance *)	31,628	(8,607)	40,235
Total premiums earned	13,006,555	766,479	12,240,076

	Year ended December 31, 2019		
	Gross	Reinsurance	On retention
	NIS in thousands		
Premiums in life assurance	9,764,898	197,753	9,567,145
Premiums in health insurance	1,610,852	94,462	1,516,390
Premiums in general insurance	2,331,008	465,383	1,865,625
Total premiums	13,706,758	757,598	12,949,160
Less - change in the unearned premium balance *)	2,516	(2,769)	5,285
Total premiums earned	13,709,274	754,829	12,954,445

*) Mainly in general insurance, see Note 17.

Note 26 - Investment Income (Loss), Net and Finance income

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Profits (losses) from assets held against yield dependent liabilities			
Investment property	653,240	335,326	698,580
Financial investments			
Quoted debt assets	1,157,917	713,226	2,553,618
Unquoted debt assets	578,346	214,597	1,026,113
Shares	7,299,583	1,616,802	2,923,281
Other financial investments	8,380,879	3,421,965	5,598,687
Cash and cash equivalents	(295,375)	(526,085)	(174,223)
Total profits from assets held against yield dependent liabilities, net	17,774,590	5,775,831	12,626,056
Profits (losses) from assets held against non-yield dependent liabilities, capital and others			
Income from investment property			
Revaluation of investment property	65,973	3,057	17,581
Current income in respect of investment property	22,479	30,151	32,572
Total income from investment property	88,452	33,208	50,153
Profits (losses) from financial investments, except for interest, linkage differences, rate differences and dividend			
Available for sale assets (a)	(784)	(61,425)	424,763
Assets reported at fair value through profit and loss (b)	433,028	190,668	204,839
Assets reported as loans and debtors (c)	(3,329)	(3,343)	4,370
Interest income and linkage differences from financial assets not at fair value through profit and loss *)	2,117,050	1,236,205	1,505,961
Interest income and linkage differences from financial assets at fair value through profit and loss	28,174	63,277	56,304
Losses from exchange rate differences in respect of investments not measured at fair value through profit and loss and other assets **)	(76,873)	(218,698)	(160,391)
Income from dividend	460,955	251,665	166,457
Total profits from net investments and finance income	20,821,263	7,267,388	14,878,512
*) The above income includes interest in respect of financial assets not reported at fair value through profit and loss whose value was impaired	14,931	2,747	9,237
**) Regarding exchange rate differences in respect of financial liabilities see Note 34			

Note 26 - Investment Income (Loss), Net and Finance income (Cont.)

a. Net gains (losses) from investments in respect of available for sale assets

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Net gains from realized securities	368,990	347,922	551,229
Net impairment recognized in profit and loss	(369,774)	(409,347)	(126,466)
Total gains (losses) from investments in respect of available for sale assets	(784)	(61,425)	424,763

b. Gains (losses) from investments in respect of assets presented at fair value through profit and loss:

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Net changes in fair value, including realization profit	433,028	190,668	204,839
Total gains from investments in respect of assets reported at fair value through profit and loss	433,028	190,668	204,839

c. Gains (losses) from investments in respect of assets presented as loans and debtors:

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Net gains (losses) from the realization of assets reported as loans and debtors	-	(472)	-
Net increase (decrease) in value recognized in profit and loss	(3,329)	(2,871)	4,370
Total gains (losses) from investments in respect of assets reported as loans and debtors	(3,329)	(3,343)	4,370

Note 27 - Income from Management Fees

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Management fees in the pension and provident branches	486,606	458,391	468,039
Variable management fees in respect of life assurance contracts	1,258,549	505,212	855,894
Fixed management fees in respect of life assurance contracts	1,014,340	881,453	849,178
Management fees in respect of investment contracts	25,460	20,609	18,276
Total income from management fees from members and policyholders	2,784,955	1,865,665	2,191,387
Other management fees	222,877	147,511	156,183
Total income from management fees	3,007,832	2,013,176	2,347,570

Note 28 - Income from Commissions

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Insurance agencies' commissions	184,364	179,719	182,582
Reinsurance commissions, net of change in deferred acquisition costs in respect of reinsurance	153,555	133,102	147,538
Other commissions	5,293	3,015	3,042
Total income from commissions	343,212	315,836	333,162

Note 29 - Other Income

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Income from other non-insurance activities	57,504	61,069	41,478
Income from acquired run-off general insurance portfolio (1)	299	482	727
Other capital gains, net (2)	50	500	89,686
Total other income	57,853	62,051	131,891

(1) For more information see Note 37.e.2

(2) In the framework of selling the holdings in an affiliate company, Ramat Aviv Mall Ltd. (hereinafter: “The Mall”) during December 2019, by Migdal Real Estate Holdings Ltd., which held 26.6% of the Mall’s shares, the Company recognized a pre-tax gain of about NIS 84 million.

Note 30 - Payments and Change in Liabilities in respect of Insurance Contracts and Investments Contracts on Retention

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
In respect of life assurance contracts:			
Claims paid and outstanding for death, disability and others	1,332,213	1,267,810	1,086,516
Less reinsurance	118,457	127,678	78,772
	1,213,756	1,140,132	1,007,744
Surrenders	4,596,505	3,161,833	2,675,475
Maturities	2,166,252	1,089,601	2,054,370
Annuities	1,305,097	1,106,578	969,394
Total claims	9,281,610	6,498,144	6,706,983
Increase in liabilities in respect of life assurance contracts (except for change in outstanding) on retention	18,873,196	9,322,085	17,591,601
Increase in liabilities in respect of investment contracts for yield component	308,597	68,659	245,376
Total payments and change in liabilities in respect of insurance contracts and investments contracts on retention, in respect of life assurance contracts	28,463,403	15,888,888	24,543,960
Total payments and change in liabilities in respect of general insurance contracts:			
Gross	1,653,528	1,729,066	1,585,885
Reinsurance	277,312	393,607	219,181
On retention	1,376,216	1,335,459	1,366,704
Total payments and change in liabilities in respect of health insurance contracts:			
Gross	1,750,469	1,025,753	1,840,654
Reinsurance	107,808	79,720	93,725
On retention	1,642,661	946,033	1,746,929
Total payments and change in liabilities in respect of insurance contracts and investment contracts on retention	31,482,280	18,170,380	27,657,593

Note 31 - Commissions, Marketing Expenses and Other Acquisition Expenses

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Acquisition commissions	515,776	(* 533,802	562,896
Other acquisition expenses	550,790	(* 526,701	(* 555,041
Change in deferred acquisition costs	(71,653)	94,404	(24,089)
Total acquisition expenses	994,913	1,154,907	1,093,848
Other current commissions	751,661	(* 705,328	(* 730,645
Other marketing expenses	45,143	19,184	23,414
Total commissions, marketing expenses and other acquisition expenses	1,791,717	1,879,419	1,847,907

*) Reclassified. See additional details in Note 2.d.

Note 32 - General and Administrative Expenses

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Salaries and related expenses	1,203,066	1,188,668	1,226,141
Depreciation and amortization	227,352	223,846	213,513
Maintenance of office premises and communications	98,468	103,108	111,672
Computer services *)	127,137	115,005	93,077
Marketing and advertising *)	46,232	20,937	29,468
Professional and legal counseling	61,923	53,959	53,838
Other *)	125,088	122,444	109,391
Total **)	1,889,266	1,827,967	1,837,100
Less:			
Amounts classified under change in liabilities and payments in respect of insurance contracts	(178,534)	(179,863)	(180,880)
Amounts classified in commissions, marketing expenses and other acquisition expenses *)	(595,933)	(545,885)	(578,455)
General and administrative expenses	1,114,799	1,102,219	1,077,765
**) General and administrative expenses include expenses in respect of IT	353,861	357,531	328,022

*) Reclassified. See additional details in Note 2.d.

Collective agreement

Further to the Company's reports from May 16, 2019 (reference 2019-01-047224) and June 1, 2020 (reference 2020-01-055833) regarding a collective employment agreement for the employees of the subsidiary Migdal Insurance and the sub-subsidiary Migdal Makefet Pension and Provident Funds Ltd., which is in effect until December 31, 2021 (hereinafter: "the collective agreement"), on January 19, 2022 the companies, the New General Federation of Labor (hereinafter: "the Federation") and the workers committee of the companies signed a one-year extension to the collective agreement which will be in effect until December 31, 2022 (hereinafter: "extension to the collective agreement"), subject to additions and changes that mainly include the following understandings:

1. The minimum monthly wages (as defined in the collective agreement) will be raised gradually until April 1, 2023, such that from that date such wages will amount to a gross amount of NIS 6,500 per month (for a full time position) and to an amount of NIS 34 per hour for an employee working on an hourly basis.
2. In 2022 the companies will raise the salaries of the permanent employees who are included in the collective agreement and are employed by Migdal on the date of payment and of employees in a trial period who have completed 18 months of employment on that date, by an average overall rate of 3%, split into three salary levels, with part of the salary raise being permanent and uniform for the entire salary level and part of it being subject to manager discretion.
3. Annual bonus – Subject to the financial results and comprehensive income for 2021, the employee annual bonus budget will increase such that the maximum addition will be between 12.5% and 30% of the employees' salary, and correspond to comprehensive income.
4. Benefits relating to welfare that include increasing the welfare budget for the employees' organized vacation and participation in parking expenses.

Note 33 - Other Expenses

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Amortization of intangible assets (except for computer software) *)	11,114	14,164	15,979
Impairment	4,449	491	-
Expenses from other non-insurance activities	15,643	31,432	32,478
Capital loss from sale of fixed assets, net	1,410	909	154
Other capital losses, net	1,684	3,262	1,788
Total other expenses	34,300	50,258	50,399

*) For additional details see Note 4.a

Note 34 - Finance Expenses

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Interest expenses and linkage differences from:			
Liabilities to banks and affiliate	-	-	(169)
Finance expenses in respect of bonds	169,609	169,718	167,182
Interest expenses to reinsurers	801	701	691
Exchange rate differences, net in respect of liabilities *)	(7,443)	(1,523)	(2,321)
Finance expenses in respect of leases	2,423	2,675	3,005
Commissions and other finance expenses	(334)	351	2,095
Total finance expenses	165,056	171,922	170,483

*) Regarding exchange rate difference in respect of financial investments see Note 26.

Note 35 - Earnings (Loss) Per Share

	Year ended December 31		
	2021	2020	2019
	NIS		
Basic and diluted earnings (loss) per share attributable to the Company's shareholders (in NIS)	1.28	0.33	(0.12)

a. Basic earnings (loss) per share

The calculation of the basic earnings per share for 2021 was based on the net profit attributable to holders of ordinary shares in the amount of NIS 1,351,942 thousand (2020 – net profit of NIS 352,487 thousand and in 2019 net loss of NIS 125,075 thousand), divided by the weighted average number of ordinary shares outstanding.

The weighted average number of ordinary shares used for calculation of basic earnings (loss) per share for each of the years is 1,053,908,234

b. Diluted earnings (loss) per share

The diluted earnings (loss) per share is the same as the basic earnings per share.

Note 36 - Risk Management

a. General

1. The principal risks

The Group operates in the insurance and long-term savings and financial services areas of activity. The insurance activities focus on life assurance and long-term savings (life assurance, pension funds and provident funds), health insurance and general insurance. Financial services activity focuses on the rendering of financial asset management and investment marketing services, as well as investment banking.

The Company's activities expose it to the following risks:

- Market risks;
- Liquidity risks;
- Insurance risks;
- Credit risks;
- Operating risks, including data security and cyber risks.

These risks are accompanied by general risks such as: regulation and compliance risks, legal risks, goodwill risks, business risks (such as: increase in competition, change in public tastes) etc. See more details in b(5) below.

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 others, risks resulting from changes in interest rates, stock exchange rates, the CPI and foreign currency exchange rates.

Liquidity risks – the risk that the Group will have difficulties in fulfilling its liabilities on time.

Insurance risks – life assurance and health insurance risks result from uncertainty in the frequency, timing and duration of anticipated future claims payment with respect to the assumptions relating to mortality/longevity rates, annuity realization rates, morbidity/disability rates, expenses, cancellations or surrenders.

Actuarial risks in pension funds are borne by the members while their effect on the managing company pertains to management fees.

General insurance risks derive mainly from pricing, the valuation of reserves and catastrophic risk.

Credit risks – the risk of a loss that is the result of a borrower/reinsurer failing to meet their obligations or of changes in borrowers' rating and credit spreads on the capital market.

Operating risks – the risk of a loss that is the result of inappropriateness or failures in processes in the organization and/or interfaces with external parties, employees, information systems or the result of external events. A significant portion of the Group's activities are dependent on various IT systems. The absence of appropriate IT, data security and cyber infrastructures and/or IT system deficiencies or failures may expose the Group to the risk of noncompliance with regulatory requirements and failures of various operating processes.

For additional information on the risks, see b. below.

The Board of Migdal Insurance defines the exposure policy of the insurer and the members' portfolios to the various risks, including determining risk exposure thresholds to the extent possible and addressing a comprehensive risk exposure level based on the correlation between the various risks.

The board of directors appointed a risk management and solvency committee on its behalf that discusses issues relating to risk management and capital management under the Solvency 2 regime. See Note 7.c above for information regarding the economic solvency regime based on Solvency 2.

This note provides information as to the Group's exposure to each of the above risks, a description of the risk exposure policy, work processes, identification of risks and the controls in the Group. Additional quantitative disclosure is included throughout the financial statements.

At the end of 2019 the coronavirus (COVID-19) broke out over the world and at the beginning of 2020 also in Israel. The outbreak of the virus was and is a macro-economic event with extensive effects on the economies of the world including Israel. As a result of the development of several vaccinations against the virus and a large part of the world's population being vaccinated, the global economy is recovering.

In 2021 the response of the Israeli economy to the spread of new variants of the coronavirus did not include serious restrictions on business activity, unlike the actions that were taken before to deal with the virus. The business activity of the Israeli economy continued without interruption alongside and on the backdrop of repeated waves of infection. See Note 1 for further information regarding the effect of the coronavirus crisis and how the Company is dealing with it.

Note 36 - Risk Management (Cont.)

a. General (cont.)

1. The principal risks (cont.)

In February 2022, subsequent to balance sheet date, the Russian army invaded Ukraine following which economic sanctions were imposed on Russia. The Group does not have direct investments and exposure to reinsurers in the area of the conflict. This event has effects on the global economy including a rise in prices of energy and in prices of commodities. In addition, the rising uncertainty has a negative effect on the financial markets in Israel and the world. The effect of the military conflict on the capital markets affects the Company's income from financial margins and variable management fees. See Note 39 for further details.

2. Legal requirements

In the insurance and long-term savings activity

The regulatory provisions regulate and determine, among others, the arrangements in relation to risks to which the companies are exposed, by providing regulatory requirements such as the following.

As part of the Control of Financial Services Law (Insurance) (Board of Directors and its Committees), 2007 and in relation to the management of exposures to risks, the Board of Directors should define the exposure policy of the insurer and the policyholders to various risks, determine the ceilings of exposure to risks as far as is possibly determinable, determine the overall level of exposure to risks taking into consideration the correlation between the various risks, approve tools and controls for measurement of risks and their management and ways of coping with the risks and with their materialization.

Investment management – directives were determined regarding the manner of investment management by the institutional entities, which, among others, set requirements for the degree of dispersal, limitations on investments and liquidity.

Credit management – directives were set in order to make sure that there will be appropriate management, supervision and control mechanisms for management of credit risks while carrying out investment activities, including regarding the establishment of a credit committee and its roles; setting a policy for providing credit as well as ways of supervision, control and reporting to the various investment committees and to the Board of Directors.

Reinsurers – directives regarding management of exposure to reinsurers ("reinsurers' exposure") were prescribed

Capital requirements – directives were determined regarding the solvency capital requirement, for further details see Note 7.c above.

Risk management

In January 2014, the Commissioner issued Chapter 10 in a combined circular regarding the risk management function in an institutional entity. The circular consists of general guidelines that specify the adequacy criteria for risk management officers and require setting up a risk management unit that is distinct from the business lines whose current operations it examines. In addition, the circular specifies the risk management officer's authorities in obtaining information and access to the data needed for performing the risk management unit's functions and the relevant resources. The circular also elaborates on the roles and methodologies of the risk management officer that consist, among others, of identifying the material risks, quantifying and assessing the identified material risks and reporting them to the relevant bodies.

Operating risks – in addition to the above arrangements, the Commissioner published directives regarding the management of specific exposures of which the main ones are: embezzlement and fraud ("circular on embezzlement and fraud by parties in and out of the organization") and cyber risk management ("circular on management of cyber risks in institutional entities").

The effectiveness of internal control over financial reporting and disclosure (SOX) - additionally, according to the Securities Regulations, the Company applies the relevant procedures pertaining to the review of the effectiveness of internal control over the Company's disclosure and financial reporting and includes the necessary reports and certification in connection with them in its financial statements. At the same time, the Group's institutional entities apply the provisions of the Commissioner of Insurance regarding the effectiveness of internal control over disclosure and financial reporting in these institutional entities.

In the financial services activity

Migdal Capital Markets and its subsidiaries operate in accordance with the directives applicable to them, and are subject to the supervision of various regulators such as the Israel Securities Authority which have set guideline rules and limitations on the activities of Group companies including: rules for managing investments and for managing mutual funds, conduct with managed customers, and so forth.

Note 36 - Risk Management (Cont.)

a. General (cont.)

3. Description of procedures and methods of risk management:

a) The overall risk management array

In the insurance and long-term savings activity

- The risk management unit is responsible for formulating a work plan for managing risks in the Group, identifying the risks and quantifying them, reporting on exposures to current or extraordinary risks to the relevant bodies (such as the investment committees, the Board of Directors, the risk management committee, etc.), application of risk evaluation systems and their management (including integration of an automated system for Solvency 2 calculations) in the various fields in the Group and application of the regulatory directives relating to risk management in the various fields. The unit is also responsible for the professional guidance of the control units in the Company's lines of business including for preparing the annual control plans, monitoring implementation and taking care of findings for reducing the risks as well as handling embezzlement and fraud risks and failures.

  The unit is also responsible for assessing economic capital solvency under the Solvency 2 regime and for capital planning in the framework of, inter alia, the business work plans of the Company.

  The unit works together with the headquarter units that are responsible for insurance activity, reinsurance activity, investment activity and finance.

- The Group frequently holds professional discussions on risk management issues in both a management forum and special professional forums headed by the CEO.

- The Company has appointed a risks manager for the insurance company and institutional bodies managed by it.

In the financial services activity

The person responsible for managing risks in Migdal Capital Markets entities is the CEO of each entity. In addition, the Group has a compliance and control department (from January 2022 – legal, compliance and control department) that is responsible for implementation and enforcement of the relevant regulatory requirements and for controlling and monitoring violations of regulatory requirements and internal management instructions. This department does not depend on the CEOs of the subsidiaries and it operates independently using advanced software tools and methods.

Among other things, the Group companies were provided risk management methodologies, exposure papers are presented on a frequent basis, and procedures are updated and distributed according to a structured methodology.

With respect to some of the activities policy documents have been defined in accordance, inter alia, with the risk appetite and management method.

This department reports to the Boards of Directors of Migdal Capital Markets and its subsidiaries on the deficiencies that are found including with regard to noncompliance with Company policy and procedures.

Furthermore, Migdal Capital Markets has a special market risk management unit for performing control over market risks of the mutual funds and market making activity. The unit is subordinated to a deputy CEO in the Migdal Capital Markets headquarters.

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity:

The Group's risk management policy is designed to support the Company's achievement of business objectives and maintaining financial strength while estimating losses that can result from exposure to risks facing the Company as a result of its business activities, and the limitation of these losses in accordance with the risk policy that was determined, and at the same time to take note of the changes in the business environment, as well as the regulatory directives and requirements.

Risk management in the Migdal Group is based on three lines of defense: business line managers, risk management and internal controls.

Identification of the material risks, evaluation of their method of management as well as quantification of the exposure and the potential effect of these risks on the future financial position of the Group companies and its policyholders, are carried out together by the risk management unit and the corporate units responsible for the insurance activity, the reinsurance activity, the investment activity and the finance activity, respectively.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group’s risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows:

- Each headquarter unit is responsible in its field, for compliance with the Group's procedures and the Board of Directors and the investment committee's directives regarding the limitations of the exposure to risks.

  The Group has professional forums headed by the CEO and the heads of the investment, insurance and pension branches. The development of exposure to insurance risks in the various insurance branches and to financial risks is regularly reviewed in these forums as well as the developments in other areas, and management decisions in these areas of activity are made accordingly.

- As from 2020, a “second line” for control of operating and compliance risks operates under the business units. The control array in the business units reviews the established infrastructures in order to manage the various risks involving work processes and legal provisions based on an annual control plan, under the professional guidance of the operating risks manager and the compliance officer.

- Overall responsibility of the risks management unit. See paragraph a.3.a) above.

- The internal audit incorporates in its work plans issues that were defined in the risk survey as issues that require special attention.

New products

The process of entering into a new insurance plan or new area of activity in the Group is executed according to a procedure for launching a new product that complies with, inter alia, regulatory instructions on this matter. The risks affiliated with the product are identified and quantified as follows:

Insurance risks – the exposure to insurance risks is measured by the appointed actuary while taking into consideration both the risk expectancy, which serves as a basis for pricing the product, and the exposure to potential losses expected in excess of the risk expectancy, under various scenarios.

Market risks – in products involving any kind of guaranteed yield, the exposure to market risk is measured using stochastic tools that measure both the expected loss in respect of market risks (which is the basis for pricing the product) and the expected potential loss at a given level of certainty, in respect of such risks.

Overall risk – the compatibility to the Company's risk appetite and risk management policy is measured as well as the effect on the situation of capital under the Solvency 2 regime.

Market and liquidity risks

Market risks are managed by the investment managers in accordance with the law and the overall policy of the Board of Directors and of the investment committees of the asset portfolios of the members' funds: the profit participating policies, pension funds and provident funds (in which the risk is borne by the members), and that of the Nostro assets portfolios.

These bodies receive reports regarding exposure of the Group's various investment portfolios to changes in the money and capital markets which include, as mentioned, interest rates, foreign currency exchange rates and inflation, including management of the assets versus the liabilities, and with reference to this, they define the exposure levels to the various investment vehicles as a framework for investments made by the Group's investment division, subject to the Ways of Investment Regulations.

The Company deals with market risks, inter alia, by diversification of investment channels, issuers, branches and geographical regions. In addition, exposure limitations are set for investment channels and with respect to risk appetite and incorporated in financial scenarios.

For information regarding the exposure to the linkage bases of the managed portfolios see paragraphs c and d hereunder.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows (cont.)

Liquidity risk is managed by the investment managers by regularly monitoring the liquidity of the liabilities in the various investment portfolios and by quantifying the anticipated loss in an extreme scenario of the immediate disposal of assets. The matter is discussed in the Board of Directors and in the investment committees of the managed portfolios, both the Nostro portfolios and the members' portfolios, the profit participating portfolios and the pension and provident funds portfolios. The exposure limits to risk factors of the assets in the managed portfolios is determined, inter alia, in accordance with this data.

The transition to investment baskets particularly reduced the liquidity risk of the small funds.

The exposure to market risks and liquidity risks of the investment portfolios is quantified for market risks by measuring the value at risk (VaR), which measures the maximum potential damage at a given probability over a given period of time, and also by examining the damage expected for the Group under various sensitivity scenarios, historic and hypothetical. In the framework of quantifying the exposure to market risks the overall balance sheet and economic exposure to interest risk is measured, inter alia, by examining matching of assets and liabilities (ALM) in the Nostro portfolio and quantifying the exposure derived from the participating portfolios, the effect of changes in interest curves on their fair value and compliance with the required exposure limits.

For liquidity risk, regarding the portfolios of members, a calculation is also made of the expected loss resulting from a need to realize the portfolio upon the occurrence of an extreme scenario of immediate realization of funds.

In addition, in respect of the managed portfolios (the asset portfolios of the members' funds: the profit participating policies, pension funds and provident funds) various performance indices are calculated with respect to the relation between the return that is obtained and the level of risk in the portfolio.

The aforesaid exposures of the Group's various asset portfolios are measured at least every quarter and include the risk indices described above, as well as the situation of the exposures to risk factors compared to limitations that were determined by the Board of Directors and the various investment committees.

Exposure reports are provided regularly to the respective investment committees of the various asset portfolios.

Insurance risks

Insurance risks are managed by the insurance field managers and the actuaries of the various branches including the pension funds (in which the risks are borne by the members). The Board of Directors receives the exposure valuation of the maximum loss that is expected from the significant insurance risks, at the confidence level prescribed, based on the following risk components:

- The extent of the maximum anticipated loss as a result of the exposure to a single large damage event, or an accumulation of damages in respect of an extremely large event (catastrophic event), as well as the exposure to an unexpected change of the risk factors that are covered in policies sold by the Company, at a given level of certainty during the period of one year.
- The effect of the measures taken by the Company for dispersion, reduction or limitation of the insurance risks, by underwriting procedures and rules for receipt of business and through reinsurance arrangements, in order to reduce the aforementioned anticipated loss and the impact on the required capital against these risks as a result of the exposure to insurance risks.

Regarding the estimate of the Company's exposure to insurance risks (and to the actuarial risk of the pension fund members), the Board of Directors determines the Company's or the fund's exposure limitations to these risks.

In life assurance, health insurance and pension funds - the exposure to loss arising from the risk components of the life assurance and health insurance businesses and the actuarial risks in pension funds such as mortality and morbidity, life expectancy, exceptionally major events such as earthquakes, epidemic, wars or terrorist acts (catastrophes) and an increase in the cancellation rates (including surrenders and outgoing migrations) is quantified through the effect of extreme scenarios on the value of the long-term savings portfolio, taking into consideration the correlations between the risk factors within a year's outlook.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group’s risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows (cont.)

From time to time the Company carries out various studies and analyses, including sensitivity analyses, of developments in exposures to insurance/actuarial risks such as death, life expectancy, occupational disability, cancellations, expenses, etc. and their effect on the insurance reserves as well as on the profitability of products and the value of the Group's new sales.

In general insurance - the exposure to major deterioration in risk factors that are covered by policies and to a single large damage event or accumulation of damages in respect of a catastrophe such as an earthquake which is the main catastrophe to which it is exposed) and the effect of reinsurance arrangements on the Group's potential loss is quantified by examining scenarios of the central risk factors to which the Company is exposed within the determined degree of certainty. In addition, the Group regularly carries out profitability tests for the various operating segments.

There is ongoing control over the developments and trends in exposures to insurance risks of the various insurance branches, which mainly derive from changes in the frequency of the claims and their severity as well as in expenses and in other costs, and their effect on both the profitability of the products and on the insurance reserves.

The Group deals with the insurance risks by means of reinsurance. In addition, spreading the insurance contracts and spreading between sectors, geographical locations, risk types, coverage amount, etc. reduce the risks.

Credit risks

Credit risks of investments are managed by the investment manager in accordance with law and the overall policy of the Board of Directors and the investment committees. The policy includes exposure limitations which mainly relate to exposures to individual borrowers, groups of borrowers, exposure to credit rating categories, etc. The regulatory requirements are also taken into account when determining the abovementioned limitations. The institutional entities have a credit committee which examines and approves transactions according to the level of authorization that was granted to it by each of the various investment committees.

For information regarding the credit rating of assets in the managed portfolios, see b(4)(a)(2) below.

The exposure to credit risk in the various investment portfolios is estimated mainly on the basis of an examination of the expected losses to the Group from credit assets under various scenarios as derived from the credit rating and average life of the asset.

The credit rating granted in the investment portfolios is rated on the basis of an external rating, if one exists, and of an internal rating of the investment research department, which also examines the external rating.

Regarding internal rating, see b(4)(b)(1) below.

The details of borrowers of credit provided as part of the Group's various investment portfolios are examined once a quarter by the Group research unit, if there has been a change in the credit risk of the borrower. In addition, the credit unit regularly examines the financial covenants of the credit and compliance with the instructions of regulators, the Board of Directors and the investment committees. The exposure to credit risks of the various investment portfolios, including the exposure to borrowers, industries and segments, ratings of borrowers, problematic debts, etc., are brought before the investment committees once a quarter for discussion.

The Company deals with credit risks of investments by diversifying investment channels, issuers, branches and geographical regions, as well as examining the financial stability and solvency of the entities in which it invests, prior to making an investment and during its life.

Reinsurers' credit risks – managed by the reinsurance department who presents the Board of Directors with the exposure to credit risks in respect of reinsurers. The Board of Directors determines the exposure limitations to the reinsurers' credit risk rating, among others, in relation to the type of insurance branch (long/short tail), to the individual reinsurer and taking into account the limitations prescribed by the legislative arrangements.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows (cont.)

The estimate of the exposure to credit risks from reinsurers is mainly based on the probability of a loss at a given level of certainty that derives from the credit rating of the reinsurers.

The rating is mainly determined by S&P.

For information regarding credit risks of reinsurers, see b(1)(4) below.

The reinsurance department examines the financial strength of the reinsurers.

The finance division regularly monitors collection from reinsurers.

The Company deals with credit risks of reinsurers through diversification of reinsurers, limitations on the exposure to a single insurer and credit rating limitations.

Operating risks

Main operating risks – managed by the department heads and supported by various units and functions in the organization including the control unit that is spread throughout the organization's areas of activity, the organization and methods unit, compliance and enforcement, SOX, information security, operating risk management, including prevention of fraud and embezzlement, the technologies unit and internal audit. Policy documents taking the existing regulatory directives into account, in connection with the management of operating risks have been approved by the Company's Board of Directors and the Company acts according to them.

Quantification of the loss arising from operating risks is included in the calculation of the solvency ratio by means of accepted parameters that relate to the volume of the Group's activity in the various branches of insurance.

The Company deals with operating risks by mapping the operating risks and preparing plans to reduce the high residual risks. Furthermore, implementation of the control plans in the areas of activity makes it possible to bring to light and address operating risks in current work processes. On the background of the coronavirus crisis the Company adopted a hybrid work model that combines working remotely as part of its routine business activity. In this framework some of the work processes were changed and respective changes were made in the control plans of the business units.

Data security and cyber risks - in recent years, there has been real escalation in the map of worldwide cyber threats. Many attacks are launched in Israel and the world against national infrastructures, government authorities and a wide range of corporations. In the insurance world several significant events took place in insurance agencies and as well as a break-in to the Shirbit insurance company and a leak of information on a particularly large scale.

The Group's business activity relies to a large extent on IT systems that support the business processes. The availability of those systems, the reliability of the data and the protection of data confidentiality are critical to maintaining proper business operations.

Along with technological progress, the frequency of the threats changes and as a result the level of the risk to the Company and its customers increases. The integration of new technologies in the Group's business core as well as in end systems and among its customers increases the level of cyber-attack risks.

The Group, as a leading financial organization, is a target for various cyber attacks. The IT systems and communication networks of the Group, its suppliers, agents and customers are frequently attacked and are likely to continue to be exposed to cyber attacks such as: viruses, malware, phishing and other attacks that are mainly aimed at harming service, committing theft or corrupting of data.

The Group regularly makes the necessary preparations for dealing with cyber threats and invests a great deal of resources in this field. The Company's supervision and control mechanisms include management and board committees that discuss cyber attacks and monitor the annual work plan in this area. In addition, the Company has a policy for managing cyber risks that is approved by the Group's Board of Directors once a year, and a wide range of work procedures and instructions deriving from it. The Company has a structured but flexible work plan that is updated from time to time according to developments in these frequently changing threats. The plan is based on an analysis of the threats and risks that are relevant to the Company and includes actions aimed at reducing the probability of their occurrence. Significant cyber and privacy events that have a direct or indirect effect on the Group are managed as separate risks, with a specific mitigation plan.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows (cont.)

It should be noted that the coronavirus crisis has also caused technologic preparation and special cyber controls, such as toughening the access to Migdal's systems, limiting the work to defined hours (reducing the hours of remote access to Migdal), adaptation of monitoring thresholds, etc. The event was managed and reported as a risk to the various control committees.

In addition, guiding and closely accompanying information and cyber security are done on a routine basis beginning from the stage of initiating technological and business projects up to regularly dealing with internal and external risks, such as information leakage, network shutdown, data corruption and unauthorized access to information, which may affect business operations.

Prevention of fraud and embezzlement – the institutional entities of the Group operate in this area according to the instructions of the Commissioner's circular regarding embezzlement and fraud and according to the policy that was approved by the Group's Board of Directors. As part of its risk management array, the Group has an officer in charge of preventing fraud and embezzlement for identifying and assessing the risks and mitigating them together with the heads of the units and with the assistance of the organizational control array.

Preparation for disaster (emergency) – The Company has a general business continuity framework that includes reference scenarios and their effects on the Group, mapping crucial processes in a disaster, service objectives in the event of a disaster and a business continuity plan. The business continuity plan (BCP) refers to various aspects required in a disaster, including personnel, physical infrastructures and technological infrastructures. The plan includes, inter alia, work procedures at the time of a disaster for the essential business processes and those supporting them, a back-up plan for essential personnel, a plan for moving to an alternative site (for employees of the Group who support the business processes that are essential in a disaster) and a back-up site (DRP site) for information about policyholders and members that facilitates RPO (Return Point Objective) and RTO (Return to Operations) at predetermined time spans for supporting service objectives in a disaster. The Company has an additional copy (third), that ensures recovery of the information in the event of information being damaged at both the main site and the alternative site. In 2021, in order to simplify the approval process, the general business framework and the business continuity plan were separated, so that the business continuity plan is presented in a separate document and not as a chapter in the general business framework for the approval of the Board of Directors. Both the general business framework and the business continuity plan for 2021 were approved as required by the management and Board of Directors, respectively. In 2021 the business continuity plan was implemented among the employees through an interactive tutorial as well as through the implementation of an exercise program, Migdal's BCP exercise, subject to the instructions of the supervisor. The cyber and cyber outline of the insurance activity took place in June 2021. In addition, in 2021 the Company acted in a number of real events according to its general business framework and business continuity plan.

Environmental and climate risks – Awareness to the importance of managing environmental risks has increased in Israel and the world In recent years.

Environmental risks include, inter alia, air, water and land pollution.

Climate risks are risks created as the result of the increasing intensity and frequency of weather events that are due to global warming. Climate risks include physical risks such as floods, fires, etc. and transition risks that derive from advancing actions to reduce the effect of global warming such as reducing CO_2 emissions, transitioning to renewable energy sources, carbon tax, etc.

The Company could be adversely affected by climate changes and their related natural disasters either directly by damage to its facilities or indirectly in the framework of a borrower's credit risks or a decline in value of collateral that is exposed to environmental risk. Furthermore, the Company can be indirectly adversely affected by environmental risk in the framework of credit risk in the event of deterioration in the financial situation of a borrower or reinsurer following the need to make investments that derive from directives regarding the environment. In addition, the Company has a reputation risk of a factor causing an environmental hazard being attributed to it, either as creator of the hazard or indirectly because of financing the hazard.

It is noted that in 2021 an amendment was issued to the chapter on management of investment assets regarding the inclusion of investment considerations relating to environmental, social and governance aspects (ESG aspects) and significant evolving risks (such as cyber risks and technological risks) which includes, inter alia, an expansion to the instructions regarding the ESG considerations the investment committee must consider when setting investment policies, insofar as these considerations are relevant to the performance of the investment portfolio and may affect it. The amendment will come into effect on July 1, 2022.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows (cont.)

The Company attaches great importance to advancing activities and risk management in this respect. The Company has adopted an ESG investment policy for managing the entire investment portfolio and has openly declared it, as required by the Commissioner, as part of the Company's investment policy declaration.

b. Details of the risks

1. Market risks

A market risk is the risk that the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among others, risks resulting from changes in interest rates, stock exchange rates, the CPI and foreign currency exchange rates. Regarding the effect of the sensitivity analysis of these variables on the profit (loss) for the period and on comprehensive income (loss), see paragraph b(1)(a) below.

Interest risk – the risk that the fair value or future cash flows of a financial instrument will change as a result of changes in market interest rates.

In most of the Group's businesses the average duration of the assets does not match the average duration of the liabilities. This is true primarily in respect of life assurance liabilities (as well as long term health insurance and pensions) in which the average duration of liabilities is longer than the average duration of assets. As a result, a decrease in the interest rate results in lower future yields when refunding the assets as compared to the liabilities and to a decrease in the embedded value of the life assurance portfolio as well as a decrease in the future embedded yield of the members' monies.

In general insurance, a decrease in the interest rate results in lower profitability on products due to a reduction in income from investments held against the reserves.

In view of regulatory changes taking place around the world, the global market is preparing to discontinue use of the Libor rate and to start using from the end of 2021 new benchmark rates (hereinafter – "the reform") based to a higher extent on the data of the specific transactions.

This reform may have an effect on financial markets and market participants insofar as entities do not implement in time the necessary measures for a smooth transition to the new benchmark rates, including on the performance, liquidity and value of financial instruments based on IBORs.

The Company has begun the process of identifying existing financial instrument contracts whose payment is expected after the end of 2021 in order to determine its Libor exposure. In addition, the Company examines the need to take necessary actions to reduce the exposure, such as renegotiating with the parties of a contract so as to reduce the contractual uncertainty.

For further information see Note 2X.

Market risks (equity instruments/real assets) – risks deriving from a change in share prices or a change in the fair value of other assets.

Risks related to the Consumer Price Index – a real loss deriving from erosion in the value of shekel assets as the result of inflation being higher than the expectations reflected in the capital market, as compared to CPI-linked insurance liabilities.

In 2021 there was a gradual increase in the inflationary environment, this on the backdrop of the rapid recovery of economic activity and the expansionary policy, in addition to a rise in prices of raw materials, including energy prices, and ocean shipping rates.

It is noted that a significant rise in inflation causes a decrease in the real yield in the members' portfolios and accordingly reduces the variable management fees the Company's charges and affects the financial margin in the Company's nostro portfolio.

Currency risk – the risk that the fair value or future cash flows of a financial instrument will change as a result of changes in foreign currency exchange rates.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

The investment income standing against the insurance reserves and the shareholders' equity has a significant effect on the insurance companies' profits. A major part of the Group's asset portfolio is invested in quoted securities in the capital market, and in financial derivatives, which are characterized by fluctuations as a result of political, security and economic events in Israel and around the world. Quoted securities are reported based on their stock exchange value as at the reporting date. Therefore, the fluctuations in the value of Nostro investments and the effect of the changes in investment income on variable management fees in the profit participating policies may have a significant effect on the Group's profitability and shareholders' equity and also on the value of the life assurance portfolio. A decline in the value of securities held against the profit participating policies, pension funds and provident funds also reduces the fixed management fees received from these portfolios. The extent of the effect on profits depends on the characteristics of the insurance liabilities (yield dependent, non-yield dependent) and the management fee terms of the products for which the relevant reserve is held.

Yield dependent liabilities are liabilities in respect of contracts in which the beneficiary is entitled to receive insurance benefits that depend on the yield derived from investments made against the liabilities in respect of these policies, less management fees as follows:

- In respect of policies issued until 2004, fixed management fees as well as variable management fees at the rate of 15% of the real yield after deducting the fixed management fees.
- In respect of policies issued as from 2004 – fixed management fees.

The Company has direct exposure in respect of the effect of changes in the interest curve on the calculation of the insurance liabilities for these contracts. In addition, the Company has exposure deriving from the variable management fees based on the fluctuations in the yield received by the policyholders, and only in respect of policies issued until 2004, and from the overall amount of the liabilities from which the fixed management fess of the insurer are derived with respect to all the yield dependent products.

The sensitivity tests and maturity dates of the liabilities specified in the following paragraphs include only the direct effect of a change in the interest curve on the calculation of the insurance liabilities.

Any change of 1% in the real yield on investments in the framework of yield-dependent contracts in respect of policies issued up to the year 2004, whose scope of liabilities at December 31, 2021 is about NIS 84 billion (about NIS 75 billion last year), will affect the management fees by an amount of about NIS 125 million (about NIS 113 million last year).

When the yield on these contracts is negative, the Company does not collect variable management fees, and only collects the fixed management fees at the rate of 0.6% of the accrual, as long as there is no net positive real yield (net of fixed management fees) that covers the accumulated negative yield.

The effect of the aforesaid change on policies issued as from 2004 is immaterial.

In non-yield dependent life assurance - the major part of the life assurance portfolio is in respect of yield guaranteed policies, mainly backed by designated bonds (Hetz – life linked bonds) issued by the Bank of Israel for the duration of the policy's entire term. Therefore, the Company has financial assets covering the main liabilities regarding interest and linkage over the policy's term. As of December 31, 2021, the designated bonds covered about 75% of all the insurance liabilities in life assurance in these programs (about 74% last year).

There is not a full matching of the linkage base of assets to the linkage base of liabilities in non-yield dependent life assurance (for the portion of the insurance liability not covered by designated bonds) in general insurance and in equity.

The changes in the capital market, in the CPI and in foreign currency exchange rates, might have a significant effect on the Group's results of activities.

a) Sensitivity tests relating to market risks:

Hereunder is a sensitivity analysis of the effect of a change in these variables on the profit (loss) for the period and on the comprehensive income (loss) (equity). The sensitivity analysis relates to the carrying amount of the financial assets, the financial liabilities and liabilities in respect of insurance contracts and investment contracts in respect of the relevant risk variable as at each reporting date and assumes that there is no change in all the other variables. Thus, for example, the change in interest is under the assumption that all the other parameters have not changed. In addition, it is assumed that the said changes do not reflect an impairment of assets reported at amortized cost or of available for sale assets and therefore, the above sensitivity test did not include impairment losses in respect of these assets.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

a) Sensitivity tests relating to market risks: (cont.)

The sensitivity analysis only reflects the direct effects and does not reflect the ancillary effects.

It should also be noted that the sensitivity is not necessarily linear. Hence, larger or smaller changes in relation to the changes described below are not necessarily a simple extrapolation of the effect of those changes.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

a) Sensitivity tests relating to market risks (cont.)

December 31, 2021

	Rate of change in interest rate (1) (2)		Rate of change in prices of investments in capital instruments (3)		Rate of change in the CPI		Rate of change in the foreign currency exchange rate (5)	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS in thousands							
Profit (loss)	1,480,594	(1,945,861)	26,931	(25,048)	(12,749)	12,749	(219,748)	219,748
Comprehensive income (loss) (4)	434,173	(616,080)	282,529	(280,645)	(12,749)	12,749	6,446	(6,446)

December 31, 2020

	Rate of change in interest rate (1) (2) *)		Rate of change in prices of investments in capital instruments (3)		Rate of change in the CPI		Rate of change in the foreign currency exchange rate (5)	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS in thousands							
Profit (loss)	1,413,270	(1,694,032)	(7,266)	14,776	(13,863)	13,863	(177,383)	184,264
Comprehensive income (loss) (4)	406,999	(440,002)	202,772	(195,327)	(13,863)	13,863	13,676	(6,795)

Comments

(1) With respect to fixed-interest instruments, the exposure is to the book value of the instrument, and for variable-interest instruments the exposure is in relation to cash flows from the financial instrument. The sensitivity tests are based on the carrying value and not on economic value. The sensitivity tests did not take into account, from the assets with direct interest risk, unquoted debt assets at fixed interest, cash and cash equivalents, reinsurance assets, financial liabilities measured after initial recognition at amortized cost, according to the effective interest method, and liabilities in respect of investment contracts.

The assets underlying the sensitivity analysis in 2021 account for about 24% of total assets for non-yield dependent contracts.

(2) The effect of a 1% decrease in the interest rate on profit and comprehensive income in respect of insurance liabilities in life and health insurance, which is included in the sensitivity test, is estimated at a loss of NIS 1,845 million after tax (last year – a loss of NIS 1,624 million after tax). The effect of a 1% increase in the interest rate is estimated at a profit of NIS 1,388 million after tax (last year – NIS 1,349 million after tax**). See paragraph b.1 above.

In general insurance, the Company discounts its insurance liabilities in the third party and the employers' liability lines. A decrease of 1% in the risk-free interest rate will lead to an increase in liabilities and to a decrease of NIS 49 million after tax in profit and comprehensive income (NIS 47 million after tax last year). An increase of 1% in the risk-free interest will result in an increase in profit in the amount of NIS 45 million after tax (NIS 43 million last year) by reducing the liabilities

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

a) Sensitivity tests relating to market risks (cont.)

(3) Investments in instruments that have no fixed cash flow, or alternatively, the Company has no information about this flow (according to the definition in IFRS 7, they do not include investments in affiliates).

(4) The sensitivity analysis in respect of comprehensive profit (loss) also expresses the effect on profit (loss) for the period.

(5) The change in foreign currency exchange rates includes the effect of non-monetary items and others whose value in the balance sheet amounts to about NIS 3.3 billion.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

b) Direct interest risk

Direct interest risk is the risk that the change in the market interest will cause a change in the fair value or in the cash flows deriving from the asset or the liability. This risk relates to assets settled in cash. The addition of the word "direct" emphasizes the fact that the interest change can also affect other types of assets but not directly, such as the effect of the interest change on the share rates.

Hereunder are details of assets and liabilities according to exposure to interest risks:

	December 31, 2021		
	Non-yield dependent	Yield dependent	Total
	NIS in thousands		
Assets with direct interest risk:			
Quoted debt assets	14,073,555	34,782,174	48,855,729
Unquoted debt assets:			
"Hetz" bonds	23,637,188	1,062,245	24,699,433
Other	2,569,693	15,232,425	17,802,118
Other financial investments	49,857	173,945	223,802
Cash and cash equivalents	6,846,764	13,621,535	20,468,299
Reinsurance assets	1,331,466	15,319	1,346,785
Total assets with direct interest risk	48,508,523	64,887,643	113,396,166
Assets without direct interest risk *)	10,356,936	80,405,923	90,762,859
Total assets	58,865,459	145,293,566	204,159,025
Liabilities with direct interest risk:			
Financial liabilities	6,827,186	115,529	6,942,715
Liabilities in respect of insurance contracts and investment contracts	41,150,591	142,952,095	184,102,686
Others	147,622	155,578	303,200
Total liabilities with direct interest risk	48,125,399	143,223,202	191,348,601
Liabilities without direct interest risk **)	2,981,460	1,264,700	4,246,160
Total liabilities	51,106,859	144,487,902	195,594,761
Total assets net of liabilities	7,758,600	805,664	8,564,264
Off balance sheet risk (liabilities to grant credit)	617,567	1,270,969	1,888,536

*) Assets without direct interest risk include: shares, fixed assets and rental property, deferred acquisition costs and other assets as well as balance sheet groups of financial assets (outstanding premiums, insurance companies' current balances and receivables) whose average duration is up to six months and which therefore present a relatively low interest risk.

**) Liabilities without direct interest risk include: derivatives, tax reserves, various credit and debit balances, etc.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

b) Direct interest risk (cont.)

	December 31, 2020		
	Non-yield dependent	Yield dependent	Total
	NIS in thousands		
Assets with direct interest risk:			
Quoted debt assets	14,466,334	35,048,470	49,514,804
Unquoted debt assets:			
"Hetz" bonds	22,463,254	955,743	23,418,997
Other	2,661,931	14,445,858	17,107,789
Other financial investments	48,146	178,677	226,823
Cash and cash equivalents	3,674,121	9,168,697	12,842,818
Reinsurance assets	1,212,595	10,344	1,222,939
Total assets with direct interest risk	44,526,381	59,807,789	104,334,170
Assets without direct interest risk *)	9,453,402	68,134,742	77,588,144
Total assets	53,979,783	127,942,531	181,922,314
Liabilities with direct interest risk:			
Financial liabilities	6,044,624	-	6,044,624
Liabilities in respect of insurance contracts and investment contracts	39,020,383	125,878,822	164,899,205
Others	157,272	143,193	300,465
Total liabilities with direct interest risk	45,222,279	126,022,015	171,244,294
Liabilities without direct interest risk **)	2,415,933	1,380,299	3,796,232
Total liabilities	47,638,212	127,402,314	175,040,526
Total assets net of liabilities	6,341,571	540,217	6,881,788
Off balance sheet risk (liabilities to grant credit)	253,414	1,912,134	2,165,548

*) Assets without direct interest risk include: shares, fixed assets and rental property, deferred acquisition costs and other assets as well as balance sheet groups of financial assets (outstanding premiums, insurance companies' current balances and receivables) whose average duration is up to six months and which therefore present a relatively low interest risk.

**) Liabilities without direct interest risk include: derivatives, tax reserves, various credit and debit balances, etc.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

c) Details of the exposure to economic branches for investments in shares *):

	December 31, 2021					
	Listed in Tel-Aviv 125 Index	Listed in Yeter index	Not listed in Israel	Abroad	Total	% of total
	NIS in thousands					
Sector:						
Industry	10,599	2	-	52,742	63,343	24.7
Construction and real estate	-	12,361	15,018	-	27,379	10.7
Electricity and water	7,999	3,379	-	-	11,378	4.4
Commercial	-	-	-	10,370	10,370	4.0
Communication and computer services	-	-	6,045	27,308	33,353	13.0
Banks	-	-	-	10,445	10,445	4.1
Financial services	51	-	2,942	24,284	27,277	10.6
Other business services	-	-	-	33,844	33,844	13.2
Holding companies	-	-	-	39,258	39,258	15.3
Total	18,649	15,742	24,005	198,251	256,647	100.0

	December 31, 2020					
	Listed in Tel-Aviv 125 Index	Listed in Yeter index	Not listed in Israel	Abroad	Total	% of total
	NIS in thousands					
Sector:						
Industry	11,729	-	-	28,739	40,468	13.0
Construction and real estate	9,287	-	-	-	9,287	2.9
Electricity and water	10,352	6,442	-	-	16,794	5.3
Commercial	-	-	-	42,878	42,878	13.6
Transportation and storage	2,954	-	-	-	2,954	0.9
Communication and computer services	802	-	-	35,799	36,601	11.6
Banks	-	-	-	10,188	10,188	3.2
Financial services	-	-	35,672	39,566	75,238	23.8
Other business services	-	-	6,143	27,627	33,770	10.7
Holding companies	-	-	-	47,302	47,302	15.0
Total	35,124	6,442	41,815	232,099	315,480	100.0

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

2. Liquidity risks

Liquidity risk is the risk that the Group will have difficulties in fulfilling its liabilities on time.

The Group is exposed to risks resulting from uncertainty regarding the date the Group will be required to pay claims and other benefits to policyholders in relation to the scope of the monies that will be available for that purpose at that same date. However, a significant part of its insurance liabilities in the life assurance segment are not exposed to the liquidity risks due to the nature of the insurance contracts as described below.

Yield dependent contracts, in life assurance – according to the terms of the contracts, the owners are entitled to receive only the value of the said investments. Hence, if the investment value increases there will be a corresponding increase in the Company's liabilities, net of the management fees that the Company collects.

Non-yield dependent contracts in life assurance in the sum of about NIS 38 billion, which account for about 21% of the insurance and other liabilities in life assurance at December 31, 2021 (previous year, about NIS 35 billion and 22%, respectively) are in respect of non-yield dependent contracts but the yield is guaranteed at a rate that was agreed upon. These contracts are partly backed by designated bonds (Hetz bonds) issued by the Bank of Israel. The Group is entitled to realize these bonds when the redemption of these policies is required.

Hence, the Group's liquidity risk against insurance liabilities is mainly due to the balance of assets that are not designated bonds and are not held against yield dependent contracts. As of December 31, 2021, these assets constitute about 10% of the Group's total assets (about NIS 20 billion) (last year about 10% of the Group's total assets, an amount of about NIS 18 billion).

Of said asset balance as of December 31, 2021, about NIS 12 billion (about NIS 11 billion last year) represents quoted assets and cash and cash equivalents.

It should be noted, however, that a possible necessity to raise funds unexpectedly and in a short time might require a quick realization of a significant amount of assets and selling them at prices that do not necessarily reflect their market value.

According to the Investment Regulations Migdal Insurance is required to hold liquid assets, as defined in the Investment Regulations.

Management of assets and liabilities

Migdal Insurance manages its assets and its liabilities in accordance with the Supervision Law requirements and regulations.

The tables below concentrate the estimated settlement dates of Migdal Insurance's non-discounted insurance and financial liabilities. Since the amounts are non-discounted, they do not match the balances of the insurance and financial liabilities in the statement of financial position.

a) The estimated settlement dates of the liabilities in life assurance and health insurance are included in the tables as follows:

Savings monies – contractual settlement dates, namely, retirement age, without cancellation assumptions, under the assumption that the savings will continue as a lump sum and not as annuity.

Annuity in payment, occupational disability in payment and long-term care in payment – on the basis of an actuarial estimate.

Outstanding claims and risk reserves – reported under the column "without a defined settlement date".

b) The estimated settlement dates of the liabilities in respect of general insurance contracts were included in the tables as follows:

Liabilities in non-aggregated (statistical) insurance branches, estimated by an actuary - are reported based on an actuarial estimate, according to past claims payments experience.

Insurance liabilities in property and other insurance branches, which are aggregated branches (not statistical), and in branches in which the provisions are based on non-actuarial assumptions - are included in the column of settlement up to 3 years.

c) The settlement dates of the financial liabilities and liabilities in respect of investment contracts were included on the basis of the settlement dates of the contracts. In contracts in which the counterparty is entitled to choose the time of payment, the liability is included on the basis of the earliest date that the Company can be required to pay the commitment.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

2. Liquidity risks (cont.)

Liabilities in respect of life assurance and health insurance contracts *)

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	Without a defined settlement date	Total
	NIS in thousands						
December 31, 2021	9,201,238	11,036,736	10,292,997	4,338,152	2,816,920	4,298,670	41,984,713
December 31, 2020	8,155,509	10,519,973	10,615,257	4,756,484	2,711,314	3,426,600	40,185,137

*) Does not include liabilities in respect of yield dependent contracts.

Liabilities in respect of general insurance contracts

	Up to 3 years	Over 3 years and up to 5 years	Over 5 years	Without a defined settlement date	Total
	NIS in thousands				
December 31, 2021	2,951,026	983,079	1,266,675	1,735	5,202,515
December 31, 2020	2,791,765	982,685	1,326,322	1,980	5,102,752

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

2. Liquidity risks (cont.)

Financial liabilities and liabilities in respect of investment contracts:

	Up to1 year (1)	Over 1 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	Without a defined settlement date	Total
	NIS in thousands						
December 31, 2021:							
Financial liabilities, not including lease liabilities (2)	1,752,801	5,290,430	466,040	-	-	-	7,509,271
Lease liabilities	25,123	38,320	20,890	17,644	1,176	-	103,153
Liabilities in respect of non-yield dependent investment contracts	39,578	127,975	49,227	7,481	-	-	224,261
Liabilities in respect of yield dependent investment contracts (3)	3,479,165						3,479,165
December 31, 2020:							
Financial liabilities, not including lease liabilities (2)	1,293,136	4,699,047	742,446	-	-	-	6,734,629
Lease liabilities	28,070	43,206	23,754	17,264	4,604	-	116,898
Liabilities in respect of non-yield dependent investment contracts	40,915	141,781	60,773	12,743	-	-	256,212
Liabilities in respect of yield dependent investment contracts (3)	2,342,806	-	-	-	-	-	2,342,806

(1) Financial liabilities up to one year include an amount of NIS 3 6million for settlement upon demand (in 2020 – NIS 3 million).

(2) Including financial liabilities in respect of yield-dependent policies in the amount of about NIS 188 million at December 31, 2021 (2020 - about NIS 72 million).

(3) Liabilities in respect of yield-dependent investment contracts are for up to a year, since they are payable on demand.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks

a) General

The Group sells policies which cover various risks, such as death risk mainly before retirement age, longevity risk for persons receiving an annuity after retirement ("longevity"), disability, dread diseases (including long term care, occupational disability and professional disability), fire, natural disasters (catastrophic event such as earthquake), theft, burglary, liability for bodily damages, etc. The pricing of the policies and the actuarial estimations with respect to the insurance liabilities of the Company, are made mainly on the basis of past experience and the known legal and regulatory environment.

The obligation to deposit executive insurance savings funds as from January 2008 in annuity policies and the public's tendency to prefer the annuity track as opposed to the capital track upon retirement affect the Company's exposure to longevity risk.

Variance in the risk factors, in the frequency and severity of events and in the legal and regulatory situation could affect the Group's business results.

Insurance risks

Life assurance and health insurance risks

Life assurance and health insurance risks mainly result from uncertainty in the frequency, timing and payment duration of anticipated future claims in relation to the assumptions relating to the mortality/longevity rates, morbidity/disability rates, expenses and cancellation (including surrenders and leaving migrations).

General insurance risks

Pricing risk – the risk of using incorrect pricing as a result of deficiencies in the underwriting process and from the exposure to deterioration in the risk factors covered by the policy beyond the actuarial valuation according to which this premium was determined for covering these risks. The gaps may be due to random changes in the business results and to changes in the average claim cost and/or the frequency of the claims as a result of various reasons.

Valuation of the insurance liabilities (reserve for outstanding claims) risk – the exposure to deterioration in future payments of the outstanding claims above the estimate of the Company's liability for these claims. The actuarial models on whose basis, inter alia, the Company assesses its insurance liabilities assume that the past pattern of behavior and claims represents that in the future.

The Company's exposure is composed of the following risks:

Model risk - the risk of choosing an inappropriate model for pricing and/or evaluating the insurance liabilities.

Parameter risk - the risk of using inappropriate parameters, including the risk that the amount paid for settling the Company's insurance liabilities or the settlement date of the insurance liabilities - will be different from the anticipated amount and date.

Catastrophe risk

An exposure to the risk that a single event of vast effect (catastrophe), such as earthquake, war or terror, will cause huge accumulated damages. The significant catastrophic event to which the Company is exposed in general insurance is earthquake and in life assurance and health insurance - war.

The size of the maximum loss that is expected in general insurance business, as a result of an exposure to a large single damage event or an accumulation of damages in respect of a significantly large event at a maximum probable loss (MPL estimated according to the model applied by the Company), which is basically about 1.8% (*) of the amount at risk, is about NIS 5,316 million, gross, of which about NIS 200 million on self retention.

(*) Excluding exposure in respect of motor casco that is covered by contractual reinsurance agreements, which is subject to MPL at a rate of about 5%.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

a). General (cont.)

In life assurance business there is a catastrophe type (CAT) reinsurance contract which covers death claims and disability resulting from a catastrophe (such as an earthquake or war of any kind, including nuclear, biological or chemical war). In 2021 and 2020 the coverage in this type of reinsurance agreement is about NIS 280 million after a deductible of NIS 105 million for each event. It is noted that a CAT contract does not cover risk of epidemic outbreaks.

For further information on various insurance branches for which the insurer is exposed to insurance risk, see details of insurance liabilities according to insurance risks in Notes 3.d, 17, 18.a and 19.

Business mix

The Group's business activities are concentrated primarily in life assurance and long term savings. Changes in the mix of the various business segments in the long term savings sector, the growth of the pension segment at the expense of the life assurance segment, have a material effect on the results of operations of the Group in the long term.

Preservation of life insurance and long term savings portfolio

The life assurance and long term savings portfolio of the Company is exposed to policy cancellations and surrenders as well as to movement of accumulated savings between entities. The degree of preservation of the portfolio is affected primarily by the growth of the economy and the level of employment, by the regulatory pronouncements, by public interests, by the competition between various long term savings products as well as the competition between all the entities in the sector, which is increasing over time. The preservation level of the life assurance portfolio, including movement between different long term savings products (life assurance, pension funds, and provident funds), which have different profitability margins, has a significant effect on the long-term profitability of insurance companies.

Regarding sensitivity analysis with respect to changes in cancellation rates see b(3)(b)(7) below.

b) Insurance risk in life assurance and health insurance policies:

(1) General

Hereunder is the description of the various insurance products and assumptions used in the calculation of the liabilities in their respect, according to the type of product.

In general, in accordance with the Commissioner's directives, the insurance liabilities are calculated by the actuary according to the accepted actuarial methods and consistent with the previous year. The liabilities are calculated in accordance with the relevant coverage data, such as: age and sex of policyholder, term of insurance, date of commencement of insurance, type of insurance, periodic premium and the amount of the insurance.

(2) Actuarial methods for calculating insurance liabilities:

"Adif" type and "investment tracks" insurance programs:

In "Adif" and "investment tracks" insurance programs there is an identified savings component. The basic and main reserve is at the level of the accumulated savings including the yield according to the policy's terms as follows:

- Principal linked to investment portfolio yield (yield dependent contracts)
- Principal linked to the CPI plus a fixed guaranteed interest or credited by a guaranteed yield against adjusted assets (yield guaranteed contracts).

In respect of insurance components that are attached to these policies (occupational disability, death, long term care, etc.), the insurance liability is calculated separately as mentioned below.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(2) Actuarial methods for calculating insurance liabilities (cont.)

"Endowment" type policies ("traditional") and others:

The "endowment" type insurance programs and similar programs combine a savings component in the event that the policyholder is still alive at the end of the term of the program with an insurance component of death risk during the period of the program. In respect of these products, the insurance liability is calculated for each type of coverage as a discount of the cash flows in respect of the anticipated claims, including a payment at the end of the period, net of future anticipated premiums. This calculation is based on assumptions according to which the products were priced and/or on assumptions based on the claims experience, including the interest rates ("tariff interest"), mortality or morbidity tables. The calculation is according to the net premium reserve method, which does not include the component that was loaded on the premium tariff for covering the commissions and expenses, in the anticipated flow of receipts and on the other hand it does not deduct the anticipated expenses and commissions. The reserve in respect of yield dependent traditional products is calculated according to the actual yield that was obtained, net of management fees.

Liabilities for annuities in payment are calculated in accordance with the anticipated mortality rate, based on mortality tables that were published in the Commissioner's circular from 2019. See also paragraph (3)(b) hereunder.

Liabilities in respect of life annuities paid in respect of valid policies (paid and settled) which have not yet reached the stage of realization of the annuity or the policyholder has reached retirement age but actual payment has not yet begun, are calculated according to the annuity take up rates and in accordance with the anticipated life expectancy on the basis of the updated mortality tables as well as on the basis of cancellation rates expected and relevant discount rates in the annuity portfolio until retirement. These estimates are calculated on the basis of Migdal Insurance's experience together with data published by the Commissioner.

Changes in estimates regarding discount rates, life expectancy, cancellation rates and take-up rates of withdrawing of savings as annuities and/or other changes will affect the above liabilities.

These liabilities include the basic reserve which represents the surrender value of the policy accrued to the policyholder and the supplementary reserve for annuity.

The provision for the supplementary reserve for annuities is accrued gradually until the anticipated date of retirement using the K discount factor (hereinafter: "the K factor"), for additional details about the K discount factor, see paragraph (3)(d) hereinafter.

Other life assurance programs include pure risk products (occupational disability, death, long term care) sold as independent policies or attached to policies with a basic program such as "Adif", "investment tracks" or "traditional". An actuarial liability is calculated in respect of these programs. The calculation is according to the method called the net premium reserve.

In respect of prolonged claims in payment, in long term care and occupational disability insurance, the insurance liability is calculated according to the claimant's age, claim duration, and the duration of the anticipated payment, based on the experience of Migdal Insurance, and it is discounted according to the tariff interest rate of the product.

The reserves for the insurance of individual medical expenses are calculated as the present value of expected future claims based on past experience net of expected net premium. The calculation assumptions regarding parameters relating to morbidity and cancellation were based on the experience of Migdal Insurance, with a conservative margin, as generally accepted for the calculation of reserves.

The outstanding claims in the sub-branches of surgeries, medications and dread diseases are calculated according to the claim triangles (Chain Ladder, Bornhuetter-Ferguson) regarding claims that were paid according to the months of damage, without discounting, and without a range indication.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(2) Actuarial methods for calculating insurance liabilities (cont.)

The outstanding claims in the sub-branches of transplants and surgeries abroad are calculated on the basis of the claims department report.

The insurance liabilities in respect of group insurance consist of a liability in respect of unearned premium, reserve for outstanding claims and IBNR (claims incurred but not yet reported), reserve for continuity and provision for future losses, if necessary.

The liabilities for outstanding claims in life assurance mainly include provisions for outstanding claims and IBNR for death events on the basis of the amount at risk for death events that occurred before the date of the report, for loss of working capacity and for disabilities based on the Chain Ladder and Bornhuetter-Ferguson model according to damage months.

(3) Main assumptions used in the calculation of the insurance liabilities:

(a) The discount rate:

In respect of insurance programs of the "endowment" (traditional) type and such and pure risk products with fixed premiums, the interest used for discounting is as follows:

In insurance plans mainly backed by designated bonds, the tariff interest is between 3% and 5%, linked;

In respect of yield dependent products, issued in 1991 and onwards, a tariff interest rate of 2.5%, linked. In accordance with the policy's conditions, differences between the interest and net yield will be credited to the policyholders.

A decline in the economic interest rate could increase the supplementary annuity reserve due to use of a gross discount rate, as noted in Circular 2013-1-2.

Furthermore, a decline in the long-term interest rate may increase the insurance reserves in respect of the free component (which is not backed by designated bonds) of policies in which the savings component includes a guaranteed yield which is higher than the discount interest rate, due to the need to provide an additional reserve as part of a liability adequacy test (LAT). See Note 2.i.1.g). In addition, a decline in the interest rate could increase the supplementary annuity reserve. For details on the financial effect, see b.3.b)(5)(a) below.

(b) Mortality and morbidity rates:

(1) The mortality rates used in the calculation of the insurance liabilities in respect of the policyholders' mortality before retirement age (in other words not including mortality of those who receive old age pension and compensation for occupational disability) are usually similar to the rates used for determining the tariff.

(2) The liability for lifetime annuities is usually calculated according to current mortality tables published by the Commissioner.

An increase in the actual mortality rate to above the present assumption, could result in an increase in the insurance liabilities in respect of mortality of policyholders before retirement age and a decrease in the liability for lifetime annuities.

See paragraph b.3.b)(7) hereunder for a sensitivity analysis.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health insurance policies (cont.)

(3) Main assumptions used in the calculation of the insurance liabilities (cont.)

(b). Mortality and morbidity rates: (cont.)

(3) The morbidity rates relate to the frequency of claims in respect of dread disease, occupational disability, long term care, surgery and hospitalization, disability from accidents, etc. These rates are determined on the basis of the Company's experience or reinsurers' research. In the long term care and occupational disability branches the period for payment of claims is determined in accordance with the Company's experience, according to the Group’s experience or reinsurers' research.

Insofar as morbidity rates and severity increase, so too the insurance liability may increase in respect of dread diseases, occupational disability, long-term care, surgery and hospitalization and accidental disability.

(c) Annuity assumptions:

Life assurance contracts that include a savings component were managed in respect of savings funds deposited up to 2008 in two tracks: a lump sum track or an annuity track. In annuity track policies and policies with annuity appendices, the policyholder is entitled, in respect of accumulation until the end of 1999, to choose the track at the time of retirement. Since the amount of the insurance liability is different in each of these two tracks, Migdal Insurance must determine the take-up rates of policies where the policyholders will choose the annuity track. This rate is determined based on the Group's experience as updated from time to time. Beginning from 2008 all the savings premiums that were deposited in the framework of executive insurance are designated for annuity and the possibility to withdraw the accumulated savings from them in a lump sum was reduced.

Each year Migdal Insurance conducts a study on the subject of annuity assumptions, including annuity take-up rates, retirement tracks and retirement age and adjusts the supplementary annuity reserve accordingly.

Furthermore, the assumptions of the supplementary annuity reserve are adjusted following a study on policy termination before the expected retirement age (as a result of redemption, leaving migrations, etc.).

For details on the financial effect, see paragraph b.3.b)(5)(a) below.

(d) K discount factor:

The provision for the supplementary annuity reserve is made using the K factor, as mentioned in paragraph b.3.b)(2) above.

The supplementary annuity reserve is accumulated gradually, in respect of the monies accumulated in the policies parallel to recognition of profits from the management fees, over the period remaining until the policyholder reaches the retirement age. For premiums expected to be received as part of the policies, the provision will accumulate from the time they were received and until the age of retirement, as said.

The gradual provision is made by using the K Factor, which is derived from the rate of future income, as said. This factor is taken into account in the calculation of the accrual of the supplementary annuity reserve, and it is limited up to the rate of future income expected from management fees or from a financial margin arising from the investments held against the insurance reserve for the policy, or from payments of premiums net of the expenses in respect of the policy. The higher is the K Factor, the lower is the liability for the supplementary annuity reserve that will be recognized in the financial statements and the higher is the amount that will be deferred and recorded in the future.

The actuary of Migdal Insurance determines two separate K factors according to the guidelines of the Commissioner. One K factor is for liabilities in respect of profit participating policies and the other is for guaranteed yield policies.

As of the date of the financial statements, the K value used by Migdal Insurance for profit participating policies is 0.69% (as of December 31, 2020 – 0.67%). The supplementary annuity reserve in respect of guaranteed yield policies is at its full amount as at December 31, 2021 and December 31, 2020 (the K value is 0.00% for those days).

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(3) Main assumptions used in the calculation of the insurance liabilities (cont.)

(d) K discount factor (cont.)

The increase in 2021 in the K value of profit participating policies is mainly due to a decrease in the rate of realizing the annuities.

For details on the financial effect, see paragraph b.3.b)(5)(a) below.

(e) Cancellation rates:

The cancellation rates affect the estimation of insurance liabilities in respect of deferred annuity and in respect of part of the health insurances. Cancellations of insurance contracts can be due to the cancellation of policies initiated by Migdal Insurance due to discontinuation of the premium payments or surrenders of policies at the policyholders' request. The assumptions regarding the cancellation rates are based on the experience of Migdal Insurance and are based on the type of cancellation, type of product and the seniority of the coverage period.

(f) Continuity rates:

In group health insurances the policyholders are entitled to continue to be insured under the same conditions, even if the group contract is not renewed. In respect of this option of the policyholders, Migdal Insurance has an obligation that is based on assumptions regarding the continuity rates of the group insurances and the continuity rates of the contracts with the policyholders after the group contract expires.

(4) Liability adequacy test (LAT)

Migdal Insurance tests for the adequacy of the life assurance and health reserves, including the supplementary annuity reserve.

The assumptions used in making these tests includes assumptions underlying cancellations, operating expenses, yield on assets, interest rates, illiquidity premium and also based on the excess fair value of the assets over their carrying amount, mortality, annuity assumptions and morbidity and are determined by an actuary based on tests, past experience and other applicable research and regulatory directives.

On March 29, 2020 the Commissioner issued insurance circular 2020-1-5 "Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities – Liability Adequacy Test (LAT)", hereinafter – 'the LAT circular".

According to the circular the LAT will be calculated while aggregating life assurance products (other than long-term care products) instead of a calculation for each separate life assurance product, as was the practice until then. This change enables offsetting profitable groups of products from losing groups of products.

Updating illiquidity premium

In February 2022 the Commissioner published Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities - Illiquidity Premium ("the amendment" or "the amendment to the circular").

The amendment updated the method for estimating the illiquidity premium that is added to the risk-free interest in the liability adequacy test in the different insurance branches. According to the result of the revised formula set forth in the amendment to the circular, the rate of the illiquidity premium changed from 0.26% to 0.54%, this as of December 31, 2021. The amendment came into effect in the financial statements as at December 31, 2021 and was applied by way of a change in accounting estimate in accordance with IAS 8. The effect of the amendment is on the long-term care insurance policies in health insurance, life assurance policies that include a savings components and general insurance policies. It is noted that the aforesaid amendment does not refer directly to the method of calculating the solvency ratio, but has indirect effects on it, which in the opinion of Migdal Insurance are immaterial.

See paragraph b.3.b)(5)(a) for further details and the effect of these circulars on the financial statements.

On June 7, 2020, the Commissioner published Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities – Illiquidity Premium (hereinafter – "the amendment"). Generally, the provisions of the consolidated circular regarding measurement of liabilities determine that an illiquidity premium at various rates can be added to the risk-free interest that is used in the liability adequacy test. The illiquidity premium can be added with respect to both the yield assumption and the discount rate assumption, as relevant.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(4) Liability adequacy test (LAT) (cont.)

The amendment adjusted the rate of the illiquidity premium for individual long-term care insurance policies (see paragraph b.3.b)(5)(a) hereunder regarding the effect of the adjustment on reducing the reserves) and motor act and liabilities insurance policies (see paragraph b.3.c)(5)(d) hereunder regarding the effect of the adjustment on reducing the reserves) and set it at 80% instead of 50% as it was until then. The amendment came into effect on June 30, 2020 and was initially applied by way of a change in accounting estimate in accordance with IAS 8.

Update to the instructions of the consolidated circular – Allocation of Assets not at Fair Value when Calculating Liability Adequacy Test (LAT):

On June 20, 2020, an update to the consolidated circular was published, which includes clarifications in respect of allocating assets that are not at fair value, when performing the Liability Adequacy Test (LAT). The clarification discusses, among other things, the question if changes can be made in the method of allocating assets to insurance liabilities for UGL purposes (the excess value, i.e. the positive difference between the fair value of assets and their carrying amount). The clarification distinguishes between assets with an external or internal limitation on their allocation for covering certain reserves and assets that have no such limitations.

According to the clarification, maximum exploitation of the excess value can be done by, among others, first allocating assets with excess value to the groups characterized in the LAT, until arriving at the amount by which the liabilities are measured, prior to offsetting in respect of UGL.

Migdal Insurance does not have external or internal limitations in respect of the assets, therefore is acts according to the procedure for allocating assets under no limitation as prescribed in the circular.

According to that procedure, the assets with excess value will be allocated in a manner that results in maximum exploitation of the fair value, until reaching the amount by which the liabilities are measured, prior to offsetting in respect of UGL.

The following are data on the assets that are used for calculating the UGL, in NIS millions:

		General insurance		Life and health insurance	
		2021	2020	2021	2021
	Type of asset	NIS in millions			
Fair value of assets	Debt assets	634	514	2,042	1,909
Carrying amount of assets	Debt assets	687	466	1,723	1,625
Excess value of assets	Debt assets	53	48	319	284

The difference between the fair value and carrying amount derives from unquoted debt assets: in life insurance mainly from unquoted deposits, loans and bonds (not including designated bonds) and in general insurance mainly from unquoted loans and bonds.

Migdal Insurance has used the total UGL arising from assets standing against the life and health insurance segment for calculating the LAT reserve for long term care, and has also used the complete UGL arising from assets standing against liabilities in the general segment.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(5) Effect of changes in principal estimates and assumptions used to calculate the reserves for life and health insurance

(a) Effect of changes on the supplementary annuity reserve and on the LAT in life and health insurance:

	December 31	
	2021	2020
	NIS in millions	
Change in discount rate in calculating the supplementary annuity reserve [1] *)	(276)	275
Increase (decrease) in annuity reserves due to a change in expected future income derived from the change in the discount rate (K)	(7)	(9)
Total increase (decrease) in annuity provisions due to the change in the interest rate	(283)	266
Change in annuity assumptions [2]	(154)	5
Total effect on supplementary annuity reserve for life insurance	(437)	271
Health insurance - Increase (decrease) following the LAT[3]	293	(34)
Total before tax	(144)	237
Total after tax	(95)	156

*) For other effects not included in the table, see paragraph b).

1) Migdal Insurance uses yield assumptions based on the existing and expected portfolio to determine the future yields estimates, as part of determining the reserve for annuities. During the reporting year the assumptions were updated regarding the composition of the assets in the expected portfolio, which brought to an increase in the expected yield and a decrease in the reserves of about NIS 464 million. Last year the yields estimate was updated to better represent yield rates expected from the portfolio, which brought to an increase in the expected yield and as a result to a decrease in the reserves of about NIS 240 million.

2) During the reporting year, the supplementary annuity reserve decreased by an amount of NIS 165 million mainly following an adjustment to the annuity take-up assumption.

Last year the supplementary annuity reserve increased by an amount of NIS 140 million following an adjustment to the annuity take-up assumption, which was offset by the effect of an adjustment to the estimate regarding distribution of the retirement ages in an amount of NIS 132 million.

3) Following the Liability Adequacy Test (LAT), the provision for LAT in long term care insurance increased by an amount of NIS 293 million in the reporting period. The change was affected mainly by the following reasons:

An increase of NIS 256 million net from updates in studies mainly a study on the duration of long-term care claims, an increase of NIS 464 million from a decline in the risk-free interest which was offset by an increase in excess fair value of assets over their carrying amount and a current update to the illiquidity premium, and on the other hand a decrease of NIS 452 million from applying the February 2022 illiquidity circular, as mentioned in paragraph b.3(b)(4) of this note.

Last year the provision decreased by an amount of NIS 34 million which was affected mainly by the following reasons: allocation for the first time of the excess fair value of assets over their carrying amount of NIS 284 million and application of the Commissioner's directives regarding illiquidity premium in the amount of NIS 188 million as mentioned in paragraph b.3(b)(4). This decrease was offset by the effect of the risk-free interest curve in the amount of NIS 437 million that includes the effect of the current update in the illiquidity premium.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(5) Effect of changes in principal estimates and assumptions used to calculate the reserves for life and health insurance (cont.)

(b) The "Migdal Batu'ach" insurance plan is a profit participating plan that includes a commitment for a minimum linked yield after seniority of more than 20 years. In respect of this commitment Migdal Insurance keeps a reserve that is based on, inter alia, risk-free interest rates and average volatility of market yields. In the reporting year there was an increase in the reserve in the amount of NIS 152 million, compared with NIS 62 million last year, as the result of a decrease in the risk-free interest rate and an increase in the average volatility that is offset by the yield that was actually obtained and was higher than the risk-free interest rate.

(6) Balance of supplementary reserve for annuity

The supplementary reserve for annuity included in the books of Migdal Insurance approximates NIS 9,165 million and NIS 8,553 million as of December 31, 2021 and 2020, respectively*. The balance of the provision, which will be recognized gradually in profit and loss, using the aforementioned K factors, until the policyholders reach retirement age, amounts to about NIS 3,287 million as of December 31, 2021 (previous year – about NIS 2,992 million).

* Of which about NIS 5,940 million is in respect of a deferred annuity (in 2020 about NIS 5,887 million in respect of a deferred annuity).

It should be noted that the figures listed above, in connection with the supplementary reserve for annuity and in connection with the balance of the provisions to be recognized in the future, relate to funds already accumulated in the policies at the end of the reporting periods and do not include provisions in respect of amounts accumulated in the future.

(7) Sensitivity tests

	December 31, 2021							
	Morbidity rate		Rate of cancellations ***)		Mortality rate		Annuity take-up rate **)	
	+10%	-10%	+10%	-10%	+10%	(* -10%	+5%	-5%
	NIS in thousands							
Profit (loss)	(363,215)	390,128	29,258	(33,703)	1,531,264	(1,977,594)	(120,304)	110,774

	December 31, 2020							
	Morbidity rate		Rate of cancellations ***)		Mortality rate		Annuity take-up rate **)	
	+10%	-10%	+10%	-10%	+10%	(* -10%	+5%	-5%
	NIS in thousands							
Profit (loss)	(328,188)	352,438	27,597	(34,066)	827,709	(1,784,478)	(117,076)	48,203

*) Mainly due to the supplementary annuity reserve.

**) For purposes of the sensitivity test with respect to the annuity take-up rate, 5% of the annuity take-up rate were added/subtracted. See Note 18.a regarding the amount of the supplementary annuity reserve.

***) The cancellation rates include surrenders, maturities and reductions.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks:

(1) Condensed description of the main insurance branches in which the Group operates:

Migdal Insurance's activities focus on the branches of motor act, motor casco, property insurance and liability insurance.

Motor act insurance covers, pursuant to the motor insurance ordinance, the owner of the vehicle and the driver for any liability they may be liable to pursuant to the Road Accident Victims Compensation Law, 1975, due to bodily damage caused to the driver of the vehicle, the passengers in the vehicle, or pedestrians injured by the vehicle, as a result of the use of the motor vehicle. The claims in this branch are characterized by a long tail, namely, sometimes a long time passes from the date of the event to the time the claim is finally settled.

The tariff for motor act insurance requires the approval of the Commissioner of Insurance and is a differential actuarial tariff (which is not uniform for all the policyholders and adjusted to risk).The said tariff is based on a number of parameters, those related to the vehicle insured by the policy (such as safety systems, etc.), as well as those relating to the characteristics of the policyholders (the age of the youngest driver, years of holding driver license, previous claims experience, etc.).

Motor casco insurance is a voluntary insurance and it is the most common voluntary insurance in the framework of general insurance. Motor casco insurance includes damage coverage for the insured vehicle and property damages that the insured vehicle will cause to a third party.

The coverage is usually limited to the value of the damaged vehicle and/or to the limit of liability for third party specified in the policy.

The tariff for motor casco insurance requires an approval, as well as an approval of the entire policy, by the Commissioner of Insurance and it is a differential actuarial tariff (which is not uniform for all the policyholders and adjusted to risk).The said tariff is based on a number of parameters, those related to the vehicle insured by the policy (such as type of vehicle, production year, etc.), as well as those relating to the characteristics of the policyholders (number of drivers of the vehicle, age of the drivers, previous claims experience, etc.).

The underwriting process is performed partly through the tariff itself and partly through the underwriting policy of the Group as determined from time to time.

In most instances, the motor casco insurance policies are issued for a period of one year. Furthermore, in most cases, claims in respect of these policies are clarified close to the time of occurrence of the insured event.

Liability insurance is designed to cover the policyholders' liability by law in respect of damage that he may cause to any third party. The main types of insurance are: liability insurance towards a third party, employers' liability insurance and other liability insurance such as professional liability, product liability and directors' and officeholders' liability. The policies in liability insurances are usually issued for the period of one year. However, the time it takes to handle the claims in this branch is longer and might take a number of years, due to several reasons: the damage covered by the policy was caused to a third party who is not the policyholder, the time that passes between the date of the event which is the subject of the claim and the time the liability and the damage are determined, and the claim is filed, is relatively long.

In many cases it involves relatively complicated factual and legal inquiries, both, regarding the policyholders' liability, as well as the scope of the damage, the period of limitation in respect of the cause of the claim is longer than the period of limitation which is generally accepted in property insurance. The claims in this branch are characterized by a "long tail", namely, a long time passes from the date of the event until the final settlement date of the claim.

Property insurances are designated to grant the policyholder coverage against physical damage to his property. The main risks covered by property policies are fire risks, explosions, theft, earthquake and natural disasters. The property insurances sometimes include coverage for consequential damage (loss of profits) due to the physical damage to the property. Property insurances constitute an important factor in comprehensive residential insurance, business premises insurances, engineering insurances, freight in transit (marine, cargo, aviation) etc.

In most cases, the property insurance policies are issued for a period of one year. In addition, in most cases the claims in respect of these policies are handled close to the time the insurance event had occurred.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(2) Principles for calculating actuarial valuations in general insurance:

(a) Liabilities in respect of general insurance contracts include the following main components:

- Provision for unearned premium
- Provision for premium deficiency
- Outstanding claims
- Less deferred acquisition costs

The provision for unearned premium reflects the premium component relating to the period after the balance sheet date, according to generally accepted accounting principles.

In addition, according to the Commissioner's directives, provisions for premiums that do not cover the anticipated cost of the claims ("premium deficiency"), are reported, if necessary, in the motor act, motor casco and comprehensive residential branches. This provision, if made, is reported under outstanding claims.

According to the Commissioner's directives, the outstanding claims, including the reinsurers' share therein, in the non-aggregated (statistical) branches (the liabilities, motor act, motor casco, comprehensive residential and personal accidents branches), were calculated by the appointed actuary in general insurance Ms. Ronnie Ginor, who stated, inter alia, that the valuations were performed in accordance with generally accepted actuarial principles, and the assumptions and methods of valuation of the provisions were determined by her, according to her best professional judgment, and in accordance with the relevant guidelines, directives and principles.

The actuarial valuations are mainly based on data bases in respect of the paid claims that also include direct expenses for the settlement of claims and the deductible. Subrogation and salvage recoveries are taken into consideration in the data base that serves for calculating the actuarial estimates of the outstanding claims. In accordance with the directives of the Commissioner of Insurance, the valuations also included indirect costs for settlement of claims in respect of all the branches in which the Company operates in general insurance.

(b) In accordance with the Commissioner's directives, the outstanding claims are calculated by the actuary, according to generally accepted actuarial methods, consistently with the previous year. The choice of actuarial method suitable for each insurance branch is determined by the actuary, according to the compatibility of the method to the branch and sometimes a combination of methods is used. The valuation of outstanding claims in the Group is based, in most of the branches, on past experience of development in actual claims payments (paid model) and in some of the branches it is based on the accumulated cost of the claims (the actual claims payment with the addition of individual valuations – incurred model). The valuations include assumptions regarding the average claim cost, handling costs of claims and frequency of the claims in the relevant risk group. Other assumptions can relate to changes in interest rates, exchange rates and the timing of the payments and their severity. Claims payments include direct and indirect expenses for settling the claims less subrogation and deductibles.

(c) The use of actuarial methods based on developments in claims is suitable mainly when there is stable and sufficient information on claims payments and/or specific valuations in order to assess the expected cost of the claims. When the information that exists with respect to actual claims experience is insufficient, the actuary sometimes uses a calculation weighting between a known estimate (in the Company and/or in the branch) such as L/R and actual development in the claims. A higher weight is awarded to a valuation based on experience. As time passes, additional information accumulates on the claims.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(2) Principles for calculating actuarial valuations in general insurance: (cont.)

(d) Furthermore, qualitative valuations are included with respect to a future change in trends after exercising judgement when changes were not fully reflected in past experience. The actuary updates the models and/or makes specific provisions on the basis of statistical and/or legal assessments, as relevant.

(e) When valuating exceptionally large claims, the valuation is based on individual estimates of the Company's experts.

(f) There might be new events which are not really expressed in the present claims' payments. If it turns out that the actual experience will be different from the accumulated experience in the present claims' payments, additional provisions might be required in the future.

(g) The actuarial valuation is based on statistical estimates that include an uncertainty component. The statistical estimate is based on various assumptions, which will not necessarily be realized. The assumptions used in the actuarial forecast affect the final results of the provision. Therefore, the actual claims cost might be higher or lower than the statistical estimate.

(h) Assumptions that were determined in the past might change in accordance with new information received in the future. In such cases, the outstanding claims will change according to the change in the assumptions and the actual results, and the differences created during the reported year will be included in the general insurance business statement.

(i) In the employers' liability and third party branches the Company acts in accordance with best practice principles and accordingly discounts future claim payments in these branches. The discounting is according to the risk-free interest curve, adjusting it to the illiquid nature of the insurance liabilities and taking into consideration the manner of revaluation of the assets held against these liabilities.

(j) The outstanding claims are calculated on a gross level. The reinsurers' share in the outstanding claims is estimated taking into consideration the type of the agreement (proportional/non-proportional), actual claims experience and the premium that was transferred to the reinsurers.

(k) The provision for outstanding claims for residual insurance arrangements ("the Pool") was performed based on the calculations of the Pool's actuary.

(3) Details of the actuarial methods in the main insurance branches

The following actuarial models were utilized in order to estimate the outstanding claims, in a combination with the various assumptions:

(a) Link Ratio - this statistical method is based on the claims development (payment development and/or total claims development, development of the number of claims, etc.), in order to estimate the anticipated development of existing and future claims. This method is mainly suitable after a sufficient period of time has passed from an event or the underwriting of the policy, and there is enough information from the existing claims in order to estimate the total anticipated claims. If necessary, use is made of the Sherman Power Curve method which provides a non-linear distribution to the development coefficients that were calculated using the Link Ratio method. This distribution makes it possible to calculate the development coefficients for earlier periods on which there is no information ("the development tail").

(b) Bornhuetter-Ferguson - this method combines early estimates (a priori) known to the Company or in the branch, and an additional estimate based on the claims themselves. The early estimate utilizes premiums and loss ratio for evaluating the total claims. The second estimate utilizes the actual claims experience based on other methods (such as Link Ratios). The combined claims valuation weighs the two estimates, and a larger weight is given to the valuation based on the claims experience as time passes and additional information is accumulated for the claims. The use of this method is mainly suitable for the recent period where there is not enough information from the claims or for a new business, or a business with insufficient historical information.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(3) Details of the actuarial methods in the main insurance branches (cont.)

(c) Averages - in certain cases, like in the Bornhuetter-Ferguson method, when the claims experience in the recent periods is insufficient, the historical average method is utilized. In this method the claims cost is determined based on the cost of the claim per policy for earlier years and the number of policies in the later years. Likewise, the claims cost is calculated based on the forecast of the number of claims (the Link Ratio method) and the historical average claim.

(d) Other - For claims regarding occupational diseases in employers' liability insurance, which are claims based on prolonged damage, a provision is calculated on the basis of future expected cost. In claims of this type there is no specific date on which the employee was injured and the damage is formed as the result of prolonged exposure to the risk factors. Claims of this type are characterized by a very long period of time between the beginning of exposure to the risk factors and the date the claim is reported (long tail claims).

(4) Hereunder is a description of the actuarial methods that were applied in the main insurance lines:

(a) Motor act and liability lines:

In these lines the liabilities are calculated on the basis of the development in claims' payments and/or the development in payments and outstanding claims (Link Ratio). The model is at the level of the underwriting year and is calculated at the level of the gross claims.

For immature periods use is made of a combination of the claims' cost/loss ratio based on an a priori estimate and the cost from the development of payments/claim amounts model.

Specific assessments of the claims departments are taken into consideration in cases of long-standing claims and large claims.

Since the valuation of the outstanding claims is calculated, as mentioned, at a gross level, there is a model for estimating the reinsurance outstanding claims, as follows:

In non-proportional reinsurance (excess of loss), the model for the old underwriting years is based on the treatment of individual claims. For recent underwriting years the estimate is based on a large claims model that forecasts the number of claims that will surpass the excess as well as the average amount of these claims.

In proportional reinsurance, including facultative, the model is based on the estimate of individual outstanding claims for old years and recent years according to the loss ratio rate.

A stochastic model is also used for measuring the expected variance in the reserves, so as to comply with the requirements of the Commissioner's position regarding the best practice for calculating general insurance reserves.

(b) Motor casco

In the motor casco branch the liabilities are calculated on the basis of development in claims payments (Link Ratio) while taking into consideration the type of coverage such as comprehensive/third party, the type of vehicle and the type of damage such as accidents, theft and natural disasters.

In the recent damage months, the Company uses the averages method, which is based on claim cost per policy.

Specific assessments of the claims departments are taken into consideration in cases of long-standing claims.

Subrogation and salvage recoveries are taken into account since the actuarial model is based on the development in all payments (positive and negative).

The outstanding claims valuation is calculated on the gross level. The reinsurance component in this line of business is insignificant.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(4) Hereunder is a description of the actuarial methods that were applied in the main insurance lines (cont.)

(c) Comprehensive residential

In the comprehensive residential branch, the liabilities are calculated based on the development in claim amounts (Link Ratio). In the last damage months, the averages method was used. This model is based on claims per policy.

Specific assessments of the claims departments are taken into consideration in cases of long-standing claims.

In this line of business, the reinsurance is proportional, and the retention is calculated based on the actual reinsurance rates in each damage year.

(d) Personal accidents:

In the personal accidents branch the liabilities are calculated based on the development in claim amounts (Link Ratio).

In the last underwriting years, the Bornhuetter Ferguson method was used, on the basis of Loss Ratio.

Specific assessments of the claims departments are taken into consideration in cases of long-standing claims.

In this line of business, the reinsurance is in part proportional and in part excess of loss type reinsurance. The retention is calculated based on the actual reinsurance rates in each underwriting year.

(e) Lines of business in which non-actuarial provisions were set up:

In the following lines no actuarial model was applied due to the lack of statistical significance: comprehensive business premises insurance, engineering insurance, contractors' insurance, marine insurance, aviation insurance and goods in transit insurance.

The outstanding claims with respect to these lines were included based on estimates that included the following components:

- Known outstanding claims that include an appropriate provision for handling expenses up to the end of the period, but were not yet paid as at the financial statements date. This provision is mainly based on an individual valuation of each claim, based on the opinion received from the Company's attorneys and experts handling the claims. Most of the claims are backed by reinsurance and therefore the effect is immaterial.
- A provision for claims incurred but not yet reported (IBNR) based on past experience.

  In addition, the provision for a run-off general insurance portfolio that was added during the year was based on specific assessments of the Company's experts.

(5) Changes in principal assumptions and estimates used to calculate insurance liabilities in respect of general insurance contracts:

- The provisions for outstanding claims are made on the basis of cautious assumptions as to risk factors arising from regulatory changes as well as precedential and other court rulings in the course of the years, such as: the "lost years" rule, the National Insurance Institute's (NII) subrogation right, imposition of a duty of reporting to the NII, cancellation of agreement with the NII and signing of a new agreement at the end of 2014, transfer of insurance liability for the provision of medical services to the providers of health care services, a change in the discount rate of benefits, etc. If the claims due to the risk factors are not realized according to the estimates, a surplus or deficiency is created in the development of the outstanding claims. In addition, the Company does not customarily discount outstanding claims (other than in the employers' liability and third party branches), as an additional element of caution.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(5) Changes in principal assumptions and estimates used to calculate insurance liabilities in respect of general insurance contracts (cont.)

- As from December 31, 2015, the Company applies the Commissioner's position on the best practice for calculating insurance reserves in general insurance, in accordance with the Commissioner's directives, including the following determinations.

(a) "Caution" means that with respect to a reserve calculated by an actuary as "an adequate reserve for covering the insurer's liabilities" it is fairly likely that the insurance liability that was determined will be sufficient to cover the insurer's liabilities. As for outstanding claims in the motor act and liability branches, "fairly likely" refers to a probability of at least 75%. At the same time, if there are limitations in the statistical analysis, the actuary will exercise judgment and generally accepted actuarial methods may be used.

In this regard, account should be taken of the random risk and the systemic risk.

(b) The Company carries out a LAT in general insurance according to the best practice principles indicated above. As part of the test, the Company discounts future claim payments in the employers' liability and third party liability branches according to a risk-free interest curve while adjusting it to the illiquid nature of the insurance liabilities and taking into consideration the revaluation method of the assets standing against these liabilities. In view of the amendment to the instructions of the consolidated circular on the management of liabilities – illiquidity premium, the Company used an updated illiquidity premium, see also paragraph b.3(b)(4) of this note.

(c) Grouping – for the purpose of calculating margins for uncertainty in statistical branches (as defined in the circular), each branch should be treated separately, but the risks (or damage) from all the underwriting years in the branch can be grouped together. In non-statistical branches, all the branches can be treated together.

(6) Arrangement with the National Insurance Institute regarding damages pursuant to the National Insurance Law

In July 2021 the Company and the National Insurance Institute (hereinafter: "the NII") signed an agreement (similar to the agreement that was signed with other insurance companies) regarding the right the NII has to file claims against insurance companies pursuant to the National Insurance Law [Combined Version] – 1995, to return annuities that NII had paid if the cases also serve as grounds for requiring the insurance companies to pay damages pursuant to the Road Accident Victims Compensation Law – 1975 (hereinafter: "the RAVC Law"). According to the said arrangement, in respect of events that occurred between January 1, 2014 and December 31, 2022, the parties will continue to apply the discussion and settlement mechanism that they presently have, and which required or will require the NII to pay an annuity by law, and are also grounds for requiring the Company to pay damages according to the RAVC Law. In 2021 the Company transferred to the NII an advance payment in the amount of NIS 103.2 million on account of such events. NII claims relating to the aforesaid periods of the arrangement will be offset from the amount of the advance payment.

The Economic Efficiency Law (Legislative Amendments for Achieving the Budgetary Objectives for the 2021 and 2022 Budget Years) – 2021 (hereinafter: "the Economic Efficiency Law"), the requirement to pay the global amount that was prescribed in the Economic Efficiency Law (Legislative Amendments for achieving the Budgetary Objectives of the 2019 Budget Year) – 2018 was revoked with respect to events that occurred in the years 2014-2018. In addition, the Economic Efficiency Law provided a fixed rate of the insurance premiums that the insurance companies are required to transfer to the NII in respect of road accidents beginning from 2023, instead of specific subrogation of the claims, as follows: in 2023 and 2024 – 10% of the insurance premiums collected by the Company each year; and as from 2025 – 10.95% of the insurance premiums.

In the opinion of the Company, the arrangement set forth above is not expected to have a material effect on the Company's financial results.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(7) Sensitivity of provisions for changes in assumptions

The actuarial assessment is subject to considerable uncertainty. The actuarial estimates for forecasting outstanding claims refer to the expected claims value. Because of the stochastic nature of claim payments, there can be deviations around the expected value. In addition the statistical estimate is based on various assumptions, which will not necessarily be realized. If any change occurs in the way the claims are settled or alternatively in the amount of reported claims, a difference may arise between the actuarial assessment and the actual result. Also a change in the interest rate could cause differences between the assessment and the actual result.

Since the actuarial model is based on past experience, any unexpected change in the assumptions of the model or claims behavior, will cause a change in the provision.

It is noted that these risks were taken into consideration pursuant to the position of the Commissioner in the estimates for systemic risks.

(8) Changes in principal assumptions and estimates used to calculate insurance liabilities in respect of general insurance contracts

(a) The provisions for outstanding claims are made on the basis of cautious assumptions as to risk factors arising from regulatory changes as well as precedential and other court rulings in the course of the years, such as: the "lost years" rule, the National Insurance Institute's (NII) subrogation right, imposition of a duty of reporting to the NII, cancellation of agreement with the NII and signing of a new agreement at the end of 2014, transfer of insurance liability for the provision of medical services to the providers of health care services, a change in the discount rate of benefits, etc. If the claims due to the risk factors are not realized according to the estimates, a surplus or deficiency is created in the development of the outstanding claims.

(b) As part of the assessment based on best practice the Company discounts future claim payments in the employers' liability and third party liability branches according to a risk-free interest curve while adjusting it to the illiquid nature of the insurance liabilities and taking into consideration the revaluation method of the assets standing against these liabilities.

(c) For the purpose of calculating margins for uncertainty in statistical branches (as defined in the circular), each branch should be treated separately, but the risks (or damage) from all the underwriting years in the branch can be grouped together. In non-statistical branches, all the branches can be treated together.

(d) The Company carries out a LAT in general insurance according to the best practice principles indicated above. As a result of this test the Company found that according to best practice principles the reserves in the motor act branch need to be supplemented. As part of the attest account to best practice the Company discounts future claim payment in these branches according to a risk-free interest curve while adjusting it to the illiquid nature of the insurance liabilities and taking into consideration the revaluation method of the assets standing against these liabilities.

The table hereunder presents the increase (decrease) in insurance liabilities as a result of the changes described above:

Item	2021	2020
Change in risk-free interest curve – employers' liability and third party *)	64	(8)
Change in risk-free interest curve – supplement to reserves according to best practice in motor act branch (LAT) *	21	-
Change in excess fair value of assets over their carrying amount – employers' liability and third party **)	(5)	(29)
Update in method for calculating illiquidity premium – employers' liability and third party	(12)	-
Update in method for calculating illiquidity premium – supplement to reserves according to best practice in motor act branch	(14)	-
Total	54	(37)

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(8) Changes in principal assumptions and estimates used to calculate insurance liabilities in respect of general insurance contracts (cont.)

(d) (cont.)

*) Including current change in illiquidity premium.

**) Last year update in attribution of excess fair value of assets over their carrying amount.

(e) Discount rate of National Insurance allowances – The discount rate for compensation for bodily damages in tort was changed several times in recent years following court rulings on the matter. Accordingly, in 2020 the provisions in the motor act and liability branches were reduced by an amount of NIS 65 million in respect of NII claims. Insofar as the discount rate is updated according to the mechanism that was recommended by the inter-ministerial committee on the matter, it is possible that the provision will be updated.

(f) Claims development

In the motor act branch, in the framework of examining claims development in recent years, trends were identified of both an acceleration in the payment rate and an increase in severity of the claims, which is even more evident this year. These changes have been taken into consideration and are reflected in an increase in the reserves, as well as an increase in the risk margin as a result of that uncertainty.

4. Information regarding credit risks in respect of assets against non-yield dependent contracts:

Credit risk is, as mentioned, the risk of loss if a borrower fails to meet its obligations, or if there is a change in the credit margins in the capital market.

The failure of a counterparty to meet its obligations due to a deterioration of its repayment ability, including insolvency, may affect Migdal Insurance's business results.

Credit assets that are given from members' monies and quoted credit assets in the Nostro portfolios, calculated according to fair value, are also influenced by changes in the credit margins as reflected in the capital market or from a downgrading of the debtor's credit rating.

With respect to the rating sources, see d.2 and d.3 below.

The carrying amount approximates the maximum credit risk. Therefore, the "total" column represents the maximum credit risk.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

(a) Debt assets credit risks

(1) Breakdown of debt assets according to their location

	December 31, 2021		
	Quoted *)	Unquoted	Total
		NIS in thousands	
In Israel	12,670,220	25,591,139	38,261,359
Abroad	1,403,335	615,742	2,019,077
Total debt assets	14,073,555	26,206,881	40,280,436

	December 31, 2020		
	Quoted *)	Unquoted	Total
		NIS in thousands	
In Israel	12,103,399	24,486,703	36,590,102
Abroad	2,362,935	638,482	3,001,417
Total debt assets	14,466,334	25,125,185	39,591,519

*) Quoted debt assets are classified mainly under the available for sale category and are reported at fair value.

Also see details of assets according to ratings below.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks: (cont.)

(2) Details of assets according to ratings:

(a) Debt assets:

	Local rating *)				
	December 31, 2021				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets in Israel					
Quoted debt assets:					
Government bonds	9,917,110	-	-	-	9,917,110
Corporate bonds	2,536,267	216,806	-	37	2,753,110
Total quoted debt assets in Israel	12,453,377	216,806	-	37	12,670,220
Unquoted debt assets:					
Government bonds	23,637,188	-	-	-	23,637,188
Corporate bonds	423,222	-	-	2,848	426,070
Deposits in banks and financial institutions	455,340	-	-	-	455,340
Other debt assets according to security:					
Mortgages	-	-	-	197,932	197,932
Loans on policies	-	-	-	19,868	19,868
Loans against real estate charges	78,907	41,048	-	-	119,955
Loans against charges on shares conferring control		16,616	-	-	16,616
Other security	338,329	249,984	-	68,514	656,827
Not secured	12,511	32,846	-	15,986	61,343
Total unquoted debt assets in Israel	24,945,497	340,494	-	305,148	25,591,139
Total debt assets in Israel	37,398,874	557,300	-	305,185	38,261,359
Of which debt assets according to internal rating	116,534	70,918	-	-	187,452
Includes debt assets in internal rating whose rating was reduced by Migdal Insurance	41,490	-	-	-	41,490

*) Each rating includes all the ranges, for example: A includes A- up to A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(a) Debt assets (cont.)

	International rating *)				
	December 31, 2021				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets abroad					
Quoted debt assets:					
Government bonds	774,036	29,197	-	-	803,233
Corporate bonds	1,917	228,717	369,468	-	600,102
Total quoted debt assets abroad	775,953	257,914	369,468	-	1,403,335
Unquoted debt assets:					
Corporate bonds	-	12,559	5,654	-	18,213
Other debt assets	56,930	56,650	-	483,949	597,529
Total unquoted debt assets abroad	56,930	69,209	5,654	483,949	615,742
Total debt assets abroad	832,883	327,123	375,122	483,949	2,019,077
Of which debt assets according to internal rating	-	-	-	-	-

*) Each rating includes all the ranges, for example: A includes A- up to A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks: (cont.)

(2) Details of assets according to ratings (cont.)

(a) Debt assets (cont.)

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets in Israel					
Quoted debt assets:					
Government bonds	8,448,660	-	-	-	8,448,660
Corporate bonds	3,395,357	256,487	-	2,895	3,654,739
Total quoted debt assets in Israel	11,844,017	256,487	-	2,895	12,103,399
Unquoted debt assets:					
Government bonds	22,463,254	-	-	-	22,463,254
Corporate bonds	422,584	603	13	1,477	424,677
Deposits in banks and financial institutions	472,040	-	-	-	472,040
Other debt assets according to security:					
Mortgages	-	-	-	226,732	226,732
Loans on policies	-	-	-	23,652	23,652
Loans against real estate charges	70,866	43,030	-	-	113,896
Loans against charges on shares conferring control	-	20,695	-	-	20,695
Other security	250,001	276,097	-	100,497	626,595
Not secured	59,457	29,591	-	26,114	115,162
Total unquoted debt assets in Israel	23,738,202	370,016	13	378,472	24,486,703
Total debt assets in Israel	35,582,219	626,503	13	381,367	36,590,102
Of which debt assets according to internal rating	155,334	64,510	-	-	219,844
Includes debt assets in internal rating whose rating was reduced by Migdal Insurance	39,649	-	-	-	39,649

*) Each rating includes all the ranges, for example: A includes A- up to A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(a) Debt assets (cont.)

	International rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets abroad					
Quoted debt assets:					
Government bonds	855,214	32,762	-	-	887,976
Corporate bonds	25,276	1,100,059	320,830	28,794	1,474,959
Total quoted debt assets abroad	880,490	1,132,821	320,830	28,794	2,362,935
Unquoted debt assets:					
Corporate bonds	-	6,945	7,640	6,609	21,194
Deposits in banks and financial institutions					
Other debt assets	109,206	59,122	28,982	419,978	617,288
Total unquoted debt assets abroad	109,206	66,067	36,622	426,587	638,482
Total debt assets abroad	989,696	1,198,888	357,452	455,381	3,001,417
Of which debt assets according to internal rating	-	-	-	-	-

*) Each rating includes all the ranges, for example: A includes A- up to A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(b) Credit risks in respect of other assets (In Israel)

Additional information

	Local rating *)				
	December 31, 2021				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debtors and receivables, excluding balances of reinsurers	70,177	2,978	-	321,748	394,903
Deferred tax assets	5,949	-	-	-	5,949
Other financial investments	-	-	-	959,834	959,834
Cash and cash equivalents	6,808,545	33,391	-	-	6,841,936

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debtors and receivables, excluding balances of reinsurers	21,660	3,908	-	372,280	397,848
Deferred tax assets **)	4,814	-	-	-	4,814
Other financial investments	-	-	-	679,512	679,512
Cash and cash equivalents	3,548,195	30,695	-	-	3,578,890

*) Each rating includes all the ranges, for example: A includes A- up to A+.
**) Retrospective application, see Note 2.w.

Note 36- Risk Management (Cont.)

b. Details of the risks (Cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(c) Credit risks in respect of off-balance sheet instruments (in Israel):

	Local rating *)				
	December 31, 2021				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	55,723	473,371	-	29,449	558,543

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	52,625	28,775	-	63,851	145,251

*) Each rating includes all the ranges, for example: A includes A- up to A+.

(d) Credit risks in respect of other assets (abroad):

	International rating *)				
	December 31, 2021				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debtors and receivables, excluding balances of reinsurers	-	353	-	37,389	37,742
Other financial investments	-	-	-	2,929,675	2,929,675
Cash and cash equivalents	4,828	-	-	-	4,828

	International rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debtors and receivables, excluding balances of reinsurers	2,709	-	250	7,791	10,750
Other financial investments	-	-	-	2,358,695	2,358,695
Cash and cash equivalents	95,231	-	-	-	95,231

*) Each rating includes all the ranges, for example: A includes A- up to A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(e) Credit risks in respect of off balance sheet instruments (abroad):

	International rating *)				
	December 31, 2021				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	-	-	-	59,024	59,024

	International rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	11,212	-	-	96,951	108,163

*) Each rating includes all the ranges, for example: A includes A- up to A+.

b) Additional information regarding credit risks:

(1) In August 2017 the Commissioner gave his approval to Migdal Insurance using an internal credit rating model that was developed by it, further to an approval to use a credit rating model from August 2013 (hereinafter- the model). According to the approval, as regards provisions of the law concerning credit rating, the rating according to the model will be considered a rating that is parallel with respect to risk to the rating of a rating agency subject to the conditions provided in the approval. In accordance with the provisions of the amendment to the consolidated circular that was published in November 2021, an approval to use an internal credit rating model that was granted by the Commissioner before the date of publishing the amendment will expire on December 31, 2022, other than in certain cases as set forth in the amendment, and therefore in 2022 the institutional entities will update their internal credit rating model and bring it to the approval of the competent authorities.

(a) The model will be used within the framework of the structure, methodology and procedures that were presented to the Commissioner during the process of examining the model;

(b) Any significant change in the model's structure requires the Commissioner's prior approval.

(c) The model can be used in the calculation of the capital requirements under the Solvency 2 regime, subject to the conditions specified in the capital regime directives.

(2) There is a difference in the rating scales between debt assets in Israel and debt assets abroad. It should be noted that in accordance with the Capital Market Circular 2008-6-1, regarding the publication of the conversion scale between the Israeli rating and the International rating, the rating companies published a comparative analysis between the local rating scale and the international rating scale.

(3) Information regarding credit risks in this Note does not include the assets for yield dependent contracts that are reported in paragraph d below.

(4) Regarding reinsurers' exposure to credit risk see b(4.1) below.

(5) The Group is also exposed in its activities to other receivables such as employers and policy holders. An increase in the insolvency of businesses in Israel may also affect the amount of the employers' debts from not transferring the pension insurance deposits for their employees, which in turn, obliges the institutional entities in the Group to take action. With respect to the balance of outstanding premiums in the amount of NIS 713,892 thousand (2020 – NIS 730,272 thousand) see Note 10.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

b) Additional information regarding credit risks (cont.)

(6) Details of exposure of market branches to investments in quoted and unquoted financial debt assets:

	December 31, 2021		
	Balance sheet credit risk		Off balance sheet risk
	Amount		
	NIS in thousands	% of the total	NIS in thousands
Economic sector:			
Industry	278,670	0.7	-
Construction and real estate	1,634,033	4.1	14,688
Electricity and water	1,125,629	2.8	235,841
Commerce	20,208	0.1	-
Transportation and storage	176,964	0.4	330,769
Communication and computer services	379,017	0.9	31,403
Banks	1,683,148	4.2	-
Financial services	215,331	0.5	-
Other business services	38,774	0.1	4,866
Holding companies	9,991	0.0	-
Private individuals	361,140	0.9	-
Government bonds	34,357,531	85.3	-
Total	40,280,436	100.0	617,567

	December 31, 2020		
	Balance sheet credit risk		Off balance sheet risk
	Amount		
	NIS in thousands	% of the total	NIS in thousands
Economic sector:			
Industry	448,684	1.1	-
Construction and real estate	1,700,394	4.3	91,171
Electricity and water	1,446,032	3.7	140,697
Commerce	49,660	0.1	-
Transportation and storage	106,893	0.3	-
Communication and computer services	404,529	1.0	21,546
Banks	2,359,627	6.0	-
Financial services	294,044	0.7	-
Other business services	580,679	1.5	-
Holding companies	10,405	-	-
Private individuals	390,682	1.0	-
Government bonds	31,799,890	80.3	-
Total	39,591,519	100.0	253,414

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

b) Additional information regarding credit risks (cont.)

(7) Geographical risks:

Details of countries/regions the exposure to which exceeds 1% of the investment:

	December 31, 2021									
	Government bonds	Corporate bonds	Shares	ETNs/ETFs	Mutual funds	Investment property	Other investments *)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS in thousands									
Israel	34,328,334	3,315,630	86,022	500,660	9,482	686,773	8,998,122	47,925,023	75,579	48,000,602
US	-	93,857	108,076	244,054	22,413	-	1,128,159	1,596,559	-	1,596,559
Switzerland	-	7,122	-	-	-	-	179,867	186,989	-	186,989
Other	29,197	380,886	62,549	35,872	402,561	-	2,647,102	3,558,167	269,164	3,827,331
Total amount	34,357,531	3,797,495	256,647	780,586	434,456	686,773	12,953,250	53,266,738	344,743	53,611,481

	December 31, 2020									
	Government bonds	Corporate bonds	Shares	ETNs/ETFs	Mutual funds	Investment property	Other investments *)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS in thousands									
Israel	31,767,128	4,498,415	85,962	408,310	6,929	714,589	5,448,655	42,929,988	55,869	42,985,857
US	-	330,990	102,118	183,442	23,183	-	919,236	1,558,969	(60,261)	1,498,708
Switzerland	-	7,440	-	-	-	-	295,149	302,589	-	302,589
Other	32,762	738,724	127,400	77,913	450,889	-	2,168,124	3,595,812	(144,780)	3,451,032
Total amount	1,799,890	5,575,569	315,480	669,665	481,001	714,589	8,831,164	48,387,358	(149,172)	48,238,186

*) Other investments include reinsurance assets, investments in affiliates, cash and other financial investments not included in the other columns.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4.1 Reinsurers' credit risks:

Migdal Insurance insures part of its business by reinsurance, most of which is done through reinsurers abroad. However, the reinsurance does not release Migdal Insurance from its commitment towards its policyholders according to the insurance policies.

Migdal Insurance is exposed to risks resulting from uncertainty regarding the reinsurers' ability to pay their share in the liabilities in respect of insurance contracts (reinsurance assets). Therefore, the financial stability of reinsurers and their ability to meet their financial obligations may affect the business results of the Company. This exposure is managed by a current follow-up of the reinsurers rating in the international market and their following through on monetary liabilities to the Company.

Migdal Insurance is exposed to concentrated credit risk to an individual reinsurer, due to the reinsurance market structure and the limited amount of reinsurers with sufficient rating.

In accordance with the Commissioner's directives, once a year the Board of Directors of Migdal Insurance determines the limits of the maximum exposure to the reinsurers with whom the Company has engaged and/or will engage, which is mainly based on their rating. These exposures are managed in the Company by individual assessment of each of the reinsurers.

In addition, Migdal Insurance's exposures are dispersed between various reinsurers, and the principal ones are reinsurers who are rated at relatively high ratings.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4.1 Reinsurers' credit risks (cont.)

	December 31, 2021										
			Reinsurance assets							Debts in arrears (b)	
Rating group (d)	Total reinsurance premiums for 2021	Balances in debit (credit) net	In life assurance	In health insurance	In property insurance	In liability insurance	Deposits by reinsurers	Amount of letters of credit received from reinsurers	Total exposure (a) (c)	Between half a year and one year	Over one year
	NIS in thousands										
AA and above											
Swiss Reinsurance Co (e)	198,665	(29,297)	15,861	23,710	33,003	77,285	8,977	-	111,585	-	-
Co Reinsurance Hannover	89,454	(26,227)	2,839	34,794	11,811	11,021	87	-	34,151	-	-
Others	166,782	(17,897)	112,166	27,438	84,613	112,795	19,512	5,337	294,266	-	-
	454,901	(73,421)	130,866	85,942	129,427	201,101	28,576	5,337	440,002	-	-
A											
Assicurazioni Generali SpA (f)	17,758	(6,527)	1,617	3,107	35,054	108,970	-	669	141,552	-	-
Others	314,350	(36,557)	10,890	1,298	216,490	393,895	64,667	277	521,072	251	35
	332,108	(43,084)	12,507	4,405	251,544	502,865	64,667	946	662,624	251	35
BBB	14,408	(825)	-	-	17,995	7,915	5,264	-	19,821	-	-
Lower than BBB – or unrated (g)	509	(3,217)	-	-	17	2,201	-	-	(999)	5,790	754
Total	801,926	(120,547)	143,373	90,347	398,983	714,082	98,507	6,283	1,121,448	6,041	789

Comments:

1. (a) The total exposure to reinsurers is: debit (credit) balances, net, reinsurance assets, net of the deposits and net of the amount of letters of credit received from reinsurers as a guarantee for their liabilities.

(b) After deduction of the provision for doubtful debts in an amount of approximately NIS 2,786 thousand.

(c) The total provision for doubtful debts plus the reduction in the reinsurers' share in outstanding claims and in reserves amounts to approximately NIS 2,786 thousand which constitutes about 0.2% of the exposure at December 31, 2021.

(d) The rating is mainly determined by the S&P rating agency. Where there is no rating of S&P, the rating is determined by another rating agency and converted for reporting purposes into S&P's rating, in accordance with a conversion scale as determined pursuant to the Ways of Investment Regulations. Each rating includes all the ranges, for example: A includes A- through A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4.1 Reinsurers' credit risks (cont.)

Comments (cont.)

(e) Includes balances deriving from a reinsurance agreement as part of the acquisition of a run-off general insurance portfolio. For details see Note 37.e.2.

(f) Generali is not rated by S&P, and therefore the rating was determined by AMBest. It is noted that Moody's rates Generali at BBB+, when converted into S&P.

(g) The unrated group includes balances for outstanding claims through brokers from businesses that were received up to and including 2003 in the amount of about NIS 25 thousand.

2. The total exposure of the reinsurers for an earthquake event in general insurance is about NIS 5,116 million, at a maximum probability of damage of mainly about 1.80% (MPL according to model adopted by the Company). For details see also Note 36.b.3.a). The most significant reinsurer is Swiss Re, whose share in this exposure is about NIS 620 million.

3. There are no other reinsurers apart from those detailed above in respect of which the exposure exceeds 10% of the overall exposure of reinsurers or in respect of which the premium exceeds 10% of the total premiums for reinsurance for 2021. There is also an exposure of about NIS 100 million to an Israeli insurance company with respect to life assurance reinsurance.

	December 31, 2020										
			Reinsurance assets							Debts in arrears (b)	
Rating group (d)	Total reinsurance premiums for 2020	Balances in debit (credit) net	In life assurance	In health insurance	In property insurance	In liability insurance	Deposits by reinsurers	Amount of letters of credit received from reinsurers	Total exposure (a) (c)	Between half a year and one year	Over one year
	NIS in thousands										
AA and above											
Swiss Reinsurance Co (e)	204,939	(43,496)	19,151	19,541	47,581	93,393	25,196	-	110,974	-	-
Co Reinsurance Hannover	81,962	(20,514)	2,842	25,502	15,175	9,725	110	-	32,620	-	-
Others	175,785	(27,649)	109,965	17,627	71,207	103,206	18,831	5,517	250,008	15	3
	462,686	(91,659)	31,958	62,670	133,963	206,324	44,137	5,517	393,602	15	3
A											
Assicurazioni Generali SpA (f)	24,527	(11,359)	2,979	2,145	46,741	103,283	35	692	143,062	-	-
Others	270,050	(22,917)	9,321	1,430	155,853	342,701	42,754	286	443,348	27	158
	294,577	(34,276)	12,300	3,575	202,594	445,984	42,789	978	586,410	27	158
BBB	17,380	(896)	-	-	13,007	5,181	5,873	-	11,419	-	-
Lower than BBB – or unrated (g)	443	(3,597)	-	-	77	5,306	-	-	1,786	2,477	123
Total	775,086	(130,428)	144,258	66,245	349,641	662,795	92,799	6,495	993,217	2,519	284

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4.1 Reinsurers' credit risks (cont.)

Comments (cont.)

1. (a) The total exposure to reinsurers is: debit (credit) balances, net, reinsurance assets, net of the deposits and net of the amount of letters of credit received from reinsurers as a guarantee for their liabilities.

   (b) After deduction of the provision for doubtful debts in an amount of approximately NIS 1,895 thousand.

   (c) The total provision for doubtful debts plus the reduction in the reinsurers' share in outstanding claims and in reserves amounts to approximately NIS 1,895 thousand which constitutes about 0.2% of the exposure at December 31, 2020.

   (d) The rating is mainly determined by the S&P rating agency. Where there is no rating of S&P, the rating is determined by another rating agency and converted for reporting purposes into S&P's rating, in accordance with a conversion scale as determined pursuant to the Ways of Investment Regulations. Each rating includes all the ranges, for example: A includes A- through A+.

   (e) Includes balances deriving from a reinsurance agreement as part of the acquisition of a run-off general insurance portfolio. For details see Note 37.e.2.

   (f) Generali is not rated by S&P, and therefore the rating was determined by AMBest. It is noted that Moody's rates Generali at BBB+, when converted into S&P.

   (g) The unrated group includes balances for outstanding claims through brokers from businesses that were received up to and including 2003 in the amount of about NIS 40 thousand.

2. The total exposure of the reinsurers for an earthquake event in general insurance is about NIS 5,381 million, at a maximum probability of damage of mainly about 1.80% (MPL according to model adopted by the Company). For details see also Note 36.b.3.a). The most significant reinsurer is Swiss Re, whose share in this exposure is about NIS 975 million.

3. There are no other reinsurers apart from those detailed above in respect of which the exposure exceeds 10% of the overall exposure of reinsurers or in respect of which the premium exceeds 10% of the total premiums for reinsurance for 2020. There is also an exposure of about NIS 97 million to an Israeli insurance company with respect to life assurance reinsurance.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

5. General risks

a) Economic and employment conditions:

The employment rate has a significant impact on the Group's business in the life assurance and long term savings sector. A deterioration of the employment rate, a decline in the number of employed, an increase in the unemployment rate and a decline in the level of salaries of the employed, affects the amount of new sales and the cancellation rates in the portfolio. In addition, the general condition of the economy affects the Group's business in the different sectors in which it operates. A recession could result in an increase in bad debts, an increase in disability claims, a decline in the insurance coverage purchased in the policies and an increase in the level of fraud. The state of the economy is also liable to affect the market value of the Group's assets in Israel. Similar to worldwide implications, Israel too continued to recover from the economic and health crisis that was caused by the coronavirus, which included an improvement in employment, with an increase in the number of open jobs and a decrease in the unemployment rate. See Note 1 for details on the effect of the coronavirus crisis on the Company's financial results. In February 2022, subsequent to the reporting date, the Russian army invaded Ukraine. See paragraph a.1 above and Note 39 for more details.

The Group keeps track of developments in the economy and prepares itself according to market conditions.

b) Changes in regulation and compliance:

The Group companies are subject to widespread regulation in respect of their activities. Noncompliance with regulatory requirements, including unintentional, could lead to sanctions, and form a basis for imposing sanctions, monetary claims and in the extreme case also cancellation of a license.

Regulation of insurance and long term savings has a significant impact on the prices and management fee rates collected on various products, sales processes, the nature of the products, the ability to differentiate products from the competition and the level of expenses of the Group companies engaged in these areas. The legal pronouncements, guidelines and agreements related to the structure of savings in the economy and primarily in respect of pension savings, including tax implications thereon, impact the changes in business volume in this sector and the level of product alternatives, including the migration between products. Furthermore, changes in the law and in regulation, mainly in the area of long term savings, may also have an effect with respect to products that were sold in the past, through both retroactive implementation following their effect on the interpretation of agreements entered in the past and as a consequence of competition. Consequently, these pronouncements affect the life assurance and long term savings portfolio of the companies and the future sales of these products.

Mentioned in this respect are major regulatory instructions that were published in the reporting period that had an effect on the products, the nature of operation of the distribution channels and the product mix including: the gradual replacement of the mechanism for issuing designated bonds in the pension funds with a "guaranteed yield mechanism"; provisions regarding a reduction in the maximum management fees that will be collected from the recipients of annuities and their survivors in the pension funds and from the policyholders and beneficiaries in insurance policies that were issued according to insurance funds; discontinuing the sale of accident disability insurance as from May 2021, after an amendment to the consolidated circular regarding personal accidents came into effect; and the planned comprehensive reform in health insurance.

The great number of regulatory changes places a burden on the technology and operational systems and could increase the exposure to operational errors or affect the ability to comply with the new directives, due to the necessity of modifying processes.

Pension insurance is undergoing material changes with respect to, inter alia, the pension products sold by the insurance companies and how they are sold, the various distribution channels and with respect to the policy holders, insurance candidates and their rights.

Furthermore, in recent years directives were issued with respect to default pension arrangements, restrictions on selling insurance coverage in the framework of pension savings, consolidation and migration of accounts, encouraging competition to the large management companies and to plan managers and greater involvement of the regulator in approving management fees and competition in respect thereto as well as in approving tariff plans. Various directives were also determined with respect to agents and license holders that promote competition between the agents, such as limiting the ability of the agents and arrangement agencies to engage in both selling and operating at the same time, prohibition on connection between the commission paid to an agent and the management fee and refund of a volume commission in the event of a policy being cancelled.

The capital adequacy requirements are a key requirement for the insurance companies. Regulatory changes in capital requirements may affect the activities of the companies and the scope thereof. For details on the capital requirements applying to the Company, see Note 7c to the financial statements.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

5. General risks (cont.)

b) Changes in regulation and compliance (cont.)

Furthermore, Group's insurance agencies are also subject to regulation, including regulations as to the holding of agencies by an insurance company and requirements placed on the marketer of pension products. Changes in the law with respect to the activities of insurance agencies affect the activities of the agencies and their profitability.

The Group companies keep abreast of court rulings that constitute a "rule" and new regulations in their areas of activity or in areas that could affect the company, in order to assimilate and implement the required changes and also in order to identify basic principles and general directions the courts, the lawmaker or the regulator are endeavoring to establish, so that the Company's actions are consistent with these principles and directions even if they have not yet been given concrete expression in new case law or regulations. However, it is difficult to foresee new rulings/laws/regulations, including changes in stresses or directions of the relevant authorities and there is also natural uncertainty regarding their inception. Since by the nature of things this involves unknown and uncertain future occurrences, the risk in question can be managed or reduced only to a limited degree.

c) Increase in competition:

The increase in competition in the sectors in which the Group operates, may hurt the Group's profitability. The Commissioner, under regulatory organization, has been leading processes during the past decade to increase competition in the long term savings sector, in terms of the substitutability of products, the development of standard products and the structure of the management fees.

d) Changes in customer preferences:

The public's inclination to choose alternative products or not to purchase insurance or in the realization of annuities may affect the demand for the Group's products and the profitability of the various sectors.

The wide range of products offered by the Company in most of the areas of insurance reduces this exposure.

The Company deals with this risk by monitoring the public's preferences and adjusting its products accordingly.

e) Legal risks - legal precedents, class and derivative actions, authorities of the Commissioner and interpretation

The Group companies are exposed to judicial decisions, including class and derivative action suits which are filed against the Group companies and against other entities in the industry, which can create a potential obligation to pay material amounts, and create a binding legal precedent with respect to the Group's operations, mainly in all that concerns the payment of insurance claims and increasing the payment in respect thereto that was anticipated at the time it issued the policy and/or increasing the operating costs. Accordingly, such judicial decisions may affect the operations and/or financial results of the Group and increase its insurance liabilities.

The Group's exposure to class and derivative actions includes exposure with respect to cases where a legal proceeding has been initiated, cases that the potential exposure to the filing of a class or derivative action in their respect has come to the attention of Group companies by either self-discovery and/or by various communications of customers, and cases where Group companies are not aware of the exposure. In recent years there has been an increase in the number of motions to certify class actions that are filed and in the number of motions to certify class actions that are accepted by the courts. In the Company's opinion this is affected by, inter alia, a general change in the courts' approach to class actions in general and the unique characteristics of the insurance, pension and provident industries in particular. Regarding class actions, legal proceedings and other proceedings, including claims and proceedings that are related to regulatory risks or operational risks – see Note 38.1.f.5) to the financial statements.

Furthermore, the Group's institutional bodies are subject to various decisions in circulars, rulings, positions and so forth, that are issued by the Commissioner and/or other regulators as to the method of operation of those bodies. In addition, the Group's institutional bodies are subject to audits that are performed by the Commissioner and/or other regulators from time to time. These proceedings may lead to the institutional bodies being charged significant sums and/or to an order to operate with respect to insurance/pension/provident plans that were sold in the past, in a manner different from that which was the basis for their original sale by the Group and which may increase the costs of these products, including the imposing of financial sanctions on it. For ways of coping by the Company see b(5)(b) above, and for details of other aspects relating to the instructions and directives of the Commissioner, including rulings made in the framework of controls carried out by the Commissioner, see Note 38.1.f.4 to the financial statements.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

5. General risks (cont.)

e) Legal risks - legal precedents, class and derivative actions, authorities of the Commissioner and interpretation) (cont.)

The complexity of the Group's operation and its extent, and particularly the long term nature of insurance agreements, create a material exposure to legal risks that may derive from deficiencies in processes, legal documents, including reinsurance policies and contracts, from operational deficiencies in the implementation of agreements or processes and from changes that occur over time in interpretation, also with respect to products that were sold many years ago. Accordingly, the possibility of lowering the risk inherent in developments in court rulings, including rulings of the Supreme Court, applying the interpretation rules they set or determining proper norms in the framework of the rulings, with respect to products sold in the past is by nature limited.

The management of legal risks involves providing ongoing legal consultation to the governing bodies of the Company on various matters involving the Company's operations, continuously examining work processes, documents and forms, where they apply to multiple instances of the same type or matter investing them with an inbuilt representative nature. The Company also reviews, to the extent possible, claims and proceedings that were filed against it or against other parties in its lines of business, as well as the rulings in these proceedings, and it attempts to draw lessons for the work processes applied by it.

f) Damage to reputation:

The Group's reputation and good name are an important factor in the conducting of transactions with new customers and retaining existing customers. Damage to the Group's reputation may significantly harm the Group's business.

Note 36 - Risk Management (Cont.)

b. Details of assets and liabilities distributed into linkage basis:

	December 31, 2021					
	In unlinked NIS	In NIS linked to the CPI	In foreign currency *)	Non-monetary and others	Yield dependent	Total
	NIS in thousands					
Assets						
Intangible assets	-	-	-	1,324,856	-	1,324,856
Deferred tax assets	-	-	-	5,949	-	5,949
Deferred acquisition costs	-	-	-	2,024,089	19	2,024,108
Fixed assets	-	-	-	1,205,998	-	1,205,998
Investments in affiliates	-	-	-	25,679	-	25,679
Investment property for yield dependent contracts	-	-	-	-	7,293,737	7,293,737
Other investment property	-	-	-	686,773	-	686,773
Reinsurance assets	180,259	1,141,986	9,221	-	15,319	1,346,785
Current tax assets	-	5,661	-	-	-	5,661
Debtors and receivables	369,729	-	94,046	67,374	586,701	1,117,850
Outstanding premiums	45,752	355,952	48,779	-	263,409	713,892
Financial investments for yield dependent contracts	-	-	-	-	123,512,846	123,512,846
Other financial investments:						
Quoted debt assets	3,650,808	8,985,985	1,436,762	-	-	14,073,555
Unquoted debt assets	349,509	25,203,874	653,498	-	-	26,206,881
Shares	-	-	-	256,647	-	256,647
Others	37,740	-	194,550	3,657,219	-	3,889,509
Total other financial investments	4,038,057	34,189,859	2,284,810	3,913,866	-	44,426,592
Cash and cash equivalents for yield dependent contracts	-	-	-	-	13,621,535	13,621,535
Other cash and cash equivalents	6,559,406	-	287,358	-	-	6,846,764
Total assets	11,193,203	35,693,458	2,724,214	9,254,584	145,293,566	204,159,025

*) Exposure to the foreign currency exchange rates mainly arises from the exposure to the Dollar and the Euro or from the linkage to them

Note 36 - Risk Management (Cont.)

c. Details of assets and liabilities distributed into linkage basis (cont.)

	December 31, 2021					
	In unlinked NIS	In NIS linked to the CPI	In foreign currency *)	Non-monetary and others	Yield dependent	Total
	NIS in thousands					
Total equity	-	-	-	8,564,264	-	8,564,264
Liabilities						
Liabilities in respect of non-yield dependent insurance and investment contracts	654,691	40,474,046	21,854	-	-	41,150,591
Liabilities in respect of yield dependent insurance and investment contracts	-	-	-	-	142,952,095	142,952,095
Deferred tax liabilities	-	-	-	790,093	-	790,093
Liabilities for employee benefits, net	91,148	-	-	56,474	155,578	303,200
Liabilities in respect of current taxes	-	258,472	-	-	-	258,472
Creditors and payables	940,943	501,329	395,753	128,442	1,192,606	3,159,073
Financial liabilities	6,300,967	91,191	394,132	7,324	187,623	6,981,237
Total liabilities	7,987,749	41,325,038	811,739	982,333	144,487,902	195,594,761
Total equity and liabilities	7,987,749	41,325,038	811,739	9,546,597	144,487,902	204,159,025
Total balance sheet exposure	3,205,454	(5,631,580)	1,912,475	(292,013)	805,664	-
Exposure to underlying assets through derivative instruments in delta terms	1,922,807	2,935,769	(5,174,276)	315,700	-	-
Total exposure	5,128,261	(2,695,811)	(3,261,801)	23,687	805,664	-

*) Exposure to the foreign currency exchange rates mainly arises from the exposure to the Dollar and the Euro or from the linkage to them.

Note 36 - Risk Management (Cont.)

c. Details of assets and liabilities distributed into linkage basis (cont.)

	December 31, 2020					
	In unlinked NIS	In NIS linked to the CPI	In foreign currency *)	Non-monetary and others	Yield dependent	Total
	NIS in thousands					
Assets						
Intangible assets	-	-	-	1,234,446	-	1,234,446
Deferred tax assets	-	-	-	4,814	-	4,814
Deferred acquisition costs	-	-	-	1,952,433	22	1,952,455
Fixed assets	-	-	-	1,179,397	-	1,179,397
Investments in affiliates	-	-	-	21,701	-	21,701
Investment property for yield dependent contracts	-	-	-	-	6,923,505	6,923,505
Other investment property	-	-	-	714,589	-	714,589
Reinsurance assets	162,021	1,042,600	7,974	-	10,344	1,222,939
Current tax assets	-	144,971	2,722	-	25,423	173,116
Debtors and receivables	350,184	-	80,025	64,487	638,249	1,132,945
Outstanding premiums	53,362	294,267	50,463	-	332,180	730,272
Financial investments for yield dependent contracts	-	-	-	-	110,844,111	110,844,111
Other financial investments:						
Quoted debt assets	3,061,025	8,959,968	2,445,341	-	-	14,466,334
Unquoted debt assets	469,628	23,973,702	681,855	-	-	25,125,185
Shares	-	-	-	315,480	-	315,480
Others	67,124	-	39,306	2,931,777	-	3,038,207
Total other financial investments	3,597,777	32,933,670	3,166,502	3,247,257	-	42,945,206
Cash and cash equivalents for yield dependent contracts	-	-	-	-	9,168,697	9,168,697
Other cash and cash equivalents	3,420,028	-	254,093	-	-	3,674,121
Total assets	7,583,372	34,415,508	3,561,779	8,419,124	127,942,531	181,922,314

*) Exposure to the foreign currency exchange rates mainly arises from the exposure to the Dollar and the Euro or from the linkage to them.

Note 36 - Risk Management (Cont.)

c. Details of assets and liabilities distributed into linkage basis (cont.)

	December 31, 2020					
	In unlinked NIS	In NIS linked to the CPI	In foreign currency *)	Non-monetary and others	Yield dependent	Total
	NIS in thousands					
Total equity	-	-	-	6,881,788	-	6,881,788
Liabilities						
Liabilities in respect of non-yield dependent insurance and investment contracts	672,785	38,326,751	20,847	-	-	39,020,383
Liabilities in respect of yield dependent insurance and investment contracts	-	-	-	-	125,878,822	125,878,822
Deferred tax liabilities	-	-	-	617,021	-	617,021
Liabilities for employee benefits, net	85,845	-	-	71,427	143,193	300,465
Liabilities in respect of current taxes	-	5,745	-	-	-	5,745
Creditors and payables	850,343	439,070	320,317	68,478	1,308,700	2,986,908
Financial liabilities	5,844,386	103,138	78,370	133,689	71,599	6,231,182
Total liabilities	7,453,359	38,874,704	419,534	890,615	127,402,314	175,040,526
Total equity and liabilities	7,453,359	38,874,704	419,534	7,772,403	127,402,314	181,922,314
Total balance sheet exposure	130,013	(4,459,196)	3,142,245	646,721	540,217	-
Exposure to underlying assets through derivative instruments in delta terms	3,741,228	1,568,867	(5,150,341)	(159,754)	-	-
Total exposure	3,871,241	(2,890,329)	(2,008,096)	486,967	540,217	-

*) Exposure to the foreign currency exchange rates mainly arises from the exposure to the Dollar and the Euro or from the linkage to them.

Note 36 - Risk Management (Cont.)

c. Information regarding financial investments for yield dependent contracts:

1. Composition of investments according to linkage basis:

	December 31, 2021				
	In unlinked NIS	In NIS linked to the CPI	In foreign currency	Non-monetary and others	Total
	NIS in thousands				
Cash and cash equivalents	5,898,167	-	7,723,368	-	13,621,535
Quoted assets	10,780,237	17,581,298	6,452,880	51,375,820	86,190,235
Unquoted assets	4,996,159	7,585,187	6,187,899	26,712,551	45,481,796
Total assets	21,674,563	25,166,485	20,364,147	78,088,371	145,293,566
Exposure to the underlying asset through derivative instruments in delta terms	23,764,413	-	(38,409,788)	14,645,375	-

	December 31, 2020				
	In unlinked NIS	In NIS linked to the CPI	In foreign currency	Non-monetary and others	Total
	NIS in thousands				
Cash and cash equivalents	7,096,978	-	2,071,719	-	9,168,697
Quoted assets	11,869,192	16,386,718	6,792,560	46,031,344	81,079,814
Unquoted assets	4,836,347	7,190,328	5,725,646	19,941,699	37,694,020
Total assets	23,802,517	23,577,046	14,589,925	65,973,043	127,942,531
Exposure to the underlying asset through derivative instruments in delta terms	19,952,672	-	(30,318,110)	10,365,438	-

Note 36 - Risk Management (Cont.)

d. Information regarding financial investments for yield dependent contracts: (cont.)

2. Credit risk for assets in Israel

	Local rating *)				
	December 31, 2021				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Debt assets in Israel:					
Government bonds	13,254,235	-	-	-	13,254,235
Other debt assets - quoted	12,701,413	2,600,394	-	252,863	15,554,670
Other debt assets - unquoted	5,585,815	3,225,994	-	2,604,541	11,416,350
Total debt assets in Israel	31,541,463	5,826,388	-	2,857,404	40,225,255
Of which debt assets at internal rating	660,929	567,370	-	-	1,228,299
Includes debt assets at internal rating whose rating was reduced by the Company	278,577	-	-	-	278,577

*) The sources for the rating level in Israel are Maalot, Midroog and an internal rating. The rating of Midroog was converted into the rating signs according to generally accepted conversion coefficients. Each rating includes all the ranges, for example: A includes A- through A+.

**) The carrying amount approximates the maximum credit risk. Therefore, the total column represents the maximum credit risk.

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Debt assets in Israel:					
Government bonds	13,353,209	-	-	-	13,353,209
Other debt assets - quoted	12,962,400	2,152,215	71,335	230,063	15,416,013
Other debt assets - unquoted	5,007,602	2,865,196	-	2,610,586	10,483,384
Total debt assets in Israel	31,323,211	5,017,411	71,335	2,840,649	39,252,606
Of which debt assets at internal rating	920,437	670,466	-	-	1,590,903
Includes debt assets at internal rating whose rating was reduced by the Company	266,233	-	-	-	266,233

*) The sources for the rating level in Israel are Maalot, Midroog and an internal rating. The rating of Midroog was converted into the rating signs according to generally accepted conversion coefficients. Each rating includes all the ranges, for example: A includes A- through A+.

**) The carrying amount approximates the maximum credit risk. Therefore, the total column represents the maximum credit risk.

Note 36 - Risk Management (Cont.)

d. Information regarding financial investments for yield dependent contracts: (cont.)

3. Credit risk for assets abroad:

	International rating *)				
	December 31, 2021				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Total debt assets abroad	595,670	2,628,509	3,536,605	4,090,805	10,851,589
Of which debt assets with internal rating	-	-	-	-	-

	International rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Total debt assets abroad	924,973	4,487,121	2,162,921	3,622,450	11,197,465
Of which debt assets with internal rating	-	-	-	-	-

*) The sources for the international rating level are S&P, Moody's and Fitch, which were approved by the Commissioner of Insurance. Each rating includes all the ranges, for example: A includes A- through A+.

**) The carrying amount approximates the maximum credit risk. Therefore, the total column represents the maximum credit risk.

d. Disclosure required according to IFRS 9

The table below presents the carrying amount of the financial assets that meet the solely payment of principal and interest criterion (excluding assets held for trading or managed on the basis of fair value), according to credit risk levels. The carrying amount is measured according to IAS 39 but before providing for impairment.

	Local rating *)				
	December 31, 2021				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Cash and cash equivalents - others	6,808,545	33,391	-	-	6,841,936
Financial investments for yield-dependent contracts	278,577	45,957	-	-	324,534
Other financial investments – quoted debt assets	11,816,885	216,806	-	37	12,033,728
Other financial investments – unquoted debt assets	24,945,497	340,494	-	305,148	25,591,139

Note 36 - Risk Management (Cont.)

e. Disclosure required according to IFRS 9 (cont.)

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Not rated	Total
	NIS in thousands				
Cash and cash equivalents - others	3,548,195	30,695	-	-	3,578,890
Financial investments for yield-dependent contracts	266,233	51,958	-	-	318,191
Other financial investments – quoted debt assets	10,828,674	252,412	-	2,895	11,083,981
Other financial investments – unquoted debt assets	23,738,202	370,016	13	378,472	24,486,703

	International rating *)				
	December 31, 2021				
	A and above	BBB	Lower than BBB	Not rated	Total
	NIS in thousands				
Cash and cash equivalents - others	4,828	-	-	-	4,828
Other financial investments – quoted debt assets	775,953	257,914	369,468	-	1,403,335
Other financial investments – unquoted debt assets	56,930	69,209	5,654	480,980	612,773

	International rating *)				
	December 31, 2020				
	A and above	BBB	Lower than BBB	Not rated	Total
	NIS in thousands				
Cash and cash equivalents - others	95,231	-	-	-	95,231
Other financial investments – quoted debt assets	880,490	1,132,821	320,830	28,794	2,362,935
Other financial investments – unquoted debt assets	109,206	66,067	36,622	425,929	637,824

*) Each rating includes all the ranges, for example: A includes A- through A+.

Note 36 - Risk Management (Cont.)

e. Disclosure required according to IFRS 9 (cont.)

The table hereunder presents a comparison between the fair value and the carrying amount of assets in category A above that do not have a low credit risk. The carrying amount is measured according to IAS 39 but before providing for impairment.

	December 31, 2021	
	Carrying amount	Fair value
	NIS in thousands	
Other financial investments – unquoted debt assets	27,259	16,566

	December 31, 2020	
	Carrying amount	Fair value
	NIS in thousands	
Other financial investments – unquoted debt assets	50,810	4,261

Note 37 - Balances and Transactions with Interested and Related Parties

a. General

1. The Company is controlled by Eliahu Issues Ltd., a wholly owned company of Eliahu 1959 Ltd. (hereinafter – "Eliahu 1959"), which holds 64% of the Company's shares. As the Company was informed by Eliahu 1959, Mr. Shlomo Eliahu is the ultimate controlling shareholder of the Company and Eliahu 1959. See details of the controlling shareholder's holdings in the Company in Note 1 above.

   See also details and data of transactions with the controlling shareholder, his relatives or companies controlled by him or of third party transactions in which the controlling shareholder has a personal interest ("controlling shareholder transactions") in c-e below.

2. Mr. Shlomo Eliahu directly and indirectly held about 27% of the issued and paid-up share capital of Union Bank Ltd. ("Union Bank") until September 2020. Therefore, from the date of acquisition of control until September 2020, the transactions of the Company and/or its subsidiaries with Union Bank and/or companies controlled by it were classified as transactions in which the Company's controlling shareholder has a personal interest (this is in addition to there being engagements in which a senior officer in the Company has a personal interest, starting from the date on which Mr. Shlomo Eliahu began serving as a director in the Company and later on as the Chairman of the Board).

   According to the directives of the Competition Commissioner (then called the Antitrust Commissioner) in the approval granted by him in connection with the acquisition of control, effective from the date of consummation of the transaction for the acquisition of control in the Company, the Company will not enter into any agreements (directly and indirectly) with trading companies in which the Company's controlling shareholder holds at least 5% of the share capital, directly or indirectly[1], for conducting transactions in members' assets for which the consideration is paid from the members' assets but rather only through a competitive tender in which every trading company has a fair chance of participating under the terms set forth by the Competition Commissioner.

3. Details and data of engagements with affiliates are presented in c, d and f below.

   This Note does not include a description of controlling shareholder transactions and/or transactions with other related parties which occurred before they became related parties. Financial data regarding these transactions in the reporting period are included in the data in c and d below. Balances and transactions between the Company and interested and related parties which occurred when those parties were related and/or interested parties and in the reporting period ceased being related and/or interested parties are disclosed in this Note in comparative figures presenting previous periods.

b. The Company's policy on immaterial transactions

1. In its ordinary course of business, the Group performs or is likely to conduct transactions with interested parties and/or controlling shareholder transactions, including, but not limited to, the following types of transactions: purchase of assets, rental of real estate properties, purchase of products and services through the controlling shareholder, joint ventures, including joint investments and receipt of financial or economic services. Please note that the above transactions do not constitute a closed list.

2. As detailed in 4 below, the Company's Board has adopted certain guidelines and rules for classifying the transactions of any of the Group companies pursuant to Regulation 41(a3)(1) to the Securities Regulations (Annual Financial Statements), 2010 ("the immaterial transactions procedure"). These guidelines and rules serve in examining the scope of disclosure and reporting required from public companies in connection with transactions with interested parties and/or controlling shareholder transactions according to the Securities Regulations (Periodic and Immediate Reports), 1970 ("the Reporting Regulations"), including the reporting framework in interim financial statements (as stated in Regulation 22 to the Reporting Regulations).

1 Excluding a trading company whose entire shares were directly or indirectly held by the Company on the date of consummation of the transaction, namely Migdal Capital Markets.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

b. The Company's policy on immaterial transactions (cont.)

3. The financial data included in c and d below include immaterial transactions. The details of transactions with other related parties and/or controlling shareholder transactions do not include a description of transactions that are classified as immaterial according to the Board's immaterial transactions test.

4. On March 22, 2017, the Company's Board decided to update the guidelines and rules for classifying transactions with an interested party and/or controlling shareholder as immaterial. According to this decision, such a transaction will be viewed as immaterial if it meets all the following conditions:

1) It is not an irregular transaction (as defined in the Companies Law).

2) In the absence of any special qualitative considerations that arise from the relevant circumstances, a transaction will be viewed as immaterial if one of the following conditions is met:

a) Insurance transaction

1. The total amount of the premiums from the transaction, including separate transactions that are interdependent, does not exceed NIS 2 million (adjusted for the increase in the Consumer Price Index in relation to the known CPI for January 2017) and the premium ratio does not exceed 0.5%.

2. The liabilities ratio in the relevant area does not exceed 0.5% (for the purpose of calculating the liability ratio, the liability that is the subject of the event will be the insurance amount).

b) Life insurance and long-term savings, health insurance and finance transactions – the transactions are made at the same terms awarded to Group employees.

c) Other engagements.

1. The scope of the individual transaction does not exceed NIS 5 million (in an investment transaction the scope of the transaction with the controlling shareholder or interested party will be examined according to the commissions or management fees receivable/payable by the controlling shareholder/interested party, as relevant), adjusted to the rate of increase in the Consumer Price Index in relation to the known CPI for January 2017.

And

2. The result of measuring the transaction against the relevant benchmark(s) as discussed below does not exceed 0.5%.

The relevant benchmarks for classifying a certain transaction as an immaterial transaction are:

- In the sale of insurance or purchase of reinsurance - premium ratio.
- In the purchase of an asset - asset ratio.
- In the sale of an asset - profit ratio, asset ratio.
- In the purchase/sale of products or other services - expense ratio or service income ratio, as applicable.
- In assuming a financial liability (including taking out credit) - liability ratio.

In this context:

Premium ratio:	The premium underlying the event divided by the total annual premiums in the relevant operating segment (life insurance and long-term savings, health insurance, general insurance), calculated on the basis of the last four quarters for which reviewed or audited financial statements have been issued.
Assets' ratio:	The scope of the assets underlying the event (purchased or sold assets) divided by the total assets; the ratio is measured separately for the members' funds that are managed by the Group and for Nostro funds. In the event of a joint venture of the members' funds and Nostro funds, the relevant ratio of each type of assets will be measured separately according to the amount of the portion of the members' funds/Nostro funds, as applicable, in the transaction against the total amount of the assets - members' funds/Nostro funds are measured according to the latest known reviewed/audited financial statements.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

b. The Company's policy on immaterial transactions (cont.)

c) Other engagements (cont.)

Profit ratio:	The profits or losses attributable to the event divided by the average annual comprehensive income or loss (including changes in capital reserves) in the last three calendar years.
Liability ratio:	The liability underlying the event divided by the total liabilities according to the latest known reviewed/audited financial statements.
Equity ratio:	The increase or decrease in equity divided by the equity according to the latest known reviewed/audited financial statements.
Service income ratio:	The scope of income underlying the event divided by the total average annual income in the last three years that is not from premiums, calculated on the basis of the last four quarters for which reviewed or audited financial statements have been issued
Service expense ratio:	The scope of expenses underlying the event divided by the annual general and administrative expenses calculated on the basis of the last four quarters for which reviewed or audited financial statements have been issued.

5. Regarding multiannual transactions, the scope of the transaction is calculated on an annual basis for the purpose of testing immateriality, thus, for example in a multiannual insurance transaction, the scope of the transaction will be viewed as the annual insurance fees that are paid or collected. Separate transactions that are interdependent, so that they are actually a part of one engagement, will be examined as one transaction.

6. In cases in which, at the Company's discretion, all the quantitative benchmarks mentioned above do not apply to testing the immateriality of a transaction, the transaction will be viewed as immaterial based on another applicable benchmark determined by the Company provided that this benchmark is at a rate of at least 0.5% and the scope of the transaction does not exceed NIS 5 million, linked to the CPI as discussed above.

7. The examination of the qualitative considerations of a controlling shareholder or interested party transaction may lead to the classification of the transaction as material despite the above mentioned. For instance, and only for example, a controlling shareholder transaction will not generally be considered immaterial if it is regarded as a significant event by the Company's management and serves as the basis for making management decisions or if in the framework of a controlling shareholder or interested party transaction the controlling shareholder or interested party, as relevant, is expected to receive benefits which must be reported to the public.

8. A transaction that was classified by an investee of the Company as immaterial will also be considered as immaterial for the Company. Such a transaction which was classified by the investee as immaterial will be examined against the relevant benchmarks at the Company's level.

9. The Company's Board will review the need to update this procedure from time to time, considering the controlling shareholder and interested party transactions entered into by the Company and changes in the applicable legal provisions.

c. Balances with interested and related parties

Interested parties, related parties and key management personnel in the Company and/or in the subsidiaries in which they serve as officers, including the controlling shareholder and/or his relatives serving as officers, may purchase, from time to time, insurance contracts, investment contracts or other financial products that were issued by the Group and/or that are sold by the Group members, at market terms and in the ordinary course of business. Details on these transactions are not included in this note.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

c. Balances with interested and related parties (cont.)

Composition:

	December 31, 2021		
	Eliahu Group	Other related parties	Affiliates
	NIS in thousands		
Debtors and receivables	-	-	705
Debt assets	-	-	16,969
Creditors and payables	-	(2,595)	-

	December 31, 2020		
	Eliahu Group	Union Bank and other related parties *)	Affiliates
	NIS in thousands		
Debtors and receivables	-	-	1,648
Debt assets	-	-	17,530
Creditors and payables	-	(5,273)	-

*) The highest balance of debt assets of an interested party during the year amounted to NIS 45,928 thousand.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

d. Transactions with interested and related parties

	Year ended December 31, 2021		
	Eliahu Group	Other related parties	Affiliates
	NIS in thousands		
Premiums received	14	-	-
Claims paid	-	-	2,206
Revenue from leasing fees/usage fees	-	40	-
Revenue from management fees	-	-	370
Other	-	(387)	1,390

	Year ended December 31, 2020		
	Eliahu Group	Union Bank and other related parties	Affiliates
	NIS in thousands		
Premiums received	(120)	818	-
Claims paid	217	14	-
Distribution and operating agreements	-	619	-
Agent commission and other commissions	-	433	2,099
Revenue from leasing fees/usage fees	-	35	-
Revenue from management fees	-	-	250
Transaction costs	798	-	-
Other	-	(4,576)	793

	Year ended December 31, 2019		
	Eliahu Group	Union Bank and other related parties	Affiliates
	NIS in thousands		
Premiums received	678	853	-
Claims paid	428	15	9
Distribution and operating agreements	-	792	-
Agent commission and other commissions	-	508	1,686
Revenue from leasing fees/usage fees	-	40	-
Revenue from management fees	-	-	420
Transaction costs	847	-	-
Other	-	(77)	681

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions

Following is a description of controlling shareholder transactions classified as extraordinary and non-extraordinary transactions pursuant to Section 270(4) to the Companies Law:

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
1	Mr. Eliahu Eliahu	April 5, 2016 and February 4, 2019 - approval of the Company's general meeting	Terms of employment of the central region's director of the general insurance business – Mr. Eliahu Eliahu, the brother of Mr. Shlomo Eliahu, was employed by Migdal Insurance from January 1, 2013 until September 30, 2020 as central region's director of the general insurance business for a monthly salary of NIS 50 thousand and related benefits such as recreation, vacation and sick pay, vehicle maintenance, reimbursement of expenses, social benefits, occupational disability insurance and advanced study fund. The overall remuneration paid to Mr. Eliahu Eliahu in 2020 approximated NIS 798 thousand and in 2019 approximated NIS 847 thousand (cost to employer and before salary tax effect). The terms of employment of Mr. Eliahu Eliahu were approved for the first time in March 2013 and after then were reapproved by the general meeting every 3 years, on both April 5, 2016 and February 4, 2019. The last approval was in effect until September 30, 2020, the end of Mr. Eliahu's tenure. See more details of the terms of Mr. Eliahu Eliahu's tenure in the Company's immediate report of December 28, 2018 (reference no. 2018-01-127740), regarding the convening of the general meeting and its immediate report of February 4, 2019 (reference no. 2019-01-012390), regarding the results of the general meeting.
		December 30, 2016 - approval of the Company's general meeting	Bonuses for 2017 up to and including 2019 - approval of a normative annual bonus in the amount of NIS 200 thousand to Mr. Eliahu Eliahu for each calendar year from 2017 up to and including 2019. According to the remuneration policy, the annual bonus of Mr. Eliahu Eliahu was based on performance. The amount of the bonus in each calendar year was determined based on the normative bonus according to a performance scale of 70% to 140%. At a scale of 100%, the bonus was equal to the normative bonus; at a scale below 70%, Mr. Eliahu Eliahu was not entitled to any bonus; at a scale of 140% and above, Mr. Eliahu Eliahu was entitled to a maximum bonus of NIS 280 thousand a year. See more details of the annual and normative bonuses in immediate report of December 22, 2016 (complementary immediate report regarding the convening of the general meeting, reference no. 2016-01-142339) and the immediate report of January 1, 2017 (regarding the results of the general meeting; reference no. 2017-01-000333). In 2020 Mr. Eliahu Eliahu was paid an annual bonus in respect of 2019 in the amount of NIS 183 thousand. Mr. Eliahu Eliahu did not receive an annual bonus in respect of 2018 and 2020.

[2] Throughout this Note, refers to the last date of approval by the relevant entity for the purpose of the Companies Law and the identity of the approving entity. Transactions approved in the general shareholders' meeting were previously approved by the Company's Audit Committee and Board. Where an update and/or change is made to a previous transaction, the description of the entire transaction will be made at the earlier date of the two abovementioned dates.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions (cont.)

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
2	Eliahu 1959	February 3, 2016 – approval of the Company's general meeting	Agreement for the acquisition of run-off general insurance portfolio – Migdal Insurance entered into an agreement with Eliahu Insurance Ltd. ("Eliahu 1959") under which sole responsibility for the run-off of Eliahu Insurance's general insurance portfolio will be transferred to Migdal Insurance, including policies issued by Eliahu 1959 up to December 31, 2012 ("the insurance portfolio"). Concurrently with the transfer of the insurance portfolio, Eliahu 1959 transferred to Migdal Insurance a cash amount equal to the actuarial assessment of the liabilities included in the insurance portfolio (intended for funding the handling of the insurance portfolio), subject to the adjustments specified in the agreement (the actuarial assessment of the exposure to claims included in the insurance portfolio, as of June 30, 2015, according to Eliahu 1959's financial statements, amounted to NIS 393 million) and also the amount of indirect expenses (see hereunder regarding approval of an amendment to the amount of indirect expenses). In consideration for handling the insurance portfolio, Migdal Insurance will be entitled to 71% of the profits, if any, generated by the insurance portfolio, but not less than NIS 7 million (profit guaranteed by Eliahu 1959, which will be transferred as an advance payment on the transaction closing date). Together with the agreement, and as a condition thereof, a reinsurance agreement was signed between Migdal Insurance and Swiss Re ("Swiss"), pursuant to which Swiss is to grant insurance coverage for the insurance portfolio, covering all of Migdal Insurance's insurance liabilities ("the Swiss reinsurance"). Under the reinsurance agreement with Swiss, Swiss will be entitled to a premium of NIS 11 million (to be transferred as an advance payment immediately after the closing of the transaction, according to the mechanism provided for) as well as (in addition to said premium) 29% of the profits, if any, arising from the insurance portfolio. The agreement also establishes arrangements regarding Eliahu 1959's duty of indemnification and payment in the event that the amount of the actuarial assessment and the Swiss reinsurance do not suffice to cover the claims and expenses connected with the insurance portfolio, said indemnification to be included in the accounting between the parties. Furthermore, Eliahu 1959 gave a separate undertaking to indemnify Migdal Insurance in the event that the amounts deposited in the expense account do not suffice to cover the indirect expenses of the insurance portfolio, said indemnification to be deducted from the profits of Migdal Insurance, if any, from the insurance portfolio. In addition to the indemnification undertaking, on the transaction closing date Eliahu 1959 provided an autonomous bank guarantee of an Israeli bank in favor of Migdal Insurance, at 5% of the amount of the actuarial assessment ("the bank guarantee"), according to the Commissioner's request, as part of the conditions for approving the agreement.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions (cont.)

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
2	Eliahu 1959 (Cont.)	February 3, 2016 – approval of the Company's general meeting	According to those conditions, the bank guarantee has to be valid up to the year 2020 at the least, with its amount being adjusted annually, based on the assessed amount of the claims in the insurance portfolio, as reported in the financial statements of Migdal Insurance. Likewise, the agreement establishes various indemnification arrangements in circumstances where the Swiss reinsurance does not apply (e.g. due to exclusions set in the Swiss reinsurance terms), and in the event of various claims, demands and proceedings as specified between the parties, and the indemnification pursuant to these arrangements will not be included in the accounting. Accordingly, as at December 31, 2021, there is no such balance. On April 21, 2016, after having been approved by the Court, the transaction was closed and the insurance portfolio was transferred to the responsibility of Migdal Insurance. For further details see the report of December 29, 2015 regarding the convening of the general meeting to approve this transaction (reference no. 2015-01-081583); the report of February 3, 2016 regarding the results of the general meeting (reference no. 2016-01-022456); and the report of April 24, 2016 regarding the closing of the transaction (reference no. 2016-01-054871). As regards motions filed to certify class actions, see Note 38.1.c claim 9.
		August 4, 2016 – approval of the Company's general meeting	Approval of an amendment to the agreement for acquisition of a run-off general insurance portfolio due to an error in the original version of the agreement with respect to calculation of the amount of indirect expenses – most of the amendment relates to the method of calculating the indirect expenses Eliahu 1959 was required to transfer to Migdal Insurance upon the closing of the agreement, such that according to the aforesaid amendment the amount of the indirect expenses will be calculated as 3% of the adjusted actuarial assessment, before reinsurance (instead of 3% of the "original" actuarial assessment (i.e. the actuarial assessment as at the determining date, June 30, 2015), before reinsurance). According to the adjusted actuarial assessment, (as at the closing date, according to the data as at March 31, 2016), the amount of indirect expenses according to the aforesaid amendment amounted to NIS 9.8 million. For further details see the report of June 28, 2016 regarding the convening of the general meeting (reference no. 2016-01-068974) and the report of August 4, 2016 regarding the results of the general meeting (reference no. 2016-01-097930). Further to the aforesaid regarding the commitment of Eliahu 1959 to indemnify Migdal Insurance if the amounts deposited in the expense account do not cover the indirect expenses relating to the insurance portfolio, in January 2022 Migdal Insurance received an amount of NIS 0.5 million that supplemented the amount of the indirect expenses as aforesaid.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions (cont.)

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
		June 16, 2019 – approval of the Commissioner	On June 16, 2019, following a request made by Mr. Shlomo Eliahu, the Commissioner approved cancelling the bank guarantee, in exchange for Mr. Shlomo Eliahu providing a personal guarantee according to the amounts and terms of the bank guarantee, as described above. The Commissioner also approved that the personal guarantee that had been provided by Mr. Shlomo Eliahu pursuant to his commitments under the agreement, which is unlimited in amount or time, may be considered a guarantee for the purpose of meeting the condition for cancelling the bank guarantee as aforesaid. Accordingly, the bank guarantee of Eliahu 1959 was cancelled.
3	Israel Eliahu	February 11, 2020 – approval of the Company's general meeting; October 24, 2019 – approval of the Company's general meeting; March 22, 2017 – approval of the Company's Board	Terms of service - Mr. Israel Eliahu, the son of Mr. Shlomo Eliahu, serves as Chairman of the Nostro Investment Committee of Migdal Insurance and as Chairman of the Board of Migdal Capital Markets (1965) Ltd. ("Capital Markets") and until May 28, 2018 served also as a director in the Company and in Migdal Insurance. In respect of his service in Migdal Insurance, Mr. Israel Eliahu is entitled to annual remuneration of NIS 130 thousand and a fee of NIS 5 thousand for participating in each Board and/or committee meeting, which is identical to the fee paid to other directors, including external directors (not including the Chairman of the Board). VAT as required by law is added to the above amounts and the amounts are updated once a year based on the increase in the CPI. When Mr. Israel Eliahu served as a director in the Company and Migdal Insurance, these terms were approved in accordance with Regulation 1b(3) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 ("the Reliefs Regulations"). On February 11, 2020, upon the expiry of this approval, the Company's general meeting approved renewing payment of the remuneration to Mr. Israel Eliahu in respect of his service as Chairman of the Nostro Investment Committee of Migdal Insurance for an additional 3 years from 2020 to 2022 (inclusive). The overall remuneration paid to Mr. Israel Eliahu for his service in Migdal Insurance amounted to about NIS 202 thousand (including VAT) in 2021, to about NIS 244 thousand (including VAT) in 2020, and to about NIS 245 thousand (including VAT) in 2019. For more details see the Company's immediate report of March 22, 2017 (reference no. 2017-01-027750); and the immediate report of December 31, 2019 (reference no. 2019-01-116178) and an amending report from the same date (reference no. 2019-01-116367), the immediate report of February 4, 2020 (reference no. 2020-01-013125) and the immediate report of February 11, 2020 (reference no. 2020-01-015150) regarding the convening of the general meeting and its approval. Furthermore, as from September 1, 2019 Mr. Israel Eliahu began receiving remuneration also for his service as the Chairman of the Board of Migdal Capital Markets, in a 60% position, in the amount of NIS 54 thousand per month plus related social benefits such as vacation, recreation, sick leave and pension contributions. For further details see the Company's immediate report of September 19, 2019 (reference no. 2019-01-097279) and of October 24, 2019 (reference no. 2019-01-090429) regarding the convening of the general meeting and its approval.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions (cont.)

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
4	The controlling shareholder and his relatives serving as officers in the Company	February 14, 2022 and March 23, 2022 – approval of the Company's Board to the insurance of officers December 30, 2016, and February 11, 2020 – approval of the general meeting to granting letters of indemnification and release letters	Officers' insurance – For details of the Company's and its subsidiaries' officers' insurance policy, including in respect of officers who are the controlling shareholder or his relatives, see h.4.l) below. This insurance coverage for the controlling shareholder and/or his relatives was approved in accordance with Regulation 1b to the Reliefs Regulations. See the Company's immediate reports of February 15, 2022 (reference no. 2022-01-018403) and of February 14, 2021 (reference no. 2021-01-017947). Indemnification of officers who are the controlling shareholder or his relatives – On December 30, 2016, and on February 11, 2020, the Company's general meeting approved granting letters of indemnification also to officers who are the controlling shareholder and his relatives. Grant of release letters – On December 30, 2016 the Company's general meeting approved granting release letters to officers and directors, including directors who are the controlling shareholder or his relative, who did not have release letters on that date, and on February 11, 2020, with respect to the controlling shareholder and his relatives, the general meeting approved renewing its aforesaid decision for an additional three years from 2020 until 2022 (inclusive), this in accordance with that prescribed in Section 275 of the Companies Law – 1999. For further details see the Company's following immediate reports: report of December 22, 2016 regarding the convening of a general meeting (completion report) whose agenda includes, inter alia, approval to granting the letters of indemnification and release (reference no. 2016-01-142339); the report of January 1, 2017 regarding the results of the meeting (reference no. 2017-01-000333); the report of December 31, 2019 (reference no. 2019-01-116178) and an amending report from the same date (reference no. 2019-01-116367); the report of February 4, 2020 (reference no. 2020-01-013125) and of February 11, 2020 (reference no. 2020-01-015150) regarding the results of the meeting. For details of letters of indemnification and release granted to officers who are the controlling shareholder or any entity in which the controlling shareholder has a personal interest see Note 38.2.d below.

f. Affiliates

1. Regarding investments in affiliates see Note 7 above on investment in investees.

2. Migdal Insurance pays commissions on the marketing of insurance products and pension products to affiliates in immaterial amounts.

3. In 2015 Migdal Insurance provided loans to foreign affiliates in an amount of about NIS 20,162 thousand to be repaid by the end of 2025. The balance of the loans as of December 31, 2021 is NIS 16,969 thousand and as of December 31, 2020 is NIS 17,530 thousand. Finance income was recorded in respect of these loans in 2021, 2020 and 2019 in the amount of approximately NIS 1,390 thousand, NIS 847 thousand and NIS 753 thousand, respectively. These loans are presented as unquoted debt assets under other financial assets.

4. The Company owns various real estate properties. Some of these properties are used by the Company and some are leased to the Group companies, including companies that are not wholly owned by the Company, for immaterial fees.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

g. Remuneration and benefits to key management personnel (including directors)

Some of the key management personnel of the Company are entitled to a salary, a bonus and non-cash benefits (such as a vehicle, medical insurance, etc.). Some of the key management personnel also participated in the Company's share option plan

h. Data of the remuneration and benefits to key management personnel

1. Benefits to key management personnel

	Year ended December 31,					
	2021		2020		2019	
	Number of persons	Amount	Number of persons	Amount	Number of persons	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
Short-term benefits	11	22,245	11	24,528	11	18,826
Post-employment benefits	10	812	11	2,623	11	2,655
Other long-term benefits	-	-	-	-	9	5
		23,057		27,151		21,486

2. Benefits to directors not employed by the Company

	Year ended December 31,					
	2021		2020		2019	
	Number of persons	Amount	Number of persons	Amount	Number of persons	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
Management fees to directors who are not employed by or on behalf of the Company	15	4,638	10	3,605	10	2,521
		4,638		3,605		2,521

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

3. The remuneration policy for the Company's officers

a) Remuneration policy – general

The Company's remuneration policy is brought to the approval of the Company's general meeting and is updated from time to time.

The remuneration policy applies to all the Company's officers. Generally, the policy is updated, inter alia, in keeping with the changes and adjustments made from time to time in the remuneration policy of the Group's institutional entities ("the institutional remuneration policy").

The institutional remuneration policy is updated, inter alia, in accordance with the directives of the Commissioner, as issued from time to time and as in effect at the time of approving the policy ("the Commissioner's circular") and in accordance with the Law for the Remuneration of Officers in Financial Corporations (Special Approval and Limitation of Expenses due to Irregular Remuneration), 2016 (“the remuneration law”). According to the instructions in the Commissioner's circular, the governing bodies in the institutional entities must examine the policy on an annual basis and reapprove it once every three years.

The institutional remuneration policy sets forth specific provisions regarding the salary components of "key officers" identified as such in the Commissioner's circular, including, among others, all the officers in institutional entities pursuant to the Companies Law, officers defined as such in the Commissioner's circular, relatives of the controlling shareholder, investment entities and other officers identified by the institutional entities as key officers.

b) The main issues prescribed in the institutional remuneration policy and in the remuneration policy of the Company for 2017 to 2019 (inclusive) are as follows:

- A ceiling was set for the maximum forecasted annual cost of the Chairman of the Board, CEO and officers.
- Provisions regarding the fixed component – limitations on monthly salary, related benefits, linkage, guaranteed annual bonus, etc.
- Provisions regarding the variable component/annual bonus – the measurement period, spread of the variable component, components of the variable component (the Company's targets, personal targets and component of overall discretion and evaluation) and its method of calculation, threshold conditions for paying the annual bonus and its deferred components, possibility to grant a variable component also when not all the threshold conditions are met and the ratio between the fixed salary components and the variable salary components.
- Arrangements for returning the variable component under circumstances specified in the policy.
- Provisions regarding the termination of employment.

For additional details regarding the remuneration policy of the Company for the years from 2017 to 2019, including updates and adjustments that were made to it during that period, see the immediate reports from December 22, 2016 (reference no. 2016-01-142339) and from November 7, 2017 (reference no. 2017-01-097540).

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

3. The remuneration policy for the Company's officers (cont.)

c) The remuneration policy of the institutional entities and the Company for 2020 to 2022 (inclusive)

On December 30, 2019, and January 30, 2020, the boards of directors of the Group's institutional entities approved a new remuneration policy for 2020 to 2022, after it was approved by the remuneration committee of the institutional entities. In the approval of the policy for those years the institutional entities implemented the updates that were issued by the Commissioner on July 11, 2019, in Institutional Entities Circular 2019-9-6, which updated and replaced the Commissioner's circular (hereinafter: "the updated remuneration circular"). The updated remuneration circular was issued in order to match the regulation of the institutional entities to the relevant regulatory framework that was established in this area since issuance of the Commissioner's circular, including the provisions of the Companies Law, directives of the Supervisor of Banks and legislation regarding remunerations of executives, and in view of the experience that was accumulated in the Capital Market, Insurance and Savings Authority regarding implementation of the Commissioner's circular and applications of institutional entities. Furthermore, adjustments were made in the annual bonus component so that it may be adjusted every year according to the work plan and adjustments were also made in the threshold condition for an annual bonus as a result of the transition to a Solvency II regime, in accordance with the provisions of the circular "Economic Solvency Regime Based on Solvency II of Insurance Companies", and focusing on objectives relating to the solvency ratio pursuant to the requirements of the law and the return on equity target. In accordance with the aforesaid, the Company's remuneration policy for 2020 to 2022 was also updated and approved by the Company's general meeting on February 11, 2020.

On November 8, 2021 it was decided to update the Company's remuneration policy for 2020 to 2022, in order to match the Company's remuneration policy to the remuneration policy of Migdal Insurance, as amended before then, and to adjust it according to the material changes that occurred in the market of officers' insurance. The amendments included updating the qualification periods and deadlines for providing an advance notice to the Company's officers. In addition, an adjustment was made to instructions concerning a qualification period relating to the payment to the CEO and Chairman of the Board for a non-competition commitment. Furthermore, and due to the material changes that occurred in the market of officers' insurance as aforesaid, the annual premium ceiling in the remuneration policy was cancelled, so that the annual premium and amount of the deductible will be determined according to market terms and provided that the cost of the policy is immaterial for the Company. For further details see the Company's immediate report of December 31, 2019 (reference no. 2019-01-116178); and an amending report from the same date (reference no. 2019-01-116367); an immediate report of February 4, 2020 (reference no. 2020-01-013125), an immediate report of February 11, 2020 (reference no. 2020-01-015150); and an immediate report of November 8, 2021 (reference no. 2021-01-164274) regarding the general meeting's approval.

4. Interested parties - Chairman of the Board / CEO

a. Mr. Shlomo Eliahu, the Company's Chairman of the Board (outgoing)

Mr. Shlomo Eliahu serves as a director in the Company from October 29, 2012, and he served as the Company's Chairman of the Company's Board from October 1, 2013, through February 18, 2015. In addition, Mr. Shlomo Eliahu served as a director in Migdal Insurance from October 29, 2012 to October 15, 2020. On February 24, 2014, Mr. Shlomo Eliahu reported to the Board of Directors of the Company and to the Board of Migdal Insurance that he waives any salary in connection with his service as Chairman of the Board and as a director of Migdal Insurance and will not demand remuneration for these positions. On this matter see the Company’s immediate report of February 24, 2014 (reference no. 2014-01-046135).

On June 18, 2018, Mr. Shlomo Eliahu was again appointed as the Company's Chairman of the Board. For this service too, Mr. Eliahu waived receiving any salary and he was not entitled to any monetary or equivalent compensation for his service as aforesaid. On this matter see the Company’s immediate report of May 28, 2018, (reference no. 2018-01-043782).

On October 15, 2020 Mr. Shlomo Eliahu's service as a director in Migdal Insurance ended. On this matter see the Company's immediate reports of October 15, 2020 (reference nos. 2020-01-103474 and 2020-01-103477).

On December 17, 2020, the Company’s general meeting approved the reappointment of Mr. Shlomo Eliahu as director in the Company. On this matter see the Company's immediate report dated December 17, 2020 (reference no. 2020-01-129427).

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

a) Mr. Shlomo Eliahu, the Company's Chairman of the Board (outgoing) (cont.)

On January 18, 2022 Mr. Shlomo Eliahu gave notice of his intention to conclude his service as the Company's Chairman of the Board and requested that the Company's Board of Directors approve convening a special general meeting that on its agenda will be appointing retired supreme court justice, Mr. Hanan Meltzer, as director and Chairman of the Board, while Mr. Shlomo Eliahu will continue to serve as a director in the Company. See The Company's immediate report dated January 18, 2022 (reference no. 2022-01-008182).

On March 16, 2022 the general meeting approved the appointment of Mr. Meltzer as Chairman of the Board, in effect as from March 14, 2022, and accordingly the resignation of Mr. Shlomo Eliahu from his position as Chairman of the Board will come into effect the when former justice Mr. Meltzer begins serving in this position. See the Company's immediate report date March 16, 2022 (reference no. 2022-01-030823).

b) Mr. Nir Gilad, the Company's CEO and chairman of the board of Migdal Insurance (former)

Mr. Nir Gilad served as the chairman of the board of Migdal Insurance as from March 1, 2019, in a 90% position. On July 2, 2019, Mr. Gilad also began serving as the Company's acting CEO (upon conclusion of the service of the Company's CEO Mr. Doron Sapir) and on October 10, 2019, was appointed as the Company's CEO, along with serving in other capacities in the Migdal group, pursuant to those positions.

The work relations between Mr. Gilad and Migdal Insurance and the Company ended on February 1, 2021. Mr. Gilad’s six-month advance notice period began on January 1. 20201.

In 2019, Mr. Gilad was entitled to a monthly salary in the amount of NIS 190 thousand, and as of 2020 Mr. Gilad was entitled to a monthly salary of NIS 207 thousand (in accordance with the salary adjustment mechanism set forth in his employment agreement). Mr. Gilad was entitled to social and accompanying benefits, such as: advanced education fund, paid vacation, recreation days and a cellphone. Due to the coronavirus crisis, in 2020 Mr. Gilad’s salary was reduced by 10% for a period of six months. In 2020 the Company bore the tax cost deriving from the “disallowed expense” according to the remuneration law in the amount of NIS 180 thousand and in 2019 in the amount of NIS 78 thousand. The employment agreement of Mr. Gilad is for a finite period of five years from March 1, 2019 to February 29, 2024 ("the finite period"), and provides that at the end of the finite period it will be automatically renewed for an indefinite period according to the same terms. Each party was entitled to terminate it at any time and for any reason at an advance notice of six months. According to the employment agreement any compensation in respect of termination of the agreement before the end of the finite period will be subject to the provisions of the legislative arrangement, including the remuneration law and the updated remuneration circular and will be paid insofar as permitted according to those provisions.

The Company agreed to hold a mediation proceeding with respect to Mr. Gilad's allegations of damages that were caused to him following termination of his work with the companies ("the mediation proceeding"). For further details, see the immediate report of the Company dated December 27, 2020 (reference no: 2020-01-140202).

Following the mediation proceeding, the proposal of the mediator, the honorable judge (retired) Hila Gerstel, was approved by which an amount of NIS 3.2 million plus legal expenses in respect of the mediation proceeding and the actions taken before it, would be paid as settlement of the allegations. The aforesaid was approved by the Company and Migdal Insurance, after the mediator's proposal was presented to the Capital Market, Insurance and Savings Authority, which announced that it sees no reason to intervene in the matter.

For further details regarding the service of Mr. Gilad and his employment terms as aforesaid, see the following immediate reports that were issued by the Company: an immediate report from December 31, 2019 regarding the convening of a general meeting having on its agenda, inter alia, approval of the employment terms of Mr. Nir Gilad (reference no. 2019-01-116178) and an amending report from the same date (reference no. 2019-01-116367); an immediate report from February 4, 2020 (reference no. 2020-01-013125) and from February 11, 2020 (reference no. 2020-01-015150) regarding the results of the general meeting; an immediate report from February 27, 2020 (reference no. 2020-01-140202) on the agreement to terminate employment; an immediate report from January 3, 2021 (reference no. 2021-01-000504) on the termination of service as the chairman of the board of directors of Migdal Insurance; and an immediate report from February 1, 2021 (reference no. 2021-01-012478) on the termination of service as the Company’s CEO.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

c) Mr. Ran Oz, CEO of Migdal Insurance (former)

On September 1, 2019 Mr. Ran Oz was appointed as the CEO of Migdal Insurance and on February 2, 2019 as the chairman of the board of Migdal Makefet, along with other capacities in which he served in the Migdal group, pursuant to those positions. On November 21, 2021 Mr. Oz's term of service with Migdal Insurance and other companies of the Migdal Group ended, following a notice he had provided in respect thereto. See the Company's immediate report of July 11, 2021 (reference no. 2021-01-115140) and the immediate report of October 30, 2021 (reference no. 2021-01-161715).

As of his appointment Mr. Oz was entitled to a monthly salary in the amount of NIS 221 thousand that was adjusted at the beginning of each calendar year of the employment term in accordance with the provisions of the remuneration law, such that the forecasted annual expense for the Company in respect of the overall remuneration to Mr. Oz according to the overall cost of all the remuneration components for the year, in accordance with generally accepted accounting principles, will amount to the maximum remuneration according to the remuneration law or an amount of NIS 2.5 million, whichever is higher ("the remuneration restriction"), and in any event no more than NIS 3.5 million. The monthly salary of Mr. Oz after adjustment was NIS 239 thousand in 2021 and NIS 231 thousand in 2020. Mr. Oz was entitled to social and accompanying benefits such as: advanced education fund, paid vacation, recreation days and a cellphone. Due to the coronavirus crisis, in 2020 Mr. Oz’s salary was reduced by 10% for a period of six months. In 2021 the Company bore the tax cost deriving from the “disallowed expense” according to the remuneration law in the amount of NIS 456 thousand and in 2020 in the amount of NIS 274 thousand. The employment agreement of Mr. Oz was for an indefinite period. Each party could terminate it at any time and for any reason at an advance notice period of nine months, which began on July 11, 2021. Subject to the restrictions deriving from the provisions of the legislative arrangement, Mr. Oz is entitled upon the conclusion of his service to an adaptation bonus in the amount of nine monthly salaries, subject to a non-competition commitment.

d) Mr. Doron Sapir, CEO of the Company and CEO of Migdal Insurance (former)

Mr. Doron Sapir began serving as the CEO of Migdal Insurance on June 1, 2018, and as the CEO of the Company on June 26, 2018, along with serving in other capacities in the Migdal group. The employment relationship between him and Migdal Insurance ended on January 1, 2020, at the end of an advance notice period.

In 2020, the accounts were settled with Mr. Sapir and an amount of NIS 624 thousand, was paid as compensation for ending the agreement.

For further details regarding the employment terms of Mr. Sapir, see the immediate report that was issued by the Company on February 26, 2019 (reference no. 2019-01-016900) and the immediate report of September 11, 2019, regarding approval of the terms of employment by the general meeting (reference no. 2019-01-032443).

e) Mr. Oded Sarig, Chairman of the Board of Migdal Insurance (former)

Mr. Oded Sarig served as the Chairman of the Board of Migdal Insurance and in other positions in the Group between April 1, 2018, and March 1, 2019. The employment relationship between him and Migdal Insurance ended on September 1, 2019, at the end of an advance notice period. For further details see the Company's immediate reports from March 28, 2018, December 24, 2018 and February 12, 2019 (reference nos.: 2018-01-031513, 2018-01-125889 and 2019-01-012301, respectively).

f) Mr. Yiftah Ron-Tal, Chairman of the Board of Migdal Insurance

Mr. Yiftah Ron-Tal serves as the Chairman of the Board of Migdal Insurance as from August 1, 2021 in a full time 100% position. For further detail see the Company's immediate reports from May 14, 2021, June 7, 2021, June 17, 2021, June 20, 2021, June 24, 2021 and July 4, 2021 (reference nos. 2021-01-103314, 2021-01-085476, 2021-01-096,843, 2021-01-106185 and 2021-01-111021, respectively).

On August 8, 2021 Mr. Ron-Tal was appointed as the Company's CEO. On December 31, 201 Mr. Ron-Tal concluded his service as the Company's CEO pursuant to a notice provided by him, on the backdrop of the decision of the Company's general meeting from November 8, 2021 to not approve the relative share of the Company (at the rate of 10%) in the overall employment cost of Mr. Ron-Tal and a release and indemnification for his actions in this capacity; since in his opinion it is inappropriate for him to continue bearing the responsibility involved with his position as the Company's CEO without the said indemnification and release. See the Company's immediate report from December 2, 2021 (reference no. 2021-01-175896).

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

f) Mr. Yiftah Ron-Tal, Chairman of the Board of Migdal Insurance (cont.)

Mr. Ron-Tal is entitled to a monthly salary in the amount of NIS 231 thousand that will be adjusted at the beginning of each calendar year of the employment term in accordance with the provisions of the remuneration law, such that the forecasted annual expense for Migdal Insurance in respect of the overall remuneration to Mr. Ron-Tal according to the overall cost of all the remuneration components for the year, in accordance with generally accepted accounting principles, will amount to the maximum remuneration according to the remuneration law or an amount of NIS 2.5 million, whichever is higher ("the remuneration restriction"), and in any event no more than NIS 3.5 million, with the exclusion of pension contributions and contributions for severance pay as required by law. Mr. Ron-Tal is entitled to social and accompanying benefits such as: advanced education fund, paid vacation, recreation days, a company car and a cellphone. In 2021 the Company bore the tax cost deriving from the “disallowed expense” according to the remuneration law in the amount of NIS 171 thousand. The employment agreement of Mr. Ron-Tal is for an indefinite period. Each party may terminate it at any time and for any reason at an advance notice of nine months, subject to instructions regarding the remuneration policy of Migdal Insurance, by which in the first half year the advance notice period will be three months and in the second half will be four and a half months. Upon the conclusion of his service Mr. Ron-Tal committed to not compete with the Group's business and operations for nine months from the actual date of ending the employee-employer relationship and Migdal Insurance will pay him an amount equal to the overall salary cost for the said non-competition period, subject to the provisions of the remuneration policy, and particularly that of the arrangement coming into effect only after Mr. Ron-Tal has completed eighteen months of employment with Migdal Insurance.

g) Mr. Sagi Yogev, CEO of Migdal Insurance

On October 7, 2021 Mr. Sagi Yogev was appointed as the CEO of Migdal Insurance and began serving in this position on November 21, 2011, and on December 23, 2021 he was appointed as the chairman of the board of Migdal Makefet, along with serving in other capacities in the Migdal group, pursuant to those positions. See the Company's immediate report from October 7, 2021 (reference no. 2021-01-153555) and its immediate report from October 31, 2021 (reference no. 2021-01-161712).

Mr. Yogev is entitled to a monthly salary in the amount of NIS 239 thousand that will be adjusted at the beginning of each calendar year of the employment term in accordance with the provisions of the remuneration law, such that the forecasted annual expense for the Company in respect of the overall remuneration to Mr. Yogev according to the overall cost of all the remuneration components for the year, in accordance with generally accepted accounting principles, will amount to the maximum remuneration according to the remuneration law or an amount of NIS 2.5 million, whichever is higher ("the remuneration restriction"), and in any event no more than NIS 3.5 million, with the exclusion of pension contributions and contributions for severance pay as required by law. Mr. Yogev is entitled to social and accompanying benefits such as: advanced education fund, paid vacation, recreation days, a company car and a cellphone. In 2021 the Company bore the tax cost deriving from the “disallowed expense” according to the remuneration law in the amount of NIS 44 thousand. The employment agreement of Mr. Yogev is for an indefinite period. Each party may terminate it at any time and for any reason at an advance notice of nine months, subject to instructions regarding the remuneration policy of Migdal Insurance, by which in the first half year the advance notice period will be three months and in the second half will be four and a half months. Upon the conclusion of his service Mr. Yogev committed to not compete with the Group's business and operations for six months from the actual date of ending the employee-employer relationship and Migdal Insurance will pay him an amount equal to the overall salary cost for the said non-competition period, subject to the provisions of the remuneration policy, and particularly that of the arrangement coming into effect only after Mr. Yogev has completed ten months of employment with Migdal Insurance. Insofar as the non-competition arrangement does not come into effect, neither will the non-competition commitment.

h) Mr. Moti Rosen, CEO of the Company and chairman of the board of Migdal Insurance (former)

Mr. Moti Rosen began serving as the chairman of the board of Migdal Insurance on January 3, 2021 and as the Company's CEO on February 1, 2021. Mr. Rosen completed his service with Migdal Insurance on April 22, 2021 and with the Company on August 8, 2021.

The compensation terms of Mr. Rosen, in respect of his service as the chairman of the board of Migdal Insurance and the CEO of the Company, were in accordance with the management services agreement between Migdal Insurance, the Company and Mr. Rosen ("the service agreement"), with the compensation of Mr. Rosen according to the service agreement being the overall compensation for all his responsibilities in the Migdal group. For further details, see the Company's immediate report dated February 23, 2021 (reference no. 2021-01-021249).

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

h) Mr. Moti Rosen, CEO of the Company and chairman of the board of Migdal Insurance (former) (cont.)

Until the beginning of Mr. Rosen's service as the Company's CEO (on February 1, 2021) Migdal Insurance bore the full cost of Mr. Rosen's compensation according to the service agreement. As from the beginning of Mr. Rosen's service as CEO of the Company, Migdal Insurance bears the cost of Mr. Rosen's compensation pursuant to the service agreement, according to the allocation model between it and the Company by which Migdal Insurance bears 90% of the cost.

According to the service agreement, Mr. Rosen was entitled to management fees as described hereunder. It is clarified that the management fees are an estimate that was adjusted every calendar year, after the end of the year and with respect to the previous year in accordance with the limitations described hereunder in this paragraph, so that the final amount of the management fees in that year will result in the annual expense of Mr. Rosen's compensation, according to the overall cost of all the compensation components for the year, in accordance with generally accepted accounting principles, will amount to the maximum remuneration according to the remuneration law (calculated separately in respect of each month of employment) or an amount of NIS 2.5 million, whichever is higher ("the remuneration restriction"), and in any event no more than NIS 3.5 million, plus an amount equal to the pension contributions and contributions for severance pay as required by law ("the remuneration ceiling").

As of his appointment Mr. Rosen was entitled to monthly management fees in the amount of NIS 283 thousand. The amount of the monthly management fees of Mr. Rosen in 2021, after adjustment, was NIS 292 thousand. According to the provisions of the agreement, in any case where an amount was expected to be paid in the future that will cause a deviation from the remuneration restriction ("the excess amount"), the excess amount will not be paid and Migdal Insurance is exempt from paying it. The management fees to Mr. Rosen include entitlement to payment instead of social benefits, paid vacation, recreation, sick leave and accompanying benefits. Mr. Rosen was entitled to convert benefits and payments into additional management fees, providing that the conversion does not increase his annual compensation cost above the remuneration ceiling.

The service agreement of Mr. Rosen was for an indefinite period of time. Each party to the agreement was allowed to terminate the agreement at any time and for any reason by providing an advance notice of nine months ("the advance notice period"). The nine-month advance notice period was contingent upon revising the terms of the remuneration policy of the Company and the terms of the remuneration policy of Migdal Insurance that at that time provided for a maximum advance notice period of six months. Mr. Rosen undertook that for a period of nine months from the last date of the service agreement he will refrain from serving as an officer or in any other position in an entity in the insurance sector, and in that period will not provide services, directly or indirectly, to such an entity, either for or without compensation, unless approved in advance and in writing by Migdal Insurance and the Company, in exchange for the payment of management fees throughout that period ("the non-competition arrangement"). It is noted that the non-competition arrangement was contingent upon revising the remuneration policy of the Company and the remuneration policy of Migdal Insurance.

In addition to the service agreement, the compensation committee and board of directors of the Company approved compensation in the amount of NIS 1 million for Mr. Rosen, in respect of the period prior to his employment by the group and in relation to the circumstances of his appointment as a director in the Company (and a candidate for the position of chairman of the board of Migdal Insurance) according to a decision of the Company from April 23, 2020 that its coming into effect was delayed for more than eight months, under circumstances reasons unrelated to Mr. Rosen, and in that period Mr. Rosen suffered from loss of other opportunities. For further details, see the immediate report of the Company from February 23, 2021 (refence no. 2021-01-021249).

On March 11, 2021 the board of directors of Migdal Insurance, further to discussions that were held in the board of directors of Migdal Insurance, decided that in view of disagreements and irreconcilable differences between Mr. Rosen and the then CEO of Migdal Insurance, Mr. Ran Oz, regarding the manner of conduct in Migdal Insurance, it would act to terminate the service of Mr. Rosen as chairman of the board of Migdal Insurance. Talks regarding the resignment terms were unsuccessful. On March 14, 2021, the board of directors of Migdal Insurance decided to suspend the service of Mr. Rosen as chairman of the board of Migdal Insurance with immediate effect. For further details see the Company's immediate reports from March 11, 2021 (reference no. 2021-01-031983) and March 14, 2021 (reference no. 2021-01-033825).

Mr. Rosen concluded his service as chairman of the board of Migal Insurance on April 22, 2021. For further details, see the Company's immediate report from April 25, 2021 (reference no. 2021-01-069444).

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

h) Mr. Moti Rosen, CEO of the Company and chairman of the board of Migdal Insurance (former) (cont.)

Furthermore, the authorized bodies of the Company and Migdal Insurance, including the general meeting, approved entering into a settlement which its parties will be Migdal Insurance and the Company on the one hand and Mr. Rosen on the other hand, all without admitting to any of the allegations made by Mr. Rosen and only for purposes of a settlement, the main points of which are as follows:

1. Mr. Rosen will resign immediately from all his positions with Migdal Insurance and the subsidiaries. Mr. Rosen's resignation from his position as CEO of the Company came into effect on August 8, 2021, with the appointment of Mr. Yiftah Ron-Tal as the Company's CEO. See the immediate report from August 8, 2021 (reference no. 2021-01-128739).
2. Mr. Rosen is entitled to an advance notice period as follows: Migdal Insurance will pay 90% of a nine-month advance notice period; and the Company will pay a relative part of 10% of a six-moth period. The payment for the advance notice period will be paid in consecutive monthly installments following the date of the resignation (with the advance notice periods being different for the Company and Migdal Insurance as aforesaid).
3. In addition to the aforesaid payments, Mr. Rosen alleges that he is due other payments to which the Company and Migdal Insurance disagree even given the settlement, and which involve payment for a non-competition period of 9 months and compensation for damages Mr. Rosen claims that were caused to him and his reputation following the actions of Migdal Insurance and its organs, allegations that are denied by the Company and Migdal Insurance, which believe that they acted properly and for the good of the companies ("the disputed payments"). The parties agreed to hold a mediation proceeding, which insofar as it fails, an arbitration will be held with respect to the disputed payments, and providing that the amounts awarded in the framework of the mediation or arbitration do not exceed nine months of management fees (about NIS 2.5 million), excluding taxes and expenses, with the companies bearing the expenses of the mediation and/or arbitration proceeding, as the case may be, pursuant to the provisions of the settlement, and besides that the parties mutually waived any allegation or claim.

On the matter of the settlement, see the Company's immediate reports from April 5, 2021 (reference nos. 2021-01-056754 and 2021-01-061929) and from April 12, 2021 (reference no. 2021-01-061929).

On April 21, 2021 the Company's general meeting approved, inter alia, the compensation and severance terms of Mr. Rosen, as described above, and as reported in the framework of the report regarding the convening of a general meeting. As regards the decision of the general meeting, see the Company's immediate reports from April 21 and 22, 2021 (reference nos. 2021-01-068316, 2021-01-068817 and 2021-01-069018).

The mediation proceeding the parties agreed to was unsuccessfully concluded and according to the settlement the matter was transferred to an arbitrator, the former honorable supreme court justice Mr. Zvi Zilbertal.

i) Mr. Yossi Ben Baruch, the Company's designated CEO

On December 23, 2021 the Company's Board of Directors decided to appoint Mr. Yossi Ben Baruch, who serves as the Deputy CEO and Head of the Finance Division of Migdal Insurance and as the Deputy CEO and CFO of the Company, as the Company's CEO effective as of January 1, 2022. See the Company's immediate report from December 23, 2021 (reference no. 2021-01-184110).

As the result of a letter from the Commissioner of the Capital, Insurance and Savings Market that was received by the board of directors of Migdal Insurance on December 26, 2021, which indicated, inter alia, problems in the aforesaid appointment due to the dual responsibilities that arise from serving as both the CEO of the Company and the CFO of Migdal Insurance, and on the backdrop of the circumstances concerning Migdal Insurance, on January 5, 2021 the Company's Board of Directors decided that Mr. Ben Baruch would begin serving as the Company's CEO on July 1, 2022 or on the date the replacement of Mr. Ben Baruch as Head of the Finance Department of Migdal Insurance begins serving in this position, whichever earlier (hereinafter: "the interim period"). In addition, it was decided that the Company's Board of Directors would act to appoint a CEO for the Company for the interim period. For further details see the immediate reports from December 23, 2021 (reference no. 2021-01-184110), December 27, 2021 (reference no. 2021-01-185280) and January 5, 2022 (reference no. 2022-01-002919).

j) Dr. Gavriel Picker, CEO of the Company in the "interim period"

On January 18, 2022 the Company's Board of Directors approved the appointment of Dr. Gavriel Picker, who serves as a director in the Company, as the Company's CEO in the interim period, until Mr. Ben Baruch begins his term as CEO of the Company. See the Company's immediate report of January 18, 2022 (reference no. 2022-01-008182).

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

j) Dr. Gavriel Picker, CEO of the Company in the "interim period" (cont.)

Dr. Picker will serve in a part-time position and be entitled to compensation in the amount of NIS 25 thousand against an invoice in respect of his service as CEO of the Company in the interim period. The entitlement of Dr. Picker to be included in the Company's insurance policy, and the release and indemnification letters Dr. Picker received in respect of his service as a director in the Company, shall apply also to his service as CEO of the Company in the interim period. The aforesaid compensation terms were approved by the general meeting on March 16, 2022. See the Company's immediate report of March 16, 2022 (reference no. 2022-01-030823).

k) Retired supreme court justice, Mr. Hanan Meltzer, the Company's Chairman of the Board (incoming)

Mr. Meltzer will serve as the Company's Chairman of the Board as from April 14, 2022 in a 66% position. In order to fulfill any other public role or in other cases that receive the Board's consent, Mr. Meltzer will be permitted to reduce the scope of his position up to 50%, and in such a case the remuneration due to Mr. Meltzer will be reduced pursuant to the agreement according to the scope of the position. For further details, see the Company's immediate reports from January 18, 2022, February 24, 2022 and March 16, 2022 (reference nos. 2022-01-008182, 2022-01-022813 and 2022-01-030823, respectively).

Mr. Meltzer is entitled to a monthly salary in the amount of NIS 159 thousand that will be adjusted at the beginning of each calendar year of the employment term in accordance with the provisions of the remuneration law, such that the forecasted annual expense for the Company in respect of the overall remuneration to Mr. Meltzer according to the overall cost of all the remuneration components for the year, in accordance with generally accepted accounting principles, will amount to the maximum remuneration according to the remuneration law or an amount of NIS 2.5 million, whichever is higher ("the remuneration restriction"), and in any event no more than NIS 3.5 million, with the exclusion of pension contributions and contributions for severance pay as required by law. Mr. Meltzer is entitled to social and accompanying benefits such as: advanced education fund, paid vacation, recreation days, a company car and a cellphone. The employment agreement of Mr. Meltzer is for an indefinite period. Each party may terminate it at any time and for any reason at an advance notice of nine months, subject to instructions regarding the remuneration policy of Migdal Insurance, by which in the first half year the advance notice period will be three months and in the second half will be four and a half months. Upon the conclusion of his service Mr. Meltzer committed to not compete with the Group's business and operations for six months from the actual date of ending the employee-employer relationship and the Company will pay him an amount equal to the overall salary cost for the said non-competition period, subject to the provisions of the remuneration policy, and particularly that of the arrangement coming into effect only after Mr. Meltzer has completed eighteen months of employment with the Company. Notwithstanding the aforesaid, the payment for non-competition and advance notice period shall not exceed the remuneration for 12 months of work, unless Mr. Meltzer actually works in the advance notice period, for more than 6 months. The general meeting approved the aforesaid remuneration terms on March 16, 2022. See the Company's immediate report of March 16, 2022 (reference no. 2022-01-030823).

l) Officers' liability insurance policy, including for officers who are the controller shareholder or his relatives

The Group's directors and officers, including the controlling shareholder and his relatives who serve as officers in the Group, the Company’s CEO and officers who serve in Migdal Insurance, in Migdal Capital Markets and in companies controlled by Migdal Insurance or Migdal Capital Markets, are insured under the Group's D&O liability insurance policies for a period of twelve months starting from February 15, 2022 until February 14, 2023. The new policy's liability limit is US$ 100 million per event and in total for the insurance period. The total annual premium for the aforesaid coverage and the amount of the deductible are according to market terms. This insurance coverage was approved in accordance with Regulation 1b to the Reliefs Regulations. For details see the Company's immediate report of February 15, 2022 (reference no. 2022-01-018403).

According to the remuneration policy for the years 2017-2019 and the remuneration policy for the years 2020-2022, the insurance limit of the officers' liability insurance for officers, directors and members of investment committees, including for the controlling shareholder and his relatives who will serve in the Company and/or in the Migdal Group shall not exceed $ 200 million for an annual premium not to exceed $ 1.5 million. This amount was determined on the basis of an assessment regarding future need and the amount of the insurance will be determined according to market conditions, including the premium in relation to the insurance coverage and risk. This ceiling was updated in the remuneration policy on November 8, 2021. The amendment was intended to adjust the remuneration policy according to the material changes that occurred in the market of officers' insurance, further to which the annual premium ceiling in the remuneration policy was eliminated, so that the annual premium and the amount of the deductible will be determined according to market terms, providing that the cost of the policy is immaterial. For further details see Note 37.h.3(d) above.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

l) Officers' liability insurance policy, including for officers who are the controller shareholder or his relatives (cont.)

For more details of the approval for entering into the previous insurance policies, see the Company's immediate reports from February 14, 2021 (reference no. 2021-01-017947) and December 30, 2019 (reference no. 2019-01-116205).

m) For details of letters of release and letters of indemnification granted to directors and other officers in the Company by the Company and interested parties therein, see Note 38.2.d.

Note 38 - Contingent Liabilities and Commitments

1. Contingent liabilities

a. Legal and other proceedings – general

Paragraphs (b) to (f) (inclusive) below provide details regarding legal and other material proceedings against the Company and/or its consolidated subsidiaries. Paragraph (b) below details pending motions to certify claims as class actions, including claims that were certified to be filed as class actions ("class actions"); paragraph (c) below details class actions that ended during the reporting period and up to the report publication date; paragraph (d) below details other legal proceedings and other material claims, paragraph (e) below provides a summary of class action data and paragraph (f) below details additional legal and other proceedings, Insurance Commissioner directives and events and developments in respect of which the Company and/or its consolidated subsidiaries are subject to exposure.

Recent years have seen significant growth in the number of class actions filed against the Company and/or its consolidated subsidiaries, as part of the general increase in motions to certify claims as class actions in general, and as part of the increase in motions of this kind against companies operating in the lines of business of the consolidated subsidiaries. This trend has significantly heightened the potential exposure of the Company and/or its consolidated subsidiaries to losses in the event of the acceptance of a class action against them. The class actions are in different stages of adjudication, from the stage of hearing the class action certification motion through to the stage of certification and adjudication of the class action. Some of the class actions are under appeal.

Class actions can be filed on the grounds of various causes as specified in the law on this matter, and with respect to an insurer they include any matter between the Company and a customer whether or not they have entered into a transaction. The law prescribes a process and restrictions regarding compromise settlements in class actions that make it difficult to reach a compromise on class actions which include, inter alia, the right of the Attorney General and other parties to file an objection to the compromise settlement and the appointment of an examiner to the compromise settlement. The scope of a class action is decided when it is certified and depends on the causes of action that were certified and the relief that was approved for those causes.

In respect of legal proceedings or class action certification motions in which, in the Company's assessment, based among others on legal opinions it received, it is more likely than not (i.e. a probability of more than 50%) that the plaintiff's claims will be accepted and the case decided in his favor (or in the case of a class action certification motion – that the court will certify a class action), provisions were included in the financial statements to cover the exposure estimated by the Company and/or its consolidated subsidiaries.

In respect of class action certification motions in which a class action was certified by the court, provisions were included in the financial statements to cover the exposure estimated by the Company and/or its consolidated subsidiaries, where, in management's assessment, based among others on legal opinions it received, it is more likely than not that the plaintiff's claims will be accepted in the action itself. Where a class action was certified by the court and the plaintiff submitted an appeal to expand the judgment that was issued, provisions were included in the financial statements to cover the exposure estimated by the Company and/or its consolidated subsidiaries due to the appeal, where, in management's assessment, based among others on legal opinions it received, it is more likely than not that the plaintiff's arguments in the appeal will be accepted.

In the event of the parties' willingness to settle in any proceeding, a provision was included in the amount of the proposed settlement, even where, based on the foregoing, no provision would have been included in the financial statements if not for the settlement or the willingness to settle. In cases where, based on the foregoing, a provision must be made in the financial statements and the parties are willing to settle, a provision was included in the financial statements to cover the higher of the exposure estimated by the Company and/or its consolidated subsidiaries or the amount of the proposed settlement. In cases where a settlement was approved, a provision was included in the financial statements in the amount of the cost of the settlement estimated by the Company and/or its consolidated subsidiaries.

In respect of legal and other proceedings as described hereunder in this note (or certification motions) to which, in management's assessment, based among, inter alia, legal opinions it received, the foregoing does not apply, and in respect of proceedings that are in preliminary stages and the chances of the proceeding cannot be assessed, no provision was included in the financial statements.

In management's assessment, which is based on, inter alia, legal opinions it received, adequate provisions were included in the financial statements, where necessary, to cover the exposure estimated by the Company and/or its consolidated subsidiaries or in respect of the amount the Company and/or its companies are prepared to pay for a settlement, as the case may be.

b. Class proceedings – pending class action certification motions and certified class actions.

Following are details of class action certification motions and certified class actions that are pending against the Company and/or its consolidated subsidiaries, in chronological order according to date of filing.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (Cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
1.	1/2008 Tel-Aviv District Court	Life insurance policyholder v. Migdal Insurance and other insurance companies	Illegal collection of a premium component known as the "sub-annual" component with respect to certain components and/or coverages in the policy and in an amount that exceeds the permitted amount. The remedies sought include motion for reimbursement of the amount collected unlawfully from the class members as a sub-annual component and a mandatory injunction ordering the defendants to change their method of operation.	Anyone who was charged for a "sub-annual" component in non-permissible circumstances and amounts.	On July 19, 2016 the Court issued a ruling that certified the class action with respect to anyone who was charged a "sub-annual" component in respect of the savings component in endowment type policies or in respect of the policy factor component or in respect of policies that insure health, disability, dread diseases, loss of working capacity and long-term care. On December 15, 2016 Migdal Insurance and the other defendant companies filed an application for leave to appeal the aforesaid ruling to the Supreme Court. On May 31, 2018 the Supreme Court accepted the application for leave to appeal that was filed by the companies on the certification of the claim as a class action. On June 26, 2018 a motion was filed requesting an additional hearing on the case. In this framework, the Public Representatives association also filed a motion requesting to join the additional hearing as a "friend of the court". On July 2, 2019 the Supreme Court accepted the motion to hold an additional hearing on the ruling and ordered that it be held before a panel of 7 judges. The Attorney General was requested to consider appearing in the proceeding. The motion of the Public Representatives association to join the proceeding as a "friend of the court" will be heard by that panel.	About NIS 2,300 million, of which about NIS 827 million attributed to Migdal Insurance

1 The date of filing of the actions and the motions is the original date of filing and the court is the original court of filing.

2 Laws are cited by their full name but without the year of their enactment.

3 The class the plaintiff is seeking to represent, as requested in the first class action certification motion that was filed in the proceeding, and is the basis for the estimate of the amount claimed in the statement of claim, unless stated otherwise.

4 The amount estimated by the plaintiff in the original claim. Unless stated otherwise the amounts are approximations.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
1.	Cont.				On November 10, 2019 the Attorney General advised that he would appear at the proceeding and on February 2, 2020 he submitted his position, by which insofar as the regulator's interpretation of its directives is possible according to accepted interpretation rules (literal and purposive) it will be awarded preferential weight, unless there are various considerations that require reducing from that weight (such as cases of regulator inconsistency, an interpretation becoming deep-rooted in the market, etc.). It is noted that in this claim the position of the regulator, as was presented in the court of first instance, was that there is nothing to prevent collection of the “sub-annual” component in respect of the collection components. On July 26, 2020 a hearing was held at the Supreme Court before an extended panel. On July 4, 2021 the Supreme Court handed down a ruling in the additional hearing, which reversed the ruling on the motion for leave to appeal and decided that the regulator's position should not be awarded preferential weight and that its position is like that of any administrative authority. On the backdrop of this decision, and given that there is a reasonable chance that the interpretation of the plaintiffs will be accepted, the court denied the motion for leave to appeal that had been filed by the defendants, and decided to uphold the ruling of the District Court and to accept the certification motion. Accordingly, the Supreme Court ordered that the case be remanded to the District Court for hearing the class action on its merits.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
2.	4/2010 Central District Court	Life insurance policyholders v. Migdal Insurance and other insurance companies	Failure to refund premiums after discontinuance of insurance policies during the month, in cases where the premium is collected in advance at the beginning of the month, and/or the refund of premiums in nominal values (without interest and linkage differences). The remedies sought include reimbursement of the excess premiums unlawfully collected from policyholders and a mandatory injunction ordering the respondents to change their method of operation and refund premiums to policyholders from the day of creation of the right to a refund together with interest and linkage differences.	Any policyholder of the respondents (excluding holders of general insurance policies) whose policy was discontinued, whether due to cancellation or upon the occurrence of an insured event.	On June 23, 2015 the Court issued a ruling that certified the claim as a class action, with respect to the remedy of reimbursement of premiums collected in respect of the period after the insurance coverage was discontinued in insurance policies (excluding general insurance policies) that include a provision stating that the cancellation will take effect immediately; and with respect to cases in which the insurance policy was cancelled due to the occurrence of the insured event; and also with respect to payment of interest and linkage differences in accordance with the Insurance Contract Law on premiums that were refunded to policyholders at nominal value following cancellation of their policy or to policyholders who received a premium refund at nominal value, respectively, during seven years prior to the filing of the motion (April 18, 2010) and up to March 14, 2012. On September 13, 2016, a settlement agreement was submitted to the Court that includes a clause by which Migdal Insurance and the other respondents are to donate 80% of the amount of the refund that is found by an examiner, and also refers to future conduct. The settlement agreement is subject to the Court's approval. On March 2, 2017, the Attorney General submitted his position regarding the settlement agreement in which he specified his reservations concerning the agreement, and Migdal Insurance submitted its reply to the position. On June 14, 2017, the Court decided that an examiner would be appointed to examine the settlement agreement. On December 7, 2020, the examiner submitted to the court the report with respect to Migdal. According to the examiner's conclusions in the report, Migdal is required to refund a total amount of NIS 4.7 million, including linkage differences and interest until October 2020). The examiner also determined that according to the method of calculating the damage, it will not be possible to make individual refunds.	About NIS 225 million (for a period of ten years).

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
2.	Cont.				The Attorney General has submitted his position regarding the examiner's report. The plaintiff and Migdal Insurance have submitted their reply to the position of the Attorney General.	
3.	4/2011 Central District Court	Life insurance policyholder v. Migdal Insurance and other insurance companies	Charging amounts for a "policy factor" that sometimes reach a considerable part of the premium paid, without having contractual consent and without providing proper disclosure thereof. The remedies sought include compensation/reimbursement in the amount of the "policy factor" actually collected from the class members, with the addition of the return on that amount of which they were deprived and a mandatory injunction ordering to cease collecting these amounts. In the certification motion the plaintiffs note that on April 12, 2011 a class action was certified on the same exact grounds against a different insurance company. It is noted, with respect to that claim, that following an application for leave to appeal that the defendant had filed with the Supreme Court, the court had reversed the certification ruling and remanded the certification motion to the District Court for continuing the hearing of the claim.	Anyone who is and/or was insured by the respondents and charged any amount as "other management fees" and/or "policy factor".	On June 10, 2015 a settlement agreement was submitted to the court, in which agreement was reached on the refund of amounts in respect of the past, to be distributed to class members holding "Adif" and "Yoter" policies in a total amount of NIS 100 million, of which Migdal Insurance's share is NIS 44.5 million. As to the future, agreement was reached on a discount of 25% in the amount of the policy factor actually collected in those policies. The total value of the settlement agreement with respect to all the respondents, as estimated by them, amounts to NIS 540 million. The settlement agreement that was submitted to the Court for approval included also an agreement regarding the fee of the plaintiff and his attorney in the amount of NIS 43 million plus VAT, of which Migdal's share is 44.5%. The examiner appointed by the court found difficulty in approving the settlement agreement in its present format. According to him, in order for the settlement agreement to be proper and fair, the total amount of the benefit to the class members should be raised and the difference reduced between the class members receiving the future discount in the collection of the policy factor and the class members whose policies will already be settled before the date of approval of the settlement agreement by the Court. Accordingly, the examiner recommended, as a possible alternative, to apply the arrangement for the future to the years 2013 to 2015. On February 26, 2016 the Attorney General submitted his position on the settlement agreement, by which the settlement agreement should not be approved in its present format. The Attorney General joined the principles and conclusions in the examiner's opinion regarding the	About NIS 1,470 million (for a period of seven years), of which about NIS 522 million attributed to Migdal Insurance.[5]

[5] In accordance with the amended claim that the plaintiff filed after certification of the class action

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
3.	Cont.				settlement agreement and left it to the judgement of the Court to decide on the proper amount of compensation under these circumstances and according to the data before it. In his position the Attorney General also stated that there is difficulty in the proposed settlement that allows the insurance companies to continue collecting the policy factor in the future in a way that will prevent the class members from taking action on this matter, but he left this matter too to the Court's judgement in view of the circumstances of the claim in question. Furthermore, the Attorney General expressed his position by which any reduction in the policy factor collected in the future should in its entirety be directed to increasing the savings component of the policy and he referred to several other matters that have to be arranged as part of the agreement, should it be approved. On November 21, 2016 the Court issued a ruling that rejects the settlement agreement and partly accepts the class action certification motion and decided that even though the Commissioner allowed the insurance companies to include in life insurance policies an arrangement that permits them to charge the policy factor, they did not include any such contractual arrangement in the insurance policies and therefore there is no legal basis for charging the policy factor, and charging amounts for the policy factor reduced the savings accumulated by the policyholders. Even so, it was ruled that there is no place to certify the class action with respect to risk policies. On the other hand, as regards policies that combine a savings component it was decided that there is a foundation for hearing the claim as a class action since transferring the money to the policy factor reduced the savings accumulated by the policyholders. The Court also ruled that the settlement agreement is unfair and unreasonable since even though the refund for the past awards the class members a benefit of a considerable amount, it is unfair and unreasonable considering the calculations that were made by the supervisory bodies by	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
3.	Cont.				which the examiner estimated that between the years 2004 and 2012 (inclusive) the defendants had collected a total of NIS 700 million as a policy factor ("estimated collection according to the examiner") and the future discount provided in the settlement agreement also does not meet deterrence requirements as its meaning is to validate retroactively and from this date on, collection of most of the policy factor on account of the savings component. Accordingly, the certification motion was accepted with respect to collection of a policy factor beginning from seven years before the date of filing the claim (as from April 21, 2004) from persons having life insurance policies combining a savings component that were issued in the years 1982-2003, and who accumulated lower savings because of being charged a policy factor. The requested remedies that were defined in the certification motion are to adjust the accumulated savings of the policyholders by the amount of the additional savings they would have had if they had not been charged a policy factor or to compensate the policyholders by the aforesaid amount, as well as to cease charging a policy factor from this date on. On May 16, 2017 Migdal Insurance and the other defendant insurance companies filed with the Supreme Court an application for leave to appeal the aforesaid court ruling. On September 3, 2018 the Attorney General submitted his position on the case. The position of the Attorney General supports the ruling of the District Court and accepts its reasons. On February 6, 2019, in a hearing that was held, Migdal and the other insurance companies withdrew the application for leave to appeal they had filed with the Supreme Court and the case was remanded to the District Court for hearing as a class action.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
3.	Cont.				The proceeding is in the process of being heard as a class action. In this framework, on March 27, 2019 the plaintiff filed an amended claim alleging overall damage to the entire branch in the amount of NIS 1,470 million of which an amount of NIS 522 million is attributed to Migdal Insurance. On June 27, 2019 the defendants filed a defense statement and on November 3, 2019 the plaintiff filed a reply brief. Affidavits of evidence-in-chief have been filed in the case on behalf of Migdal Insurance and the other defendants. The stage of presenting evidence has been concluded. In addition, Migdal announced that it is joining an out-of-court mediation proceeding that is being held by the parties to the claim along with the legal proceeding. In the mediation proceeding the defendants offered the plaintiffs an amended settlement agreement that, inter alia, is also based on the recommendation of the examiner regarding the previous settlement agreement that was submitted on the matter, and accordingly includes an increase in the amount of the refund to the class members, and that according to the mediator this amended settlement agreement is worthy and fair under the circumstances of the matter. Along with the mediation proceeding, the court is continuing to hear the case and it is presently in the stage of closing arguments. On May 9, 2021 the Court accepted part of the plaintiffs' arguments to strike parts of the defendants' affidavits on the grounds of broadening the claim. On May 12, 2021 Migdal Insurance filed a motion for leave to appeal this ruling and a motion to stay execution until the court rules on the motion for leave to appeal. The motion to stay execution was denied and on June 30, 2021 the motion for leave to appeal was denied.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
4.	5/2013 Tel-Aviv District Court	Health insurance policyholders v. Migdal Insurance and other insurance companies	Failure to pay linkage differences and interest from the date of occurrence of the insurance event and alternatively to pay interest differences on insurance benefits from 30 days after the date of filing of the claim until the date of payment. The remedy sought is payment of interest differences that were not paid as required by law.	Any entitled person (a policy holder, beneficiary or third party) who received in the seven years preceding the date of filing of the claim or will receive up to the date of the issuance of the judgment insurance benefits without interest and linkage differences as required by law.	On August 30, 2015 the Court issued a decision rejecting the class action certification motion as regards linkage differences, but accepting it as regards the payment of interest starting 30 days after the first demand for payment of insurance benefits (and not from the date of providing the last document required by the insurer for examining the obligation), for a period of three years prior to the filing of the action up to the date of the ruling on the matter, with the exclusion of insurance benefits that had been paid pursuant to a court ruling (“The Approval Decision”). On August 3, 2016, a hearing was held on the application for leave to appeal that the defendants had filed with the Supreme Court, mainly appealing the District Court's decision on the certification motion, by which a previous settlement agreement Migdal Insurance had reached in a class action regarding the same matter does not create a claim preclusion from filing the certification motion and does not provide protection to the defendants, following which the application for leave to appeal was struck out, at the recommendation of the Supreme Court and at the parties’ consent, while reserving the right of Migdal Insurance and the other respondents to again raise the arguments included in the application for leave to appeal as part of the appeal that will be filed, if any, on the final ruling made on the class action. On February 28, 2021 a partial judgment was handed down in the case, which accepted the class action against the defendants (hereinafter: "the judgment"), in respect of any entitled person (policy holder, beneficiary or third party) who during the period beginning three years before the filing of the claim and ending on the date of the judgment, received from the defendants insurance benefits, not pursuant to a court ruling on the matter, without adding to them interest and linkage differences as required by law (hereinafter: "the class members").	About NIS 503 million, of which about NIS 120 million are attributed to Migdal Insurance [6].

6 In accordance with the amended claim that was filed in accordance with the certification ruling.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
4.	Cont.				It is noted that the judgment established the principles which on their basis the entitlement of the class members to the interest difference should be calculated, and accordingly the entitlement to a refund and compensation will be calculated on the basis of these principles. The judgment also determined that an expert would be appointed in order to realize and calculate the refund due to the class members, either individually or to all the class members. In addition, expenses and fees of immaterial amounts were awarded to the lead plaintiffs and their representatives. The compensation to the lead plaintiffs and their representatives will be determined in the final judgment. On May 18, 2021 Migdal Insurance and other defendants filed a motion for leave to appeal the judgement and a motion for stay of execution. The plaintiffs have responded to the motion for leave to appeal. The Supreme Court awarded a stay of proceedings in the District Court until judgment is provided on the motion for leave to appeal. It is noted that another claim and motion for its certification as a class action have been filed against the Company for the same cause with respect to another class of plaintiffs and which refers to the period after the date of the certification ruling. In view of the court's judgment that increased the number of the class members until the date of providing the judgment (instead of as decided in the certification ruling as aforesaid), it is probable that the other claim and motion for certification, which from the beginning was filed solely out of prudence should the court decide otherwise regarding the class members, will become superfluous. On this matter see claim no. 19 hereunder in this note. Furthermore, as regards the payment of interest and linkage differences pursuant to a court ruling see also claim no. 9 hereunder in Note 38.1.c. hereunder.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
5.	7/2014 Central District Court	Associations and organizations acting to benefit senior citizens v. Migdal Makefet and another four pension fund management companies	Bad faith use of the right under the bylaws to raise the management fees to the maximum allowed rate when members retire, and failure to give notice before retirement. The remedies sought are an order to refund to retired members or to the pension fund the excess management fees that were and/or will be collected from them unlawfully, and alternatively, to refund to the pension fund all the management fees collected from retired members and redistribute the funds that were collected unlawfully fairly and equally among all the retired members, forbidding the respondents to raise the management fees for any member immediately before his retirement, deciding that the condition in the defendants' bylaws that allows them to raise the management fees from time to time is (prima facie) a discriminatory condition in a standard contract, and ordering the cancellation or change thereof in a manner that eliminates the alleged discrimination.	Any member of the respondents' new comprehensive pension fund who is and/or will be entitled to old age pension.	The proceeding is in the stage of clarification of the class action certification motion. At the request of the Court, several questions have been sent to the attention of the Capital Market Authority regarding the issues in dispute in the action. On September 3, 2017, the Insurance Commissioner's position on the matter was submitted in which it is was stated according to the position of the pension funds that management fees upon retirement are essentially different from management fees on current savings. Pursuant to the Court's recommendation the parties held a mediation proceeding on the matter, which was unsuccessful. The parties advised that they are foregoing interrogations in the case, and accordingly the case is scheduled for summations. On April 30, 2020 a motion to inspect the file was submitted which was rejected by the Court. On June 18, 2020 a motion for leave to appeal this decision was filed with the Supreme Court. On December 24, 2020 the motion for leave to appeal was accepted and the Supreme Court accepted the appeal and allowed the applicant to inspect the case file. The parties completed the process of submitting summations. On March 18, 2022 the District Court (Center-Lod) approved the certification motion against Makefet and the other defendants, and in doing so approved hearing the claim as a class action. The Court decided that the class in the action would be as requested in the certification motion and would include anyone who is a member in a new comprehensive pension fund that is one of the defendants, and is entitled to receive an old age pension and/or will be entitled to receive one in the future. The claim causes that were approved are breach of duty of good faith; breach of duty of loyalty; and breach of duty to provide voluntary disclosure.	At least NIS 48 million, without quantifying the other remedies at this stage, as well as compensation for the future from all the defendants.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
5.	Cont.				The questions that will be discussed in the class action are whether the defendants had to notify the members in advance of the management fees they will be charged in the retirement period, and if so, what damage was caused by the failure to provide such a notice. Makefet is studying the certification motion and its implications, including the extent of the effect on Makefet, if at all. Makefet is also considering its legal options, including the filing of a motion for leave to appeal with the Supreme Court. See also claim 9 hereunder in this section.	
6.	9/2015 Central District Court	Long-term care insurance policyholder v. Migdal Insurance and other insurance companies	Breach of the terms of the policy, when examining policyholders' entitlement to long-term care benefits, by interpreting "incontinence" as entitling to points only when it is caused by urological or gastroenterological diseases, whereas it is argued that points for this condition should be awarded also in the case of functional incontinence, as well as failure to comply with the duty of disclosure in this connection prior to the purchase of the policy. The reliefs sued for include ordering the defendants to pay compensation.	Any long-term care insurance policyholder who upon the occurrence of the insured event was not awarded the appropriate number of points for incontinence due to the said interpretation.	On April 23, 2020 the court ruled on the certification motion and allowed hearing part of the claim as a class action against Migdal Insurance and three other insurance companies. The class action certification relates to anyone who was insured by Migdal Insurance and the other companies, against which the claim was certified as a class action, and suffered from loss of bowel or bladder control, due to a combination of incontinence that does not amount to an organic loss of control with a poor functional condition, and regardless of the aforesaid did not receive from the insurers points for incontinence when examining their claim to receive long-term care insurance benefits, such that their rights to insurance benefits were impaired between September 9, 2012 and the date of certifying the claim as a class action. On June 1, 2020 the plaintiff filed an amended claim pursuant to the certified class action. The parties to the proceeding, except for Migdal Insurance, entered an out-of-court mediation proceeding. Migdal Insurance will be holding direct talks with the plaintiff for examining conclusion of the proceeding in her case, after the mediation proceeding is concluded.	Tens and even hundreds of millions of shekels

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
7.	9/2015 Tel Aviv District Court	Pension fund member v. Migdal Insurance and pension fund management companies	Claim that the respondents pay commissions to insurance agents that are derived from the management fees, such that a conflict of interests is created for the insurance agents and the fund members pay inappropriately high management fees. The reliefs sued for are declaratory relief stating that the respondents must change their arrangement with agents and bring it into compliance with the law, reimbursement of all the management fees that were collected in excess, and any other relief as the court deems right and equitable in the circumstances of the case.	Members of provident funds of the management companies who were charged management fees from which the agents' commission is derived based on the amount of the fees.	The proceeding is in the stage of clarification of the class action certification motion. The plaintiff filed with the Supreme Court an application for leave to appeal with respect to the plaintiff's motion to disclose documents that was denied. The proceeding at the District Court is suspended until a ruling is made on the application for leave to appeal. On December 18, 2019 the Supreme Court denied the application for leave to appeal, other than with respect to documents relating to the plaintiff himself. Accordingly, clarification of the certification motion continues at the District Court, investigative hearings were held and summations were filed. Accordingly, the case is waiting for a judgment on the certification motion. It is noted that in January 2017 the Knesset approved Amendment 20 to the Control of Financial Services (Provident Funds) Law – 2017, by which there will be no connection between the calculation of distribution fees of provident funds and the management fees the management company charges the member.	NIS 2 billion probably from all the defendants
8.	1/2016 Central District Court	Policyholder v. Migdal Insurance	Violation of policyholders' rights in connection with the implementation of Amendment No. 3 to the Control of Financial Services Law (Provident Funds) ("Amendment 3 to the Provident Funds Law"), since, it is argued, the defendant did not assign to policyholders who prior to the entry of Amendment 3 to the Provident Funds Law into effect held a capital (lump-sum) policy, the annuity factors they had in a previous annuity policy that was held by them with the defendant or with another insurance company ("earlier annuity policy"),	Anyone who held, prior to the effective date of Amendment 3 to the Provident Funds Law, both a capital (lump-sum) policy of the defendant and an annuity policy (whether of the defendant or of another insurance company), and	The proceeding is in the stage of clarification of the class action certification motion. On May 4, 2017, the Court ruled that the proceeding should be transferred to the Labor Court. On August 22, 2017, the application for leave to appeal the aforesaid ruling that was filed by the plaintiff with the Supreme Court was denied. In a ruling from February 7, 2018, the Labor Court denied the motion to certify a class action based on the Granit case and decided that the conduct of Migdal Insurance with its policyholders should be examined separately. On April 4, 2018, the Attorney General, who had submitted a position in the Granit case, announced that he had decided not to appear in this case.	NIS 50 million per year. The cumulative damage will be equal to the annual damage multiplied by the number of relevant years that will be determined in the judgment.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
8.	Cont.		The plaintiff is seeking to base his claim on, among other things, the Central District Court's decision to certify a class action in Class Action Case No. 48006-03-10 Granit vs. Clal Insurance ("the Granit case"). The reliefs sued for include to order the defendant to assign to the capital (lump-sum) policies of its policyholders the annuity factor they had prior to Amendment 3 to the Provident Funds Law in the earlier annuity policy with the preferable annuity factor; alternatively, to order the defendant to allow the plaintiff and the other class members to deposit the full amount of the pension savings, retroactively from the date of entry of Amendment 3 to the Provident Funds Law into effect and prospectively, with the earlier annuity policy; alternatively, to order the defendant to compensate the plaintiff and the other class members in the amount of the alleged damage to their pension rights and the amount by which it became enriched at the expense of the class members due to its above policy; and regarding policyholders already retired since January 1, 2008 who began to receive a lower annuity than they were entitled to, according to the plaintiff, based on the preferable annuity – to order the defendant to reimburse to said policyholders the difference between the annuity they were entitled to receive based on the preferable factor, and the annuity actually received by them.	who, following the above amendment to the law, was not assigned an annuity factor in the capital policy or was assigned in the capital policy an annuity factor inferior to the annuity factor in his old annuity policy.	The case is at the stage of summations. The plaintiff filed a motion to suspend the proceedings on the case until the District Court rules on the Granit case. Migdal Insurance filed a reply in which it objected to the aforesaid motion to suspend. On August 15, 2018, the Court decided not to order a suspension in the proceedings at this time but ordered the parties to file their summations. The Court noted in its decision that after the summations are filed, insofar as no ruling has as yet been provided on the Granit case, it will consider whether to suspend its decision until a ruling on the Granit case. On May 12, 2020, after the plaintiff submitted his summations in the case and before Migdal Insurance submitted its summations, the Court ordered suspending the proceedings until a ruling on the Granit case. On September 1, 2021 the Granit class action was denied and it was ruled, inter alia, that the defendant is not required to assign a guaranteed annuity factor to a policyholder of an executive insurance capital policy that does not have symmetrical deposits in an annuity insurance policy. Migdal Insurance notified the Court of the ruling in the Granit case. The plaintiff responded to the notice and requested that the District Court order a stay of proceedings until the Supreme Court rules on the appeal that will be filed in the Granit case. The District Court accepted the motion to stay proceedings. On January 13, 2022 an appeal was filed with the Supreme Court in the Granit case.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
9.	2/2016 Central District Court	Registered association acting on behalf of weak populations and special-needs people v. Migdal Makefet Pension and Provident Funds	Collection of management fees on disability and survivor annuities paid by the pension fund, without disclosing to the members that they will be charged management fees on these annuities and that management fees at the maximum rate will be charged on these annuities from when the disability or survivor annuity begins to be paid, exploiting these annuitants' distress since they are unable to transfer the balance of their personal account or the amount of the annuity reserves the fund holds on their behalf. The reliefs sued for are as follows: financial relief of reimbursement to each of the disability annuitants of the entire amount of the management fees that were and/or will be collected from them unlawfully; alternatively, reimbursement to the pension fund of the entire amount of the management fees that were and/or will be collected from the annuitants unlawfully, to make a fair and equitable distribution of the amounts; prohibition on the collection of management fees on disability and survivor annuities, and alternatively, to order the respondents to reduce the management fees that are collected to an appropriate rate; to order the respondents to refund the difference to the annuitants and/or to the fund and to disclose at their initiative the management fees on these annuities, and to establish that the condition in the fund's bylaws that allows the defendants to unilaterally set the	Anyone who receives and/or is entitled to receive a disability annuity of any kind, and anyone who receives and/or is entitled to receive a survivor annuity, and anyone who is an active plan holder and/or insured and/or member in any of the defendants' new pension funds, and who was harmed as a result of the collection of management fees on disability and survivor annuities.	On January 29, 2018, the Court ordered the transfer of this proceeding to the Tel Aviv Regional Labor Court. The proceeding is in the stage of clarification of the class action certification motion. On December 28, 2019, the Court approved a procedural arrangement of the parties, by which no application would be made to the Commissioner and no inquiries would be held. Accordingly, summations on the case have been scheduled and have been submitted by the parties. A hearing was scheduled for completion of oral arguments. See also claim 5 above in this section.	In the motion for certification the plaintiff did not estimate the overall amount claimed for the class in view of the need to receive data, but in an actuarial opinion that was attached to the motion for certification estimated that the amount is high and is at least NIS 500 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
9.	Cont.		management fees from time to time is a discriminatory condition in a standard contract.			
10.	5/2016 Central - District Court	Policyholders v. Migdal Insurance	Allegations that Migdal Insurance distributes the premiums it receives arbitrarily and contrary to the instructions it receives, and contrary to agreements and the provisions of the law; that Migdal Insurance transfers part of the excess amounts collected to a different insurance plan that the policyholder did not request; that Migdal Insurance collects a premium from policyholders for risks that do not exist and retroactively amends reports it issues while misleading the policyholders and that Migdal Insurance refrains from implementing checking mechanisms that can provide an alert on possible errors and prevent unlawful charges. The main reliefs requested are: (a) to compensate the class members for financial and non-financial damages they incurred; (b) to order Migdal Insurance to adjust the premiums it charges to the amount that should have been charged and to order Migdal Insurance to correct the reports; (c) to order Migdal Insurance to return the premiums it unlawfully received that are in excess of that agreed, and to return the profits it earned and the management fees on the excess amounts collected; (d) to declare that Migdal Insurance collected monies illegally and it should act to change the existing situation; (e) to give mandatory injunction on the matter of changing the work procedures and systems and in respect of wording of policies.	(a) All the policyholders and/or insured persons and/or beneficiaries of a life insurance policy that paid a premium higher than that promised to them in the policy, whether the premium is according to the insured salary or according to a fixed amount. (b) All the insured persons having life insurance that the money transferred was distributed not according to the agreement and distribution decided by the employer, including between the different internal funds. (c) All the insured persons who in	The proceeding is in the stage of clarification of the class action certification motion. At the recommendation of the Court, the parties are holding a mediation proceeding on agreed issues. A settlement was formulated and submitted to the approval of the Central District Court on February 15, 2022, in which it was agreed that Migdal Insurance would carry out some examinations of executive insurance policies to locate discrepancies, to the extent possible, in the policies of the class members and correct any such discrepancies that are found, all according to that set forth in the settlement. Inter alia, it was agreed that examinations would be carried out with respect to the excess amount collected due to the difference between the actual premium rate and the agreed premium rate and examinations regarding underpayments of employers for the loss of working capacity component. The settlement is subject to the approval of the District Court. In addition, insofar as the settlement is approved, Migdal Insurance undertook to pay immaterial amounts of reward and fees to the lead plaintiffs and their representative. Migdal Insurance included a provision in its financial statements for the estimated expected cost of implementing the settlement, based on its assessments. Therefore, implementation of the settlement is not expected to have a material effect on the financial statements of Migdal Insurance.	Was not estimated by the plaintiff

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
10.	Cont.			their annual reports the opening balance was changed (including by way of an “updated opening balance”) without being provided full and detailed disclosure on the change and its reasons. (d) Any insured person whose deposited money was transferred to new insurance that was opened without their consent. (e) Any insured person for whom all or part of the premium they were charged does not improve the insured person’s situation and/or provide any additional compensation upon occurrence of the insurance event.		

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

11.	10/2016 Jerusalem Regional Labor Court	Study fund member v. Migdal Makefet	Allegation that investment management expenses were charged without a contractual provision in the bylaws on the matter. The requested relief is to return all the investment management expenses/fees that the class members were charged in the seven years preceding the date of filing the claim, with the addition of shekel interest as required by law and also to order Migdal Makefet to refrain from deducting from the accounts of the class members any amounts for investment management expenses/fees.	Any member of the “Migdal Hishtalmut” fund (under this name or its previous names, including all the funds that were merged into it) presently and in the seven years preceding the date of filing the motion.	The proceeding is in the stage of clarification of the class action certification motion. On May 13, 2018, the Capital Market Authority submitted its position on the case by which the institutional bodies are permitted to collect direct expenses from the members even if this is not explicitly stated in the bylaws of the institutional body on the condition that they are collected according to the bylaws. The case is in the stage of filing summations. It is noted that on May 31, 2019, the District Court approved a motion to certify a class action that is being held against other insurance companies regarding the collection of direct expenses in individual insurance policies on the basis of, inter alia, a decision that the policies are an inclusive arrangement in all that concerns the amounts the companies are entitled to charge the policyholders and that the policies' silence on this matter is a negative arrangement and not a lacuna ("the certification ruling" and “parallel proceeding against other companies”). The applicants in the parallel proceeding filed a motion for leave to appeal the aforesaid certification ruling with the Supreme Court, which ordered that a reply be submitted to the motion and also ordered the Attorney General to submit his position. On August 13, 2020, in the parallel proceeding against other companies, the Attorney General advised that he would appear as a side to the proceeding, and also submitted his position on the matter. According to the position of the Attorney General, among other things, there is a contractual basis in the insurance policies of the applicants in that proceeding for collecting direct expenses from the assets of the savers, and therefore, in his opinion, it is not likely that the class actions will be accepted. In view of the aforesaid, the Attorney General believes that the Court should accept the motion for leave to appeal and the appeal on its merits, and order rejection of the certification motions.	About NIS 94 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
11.	Cont.				The position of the Attorney General was submitted by Migdal Makefet in the framework of a motion to suspend proceedings in the case until a ruling is made on the motion for leave to appeal in the parallel proceeding against other companies, as done by other panels of the Labor Court that discuss parallel class actions against other defendants on the same matter. The case is in the stage of submitting summations and is waiting for a decision on the motion to suspend the proceedings. Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses for Executing Transactions) (Amendment) – 2020 (hereinafter in this paragraph: "the Regulations") were published in September 2020. The Regulations extend from December 31, 2019 to February 28, 2021 the temporary order that sets a ceiling for the amount of certain expenses that can be collected as direct expenses. On March 10, 2021 the legal counsel of the Capital Market Authority published a clarification by which, upon the dispersal of the Knesset and pursuant to law, the temporary order will be in effect until the end of three months from the date the next Knesset convenes. On July 1, 2021 draft regulations were published that if approved will extend the temporary order in regulations, up to January 6, 2022. On June 28, 2021 a draft report of the advisory committee to the Capital Market Commissioner for the examination of direct expenses was published for public comment (hereinafter in this section: "the draft report"). On July 6, 2021 the Attorney General advised the court that according to his position the matters in the draft report have no effect on the decision in the legal proceeding in question and do not change the legal position he had provided on the matter.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
11.	Cont.				In this framework the Attorney General requested to submit a notice on his behalf which will explain his position regarding that stated in the draft report. The Supreme Court granted his request. On November 24, 2021 the report of the advisory committee to the Capital Market Commissioner for the examination of direct expenses was published, its aim being to examine the issue of direct expenses in respect of investments under external management. On January 2, 2022 the Attorney General submitted a notice by which the report has no effect on the decision in the legal proceeding and does not change his legal position. On February 2, 2022 the plaintiffs and defendants replied to the position of the Attorney General. See also claims 12 and 14 below in this section.	
12.	12/2016 Central District Court	Persons insured under executive insurance policies v. Migdal Insurance	Allegation of charging investment management expenses without this being permitted in a contractual provision in the policies. The requested relief is to return all the investment management expenses that were collected from the class members in the seven years before the date of filing the claim, with the addition of shekel interest as required by law, as well as to order Migdal Insurance to refrain from deducting any amounts from the accounts of the class members in respect of investment management expenses.	All the persons insured under executive insurance policies that were issued by Migdal Insurance (profit participating, “Yoter”, “Migdalor” and so forth), who were charged investment management expenses contrary to the law and/or without the policy including a specific provision permitting Migdal Insurance to collect these expenses.	The proceeding is in the stage of clarification of the class action certification motion. On June 15, 2017, the Court decided to transfer the case to the Labor Court. In its ruling from February 19, 2018, the Court directed several questions on the matter to the Commissioner and requested his position. A reply to the questions was received on June 24,2018. It is noted that on May 31, 2019, the District Court approved a motion to certify a class action that is being held against other insurance companies regarding the collection of direct expenses in individual insurance policies on the basis of, inter alia, a decision that the policies are an inclusive arrangement in all that concerns the amounts the companies are entitled to charge the policyholders and that the policies' silence on this matter is a negative arrangement and not a lacuna ("the certification ruling" and “parallel proceeding against other companies”).	NIS 567 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
12.	Cont.				The applicants in the parallel proceeding filed with the Supreme Court a motion for leave to appeal the aforesaid certification ruling, which ordered that a reply be submitted to the motion and also ordered the Attorney General to submit his position. On August 13, 2020, in the parallel proceeding against other companies, the Attorney General advised that he would appear as a side to the proceeding, and also submitted his position on the matter. According to the position of the Attorney General, among other things, there is a contractual basis in the insurance policies of the applicants in that proceeding for collecting direct expenses from the assets of the savers, and therefore, in his opinion, it is not likely that the class actions will be accepted. In view of the aforesaid, the Attorney General believes that the Court should accept the motion for leave to appeal and the appeal on its merits, and order rejection of the certification motions. The position of the Attorney General was submitted by Migdal Insurance in this case. In view of the common issues arising in the cases before it and in the parallel proceeding against other companies, the Court ruled, on September 7, 2020, that the proceedings in this case should be suspended until a ruling is made on the parallel proceeding against other companies. Furthermore, on October 6, 2020 the request of the applicants to join the parallel proceeding by way of submitting a reply was accepted. Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses for Executing Transactions) (Amendment) – 2020 (hereinafter in this paragraph: "the Regulations") were published in September 2020. The Regulations extend from December 31, 2019 to February 28, 2021 the temporary order that sets a ceiling for the amount of certain expenses that can be collected as direct expenses.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
12.	Cont.				On March 10, 2021 the legal counsel of the Capital Market Authority published a clarification by which, upon the dispersal of the Knesset and pursuant to law, the temporary order will be in effect until the end of three months from the date the next Knesset convenes. On July 1, 2021 draft regulations were published that if approved will extend the temporary order in regulations, up to January 6, 2022. On June 28, 2021 a draft report of the advisory committee to the Capital Market Commissioner for the examination of direct expenses was published for public comment (hereinafter in this section: "the draft report"). On July 6, 2021 the Attorney General requested to submit a notice on his behalf which will explain his position regarding that stated in the draft report. The Supreme Court granted his request. On November 24, 2021 the report of the advisory committee to the Capital Market Commissioner for the examination of direct expenses was published, its aim being to examine the issue of direct expenses in respect of investments under external management. On January 2, 2022 the Attorney General submitted a notice by which the report has no effect on the decision in the legal proceeding and does not change his legal position. On February 2, 2022 the plaintiffs and defendants replied to the position of the Attorney General. See also claim 11 above, including the position of the Commissioner that was submitted in that case and also claim 14 below in this section.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
13.	1/2017 Central District Court	Two motor act insurance policyholders v. Migdal Insurance	Allegation by which Migdal Insurance refrains from disclosing to its policyholders that according to its customary practice (which exists also at the other insurance companies), they are entitled to a reduction in the premium paid by them when they reach an age group and/or driving experience as customary in the company. The requested reliefs is to order Migdal Insurance to return to the class members the excess insurance premiums that were charged contrary to the law as a result of the aforesaid conduct, as well as a mandatory injunction ordering Migdal Insurance to change its aforesaid conduct.	Persons insured by Migdal Insurance under a motor act, third party and comprehensive policy in the period beginning seven years before the filing of the claim, who during the period of the insurance reached the age group and/or driving experience that according to law and the customary practice of Migdal Insurance qualify for a reduction in the insurance premiums, and who Migdal Insurance did not treat according to law and according to its customary practice and as a result did not receive the reduction in the premium.	The proceeding is in the stage of clarification of the class action certification motion, at the point of evidentiary hearings. On March 3, 2022 the plaintiffs filed a motion to stay proceedings in view of the rejection of a similar motion against a different insurance company, until a ruling is issued on the appeal that will be filed on their behalf on the certification motion that was denied.	About NIS 62 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
14.	2/2017 Central District Court	Registered association acting on behalf of the elderly population v. Migdal Makefet	Allegation by which Migdal Makefet charged its pension fund and provident fund members amounts for "direct expenses of executing transactions in assets of the provident funds" (direct expenses), contrary to the bylaws and contrary to the contractual and pre-contractual representations to its members. In doing so Migdal Makefet allegedly breaches the contract between it and its members and also violates the law. The requested reliefs are: (a) to issue an order by which the conduct of Migdal Makefet is unlawful in that it breaches the contract – bylaws between it and its members; (b) to order Migdal Makefet to return to each one of the class members the amount that was collected and/or deducted from their account with respect to any kind of expense relating to direct expenses of executing transaction in assets of the provident funds; (c) alternatively to order Migdal Makefet to return to the assets of the pension fund and to the assets of the provident funds all the direct expenses that were unlawfully collected and to distribute these amounts justly and fairly; (d) to order Migdal Makefet to state clearly and explicitly from that day on, in all the registration forms and in all the bylaws, that in addition to the management fees an additional amount will be charged and/or deducted with respect to direct expenses and to indicate the maximum rate that will be charged.	Anyone who has a right of any kind or type in amounts held in the pension fund managed by Migdal Makefet as from July 2013, and anyone who had such a right in the past. Also anyone who has a right of any kind or type in amounts held in the provident fund managed by Migdal Makefet in the seven years preceding the date of filing the certification motion, and anyone who had such a right in the past.	The proceeding is in the stage of clarification of the class action certification motion. On March 7, 2018, the Court decided to transfer the case to the Tel Aviv Regional Labor Court. On July 5, 2018, the Court requested that the Commissioner be requested to provide his opinion whether the positions that were presented in the other cases on the same matter apply also to this case. On November 20, 2018, the Commissioner replied and referred to the position he had provided in a different case on the same matter. It is noted that on May 31, 2019, the District Court approved a motion to certify a class action that is being held against other insurance companies regarding the collection of direct expenses in individual insurance policies ("parallel proceeding") on the basis of, inter alia, a decision that the policies are an inclusive arrangement in all that concerns the amounts the companies are entitled to charge the policyholders and that the policies' silence on this matter is a negative arrangement and not a lacuna. ("the certification ruling" and "parallel proceeding against other companies"). The applicants in the parallel proceeding filed with the Supreme Court a motion for leave to appeal, which ordered the Attorney General to submit his position. On November 28, 2019, a procedural arrangement was approved by the parties, by which the parties waived holding inquiries, and instead it was decided that summations would be submitted in writing after which the matter would be concluded with oral arguments. On April 6, 2020 it was decided that insofar as the parties believe that there is no point in holding an evidentiary hearing on the case, they should submit to the Court a list of agreed and disputed issues, or else an evidentiary hearing will be held. On July 23, 2020 a court hearing was held in which it was decided that the parties would hold talks on the agreed facts	About NIS 287 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
14.	Cont.				and submit to the Court an update notice on the matter, including whether there is a need for an investigative hearing and on what issues. On August 13, 2020, in the parallel proceeding against other companies, the Attorney General advised that he would appear as a side to the proceeding, and also submitted his position on the matter. According to the position of the Attorney General, among other things, there is a contractual basis in the insurance policies of the applicants in that proceeding for collecting direct expenses from the assets of the savers, and therefore, in his opinion, it is not likely that the class actions will be accepted. In view of the aforesaid, the Attorney General believes that the Court should accept the motion for leave to appeal and the appeal on its merits, and order rejection of the certification motions. The position of the Attorney General was submitted by Migdal Makefet in this case and on September 15, 2020 the Court ordered, with the consent of the parties, to suspend the proceedings in this case until a ruling is made on the motion for leave to appeal in the parallel proceeding against other companies. Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses for Executing Transactions) (Amendment) – 2020 (hereinafter in this paragraph: "the Regulations") were published in September 2020. The Regulations extend from December 31, 2019 to February 28, 2021 the temporary order that sets a ceiling for the amount of certain expenses that can be collected as direct expenses. On March 10, 2021 the legal counsel of the Capital Market Authority published a clarification by which, upon the dispersal of the Knesset and pursuant to law, the temporary order will be in effect until the end of three months from the date the next Knesset convenes.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
14.	Cont.				On July 1, 2021 draft regulations were published that if approved will extend the temporary order in regulations, up to January 6, 2022. On June 28, 2021 a draft report of the advisory committee to the Capital Market Commissioner for the examination of direct expenses was published for public comment (hereinafter in this section: "the draft report"). On July 6, 2021 the Attorney General requested to submit a notice on his behalf which will explain his position regarding that stated in the draft report. The Supreme Court granted his request. On November 24, 2021 the report of the advisory committee to the Capital Market Commissioner for the examination of direct expenses was published, its aim being to examine the issue of direct expenses in respect of investments under external management. On January 2, 2022 the Attorney General submitted a notice by which the report has no effect on the decision in the legal proceeding and does not change his legal position. On February 2, 2022 the plaintiffs and defendants replied to the position of the Attorney General. See also claims 11 and 12 above in this section.	
15.	4/2017 Tel Aviv District Court	Employees of employers for whom the defendants manage their arrangement v. Mivtach Simon and other insurance agencies	Argument that the defendants by their activity as insurance agencies (pension arrangement managers) caused the class members financial damage, since up to the recent legislation amendments (legislation amendments recently made in the Control of Financial Services Law (Pension Advice, Marketing and Clearing Systems) ('the Advice Law"), and the Control of Financial Services Law (Provident Funds) in the framework of the Economic Plan Law (Legislation Amendments for Implementation of the Economic Policy for the 2015 and 2016 Budget Years), the	Whoever was a customer of any of the defendants at the time they provided to the employer pension arrangement management services throughout a period beginning 7 years prior to the filing of the claim	The class action certification motion includes allegations that are similar to those included in a different class action certification motion that was filed at an earlier date and was struck by the Court on November 28, 2016, following the Court's recommendation to strike the proceeding. On August 2, 2017, the respondents filed a motion to dismiss in limine the class action certification motion ("the motion to dismiss"), and alternatively to transfer it to the Labor Court and decide on a guarantee for expenses. Mivtach Simon filed its reply to the class action certification motion on December 3, 2017. On August 20, 2018, the Court ruled that the subject-matter jurisdiction belongs to the labor court and accordingly ordered that the case be	NIS 357 million, of which about NIS 131 million from Mivtach Simon Insurance Agencies

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
15.	Cont.		operating costs of the pension arrangement services provided by the defendants to employers were subsidized by the employees of those employers, and the defendants favored the employers, with whom they had entered into service agreements, over the employees, who actually paid for those operating services via excessive management fees that were collected from them. The alleged damage to the class members is the excess payment for the operating services, which, it is contended, was loaded onto the class members via excessive management fees that were collected from them. The reliefs sued for are reimbursement/return of the excess management fees collected from the class members according to the plaintiffs and any other relief as the court deems right and equitable in the circumstances of the case.	until the employer began paying the operating costs according to Amendment No. 6 to the Advice Law.	transferred to the labor court. On January 20, 2019, the motion to dismiss and deposit a guarantee was denied by the Court. On February 25, 2019, the respondents filed a motion to add the Directorate of Business Organizations as a respondent to the class action certification motion. This motion was denied. Conversely, a motion from April 3, 2019, of the Chamber of Commerce of Tel Aviv and the Center to join as a friend of the court was accepted. The position of the Chamber of Commerce, as was submitted to the court on July 4, 2019, supports the position of the respondents. A letter of the Directorate of Business Organizations that also supports the interpretation of the respondents was attached to the case by the respondents. The parties have submitted their summations and the case is now waiting for a ruling on the certification motion. On April 10, 2020, a decision was given, instructing the parties to submit completion of arguments in respect of the alleged existence of a collective agreement that led to Amendment 6 to the Advice Law and regarding holding a short inquiry proceeding for clarifying the allegations on this matter. On July 23, 2020 a hearing was held in connection with the aforesaid completion of argument, which at its end the Court recommended to the applicants to withdraw from the proceeding. The applicants refused to accept the Court's recommendation. On August 9, 2020 the parties submitted an additional completion of arguments and a motion to obtain the position of the regulator and Attorney General on the matter of the significance of Amendment 6 and the estoppel following existence of a collective agreement. On August 30, 2020 a ruling was provided that denied the certification motion and requires the plaintiff to pay expenses. In its ruling the Court accepted the position of the defendants on all the matters in question.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
15.	Cont.				On October 5, 2020 the applicants submitted an appeal on the ruling with the National Labor Court. On October 27, 2020 a motion to strike an appeal notice was filed, following which, on January 25, 2021, the Court ordered that a revised appeal notice be submitted, and that the appeal be conveyed to the Capital Market, Insurance and Savings Authority in order to obtain its opinion on the matters raised in the appeal. Summations have been submitted. On June 2, 2021 the Commissioner submitted his position to the Court. On July 5, 2021 a hearing was held on the appeal in which the Court recommended that the appellants withdraw the appeal. The appellants objected. On July 7, 2021 the appellants filed a motion to add an argument. Migdal Insurance responded to the motion. The Court permitted a completion of arguments which was done by the parties. The case is waiting for a ruling on the appeal.	
16.	12/2017 Jerusalem District Court	Insurance applicants v. Migdal Insurance, other insurance companies and the healthcare service providers Maccabi Healthcare Services and Clalit Health Services.	Refusal to provide long term care insurance to the applicants and other persons on the autism spectrum; setting for them impossible and unreasonable conditions without providing an explanation or justification for doing so; failure to provide a detailed and respectful reply to the insurance candidate with respect to the refusal and detailed reasons for the refusal, and the refusal not being based on relevant actuarial or medical statistical data, all contrary, as alleged, to that required in the Equal Rights for Persons with Disabilities Law (hereinafter: "the Equal Rights Law"), and in Equal Rights for Persons with Disabilities Regulations (Notice of Insurer regarding Different Treatment to a Person or regarding Refusal to Insure a Person" ("Equal Rights Regulations").	Persons with autism disabilities who requested to be insured under a long term care insurance policy of any of the respondents and unlawfully received from the respondents different and discriminatory treatment and/or were not provided a detailed reply regarding the different treatment	The proceeding is in the stage of clarification of the class action certification motion. On July 26, 2018, Clalit Health Services filed a motion to dismiss in limine the claim against it and on August 20, 2018, also Maccabi Healthcare Services filed such a motion. On October 24, 2018, the Court recommended that the parties begin a negotiation proceeding, including as part of a mediation. Accordingly, the parties held such negotiations. On April 11, 2019, the position of the Attorney General was submitted in a different claim against Migdal Insurance that deals with a similar issue, which supports the position of the insurance companies ("the Attorney General's position"). Migdal Insurance submitted to the Court a request to include that position in the case. On June 19, 2019, the Court ordered that the Attorney General submit his position in this proceeding too and allowed him, if he should wish, to	According to the applicants the personal damage caused to them amounts to tens of thousands of NIS for each applicant. The amount of the damage for all the class members cannot be accurately estimated at this time.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
16.	Cont.		The principal reliefs requested in the claim are: to provide a declaratory order that the defendants have violated the Equal Rights Law and Regulations; to provide an order nisi instructing the respondents to stop discriminating the class's members, to establish clear work procedures regarding the individual treatment without discrimination of persons with disabilities that are based on the provisions of the Equal Rights Law; to provide an order nisi to the respondents instructing them to fulfill the provisions of the law and an in-principle decision of the Commissioner that establish a proper process concerning refusal to provide insurance; to provide an order nisi that instructs the respondents to retroactively insure the class members who are found to be eligible for long term care insurance after performing an equal underwriting process according to the aforesaid procedures; to pay compensation to the class members according to that mentioned in Section 19.51(b) of the Equal Rights Law without proof of damage and if necessary to also grant non-pecuniary damages; to compensate the class members for pecuniary damages.	in the seven years preceding the date of filing the motion.	also appear in the proceeding. On January 8, 2020, the Attorney General announced that he does not plan to appear in the proceeding, and he referred to the position he had provided as aforesaid in a different case against Migdal Insurance. On March 29, 2020 the Court denied the motion to disclose documents of the applicants, insofar as it concerns Migdal Insurance and took the side of the insurance companies that the motion for certification refers to a legal dispute – the status of the reinsurers' instructions – are they "other information" as defined in the Equal Rights Law, while referring to the position of the Attorney General. In addition, the Court denied, in the same decision, the motion to dismiss in limine of the healthcare service providers and decided that the motions to dismiss would be heard in the framework of the decision on the motion for certification. On July 2, 2020, the Maccabi and Clalit healthcare service providers submitted to the Supreme Court a motion for leave to appeal the decision to not dismiss in limine the claim against them. On the same date the applicants also submitted to the Supreme Court a motion for leave to appeal the decision to deny the motion to disclose documents they had filed, which the Supreme Court decided requires a reply. Migdal Insurance submitted a reply to the motion, On October 18, 2021 the Court denied the motion for leave to appeal the decision regarding the disclosure of documents. On November 10, 2020 the Supreme Court dismissed in limine the motion for leave to appeal of the healthcare service providers.	The amount is in the jurisdiction of the District Court.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
17.	1/2019 Tel Aviv District Court	Policyholder v. Migdal Insurance	The claim involves an allegation that denying a claim in personal accident policies in the case of hospitalization in a rehabilitation hospital, on the basis of the policy's definition of a hospital as not including a rehabilitation hospital, is unlawful. The plaintiff alleges that this coverage exclusion is presented in a manner that is misleading and/or not properly phrased.	The class the plaintiff wishes to represent is customers of Migdal who purchase health insurance for personal accidents and their claim for compensation in respect of hospitalization days was denied on the grounds that according to its definition in the policy a "hospital" is a medical institution that is recognized by the competent authorities in Israel or overseas only as a general hospital, and is not a rehabilitation hospital and/or mental health institution and/or convalescent home and/or sanitarium and/or long-term care facility.	On February 18, 2021 the Tel Aviv-Jaffa District Court accepted the class action certification motion as follows: The class members: Policyholders of Migdal Insurance who purchased personal accident insurance and their claim for compensation in respect of hospitalization days was denied on the grounds that according to its definition in the policy a "hospital" is a medical institution that is recognized by the competent authorities in Israel or overseas only as a general hospital, and is not a rehabilitation hospital and/or mental health institution and/or convalescent home and/or sanitarium and/or long-term care facility, in the three years preceding the date of filing the class action certification motion. The causes of the claim for which the class action is certified: Breach of the provisions of Section 3 of the Insurance Contract Law; breach of the instructions in the circular of the Capital Market, Insurance and Savings Authority concerning "Proper Disclosure to a Policyholder when Joining a Health Insurance Policy"; breach of an insurance contract. The requested relief: Payment of the insurance benefits in respect of the hospitalization days entitling to compensation for hospitalization days regardless of the facility where the policyholder was hospitalized; removing the definition of a "hospital" from the policy or amending it according to the provisions of the law and a declaratory ruling by which Migdal Insurance had breached the law. On April 26, 2021 Migdal Insurance submitted to the Supreme Court a motion for leave to appeal the ruling on the certification motion. The plaintiff filed a reply to the motion for leave to appeal. On October 10, 2021 Migdal Insurance filed a motion to stay execution which was denied.	Presently estimated at NIS 24 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
17.	Cont.				On January 16, 2022 a hearing was held at the District Court following which the Court ordered a stay of proceedings until a ruling is handed down by the Supreme Court on the motion for leave to appeal.	
18.	5/2019 Tel Aviv District Court	Life insurance policyholder v. Migdal Insurance	The claim involves an allegation that in profit participating policies that include an RM formula, Migdal Insurance does not pay the full amounts as required by the insurance policy and the law, including the full share of the policyholders in the profits pursuant to the policies, and also an allegation that it breaches the duty of disclosure and reporting to the policyholders with respect to the policy and their rights according to it. In the motion the plaintiff relies on a ruling that certified a class action against another insurance company with respect to policies of that company for similar causes. A similar claim was filed also against another insurance company.	The class the plaintiff wishes to represent is all the present and past policyholders of Migdal Insurance who received payments pursuant to profit participating life insurance policies that include an RM formula.	A reply has been filed to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion. On July 5, 2020 the applicant submitted a motion to transfer the hearing of a different class action that was filed against Migdal Insurance, which is described hereunder in item 20 of this table, to the panel that is hearing this claim and to suspend the hearing of that claim until a ruling on his motion and alternatively to dismiss that motion on the grounds that it is covered by the class members represented in this class action. On November 22, 2020 the Court accepted the aforesaid motion to transfer the claim from the Regional Labor Court. Furthermore, on August 12, 2020 the applicant submitted a motion to consolidate the hearing of this claim with that of a claim he had filed against a different insurance company on the grounds that both claims concern the same issues and that the judicial panel that will discuss these two claims will be the judicial panel that discussed the class action against a different insurance company that was already certified, which according to the applicant also concerns a cause similar to that in this claim. The insurance companies, including Migal Insurance, object to this motion on the grounds of, inter alia, the difference between the proceedings and claims. Migdal Insurance filed its response to this motion. On May 25, 2021, the Court decided that the claims would be heard by the same panel. The panel to which the claims were transferred decided to stay the proceedings until the Supreme Court rules on the appeals that had been filed in the class action that was already certified against a different insurance company.	NIS 692 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
18.	Cont.				On September 10, 2021 the other insurance company advised the Court that a ruling had been made on the appeal. The plaintiff's appeal in that proceeding was denied and the motion for leave to appeal of the insurance company that focused on the definition of the class and the issue of the period of limitation was partly accepted. On March 8, 2022 the applicant filed a motion to strike the certification motion described in item 20 hereunder.	
19.	6/2019 District – Tel Aviv	Third party of motor vehicle insurance policyholder v. Migdal Insurance and other insurance companies	The claim involves an allegation that Migdal Insurance does not pay interest on insurance benefits beginning from 30 days after the delivery date of the claim. This is a continuation claim to that mentioned in Paragraph 4 above ("the first claim") and it was filed, as stated by the applicant, solely as a precaution should the Court deny its motion to expand the class until such time as a ruling is provided on that claim.	Anyone who has received and/or will receive insurance benefits from Migdal Insurance, in the period between August 31, 2015 (subsequent to the date of the certification ruling on the first claim) and the date of ruling on this claim, without interest being added to the insurance benefits as required by law.	No reply has as yet been filed with respect to the motion to certify a class action. On November 3, 2019 Migdal Insurance and the other defendants filed a motion to suspend proceedings until a ruling is provided in the first claim on expansion of the class, as described above. On December 26, 2019 the Court ruled that at this time before ruling on the motion to suspend, and until it provides a ruling as aforesaid, Migdal Insurance shall not file a reply to the certification motion. On July 28, 2020, after holding a pre-trial, the Court ordered, at the request of the defendants and with the consent of the applicants, to suspend the proceedings in this case until a ruling is provided on the first claim. On February 28, 2021 a partial ruling was provided on the first claim, which accepted the claim, including the request of the plaintiffs to expand the class members, until a ruling is provided, as requested by the applicant in this claim. Accordingly, it is likely that hearing this claim and the class action certification motion will become redundant. The applicant filed a motion to stay proceedings in this case until a ruling is provided on the motion for leave to appeal in claim no. 4 above. On November 21, 2021 the District Court approved a stay of proceedings in the case until a ruling is provided on claim no. 4 above. For information regarding the first claim and the partial ruling, see claim no. 4 above in this section.	NIS 90 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
20.	6/2019 Tel Aviv Regional Labor Court	Loss of working capacity policyholder v. Migdal Insurance	The claim involves an allegation that beginning from the 25th payment, Migdal Insurance unlawfully deducts amounts in respect of "nominal interest" from the insurance benefits that are paid pursuant to profit participating policies that include coverage for loss of working capacity and/or a release from paying premiums. A similar claim was also filed against a different insurance company.	Anyone who has or had profit participating life insurance policies that include a mechanism that links the insurance benefits and/or the release from premiums to the return on the investment portfolio as of the 25th payment, to whom Migdal Insurance paid the insurance benefits and/or released savings riders from the payment of premiums, for a period longer than 24 months and deducted interest from the return, as of the 25th month, other than policyholders or anyone who was a policyholder, that their policies explicitly stated and emphasized in the linkage clause itself the interest	A reply has been filed to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion. On July 5, 2020 an applicant who had submitted against the company a different motion to certify a class action, which is described in item 18 above in this table, submitted a motion to transfer the hearing of this class action to the panel that is hearing the claim he had submitted and to suspend the hearing of this claim until a ruling is provided on his motion and alternatively to dismiss this motion on the grounds that it is covered by the class members represented in the class action certification motion he had submitted. On November 22, 2020 the Court accepted the aforesaid motion to transfer the hearing, and accordingly the claim will be heard before the Tel Aviv District Court. On March 8, 2022 the applicant in the certification motion mentioned in item 18 above filed a motion to strike the certification motion.	NIS 1.5 billion

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
20.	Cont.			rate that would be deducted, and providing that the words "by which the amount of the monthly compensation was calculated" do not appear.		
21.	7/2019 Tel Aviv District Court	Third party damaged by a motor vehicle policyholder v. Migdal Insurance	The claim involves an allegation that when a third party chooses to exercise their right and to not repair the damaged vehicle, Migdal Insurance arbitrarily and uniformly deducts a salvage value from the amounts that were specified in the appraiser's opinion in respect of parts that were damaged and need to be replaced and which were not actually replaced, without presenting an opposing appraiser opinion on its behalf and even though the parts have no value.	As regards monetary reliefs – any third party who was damaged by a policyholder of Migdal Insurance in the seven years prior to the filing of the claim and who was not paid the full value of the parts that were not repaired, without Migdal presenting an appraiser opinion prepared according to law, and any policyholder who Migdal reduced the value of the unrepaired parts without providing an appraiser opinion as	A reply has been filed to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion. According to the recommendation of the Court, the parties entered a mediation proceeding. On November 21, 2021 a hearing was held in which the Court decided to request the position of the Commissioner of Capital Market, Insurance and Savings with respect to the plaintiff's arguments.	NIS 11.5 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
21.	Cont.			aforesaid, in the seven years prior to the filing of the claim or alternatively 3 years. As regards the future – all the policyholders of Migdal Insurance and/or third parties that are involved in an accident with its policyholders.		
22.	2/2020 Tel Aviv Regional Labor Court	Life insurance policyholder v. Migdal Insurance	The claim involves an allegation that Migdal Insurance unilaterally raised the management fees of the applicant to higher than the rate that was agreed with him, without requesting and receiving his consent to do so. Whether this was done by mistake or knowingly, Migdal Insurance is requested to return the excess management fees it charged. In the motion the applicant stated that a certification motion with respect to the same practice is pending against another insurance company, and in it a settlement agreement was submitted to the Court in which that insurance company undertook to change the rate of the management fees of the class members back to the original rate that was agreed with them and to return to the class members 67.5% of the excess management fees it had charged them.	All the customers of Migdal Insurance that have executive insurance policies, who were charged management fees at a higher rate than that specified in the policy and/or in the insurance information statement and/or contrary to the directives of the Commissioner of Insurance in the Ministry of Finance (or any other agreed relevant authority) and/or	The proceeding is in the stage of clarification of the class action certification motion. A reply has been filed to the class action certification motion. An evidentiary hearing has been scheduled on the case.	Was not estimated by the applicant

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
22.	Cont.		The principal alleged causes of the claim are: contractual causes of breach of contract and breach of the duty of good faith in fulfilling a contract, unjust enrichment, breach of loyalty duties, deception and breach of a statutory duty. The principal relief requested in the claim is monetary relief of refunding all the amounts Migdal Insurance collected from the class members in respect of management fees it charged in excess of the management fees indicated in the policy and/or contrary to the instructions of the competent authority and/or the provisions of the law.	contrary to the Insurance Contract Law (or the provisions of any other relevant law).		
23.	3/2020 Tel Aviv Regional Labor Court	Israel Consumers Council v. Migdal Insurance	The claim involves an allegation that Migdal Insurance does not calculate the amount of the annuity paid to the policyholder, all or part, according to the guaranteed conversion factor specified in the rider attached to a capital executive insurance policy and/or that corresponds to it, pursuant to which the capital insurance amount can be converted into an annuity whose rate is guaranteed according to an annuity factor. The plaintiff alleges that Migdal permits converting the capital insurance amount according to the annuity factor in the aforesaid rider only with respect to a small part of the policyholder's accumulated amounts, whereas as regards most of the amounts it converts according to a new conversion factor that is not mentioned anywhere in the schedule – a factor that reduces the annuity of the policyholder. The alleged caused of the claim are, inter alia, breach of contract, breach of a statutory duty, unjust enrichment, breach of good faith and of fiduciary duty pursuant to sections 12 and 39 of the Contracts Law.	Anyone who entered into a guaranteed annuity agreement in a rider to a capital executive insurance policy (whatever it is called) who actually received and/or will receive from Migdal Insurance annuity that part and/or all of it is calculated according to a factor that is higher than that specified in the rider (including derivatives of the factor specified in the rider).	The proceeding is in the stage of clarification of the class action certification motion. A reply has been filed to the class action certification motion. An evidentiary hearing has been held and summations have been filed. On September 20, 2021 the Court ordered the Commissioner of the Capital Market, Insurance and Saving Authority to submit his position regarding the allegations in the claim. On February 1, 2022 the position of the Capital Market Authority was submitted, which did not find it appropriate to express a position, while noting that the proceeding involves the interpretation of contractual provisions that the place for hearing them is the labor court.	Tens of millions of NIS at the least

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
23.	Cont.		The principal reliefs requested in the claim are: compensation in the amount of the difference between the annuity that was actually paid to the class members and the annuity they would have been paid had it been calculated fully according to the factors indicated in the rider and/or a corresponding factor (according to the age of the policyholder on the conversion date), all with the addition of interest and linkage differences by law; to order Migdal to calculate and pay the class members the full annuity from this date on according to the indicated factors and/or factors that correspond to the factors indicated in the rider. It is noted that this claim was filed after a claim on the same matter was concluded on March 13, 2020, with the applicant's motion to withdraw and the Court deciding to strike the claim and certification motion.			
24.	3/2020 Tel Aviv Regional Labor Court	Heirs of a pension fund member v. Migdal Makefet	The claim alleges that Migdal Makefet does not notify the members, when they submit a request for the payment of a disability pension, that according to the bylaws of the pension fund, if their health condition should deteriorate and require long-term care they are entitled to receive an additional long-term disability annuity. Thus, according to the plaintiffs, Migdal Makefet impairs the ability of the fund members who are eligible for an additional long-term care annuity, to request it and exercise the rights due to them according to the fund's bylaws.	All the members of Migdal Makefet, who submitted a claim for payment of a disability pension and were not informed by law of their right to receive an additional long-term disability annuity, throughout a	The proceeding is in the stage of clarification of the class action certification motion. A reply has been filed to the class action certification motion. In the framework of a preliminary hearing, which was held on February 8, 2021, the Court suggested that the parties conclude the proceeding in a settlement agreement that includes a commitment of Migdal Makeft with respect to the future and without any compensation to the class members. The applicants refused the Court's suggestion. The applicants have submitted a motion to add a lead plaintiff.	NIS 30 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
24.	Cont.		The alleged causes of the claim are, inter alia, breach of fiduciary, disclosure and notification duties that apply to Migdal Makefet as a pension fund management company, breach of a statutory duty, breach of agreement, fraud. The principal reliefs requested in the claim are: To compel Migdal Makefet to notify all the class members who applied to it, in clear and simple language, of their eligibility according to the bylaws to receive an additional long-term care annuity in the event of long-term care being required; to transfer to the heirs the long-term care annuities that were due to deceased class members with the addition of interest and linkage by law; to compel Migdal Makefet to add to the claim forms, as from that date on, an item that requests the members to refer to their long-term care condition; to compensate all the class members by an amount of NIS 15 million in respect of the emotional distress they were caused, the impairment of their autonomy and of their right to live with dignity at their darkest hour.	period beginning seven years before the filing of the class action certification motion up to the date of certifying the claim as a class action.	On July 13, 2021 the parties submitted to the Regional Labour Court a motion to approve a settlement, which was prepared according to the arrangement that was recommended by the Court, and includes mainly specific disclosure and reference to the possibility of being eligible for an additional long-term care annuity in the event of a deterioration in health that requires long-term care. Furthermore, the said settlement includes a commitment to notify, at its own volition, the members of Makefet that receive a full disability pension now and in the future, that they are entitled to request from Makefet to examine their eligibility for the said additional annuity, pursuant to the fund's bylaws. Insofar as the settlement is approved, Makefet has committed to pay immaterial amounts of reward and fees to the lead plaintiffs and their representative. The settlement is subject to the approval of the Regional Labour Court. On February 20, 2022 the Attorney General submitted her objection to approval of the settlement since, inter alia, according to her position the settlement transfers the burden of examining the eligibility for the additional long-term care annuity to the fund's members and may be interpreted as releasing the fund from independent examinations, contrary to the provisions of the bylaws and directives of the Capital Market, Insurance and Savings Authority. Furthermore, her position is that class members who did not receive the additional amount due to them pursuant to the pension fund's bylaws should be permitted to file personal claims. Accordingly, the correct course of action according to her is that the applicant file a motion for withdrawal without a reward and fees for the applicant and her representative. The settlement is subject to the approval of the Regional Labor Court and in view of the objection of the Attorney General, it is possible that the	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
24.	Cont.				settlement will not be approved or will be approved subject to changes being made in the agreement.	
25.	4/2020 District Court - Haifa	A vehicle insurance (act and casco) policyholder v. Migdal Insurance and additional insurance companies	The claim involves an allegation that the defendants, supposedly contrary to their duty by law, refrain from lowering the insurance premiums in vehicle insurance policies (act and casco) even though the risk the defendants are exposed to has decreased considerably, as alleged in the claim, as a result of the outbreak of the coronavirus in Israel which led to a dramatic drop in kilometrage in Israel, this as from March 8, 2020 until the complete removal of the movement restrictions ("the determining period"). The principal causes of the claim are: unjust enrichment, breach of provisions of the Insurance Contract Law, contractual causes of breach of duty of good faith in fulfilling a contract, breach of statutory duty and negligence. The principal reliefs requested in the claim are: to refund the excess premium the defendants collected from the class members in the determining period; a mandatory injunction ordering the defendants to adjust the insurance premiums they collect to the risk they are actually exposed to in the determining period and/or a declaratory ruling by which a significant drop in the use of vehicles in circumstances such as the events indicated in the claim require an adjustment (lowering) of the premium.	Anyone who was insured by one or more of the defendants, by motor act and/or motor casco and/or third party insurance during the determining period or part of it.	No reply has as yet been submitted to the class action certification motion The motion was transferred for hearing at the Tel Aviv District Court before the panel that is hearing the motions described in items 26-27 hereunder. Migdal Insurance and the other respondents have petitioned to strike two of the three aforesaid class action certification motions that had been filed in connection with vehicle insurance. The applicants in the class action certification motions together with the applicants in the class action certification motion in item 27 filed a motion to strike the motion described hereunder in item 26. The motion described in item 26 was struck with respect to vehicle insurance (insofar as concerning Migdal Insurance). The applicant in item 26 filed an appeal on the ruling with the Supreme Court. The Court ordered a consolidation of the motions described in this item and in item 27 and that they be submitted again (or that one of the motions be chosen to be heard as the consolidated motion). On April 5, 2021 the applicant and the applicant in the motion described in item 27 filed a motion to certify a consolidated class action. On October 19, 2021 the Court ordered a stay of proceedings until a final ruling on the claim described in item 4 of section c of this note. Since the ruling described in item 4 of section c of this note has become final the hearing of this proceeding continues. See items 26-27 in the table hereunder and item 4 in section c of this note with respect to additional claims on the same matter and/or an argument regarding the effects of the coronavirus on the decline in insurance risk.	NIS 125 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
26.	4/2020 District Court – Tel Aviv	A vehicle insurance (act and casco) policyholder and home contents insurance policyholder v. Migdal Insurance and additional insurance companies	The claim involves an allegation that the defendants, supposedly contrary to their duty by law, refrain from lowering the insurance premiums in vehicle insurance policies (act and casco) and in home contents insurance, even though the risk the defendants are exposed to has decreased considerably, as alleged in the claim, as the result of an extreme change in circumstances that was caused by the coronavirus pandemic, following which movement restrictions were imposed in Israel and accordingly the number of home burglaries dropped significantly as well as the kilometrage, this as from March 19, 2020, the date on which Emergency Regulations (Limitations on Activity) – 2020 were announced for the first time. The principal causes in the claim are: unjust enrichment, breach of provisions of the Insurance Contract Law, contractual causes of breach of duty of good faith in fulfilling a contract, breach of statutory duty and negligence. The principal relief requested in the claim is to refund the excess premium the defendants collected as a result of the decline in risk as alleged in the claim.	Anyone who was insured by Migdal Insurance under a motor act and/or motor casco and/or third party vehicle insurance policy and/or a home contents insurance policy and on the determining date for filing the claim held one or more of the aforesaid insurance policies and in view of the decline in risk associated with each one of the aforesaid policies did not receive from Migdal a refund and/or did not receive notice of a future refund and/or a credit in respect of excess insurance premiums they paid in view of the decline in risk as alleged in the claim.	No reply has as yet been submitted to the class action certification motion This motion and two other similar class action certification motions, which were filed against Migdal Insurance and other insurance companies on the grounds described in this motion, and are described in item 25 above and item 27 hereunder ("similar motions"), will all be heard at the Tel Aviv District Court. Furthermore, the applicants in the certification motions described in item 25 above and item 27 hereunder petitioned to strike this motion in all that concerns vehicle insurance. Migdal Insurance and the other respondents have petitioned to strike two of the three aforesaid class action certification motions that had been filed in connection with vehicle insurance. The motion to strike the claim in all that concerns vehicle insurance was accepted and the Court allowed the applicants to continue the proceeding only with respect to the home contents insurance (insofar as concerning Migdal Insurance). The applicant filed an appeal on the ruling with the Supreme Court. A motion to amend the certification motion was filed on March 14, 2021. The Company filed a response to this motion. The Court denied the motion to amend the certification motion. On April 5, 2021 the applicants in items 25 and 27 filed a motion to certify a consolidated class action. On October 19, 2021 the Court ordered a stay of proceedings until a final ruling on the claim described in item 4 of section c of this note. Since the ruling described in item 4 of section c of this note has become final the hearing of this proceeding continues.	NIS 92 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
26.	Cont.				See items 25 and 27 in this table and item 4 in section c of this note with respect to additional claims on the same matter and/or the effects of the coronavirus on the decline in insurance risk.	
27.	4/2020 Central District Court	A vehicle insurance (act and casco) policyholder v. Migdal Insurance and additional insurance companies	The claim involves an allegation that the defendants, supposedly contrary to their duty by law, refrain from lowering the insurance premiums in vehicle insurance policies (act and casco) even though the risk the defendants are exposed to has decreased considerably, as alleged in the claim, as a result of the movement restrictions that were imposed in Israel following the outbreak of the coronavirus in Israel, which led to a dramatic drop in car accidents, this as from March 12, 2020. The principal causes of the claim are: unjust enrichment, breach of provisions of the Insurance Contract Law, contractual causes of breach of duty of good faith in fulfilling a contract and negligence. The principal relief requested in the claim is monetary relief of refunding the excess premiums that were collected as a result of the decline in risk as described above and also to lower the premiums for as long as the defendants' insurance risk is lower as a result of the coronavirus pandemic.	All the policyholders of the defendants who between March 12, 2020 and the date of filing the claim had vehicle insurance policies (act and/or casco including comprehensive or third party) and did not receive a refund and/or reduction in the premiums in respect of the relevant period at a rate and amount corresponding with the decrease in the insurance risk.	No reply has as yet been submitted to the class action certification motion The motion was transferred for hearing at the Tel Aviv District Court before the panel that is hearing the motions described in items 25-26 above. Migdal Insurance and the other respondents have petitioned to strike two of the three aforesaid class action certification motions that had been filed in connection with vehicle insurance. The applicants in the class action certification motions together with the applicants in the class action certification motion in item 25 filed a motion to strike the motion described above in item 26. The motion described in item 26 was struck with respect to vehicle insurance (insofar as concerning Migdal Insurance). The applicant in item 26 filed an appeal on the ruling with the Supreme Court. The Court ordered a consolidation of the motions described in this item and in item 25 and that they be submitted again (or that one of the motions be chosen to be heard as the consolidated motion). On April 5, 2021 the applicant and the applicant in the motion described in item 27 filed a motion to certify a consolidated class action. On October 19, 2021 the Court ordered a stay of proceedings until a final ruling on the claim described in item 4 of section c of this note. Since the ruling described in item 4 of section c of this note has become final the hearing of this proceeding continues. See items 25-26 in the table above and item 4 in section c of this note with respect to additional claims on the same matter and/or the effects of the coronavirus on the decline in insurance risk.	NIS 106 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
28.	4/2020 Tel Aviv Regional Labor Court	Loss of working capacity policyholder v. Migdal Insurance and other insurance companies	The certification motion involves a claim that the defendants refuse, supposedly, to extend the insurance coverage of loss of working capacity insurance policies that were purchased before 2017 according to the new age of retirement provided in the legislative change in 2004 and also refuse to pay to those policyholders compensation for loss of working capacity until the age of 67 for salaried employees and until the age of 70 for self-employed. The causes of the claim are, inter alia, breach of contract, breach of the Insurance Contract Law, breach of a statutory duty, unjust enrichment, breach of the duty of good faith and of the fiduciary duty pursuant to sections 12 and 39 of the Contracts Law, breach of the Equal Rights for Persons with Disabilities Law, fraud. The principal relief is to require the defendants to pay to the plaintiff and the other class members the compensation for loss of working capacity that was not paid to them from the age of 65 up to the age of 67 for salaried employees and up to the age of 70 for self-employed.	Anyone who purchased from the defendants loss of working capacity insurance before 2017 and the defendants terminated the policy with them when they reached the age of 65 and stopped them from extending the insurance coverage until the age of 67 for salaried employees, and until the age of 70 for self-employed, in accordance with the new age of retirement from 2004.	The proceeding is in the stage of clarification of the class action certification motion. A reply has been filed to the class action certification motion. On February 21, 2021 the parties notified the Court that they are waiving the hearing of evidence. The case is now in the stage of summations	The estimated amount of the claim for the damage attributed to all the defendants is NIS 540 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
29.	5/2020 Tel Aviv District Court	Study fund member v. Migdal Makefet and other management companies	The certification motion involves an allegation that the defendants, supposedly, classify part of the contributions for the members as contributions that are subject to tax, even though they are not and/or that they recorded them incorrectly. The causes of the claim are, inter alia, breach of the fund's bylaws, breach of the duty of good faith, breach of the Supervision of Financial Services (Provident Funds) Law, of the Wage Protection Law, the Income Tax Ordinance, breach of a statutory duty, unjust enrichment, negligence, impairment of autonomy, theft and breach of the Consumer Protection Law. The principal reliefs are: To order the defendants to immediately cease from the illegal denying of the tax benefit; to order a refund and/or payment as specified in the claim, to all the class members and/or the public; to order the defendants to revise all the annual reports in which the contributions were incorrectly classified for any reason whatsoever.	All the present and past customers of the defendants for whom the defendants managed and/or manage a study fund and the defendants classified the contributions transferred on their behalf as being subject to tax contrary to the law and/or recorded them incorrectly (whether the tax has already or not yet been deducted).	A response has been submitted to the class action certification motion. In addition, Migdal Makefet filed a motion to submit a third party notice against the tax authority with respect to the refunding of any excess tax that was charged, if and insofar as it is ruled that excess tax was charged. In a decision from June 29, 2020 the Court expressed its position that the manner of filing the motion, against 14 different respondents by 34 different applicants with different factual arguments, which combines the matter of all the respondents together in one hearing appears to be unreasonable and inefficient. Accordingly, the applicants were requested to submit their position regarding the manner of holding the proceeding bearing in mind that stated in the decision. On August 4, 2021 the reply of the tax authority to the third party notice against it was submitted to the Court, by which it accepts the position of the defendants regarding the interpretation of the law regarding classification of contributions that are subject to tax in a study fund while noting that the defendants only constitute a pipe for transferring the money to the tax authority. Accordingly the taxes deducted by the defendants are transferred to the tax authority. According to the tax authority's position, the main allegation in the proceeding is against the authority's directives concerning the manner of implementing the provisions of the law for determining the ceiling qualifying for the tax benefit, and therefore it should be added	Cannot be estimated.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
29.	Cont.				to the proceeding as a respondent, as a "participating party", and not as a third party. Migdal Makefet replied to the position of the tax authority. On January 5, 2022 the Court decided to add the tax authority as a respondent in the motion and recommended to the parties to enter a mediation.	
30.	5/2020 Tel Aviv Regional Labor Court	Executive insurance policyholder v. Migdal Insurance	The class action certification motion involves an allegation that Migdal, supposedly, deducted from the employers' contributions amounts at a rate that is higher than the rate permitted by law for purchasing life insurance coverage, and also purchased for the policyholders insurance coverages that are not life insurance and may not be purchased, supposedly, from the contributions of the employer, this with respect to policyholders whose insurance policies were issued between August 1, 1999 and December 31, 2013 (hereinafter: "the relevant period"). The causes of the claim are, inter alia, breach of a statutory duty (income tax regulations) and unjust enrichment. The principal reliefs requested in the claim are mandatory injunctions ordering Migdal to transfer the excess amounts collected to the savings account of the class members that is managed by it in the insurance fund/s in their names, or to the bank account of the class members or their heirs, with the addition of the return accumulated in the fund from the date of deposit of each excess amount until the date of returning it and to stop collecting from then on, in excess of that provided in Income Tax Regulations (Rules	All the policyholders of the respondent, whose insurance fund was opened in the relevant period, and from which Migdal deducted for insurance coverage an amount that is higher than 10% of the share of the employer in the contributions, beginning from seven years preceding the date of filing this motion until the date Migdal stops making the unlawful deductions or until the motion is certified as a class action, whichever earlier. All this excluding policyholders who requested to apply to them section 45 of the	The proceeding is in the stage of clarification of the class action certification motion. On January 28, 2021, in a hearing that was held the Court decided to request from the Commissioner his position regarding the issues raised in the certification motion and postponed the stage of evidence until after receipt of the Commissioner's position. In July 2021 the Commissioner provided his position, which supports the company's position in all that concerns the purchase of insurance coverage for death risk from employee contributions. The position also stated that no other insurance coverage may be purchased (for example loss of working capacity) from the contributions, unless the employee consented to this after the beginning of 2004, in accordance with Regulation 45 in its language on January 1, 2004. In addition the Commissioner requested from the Court to consider continuing the hearing of the class action in view of the Commissioner's intention to carry out an across-the-board supervision proceeding in respect of all the insurance companies, like the one that was already carried out in a different company.	Cannot be estimated.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
30.	Cont.		for Authorization and Management of Provident Funds) – 1964 (hereinafter: "Income Tax Regulations").	Income Tax Regulations.	Further to the aforesaid notice of the Commissioner, on December 21, 2021 the Commissioner sent to Migdal Insurance a notice demanding information regarding the collection of insurance coverages pursuant to the limitations of Regulation 45 of Income Tax Regulations (Rules for Authorization and Management of Provident Funds) – 1964, which includes also instructions for making a refund, insofar as it is found that Migdal Insurance did not act according to the rules included in that notice (hereinafter: "the information and refund demand" or "the demand"). According to the information and refund demand, Migdal Insurance is required to provide to the Commissioner a detailed schedule of the actions it will take to refund the amounts that were unlawfully collected including milestones for making the refund, insofar as were unlawfully collected. In addition, Migdal was granted the opportunity to provide comments and objections to the demand, according to that stated in it. On March 15, 2022 Migdal Insurance submitted its objections to the demand. On this matter, see also item f(4) of this note hereunder.	
31.	6/2020 Central District Court	Member of pension fund v. Migdal Insurance and Migdal Makefet	The class action certification motion involves an allegation that in CPI-linked loan agreements the defendants supposedly adopted an unlawful practice that is purportedly a depriving condition in a contract, in view of the one-way linkage mechanism – by which when the Consumer Price Index is lower at the time of making a loan payment (hereinafter: "the new index") than the index that was known at the time the loan was	All the customers of the defendants who took out CPI-linked loans of any kind, which include a depriving condition by which a decline in the index compared to the base index does not	A reply has been submitted to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion. On May 9, 2021 a hearing was held in which the Court recommended to the parties to go into mediation. Migdal Insurance has gone into mediation on the matter.	More than NIS 3 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
31.	Cont.		granted (hereinafter: "the base index"), the member does not receive the difference, contrary to the opposite situation (where the new index is higher than the base index) where the payment is raised by the rate at which the new index is higher than the base index. The causes of the claim are, inter alia, a depriving condition in a standard contract in accordance with the Standard Contracts Law – 1982 and unjust enrichment. The principal reliefs requested in the claim are: A declaratory order by which the defendants' conduct in the framework of CPI-linked loan agreements, as described above, is against the law, a mandatory injunction that orders the defendants to establish a two-way linkage mechanism and enable the borrowers to benefit from the new index being lower than the base index in CPI-linked loans and to compensate the class members for their damages. According to that stated in the class action certification motion, certification motions are pending against two other insurance companies that raise common questions of fact and law as mentioned in the class action certification motion.	credit the customer.	On August 2, 2021 the Attorney General advised that he does not believe that the State needs to provide a position in this case.	
32.	7/2020 Central District Court	Health and loss of working capacity policyholder v. Migdal Insurance and other insurance companies	The class action certification motion involves an allegation that in cases of insurance policies that specify that an event/injury/disease or any risk that materialized and was due and/or connected to an existing medical condition of the policyholder on the day of purchasing the policy are not covered by the policy (hereinafter: "exclusion"), the defendants unlawfully collected premiums since they did not lower the premiums	Anyone who was insured in the period beginning seven years before the day of filing the claim and ending on the day of its certification as a class action, by one or more of the	A reply has been submitted to the class action certification motion. On January 2, 2022 the applicant replied to the reply to the certification motion.	NIS 228 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
32.	Cont.		in respect of such policies according to the lower risk that is a result of the exclusion. The causes of the claim are, inter alia, breach of the Equal Rights for Persons with Disabilities Law – 1988, of the Prohibition of Discrimination in Products, Services and Entry into Places of Entertainment and Public Places Law – 2000, lack of good faith, breach of the Supervision of Financial Services (Insurance) Law – 1981, breach of a statutory duty, negligence and unjust enrichment. The reliefs requested are to return the excess premiums collected as alleged and a mandatory injunction ordering the defendants to correct their conduct and lower the premium where an exclusion exists.	defendants, under an insurance policy for disability, long-term care, life, loss of working capacity, personal accidents, health (including dread diseases, surgeries in Israel or abroad, transplants in Israel or abroad, medications, ambulatory procedures or any other medical coverage) that contains an exclusion.		
33.	11/2020 Beit She'an Magistrate's Court	Third party whose vehicle was damaged in an accident by a vehicle insured with Migdal Insurance v. Migdal Insurance	The class action certification motion involves an allegation that Migdal Insurance acts systematically and deliberately contrary to the law when it calculates the value of spare parts that need to be replaced when making repairs according to the prices of spare parts from parallel import, which according to the plaintiff are not available at the relevant times, instead of the prices of spare parts that appear in the price lists of the official importers. The causes of the claim are, inter alia, breach of insurance contract and of the duty of good faith, breach of a statutory duty, unjust enrichment and negligence. The principal reliefs requested are monetary relief that includes compensating all the class members by the amount of the difference between the	Anyone who is entitled to compensation from the defendant (policyholder, beneficiary or third party), who submitted a claim in respect of damage caused to their vehicle, but received lower compensation that was calculated according to prices of spare parts that are not immediately available, instead of the prices of the same	A reply has been submitted to the class action certification motion. The Court recommended to the parties to go into mediation. The parties are holding talks for the purpose of ending the proceeding.	NIS 1.5 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
33.	Cont.		prices of spare parts available in the local market inventory and the prices of spare parts that are unavailable with the addition of linkage and interest by law as well as declaratory relief by which Migdal Insurance acted contrary to the law by acting as described above in this report and that the Court order it to refrain in the future from calculating the amount of the compensation according to the prices of spare parts that are not available in the local market inventory.	spare parts that are available in the local market inventory.		
34.	1/2021 Tel Aviv District Court	Executive insurance policyholder v. Migdal Holdings,	The class action certification motion involves several allegations, the main one being as follows: Migdal Holdings rounds amounts of deposits and therefore there is a discrepancy between the amounts of the deposits transferred by the employer and the amounts reported in the quarterly reports that are sent to the policyholder; inability to redeem the savings accumulated in the policies, either by a lump-sum withdrawal or by receiving an annuity, as from the day the applicant retired; harassing the applicant by demanding that he provide exemption certificates from the assessing officer even though according to the applicant such amounts are exempt from tax in any case and also regarding proof of his identity.	Migdal Insurance policyholders, whose reports are unreliable.	A reply has been submitted to the class action certification motion. In addition a motion to dismiss in limine the certification motion was filed. The claim was originally filed also against the former CEO of Migdal Holdings and the Deputy CEO of Migdal Insurance but in the amended claim statement they were removed. On May 27, 2021 the Court handed down a ruling by which the certification motion contains obstacles that appear to be unpassable if the proceeding is handled by the applicant without legal representation, and even more so when representing a class, as he wishes to do. On December 30, 2021, the District Court ordered to strike the certification motion since it contains many flaws that make hearing it impossible. On February 10, 2022 the applicant filed an appeal with the Supreme Court to which he added also the former CEO of Migdal Holding and the Deputy CEO of Migdal Insurance. In addition, the applicant filed a motion requesting	Was not quantified. An estimate of hundreds of millions was noted in the certification motion.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
34.	Cont.				an exemption from fee and a motion to submit new evidence. On March 14, 2022, the Company filed its reply to the motion requesting an exemption from fee and the motion to submit new evidence expressing its objection to their acceptance. At the same time the Company filed a motion to strike the two respondents that were added by the appellant as respondents in the appeal.	
35.	3/2021	Health insurance policyholders v. Migdal Insurance and other insurance companies	The certification motion involves an allegation that the defendants breach the terms of the insurance contract in that they refuse to finance the plaintiffs' expenses on purchasing medical cannabis, even though medical cannabis was approved for use for medical indications in several western European countries referred to in the terms of the insurance contract. The alleged causes of the claim are, inter alia, breach of agreement, lack of good faith, unjust enrichment, negligent tort. The reliefs requested in the claim are declaratory relief by which the defendants should return to policyholders having insurance for medications that are not included in the healthcare basket their expenses on purchasing medical cannabis and monetary relief that requires the defendants to return to all the class members the value of the economic damage that was created as a result of the flaws in their conduct and breach of the insurance contract.	The class named in the certification motion includes anyone who had an insurance policy of the defendants that covers medications not included in the healthcare basket and who did not receive a refund of their expenses for purchasing medical cannabis.	A reply had been submitted to the certification motion.	NIS 79 million from all the defendants

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
36.	4/2021	Study fund member v. Migdal Insurance and institutional bodies, banks and credit card companies	The certification motion mainly involves an allegation that when the customers of the defendants surf in their account/personal area on the website and apps of the defendants, private, personal and confidential information of the defendants' customers is transferred to third parties, without the explicit consent of the customers while causing severe and unprecedented damage to their right to privacy and to the obligations imposed on the defendants by law. The alleged causes of the claim are, inter alia, impairment of privacy, breach of duty of confidentiality and fiduciary dity, unjust enrichment, lack of good faith in fulfilling an agreement and breach of an agreement, deception, negligence, breach of a statutory duty and impairment of autonomy. The principal reliefs requested in the claim are, inter alia, to order the defendants to cease from transferring and/or sharing and/or exposing in some other way information regarding the defendants' customers and regarding the activity in their accounts to third parties and with Google in particular, to act according to law to keep and protect the privacy of their customers and to compensate the class members in respect of any damage they were caused.	Anyone who uses and/or used the digital services of the defendants and/or any one of them in the 7 years prior to the filing of the motion and private and/or personal and/or confidential information in their regard was transferred to a third party.	No reply has as yet been submitted to the class action certification motion	The overall damage to the class members was not estimated and according to the applicants amounts to millions of NIS, and in any case more than NIS 2.5 million.
37.	5/2021	Pension fund member v. Migdal Makefet	The certification motion mainly involves an allegation that Migdal Makefet unlawfully deducts "injury allowance" payments that were paid by the National Insurance Institute to members, from the amount of the disability allowance it pays pursuant to the bylaws of the pension fund.	Members of the Migdal Makefet pension fund that Migdal unlawfully deducted certain amounts from the		

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
37.	Cont.		According to the plaintiff this is an incorrect interpretation by Migdal of the fund's bylaws following which it deducts considerable amounts from the amounts it is required to pay to the fund's members, without its interpretation having any legal and/or interpretative basis. The alleged causes of the claim are, inter alia, breach of a statutory duty, unjust enrichment, breach of contract, negligent tort, breach of duty of good faith in negotiations, breach of fiduciary duty and breach of consumer protection laws. The principal reliefs requested in the claim are, inter alia, a declaratory order by which the correct interpretation of "allowance from other source" does not include "injury allowance", an injunction to cease from deducting the injury allowance from the disability allowance, monetary compensation for the plaintiff and the class members for pecuniary and non-pecuniary damages.	disability allowance due to them in the years prior to the filing of the motion (up to the period of limitation) until a date to be decided by the court	A reply had been submitted to the certification motion.	The overall damage to the class members was not estimated and according to the applicants is higher than NIS 2.5 million.
38.	7/2021	Executive insurance policyholders v. Migdal Insurance and other insurance companies	The certification motion mainly involves an allegation that upon receipt of an annuity the defendants deduct from the monthly return, which accumulates in respect of the balance of the surrender value, annual interest at the rate of 2.5% (or any other rate), without any contractual basis in the terms of the policy and contrary to law. The alleged causes of the claim are, inter alia, breach of contract, breach of a statutory duty, breach of higher duties imposed on the defendants as insurance companies, breach of duty of disclosure, unjust enrichment and a depriving condition in a standard contract.	All the policyholders of the defendants who purchased a life insurance policy from them that includes an accumulation of savings, which was issued between 1991 and 2004, and from which was deducted and/or will be deducted interest at a rate not indicated in the policy, based on a	No reply has as yet been submitted to the class action certification motion. It is noted that two claims and motions to certify class actions on similar matters have been filed against Migdal Insurance, see items 18 and 20 in the table above.	The overall damage to the class members was not estimated and according to the applicants is higher than NIS 2.5 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
38.	Cont.		The principal reliefs requested in the claim are a declaratory order by which deducting the interest from the monthly return as aforesaid constitutes a breach of the policies issued by the defendants, breach of a statutory duty, unjust enrichment and more; a mandatory injunction ordering the defendants to correct the breach that is to come; to return all the amounts that were unlawfully deducted from the class members out of the monthly return, plus linkage differences and interest, as from the date of the deduction until the actual receipt of the compensation, this beginning from seven years before the filing of the certification motion. The pecuniary damage to the plaintiff is estimated to be NIS 1,000.	provision in the policy by which the monthly annuity will change "every month according to the results of the investments less the interest by which the amount of the monthly annuity was calculated and the relevant provisions on this matter in the insurance plan" and/or any other similar provision.		
39.	8/2021	Motor casco policyholder v. Migdal Insurance	The certification motion mainly involves an allegation that Migdal Insurance does not pay to policyholders who purchased a nonuniform insurance policy and their vehicle was damaged in an accident following which they suffered diminution of value, insurance benefits for the diminution in value on the grounds that the policy does not cover indemnity for this kind of damage. The main alleged causes of the claim are breach of the provisions of the Insurance Contract Law – 1981, breach of duty of good faith in fulfilling contracts, a depriving condition in a standard contract, breach of a statutory duty, unjust enrichment.	Any policyholder or third party (including their heirs) who in the three years prior to the date of filing the certification motion up to its certification were not paid diminution in value that was caused to their vehicle following an insurance event that is covered by a nonuniform insurance policy of Migdal Insurance.	No reply has as yet been submitted to the class action certification motion.	The overall damage to the class members was not estimated and according to the applicant amounts to many millions of NIS.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
39.	Cont.		The principal reliefs requested in the claim are an order by which the diminution in value should be paid to those having policies of the kind included in the certification motion as well as pay diminution in value damages to the class members. The pecuniary damage of the plaintiff was estimated to amount to NIS 20,061 to which it is requested to add interest and linkage.			

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
1.	10/2017 Central District Court	Policyholder v. Migdal Insurance	The plaintiff alleges that Migdal Insurance ignores the provisions of the law that regulates the process of marketing and selling service contracts, in that Migdal Insurance sells to the policyholders motor vehicle property insurance plans that include the service contracts as an inherent and inseparable part of the plan, without presenting to the customers the price of the service contract during the sale process and also after then, and without the policyholder being able to decline the service contract and instead receive a lower price that reflects the cost of the removed service contract; while in fact creating a stipulation between acquisition of the service contract and the insurance plan; while refraining to disclose reliable and complete information to the policyholders during the marketing and selling process; and failing to adjust the insurance according to the needs of the insurance candidate.	Was not estimated	On August 5, 2019 a motion to approve a settlement agreement was submitted to the Court, that includes actions Migdal Insurance is to take, including a monetary refund to part of the policyholders as provided in the settlement. On July 20, 2020 the Attorney General presented his objection to approval of the settlement agreement in its present format and explained his objection with several reservations, including with respect to the amount of the compensation proposed in the settlement agreement, the amount of the persons entitled to the compensation, expanding the disclosure regarding the arrangement and appointing an external examiner before approval of the settlement. The parties submitted their reply to the objection of the Attorney General. On March 2, 2021 the Court approved the settlement agreement and awarded it judicial force. With this the proceeding has been concluded. Migdal Insurance is acting to perform the actions as specified in the settlement agreement.
2.	9/2015 Central District Court	Members of Migdal Insurance and Migdal Makefet v. Migdal Insurance and Migdal Makefet	Damages caused by the acts of a former trader at Migdal's share trading desk who was convicted, on his admission in a plea bargain, of fraud involving share hiking and market manipulation of securities. The reliefs sued for include compensation for the damages caused to fund members in any manner the court deems fit.	The damage to the members is estimated to be NIS 65.3 million.	In view of the Court's recommendation the parties agreed to hold another mediation proceeding that matured to a settlement agreement, which on June 22, 2020 was submitted to the Court for its approval. Upon receiving the settlement agreement, the Court ordered its publication. In the framework of the settlement agreement, the defendants agreed to pay, without admitting any liability on their part, a total amount of NIS 12 million, which mainly includes compensation to the class, a reward and fees to the applicants and their representatives. The compensation to the class will be credited to the members' accounts. The agreement was sent to the Attorney General for comments, who on February

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
2.	Cont.				24, 2021 announced that he does not object to approval of the settlement agreement but called the court's attention to several matters, including the need to provide detail and expand on the commitments the respondents took upon themselves as regards updating and refreshing trading procedures and performing controls over this activity, and included a recommendation to appoint a supervisor for a certain period who will report on this to the court. The respondents submitted to the Court their objection to the aforesaid recommendations. On March 22, 2021 the District Court approved the settlement agreement that had been submitted, subject to insignificant changes it ordered as to how it would be implemented. With this the proceeding has been concluded.
3.	10/2016 Tel Aviv Labor Court	Member of annuity paying provident fund v. Migdal Insurance, Migdal Makefet and Mivtach Simon	Allegation of incorrect classification of amounts deposited in annuity paying provident funds, which will supposedly lead to excess tax on the annuity that will be received from the provident funds at the time of eligibility for payment. The primary relief requested is a mandatory injunction ordering Migdal Insurance and Migdal Makefet to act to correct the records so as to correspond to the law. The alternative relief requested is compensation in an amount that was not estimated in the class action certification motion. In addition, the class action certification motion included a request for a mandatory injunction to change the future conduct of the respondents, such that they will have to have proper classification instructions.	Cannot be estimated but is under the court's jurisdiction (non-binding estimate of about NIS 9.5 million).	On December 25, 2018, the Court ruled that the subject-matter jurisdiction to hear the claim belongs to the regional labor court and accordingly the hearing of the motion for certification against all the respondents was transferred to the Tel Aviv Regional Labor Court. As part of clarifying the proceeding even before its transfer to the Regional Labor Court, pursuant to the Court's request the tax authority submitted a reply to questions, which in the opinion of the defendants' legal counsel supports their position. Furthermore, on May 1, 2018, the Commissioner issued a circular regarding the components of an account in a provident fund, and which refers to the cases included in the claim, which in the opinion of the defendants' legal counsel also supports their position. On December 2, 2019, the Labor Court denied the certification motion against Mivtach Simon and accepted the motion against Migdal Makefet and Migdal Insurance with respect to the two subclasses the motion referred to.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
3.	Cont.				The causes for which the class action was certified are: Are the defendants obligated to act to correct "the double amount error for being classified as a recognized annuity" with respect to the members of the first subclass? ("the first cause") and are they obligated to act to correct the "annual calculation error" with respect to the members of the second subclass? ("the second cause"). In view of the certification decision, Migdal Insurance and Migdal Makefet filed a defense statement, and the hearing of the claim's merits began. In this framework the Court decided on March 3, 2020, that the position of the regulators should be received with respect to both the reliefs requested in the claim and new regulatory actions, insofar as there are any that may affect continuation of the proceeding. In July 2020, a motion was submitted by a third party to expand the members of the class to where the deposits of the members were split not only at the defendants but also at other insurance companies and/or pension funds. On October 20, 2020 the Capital Market Authority and Income Tax Authority submitted their position on the matters for which the class action was certified which mainly supports the position of Migdal Insurance and Migdal Makefet. The parties waived submitting additional affidavits and holding an evidentiary proceeding, and summations have been submitted. The Capital Market Authority and Income Tax Authority had the right to submit their comments to the parties' summations and have announced that they have nothing to add to their previous position. On July 16, 2021 a ruling was handed down, by which the Regional Labor Court denied the first cause and partly accepted the class action with respect to the second cause, this further to the notice the defendants had provided in the

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
3.	Cont.				course of hearing the claim that they have started to take action to correct the calculation formula according to the clarification that was received from the tax authority in the framework of the claim, by which the calculation should be made on a cumulative monthly basis. Accordingly, the ruling included issuing a declaratory mandatory injunction that requires the defendants to complete the process of updating the calculation formula, as they announced that they are doing, within 90 days from the date of the ruling. In addition, the Court denied the plaintiff's request for additional reliefs and ordered the payment of expenses and fees to the lead plaintiff and his representative. With this the proceeding has been concluded.
4.	4/2020 District Court – Haifa	An employers' liability and third party insurance policyholder v. Migdal Insurance and additional insurance companies	The claim involves an allegation that following the government's decisions to dramatically lower all economic activity following the outbreak of the coronavirus pandemic, the risk to which the defendants are exposed from employers' liability and third party insurance included in the insurance policies of businesses has considerably decreased, in the determining period, as defined hereunder, in view of the decrease in the number of employees, suppliers and customers that visit the businesses. Even so, and supposedly contrary to the duty of the defendants by law, the defendants refrain from lowering the insurance premiums in the aforesaid policies. The principal causes of the claim are: unjust enrichment, breach of provisions of the Insurance Contract Law, contractual causes of breach of duty of good faith in fulfilling a contract and negligent tort The principal reliefs requested in the claim are monetary relief of refunding the excess premium the defendants	NIS 11.5 million	On August 4, 2021 the Haifa District Court handed down its ruling, in which it ordered that the certification motion be denied, while rejecting the legal basis that was the grounds for filing the certification motion and accepting the legal arguments of the Company, and awarding expenses to the defendants at an immaterial amount (hereinafter: "the ruling"). With this the certification motion and claim have been concluded. The ruling may possibly affect continuation of the proceedings on class action certification motions pending against Migdal Insurance and against other insurance companies that deal with similar allegations, by which the defendants did not lower the insurance premiums in vehicle insurance policies and in property insurance policies even though the risk had supposedly significantly decreased following the movement restrictions that had been imposed on the citizens of Israel as a result of the coronavirus pandemic.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
4.	Cont.				See items 25-27 in the table in section b of this note regarding additional class actions on a similar matter in connection with the effects of the coronavirus pandemic on the decrease in the insurance risk.
5.	5/2019 Central District Court	Motor vehicle insurance policyholder v. Migdal Insurance	The claim involves an allegation that Migdal Insurance did not receive the approval required by law to the rate of the insurance fees for returning the comprehensive motor vehicle insurance coverage to its previous amount, after insurance benefits were paid in respect of an insurance event that the motor vehicle was not a total loss ("reinstatement fees"). Alternatively, the plaintiff alleges that the formula Migdal Insurance uses to calculate the reinstatement fees is clearly unreasonable or alternatively Migdal Insurance applies this formula in a clearly unreasonable manner.	NIS 346 million or alternatively NIS 312 million or alternatively to the alternative NIS 176 million.	On January 7, 2021 the Commissioner's position was submitted that supported the position of Migdal Insurance. On February 23, 2021 the applicant who stepped into the shoes of the deceased applicant, notified the Court that she accepts its recommendation to conclude the proceeding by withdrawing from it and will not insist on continuing clarification of the certification motion. On August 12, 2021 the District Court approved the withdrawal motion without an award of expenses. With this the proceeding has been concluded.
6.	3/2018 Tel Aviv Regional Labor Court	Members of pension funds including Migdal Makefet v. Migdal Makefet and other pension funds	Allegation that there is an active duty of voluntary disclosure that includes explaining to unmarried members that dependents insurance is a worthless insurance product for them and it is therefore recommended that they refrain from purchasing it and paying the insurance premium in respect thereto. The main reliefs that are requested in the claim include: issuing a mandatory injunction ordering the defendants to assign to the savings fund of the class members all the amounts they paid that had been considered payments for dependents insurance, plus the return the class members would have received on such amounts if they had been assigned to their savings fund on the date they were paid to the pension fund; issuing a mandatory injunction ordering the defendants to properly disclose, clarify and explain to anyone who joins or is joined to the fund that if they do not have dependents it is	Was not estimated by the plaintiffs	On September 24, 2021 the Regional Labor Court handed down its ruling that denied the certification motion and accepted the arguments of Migdal Makefet, while awarding it an immaterial amount of expenses. With this the certification motion and claim have been concluded, subject to the plaintiff's right to file an appeal.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
6.	Cont.		recommended that they "forgo" purchasing dependents insurance; and issuing a mandatory injunction ordering the defendants to properly disclose, clarify and explain to whoever they transfer to a dependents insurance policy according to the instructions of the circular, that if they have no dependents it is recommended that they "forgo" purchasing dependents insurance.		
7.	4/2019 Tel Aviv Regional Labor Court	Former employee v. Mivtach Simon	The claim involves allegations that Mivtach Simon underpays pension contributions and that they are not in accordance with the extension order in the import, export and wholesale trade sector ("the extension order"), which allegedly applies to the insurance sector, as well as an allegation that Mivtach Simon does not pay to employees who receive commissions and/or salary according to output ("sales commissions") social benefits in respect of those components. The main relief requested is monetary relief as well as declaratory relief that orders Mivtach Simon to stop infringing the rights of the class members.	NIS 13 million	The parties held negotiations that were concluded with a settlement agreement. According to the settlement agreement, Mivtach Simon will pay differences in respect of the relevant period according to the rates set forth in the settlement agreement in respect of vacation and sick leave days, in accordance with and subject to the provisions of the agreement. In addition, Mivtach Simon undertook to take the component of commissions into account when calculating the value of vacation and sick leave days in the future. The agreement was submitted to the approval of the Regional Labor Court. On September 2, 2021 the Regional Labor Court approved the settlement agreement but changed the proposed arrangement such that the date for filing a personal claim was extended, with respect to causes referred to in the settlement agreement as specified in the ruling and subject to the period of limitation and the law. The plaintiff and Mivtach Simon agreed to the change. On October 25, 2021 the Regional Labor Court handed down a ruling that approved the amended settlement agreement. With this the proceeding has been concluded. Mivtach Simon is acting to take the actions indicated in the settlement agreement.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
8.	9/2020 Tel Aviv Regional Labor Court	Member of pension fund v. Migdal Makefet and other management companies	The class action certification motion involves an allegation that the defendants collected the maximum management fees permitted by law in respect of deposits that were transferred to the complementary fund and/or charged higher management fees than agreed in respect of deposits in the complementary fund, without receiving the consent or notifying the plaintiff and the members of the fund regarding the maximum rate of management fees that are charged in the complementary fund that was opened. The causes of the claim are, inter alia, breach of a statutory duty (breach of the fund's bylaws and the instructions of the Commissioner), breach of the higher fiduciary duties that apply to the pension fund, including breach of the duty of good faith and the duty of disclosure and notification, breach of the duty of loyalty and unjust enrichment. The principal reliefs relate to the period from June 2018 until the date of a ruling, and include returning the excess management fees that were charged and compensating and/or returning the amount of the loss of yield caused to the members as a result of the excess management fees.		On September 5, 2021 a motion to withdraw was submitted to the Regional Labor Court without an award of expenses. The Court approved the motion on the same day. With this the proceeding has been concluded.
9.	9/2017 Jerusalem District Court	Policyholder v. Migdal Insurance and "Eliahu 1959"	According to the plaintiffs the defendants do not apply Section 5(b) of the Interest and Linkage Law as required and do not pay, as a matter of policy, interest (including interest for delay) and linkage as required by that law. The principal reliefs are: (a) A declaration that the defendants have violated the provisions of the Interest and Linkage Law in that they did not add to the amounts they paid linkage differences and/or interest and/or	Tens of millions of NIS if not more, and in any case more than NIS 2.5 million so that the Court may have jurisdiction on this matter.	On February 6, 2022 the Court approved the amended settlement that had been submitted, which included amendments according to the understandings between the parties and as instructed by the Court, and awarded the settlement judicial force. The ruling included, inter alia, a reward and fees to the lead plaintiffs and their representative at immaterial amounts. With this the proceeding has been concluded.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
9.	Cont.		linked interest when they paid amounts later than the payment date; (b) To order the defendants to pay compensation for the damages caused as a result of that violation; (c) To order the defendants to amend their policy from that date on such that they are required to comply with the provisions of the law regarding the payment of interest and linkage on the payment of a judgment debt. As regards the part of the claim against "Eliahu 1959" Ltd., according to the agreement by which on April 21, 2016, Migdal Insurance acquired the run off general insurance portfolio from "Eliahu 1959", the Company's controlling shareholder, insofar as the claim against "Eliahu 1959" is included in the run off portfolio it is the responsibility of Migdal Insurance. Aspects of the claim that are not included in the run off portfolio, insofar as there are any, will not be transferred to the responsibility of Migdal Insurance. The agreement to acquire the run off portfolio includes arrangements regarding reinsurance coverage for claims included in the acquired run off portfolio and indemnity arrangements for certain cases. It is noted that a notice on the aforesaid was provided by Migdal Insurance to "Eliahu 1959". See Note 37.e.2 to the financial statements as at December 31, 2020 regarding the general insurance run off transaction in Eliahu.		Migdal Insurance will act to implement the instructions of the settlement agreement as prescribed in it.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
10.	1/2018 Central District Court	Community interest company v. Migdal Insurance and other insurance companies	Failure to pay insurance benefits and/or indemnity for the VAT component applicable to the cost of damages in cases where the damages were not actually repaired. The principal reliefs requested in the claim are: (a) A declaration that the defendants refraining from paying insurance benefits and/or indemnity for the VAT component applicable to the repair, when the damage was not actually repaired is unlawful; (b) To issue an order instructing the defendants, from that date on, to include in the insurance benefits they pay also the VAT applicable to the cost of the repair, even if the damage was not repaired; when as a result, even in the case of a policyholder or third party receiving insurance benefits at "indemnity value" and not at "reinstatement value", the defendants are required to pay the policyholder insurance benefits for the full amount of the damage, including the VAT. As regards the sub-class members, to include in the insurance benefits, also the VAT that is not offset by the members of the sub-class; (c) To require the defendants to pay compensation to the class members; (d) In addition and/or alternatively to that requested in subsection (c) above, should the class members be awarded compensation that is impracticable in the circumstances of the matter, the plaintiff is requesting to order compensation of the public as seen fit by the Court in the circumstances of the matter.	The plaintiff estimates the compensation of Migdal Insurance to the class members to amount to NIS 13 million for each year and of all the companies to amount to NIS 82 million for each year. The requested compensation period is from June 4, 2001 which is when the ruling was issued on Civil Appeal 1772/99 Zlochin vs. Diur La'oleh Ltd., Ruling 45 (4) 203, or alternatively, a period since the filing of the previous claim against the defendants, on the same grounds, in Class Action 55177-05-15 or alternatively to the alternative for a period of 7 years from the date of filing the aforesaid claim.	On January 4, 2022 the Lod Central District Court handed down a ruling, in which it denied the certification motion and awarded the defendants an immaterial amount of expenses. With this the certification motion and claim have been concluded, subject to the right of the applicant to file an appeal.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

d. Other legal proceedings

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
1.	10/2018 Tel Aviv District Court	Dirot Yukra Ltd. v. Migdal Insurance, Migdal Makefet Pension and Provident Funds, Migdal Real Estate Holdings and Pel-Hamagen House Ltd.	Allegation of failure to meet a contractual liability and of causing damages to the plaintiff at Hazahav Mall in Rishon Le'Zion, which is held by Migdal Insurance and Migdal Makefet at the rate of 75% in partnership with Dirot Yukra that holds 25% and provides management services, with respect to the failure of the "Golden Market" project at the mall. Before this claim was filed, Dirot Yukra had filed a claim for declaratory orders with respect to the food market following which on May 3, 2018 the Court ruled to strike the claim and awarded costs to the applicant in the amount of NIS 7,500.	NIS 800 million	A defense statement was filed on January 29, 2019. The parties are in the early stages of the proceeding, On November 27, 2019 Migdal Insurance filed a monetary claim in the amount of NIS 60 million against the plaintiff Dirot Yukra. According to Migdal Insurance, Dirot Yukra breached its commitments pursuant to the set of agreements between the parties in that it did not exercise the increased rights that were approved for it, and in any case did not construct and lease out the minus 1 level of the mall as a typical mall level, in accordance with a building permit that was provided already in 2015 until it expired. Accordingly, as alleged by Migdal, the funds that were supposed to be invested in the mall by Migdal were not invested and the return on the investment, which is the amount of the claim, was not generated, since the plaintiff had breached its commitments in the way it had managed the Golden Market project at the mall thus causing the loss of the return on the investment. Migdal Insurance also filed a motion to consolidate the hearing with the claim pending against Migdal Insurance. Pursuant to a recommendation of the Court in a pretrial that was held on July 6, 2020, the parties agreed to begin a mediation proceeding, which is currently underway. On October 3, 2021 the Court decided to appoint experts to review the data in the case with respect to a building permit and the planning actions that had been taken.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

e. Summary of legal claims

1) Following is a summary table of the amounts claimed in pending motions to certify claims as class actions, claims that were certified as class actions and other material claims, as stated by the plaintiffs in the pleading filed on their behalf. It should be noted that the amount claimed is not necessarily a quantification of the amount of exposure estimated by the Company and/or its consolidated subsidiaries, since these are estimates made by the plaintiffs that will be considered in the legal proceeding. It should also be noted that the table below does not include proceedings that have ended.

Type	Number of Claims	Amount Claimed in NIS in Thousands (1)
Claims certified as class actions	7	1,765,778
Stated amount attributed to the Group	5	1,540,778
The claim relates to a number of companies and no specific amount was attributed to the Group	1	225,000
The claim amount was not stated	1	-
Pending motions to certify claims as class actions	32	8,319,519
Stated amount attributed to the Group	15	4,016,484
The claim relates to a number of companies and no specific amount was attributed to the Group	5	4,303,035
The claim amount was not stated	12	-
Other material claims	1	800,000
Stated amount attributed to the Group	1	800,000

(1) All the amounts are approximate amounts in NIS in thousands as of the date of filing of the motions or the claims, as the case may be.

2) The total amount of the provision in respect of class actions and other material claims that were filed against the Group, as detailed in the summary table in 1) above, is approximately NIS 219 million (as of December 31, 2020 – approximately NIS 199 million).

3) Total provisions in respect of all proceedings against the Group, including class actions and other material claims, including in respect of the proceedings detailed in paragraph f below, is approximately NIS 226 million (as of December 31, 2020 – approximately NIS 218 million).

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

f. Additional legal proceedings and other proceedings, Insurance Commissioner directives, events and developments in respect of which the Company and/or its consolidated subsidiaries are subject to exposure

Below is a description of additional legal and other proceedings pending against the Company and/or the consolidated subsidiaries:

1) Proceedings pursuant to Sections 198 and 198A of the Companies Law – 1999 ("the Companies Law") on the backdrop of the conduct of the Company's controlling shareholder.

Further to a demand from August 23, 2020 that was made by a shareholder of the Company to file a claim against the Company's controlling shareholder, on November 22, 2020 a motion was filed with the Tel Aviv District Court, Economic Department, against the Company and the Company's controlling shareholder, Mr. Shlomo Eliahu (hereinafter: "Mr. Eliahu") to approve the claim that was attached to the motion as a derivative claim of the Company against him, pursuant to Section 198 of the Companies Law (hereinafter: "the motion to approve a derivative claim").

The motion to approve a derivative claim involves an allegation that Mr. Eliahu's conduct, as described in the letter of the Commissioner from July 14, 2020 and as described in the draft corporate governance audit report concerning Migdal Insurance Ltd., which was published by the Commissioner on November 4, 2020 (see the Company's immediate reports from July 15, 2020, reference 2020-01-068140, and from November 5, 2020, reference 2020-01-110437), constitutes a breach of the fiduciary duty in his role as a director in the Company and Migdal Insurance, breach of the duty of care, breach of the duty of fairness as a controlling shareholder in the Company and causing and assisting breach of the fiduciary duty of directors in the Company and Migdal Insurance, which caused the Company damage in the total amount of NIS 332.8 million.

A motion for inspection and disclosure of documents pursuant to Section 198A of the Companies Law was filed against the Company and against Migdal Insurance by a different shareholder with respect to the conduct of the controlling shareholder, as specified in the letter of the Commissioner. On November 18, 2020 the Court accepted the motion to dismiss that was filed by the applicant and dismissed the motion (see the Company's immediate reports from September 22, 2020, reference 1010-01-103602 and from November 18, 2020, reference 2020-01-115819).

On September 30, 2020 the Company's board of directors decided to set up an independent committee that will examine and discuss claims on this matter and will be comprised of the honorable judge (retired) Yoram Danziger as the chairman of the committee; Prof. Roni Ofer and Ms. Linda Ben Shoshan, who serves as an external director in the Company (see the Company's immediate report from October 1, 2020, reference no. 2020-01-097966).

On June 14, 2021 the independent committee submitted its report ("the committee's report") in which it recommended to the Company's Board of Directors to reject the request of the applicant in the motion for approval. The committee's report, inter alia, denies the applicant's allegations, on both the level of the facts and the level of the legal argument and concludes (based on the opinion of the committee's independent economic advisor) that the economic opinion that was attached to the motion for approval, with respect to the damage that was allegedly caused to the Company, contains material flaws pertaining to the heart of the matter.

On July 6, 2021 the Company's Board of Directors held a discussion on the committee's report and decided to adopt the committee's recommendations for all the reasons described in the report, by which no factual and legal basis has been found for the allegations of the applicant, including the allegation of causing ongoing damages to the Company, and accordingly decided to reject the demand of the applicant that the Company file a claim against Mr. Shlomo Eliahu.

On July 27, 2021 the Company filed its response to the motion for approval, in which it objected to the applicant's demand to file a claim against Mr. Eliahu, on the basis of the committee's report. For details see the Company's immediate reports from June 15, 2021 (reference no. 2021-01-101082) and July 7, 2021 (reference no. 2021-01-113121).

The applicant filed a reply to the response and a supplementing opinion to the opinion that was submitted by the Company. On December 19, 2021 the Company filed a motion to strike parts of the reply to the response, from the affidavit to the motion and from the supplementing opinion on the grounds of broadening the scope of the claim. The Court requested to consider submitting an amendment to the motion for approval. The applicant responded to the motion to strike.

On December 20, 2021 the State and Commissioner notified that at this time they do not see any place for taking a position. The Commissioner reserved the right to argue regarding the confidentiality of documents between him and the regulated body.

Further to the request of Mr. Shlomo Eliahu and according to the indemnity letter that he had been issued, the audit committee approved an interim payment for the fees of experts in connection with the aforesaid claim, including the meetings of the independent committee up to the amount of the deductible in the "officers' liability" insurance policy ($ 150 thousand).

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

f. Additional legal proceedings and other proceedings, Insurance Commissioner directives, events and developments in respect of which the Company and/or its consolidated subsidiaries are subject to exposure (cont.)

1) Cont.

The interim payment is subject to a refund obligation, insofar as the obligation is found to be for causes that are not covered according to the indemnity letter.

2) (a) Regarding tax assessments for 2011 and 2012 regarding the capital gains tax on a dividend from investee companies that was concatenated to the Company, the District Court's ruling adopted the position of the tax authority. Migdal Insurance paid the resulting tax liability. In December 2019 Migdal Insurance filed an appeal to the Supreme Court on that ruling. Summations have been filed in the case. On September 30, 2021, the Supreme Court recommended that Migdal Insurance withdraw the appeal. Accordingly, Migdal Insurance announced that it is withdrawing the appeal. Therefore a ruling was handed down that denied the appeal without an award of expenses.

(b) As regards tax assessments for the years 2013-2015 on the same issue, in February 2020 Migdal Insurance filed an appeal with the Tel Aviv District Court. Accordingly, the Company requested to delay the hearing of the case until the Supreme Court rules on the appeal in a parallel proceeding. The Court decided to delay the hearing on the appeal until the Supreme Court rules on the proceeding in (a) above. In view of the Supreme Court's ruling on the appeal in respect of the years 2011-2012 that is described in paragraph (a) above, on October 25, 2021 Migdal Insurance withdrew the appeal in the proceeding relating to the years 2013-2015 and on October 27, 2021 paid the full amount of the relevant tax liability.

For further information see Note 21.d.2.

3) The Company and/or its consolidated subsidiaries are exposed to additional claims or allegations for various causes, which do not involve coverage under insurance policies issued by Migdal Insurance, on the part of customers, former customers and various third parties, of which an aggregate amount of NIS 27 million is in respect of claims that were filed (as of December 31, 2020 – NIS 135 million) in addition to the general exposures described in this note including in paragraph f.4 and f.5 of this note.

4) On December 21, 2021 the Commissioner sent to Migdal Insurance a notice demanding information regarding the collection of insurance coverages pursuant to the limitations of Regulation 45 of Income Tax Regulations (Rules for Authorization and Management of Provident Funds) – 1964, which includes also instructions for making a refund, insofar as it is found that Migdal Insurance did not act according to the rules included in that notice. On this matter see details in paragraph 1.b.30 of this note.

5) From time to time, the Commissioner issues position papers, principles for drafting insurance plans, papers on proper and improper practices and other documents or draft documents that are relevant to the Group’s areas of operation and which may have an effect on the rights of the policyholder/s and/or member/s and may create an exposure for the Group in certain cases with respect to both its period of operation prior to those documents coming into effect and the future.

It is impossible to predict in advance whether and to what extent the insurers are exposed to allegations connected to and/or resulting from directives that may arise in part through the procedural mechanism set forth in the Class Action Law. Also circulars issued by the Commissioner that usually affect the future may have such an effect.

From time to time complaints are filed against the Group, including complaints to the Commissioner with respect to rights of policyholders and/or members according to insurance plans and/or funds and/or the law. These complaints are handled regularly by the Group's public complaints department. At times, the Commissioner's decisions (or draft decisions) on these complaints are rendered across the board for a class of policyholders.

Furthermore, from time to time, and also following policyholders' complaints, the Commissioner conducts audits on his behalf at the Group's institutional entities and/or sends requests to them to receive information on different issues of management of the institutional entities and management of the rights of the institutional entities' policyholders and members, as well as audits to verify the implementation of regulatory directives and/or lessons from previous audits, wherein, among others, demands are received to make changes in various products and instructions are given for implementing circulars and/or guidelines and/or for rectifying deficiencies or for the taking of actions by the institutional entities, including making refunds to policyholders and members. On the basis of the audit findings or the information provided, the Commissioner sometimes imposes financial sanctions pursuant to the Enforcement Authority Law.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

f. Additional legal proceedings and other proceedings, Insurance Commissioner directives, events and developments in respect of which the Company and/or its consolidated subsidiaries are subject to exposure (cont.)

6) There is a general exposure which cannot be estimated and/or quantified, due to, among others, the complexity of the services provided by the Group to its policyholders. The complexity of these arrangements entails, among others, a potential for interpretation and other arguments resulting from disparities in information between the Group and the third parties to the insurance contracts that relate to a long list of commercial and regulatory conditions. This exposure is expressed mainly in connection with pension savings and long-term insurance products, including health insurance, in which the Group operates, due to them being characterized by a prolonged lifespan and extreme complexity, particularly in view of the legislative arrangements relating both to management of the products and to taxation, including on issues concerning setting tariffs, the deposits made by employers and insured persons, separation and attribution of the deposits to the various policy components, investment management, the policyholder's employment status, his deposit payments, etc. In this context it is noted that the Control of Financial Services (Provident Funds) (Payments to Provident Funds) Regulations – 2014 ("the payment regulations"), which came into effect gradually from February 1, 2016, were meant to facilitate this complexity by arranging automated flow of information between all the involved parties on how deposits are made and attributed to the components of the provident fund, including the taxation.

It is also noted that the Group's products are managed over years during which there are changes in policy, regulatory requirements and legal trends, including in court rulings. These changes are implemented by automated systems that undergo frequent changes and adjustments. The complexity of these changes and application of changes with respect to many years creates increased operating exposure. Receipt of a new interpretation to insurance policies and long-term pension products may, at times, affect the Group's future profitability with respect to the existing portfolio, in addition to the exposure involved in the demands to compensate customers for past activities. It is not possible to anticipate the kind of arguments that will be raised in this area and the exposure resulting from any arguments that are raised in respect of the insurance contract, among others, by the procedural mechanism established in the Class Action Law.

Furthermore, the insurance area in which the Group companies operate is high in detail and circumstances, and has an inherent risk that cannot be quantified as to the occurrence of an error or series of mechanical or human errors, in both structured work processes and when handling a specific customer, and which may cause expansive consequences as to both the effect on a large number of customers or cases and the relevant monetary effect concerning an individual customer. The Group's institutional entities regularly cleanse the rights of policyholders, in all that concerns management of the products at institutional entities, according to gaps that are discovered from time to time.

The Company and the subsidiaries are exposed to claims and allegations on the level of contract laws and fulfillment of the insurance commitments in the policy, deficient consultation, breach of duty of loyalty, conflict of interests, duty of care, negligence as part of the professional liability of the professional bodies in the Group including the Group’s agencies and so forth allegations relating to the services provided by the Group companies, and from time to time there are circumstances and events that raise concerns regarding allegations of that type. The Group purchases professional liability insurance policies, including as required by the legislative arrangement, and when necessary it reports to this policy or policies in order to cover an obligation deriving from professional liability that can be protected by purchasing insurance. The amounts of the possible exposure are higher than the amounts covered and there is no certainty that the insurance coverage will actually be received upon the occurrence of an insurance event.

See Note 36.a regarding other general exposures.

2. Commitments

a. For details regarding the acquisition of a run-off general insurance portfolio, see Note 38.e.2.

b. Commitments for investment and granting of credit

1) The balance of Migdal Insurance's commitments for additional investments in investment funds as of December 31, 2021 amounts to approximately NIS 10,332 million, of which approximately NIS 8,674 million is in respect of yield-dependent contracts (in 2020 – approximately NIS 10,597 million, of which approximately NIS 8,850 million is in respect of yield-dependent contracts).

2) The balance of Migdal Insurance's commitments for additional investments in acquired corporations as of December 31, 2021 amounts to approximately NIS 605 million, of which approximately NIS 536 million is in respect of yield dependent contracts (in 2020 – approximately NIS 32 million, of which approximately NIS 32 million is in respect of yield-dependent contracts).

3) The balance of Migdal Insurance's commitments to provide credit upon demand as of December 31, 2021 amounts to approximately NIS 1,890 million, of which approximately NIS 1,672 million is in respect of yield-dependent contracts (in 2020 – approximately NIS 2,139 million, of which approximately NIS 1,884 million is in respect of yield-dependent contracts).

Note 38 - Contingent Liabilities and Commitments (Cont.)

2. Commitments (cont.)

c. Commitments for acquisition of real estate assets

The balance of Migdal Insurance's commitment for investments in real estate as of December 31, 2021 amounts to approximately NIS 545 million, of which approximately NIS 418 million is in respect of yield-dependent contracts (in 2020 – approximately NIS 564 million, of which approximately NIS 426 million is in respect of yield-dependent contracts). Some of the above amounts are based on the accounting mechanism prescribed in the agreement.

d. Letter of indemnity and waiver to officers

1) Letters of indemnity granted up to 2006

a) The Company granted letters of indemnity to officers of investees and other corporations in which they serve by virtue of their being officers of the consolidated subsidiary, as well as to a number of the Group's employees, whereby Migdal will indemnify them in the amount, under the circumstances and subject to the qualifications detailed in the letters of indemnity, for a financial liability imposed on them due to actions done by them in their capacity as officers of the aforementioned corporations, or for actions as detailed in the letter of indemnity.

b) The Company granted letters of waiver to officers of investees and other corporations in which they serve by virtue of their being officers of Migdal and of subsidiaries of Migdal, whereby the Company waived, under the circumstances and subject to the qualifications detailed in the letters of waiver, any claims against those officers with respect to any act and/or omission done by them as officers of the aforementioned corporations.

c) The Company granted letters of indemnity to officers of Migdal, subsidiaries of Migdal and investees, whereby they will be indemnified, in the amount, under the circumstances and subject to the qualifications detailed in the letters of indemnity, for any financial liability imposed on them in connection with the following matters:

(1) Prospectus of the Company from the year 1996.

(2) Liabilities applying to the Company and/or the Migdal Group companies due to the fact that the Company is a company whose shares are held by the public and listed on the stock exchange, provided that the indemnification obligation will apply only to liabilities arising from actions done during a period of up to one year from the date of the prospectus.

d) The Company granted letters of waiver and undertaking for dismissal of claims against officers in corporations that belong to the Migdal Group, whereby it waived, under the circumstances and subject to the qualifications detailed in the letters of waiver and undertaking, claims against the officers with respect to any act and/or omission that done by them as officers in each of the corporations, including actions with respect to the areas detailed below:

(1) The Company's prospectus from 1996.

(2) Liabilities applying to the corporation due to the fact that the Company is a company whose shares are held by the public and listed on the stock exchange.

The Company also undertook, under the circumstances and subject to the qualifications detailed in the letters of waiver and undertaking, to cause the dismissal of any claim filed against the corporations or any one of them, if as a result of such claim the officers are sued by any of the corporations in a claim that is not dismissed in limine.

2) Letters of release and indemnity granted in 2006:

In November 2006, an extraordinary general meeting of the Company approved the grant of an undertaking to exempt and indemnify officers of the Company. Accordingly, the Company informed its officers as follows:

Undertaking for release – the Company releases its officers from any liability towards the Company, to the extent that this is permitted by law, for any damage that is and/or may be caused to it due to breach of the duty of care owed to it by the officers in their bona fide activity by virtue of being officers of the Company officers and/or at its request as officers of another company in the Migdal Group and/or as a representative of the Company and at the request of another corporation in which the Company holds rights, directly or indirectly, or in which it is an interested party ("the other company"), as specified in the letter of release and indemnity given to the officer.

Note 38 - Contingent Liabilities and Commitments (Cont.)

2. Commitments (cont.)

d. Letter of indemnity and waiver to officers (cont.)

2) Letters of release and indemnity granted in 2006: (cont.)

Indemnity undertaking – the Company undertakes in advance to indemnify the Company's officers including officers of the other company in accordance with the wording of the letter of waiver and indemnity given to the officers. In accordance with the letter of indemnity and subject to the provisions of the law, the Company undertakes to indemnify the officers for any liability or expense as specified in the letter of indemnity that is imposed on them or incurred by them due to actions done by them (including actions prior to the date of the letter of indemnity) and/or that they may do in their capacity as officers of the Company and/or the other company, provided that the action relates, directly or indirectly, to one or more of the categories of events listed in the addendum to the letter of indemnity, and provided that the maximum amount of indemnity under Section 2.1.1 of the letter of indemnity, inclusively and in the aggregate, payable by the Company cumulatively to all the officers under all the letters of indemnity issued and/or to be issued by the Company, does not exceed in the aggregate an amount equal to 25% of the Company's (consolidated) equity according to the last consolidated annual financial statements before actually giving the indemnity, for each of the officers and for all of them jointly, for a single event and cumulatively, all the above in addition to amounts, if any, received from an insurance company as part of the insurance purchased by the Company.

3) Limit to release from liability and indemnity undertaking granted in 2011:

In November 2011, the Company's Audit Committee decided to limit until November 30, 2020, the period of events during which the Company's existing release and indemnity arrangements will apply, insofar as they are not replaced by other arrangements, as well as letters of release or indemnity that will be granted from time to time by the Company according to the Company's existing release and indemnity arrangements, with respect to officers of the Company who are serving or may serve from time to time, where the controlling shareholder of the Company might be considered to have a personal interest in granting letters of release and indemnity to these officers. See the Company's immediate report dated November 29, 2011, reference no.: 2011-01-344238.

4) Updated letters of indemnity granted in 2012:

In February 2012, an extraordinary general meeting of the Company approved the grant of updated letters of indemnity to officers of the Company that the Company's controlling shareholder may be considered as having a personal interest in granting letters of indemnity to those officers as they may be appointed from time to time ("certain officers") and to the Company's directors. The updated letters of indemnity granted to certain officers are identical to the letters of indemnity to be granted to directors and are in the wording attached to the immediate reports that were published in respect thereto, as indicated hereunder. The updated provisions of the letters of indemnity will apply, subject to the provisions of applicable law, also to actions committed prior to the amendment thereof. The provisions of the letters of indemnity include, inter alia, as follows:

a) A prior indemnity undertaking in respect of a financial liability imposed on an officer for payment to victims of a violation in an administrative proceeding, and expenses incurred by an officer in connection with an administrative proceeding conducted against him, including reasonable litigation expenses, including attorney's fees, all the above in accordance with the effective date of the Administrative Enforcement Law and the amendment to the Securities Law, 5728-1968 ("Securities Law") and in accordance with the Increased Enforcement in the Capital Market Law (Legislation Amendments), 5771-2011.

b) The maximum indemnification amount payable to officers of Migdal as a whole, under all the letters of indemnity issued and to be issued from time to time, has not changed, but has been amended such that it may not exceed an amount equal to 25% of the Company's equity (consolidated) according to the last financial statements published by it prior to the actual indemnification (instead of being determined according to the last annual financial statements published by the Company prior to the actual indemnification).

c) It was clarified that the indemnity undertaking also applies to other positions filled by the holder of the letter of indemnity in companies of the Migdal Group and/or in another company in which he serves on behalf of the Migdal Group.

d) It was clarified that the indemnity undertaking applies both in respect of an event occurring in Israel and an event occurring outside of Israel.

In addition, in view of recent developments in the business environment in which the Company operates and in the regulatory requirements applicable to the Company, the list of events in respect of which the Company is entitled to grant an indemnity undertaking was updated to relate also the following events: risk management, investment policy, SOX controls and procedures, preparation of financial statements and other reports and management of customers' funds.

Note 38 - Contingent Liabilities and Commitments (Cont.)

2. Commitments (cont.)

d. Letter of indemnity and waiver to officers (cont.)

4) Updated letters of indemnity granted in 2012: (cont.)

For more information about these letters of indemnity, see the Company's immediate report dated December 28, 2011, reference no. 2011-01-378141, immediate report dated February 2, 2012, reference no. 2012-01-032109, and immediate report dated February 7, 2012, reference no. 2012-01-036555.

5) Letters of indemnity and letters of release granted in 2016

In December 2016, an extraordinary general meeting of the Company approved the grant of letters of indemnity also to officers who are the controlling shareholder and his relative and the grant of letters of release to officers and directors, including officers who are the controlling shareholders or his relative. For further details see the Company's immediate report dated December 22, 2016 regarding the convening of a general meeting (complementary report) having on its agenda, inter alia, approval of the grant of indemnity and release letters, reference no. 2016-01-142339, and the Company's immediate report dated January 1, 2017 regarding the results of the meeting, reference no. 2017-01-000333).

Renewal of validity of letters of indemnity and release in 2020

On February 11, 2020 the Company's general meeting approved renewal of the validity of the aforesaid decision for the following three years from 2020 to 2022 (inclusive). See the immediate reports from December 31, 2019 (reference no. 2019-01-116178 and the amending report from the same day (reference no. 2019-01-116367); the immediate report from February 4, 2020 (reference no. 2020-01-013125) and from February 11, 2020 (2020-01-015150) regarding the results of the meeting.

6) Officers' insurance

a. On January 7, 2021 the Company's Board of Directors approved extending the directors and officers liability insurance policy of the Company and all its subsidiaries and sub-subsidiaries (hereinafter: "the Group") for 30 days from January 15, 2021 to February 14, 2021 with no change in the terms of the policy, this until concluding the negotiations on the terms of the policy.

b. On February 11, 2021 the Company's compensation committee approved renewal of the directors and officers liability insurance policy, for directors and officers of the Migdal Group, including the controlling shareholder and his relatives who serve as officers of the Group. The insurance will be renewed for a period of 12 months, beginning from February 15, 2021, with a liability limit of $ 100 million per event and for the entire insurance period. The annual premium for the aforesaid coverage and the amount of the deductible are based on market terms and were determined after examining offers the Company received from reinsurers. It is noted that the premium is higher than that specified in the compensation policy, but as aforesaid is at market terms, is immaterial and is not expected to have a material effect on the Company's profitability, its assets or its liabilities. See details in the Company's immediate report dated February 14, 2021 (reference 2021-01-017947).

c. On February 13, 2022 the Company's compensation committee approved renewal of the directors and officer liability insurance policy, for directors and officers of the Migdal Group, including the controlling shareholder and his relatives who serve as officers of the Group. The insurance will be renewed for a period of 12 months, beginning from February 15, 2022, with a liability limit of $ 100 million per event and for the entire insurance period. The annual premium for the aforesaid coverage and the amount of the deductible are based on market terms and were determined after examining offers the Company received from reinsurers. See details in the Company's immediate report dated February 15, 2022 (reference 2022-01-018403).

e. Other commitments

Migdal Insurance has an agreement for the provision of services with B-Well Quality of Life Solutions Ltd. ("B-Well"), a wholly owned subsidiary of Migdal Health and Quality of Life Ltd. ("Migdal Health"), which is a wholly owned subsidiary of Migdal Holdings and provides Migdal services in relation to health.

In October 2015 Migdal Insurance and B-Well signed a framework service agreement that does not involve service letters. This agreement regulates the provision of additional services to Migdal Insurance: hotline, a service center and settlement of group insurance dental claims and ambulatory health insurance. The agreement is for an indefinite period, with each one of the parties having the right to terminate it by providing advance notice to the other party.

Note 38 - Contingent Liabilities and Commitments (Cont.)

2. Commitments (cont.)

e. Other commitments (cont.)

In July 2016 Migdal Insurance and B-Well signed a framework service agreement in respect of the service letters sold to policyholders of Migdal ("the service letters agreement"). This agreement arranges the provision of various services in respect of the various service letters, which were divided into several types based on, inter alia, the date on which the services began being provided, while for each type of service a separate engagement period was set.

In 2021 an amendment was signed to the service letters agreement between B-Well and Migdal Insurance, which added and removed various service letters from the scope of the service letters agreement and changed the mechanism for settling accounts between the parties with respect to part of the service letters from the payment of an annual fixed amount according to the number of policyholders who purchased the service letters to payment according to the service actually provided to Migdal Insurance by B-Well:

In 2021, 2020 and 2019 Migdal Insurance paid B-Well a total of NIS 30,834 thousand, NIS 42,434 thousand and NIS 41,643 thousand, respectively.

f. Management of financial assets and marketing of investments

The Capital Markets Group manages investment portfolios and mutual funds for customers who are not related parties for a total value of NIS 58 billion as of December 31, 2021 (December 31, 2020 – NIS 44 billion).

g. Operating leases in which the Group is the lessor

The Group leases out investment property to external entities. The lease agreements are for an average period of 3 to 7 years. Usually the lessees have an option to extend the period of lease according to the conditions that were set in the agreement.

Hereunder are the minimum lease fees that will be received under irrevocable lease contracts (not including the option period):

	December 31
	2021
	NIS in thousands
First year	421,435
Second year	354,087
Third year	253,311
Fourth year	220,030
Fifth year	179,866
More than six years	893,929
	2,322,658

During the year ended December 31, 2021, the Group recognized the sum of NIS 1,665 thousand as income in the statement of income in respect of contingent lease fees (in 2020 and 2019 – NIS 1,247 thousand and NIS 2,178 thousand, respectively).

For additional information regarding income recognized in respect of investment property, see Notes 8 and 26 above.

Note 39 - Material Events after the Reporting Period

a. See Note 37h.4.i) regarding the appointment of Mr. Yossi Ben Baruch (who serves as the Deputy CEO and Head of the Finance Division of Migdal Insurance and as the Deputy CEO and CFO of the Company) as the Company's CEO effective as from January 1, 2022 or from the date the replacement of Mr. Ben Baruch as Head of the Finance Department of Migdal Insurance begins his term of service, whichever earlier.

b. Further to that mentioned in paragraph a. above, on March 23, 2022 the Board of Directors of Migdal Insurance decided to appoint Mr. Tal Cohen as the Head of the Finance Department of Migdal Insurance. Mr. Tal Cohen will replace Mr. Yossi Ben Baruch in this position, subject to there being no objection on the part of the Commissioner. It has not yet been decided when his term will begin. For further details see the Company's immediate report from March 23, 2022 (reference no. 2022-01-033730).

c. For details regarding the appointment of the retired supreme justice Hanan Meltzer as the Company's Chairman of the Board as from April 14, 2022, see Note 37h.4.k).

d. In February 2022 the Russian army invaded Ukraine following which economic sanctions were imposed on Russia. This event has effects on the global economy including a rise in prices of energy and in prices of commodities. In addition, the rising uncertainty has a negative effect on the financial markets throughout the world and Israel. The Company does not have direct investments and exposure to reinsurers in the area of the conflict. Nevertheless, the Group's operating results are considerably affected by the capital markets in Israel and the world and therefore the effects of the military conflict on the capital markets as aforesaid affects the Company's income from financial margins and variable management fees.

e. In the period subsequent to the reporting date up to the date of its issuance, there has been a deterioration in the financial markets on the backdrop of an increase in the interest curve and the conflict between Russia and Ukraine as described above. The result of this has been a negative real yield in profit participating life assurance policies that were issued up to 2004. Therefore, Migdal Insurance has not recorded variable management fees since the beginning of 2022, rather only fixed management fees. Until such time as a real positive yield is obtained that covers the losses accumulated by the policyholders, Migdal Insurance will not be able to collect variable management fees. As of proximate to the date of issuing the financial statements, the amount of the management fees that will not be collected because of the negative real yield until obtaining a cumulative positive yield is estimated to be NIS 0.3 billion before tax.

   Furthermore, as a result of the deterioration in the capital markets, losses were recorded in the quoted nostro investment portfolio of Migdal Insurance. On the other hand, the increase in the risk-free interest curve is expected to cause a decrease in the liabilities in respect of insurance contracts.

APPENDIX - DETAILS OF ASSETS OF OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE COMMISSIONER OF INSURANCE

a. Quoted debt assets

	December 31			
	Carrying amount		**Amortized cost**	
	2021	2020	2021	2020
	NIS in thousands			
Government bonds – available-for-sale	10,716,205	9,331,422	10,137,974	9,018,695
Other debt assets				
Non-convertible:				
Available-for-sale	2,716,720	4,110,280	2,507,910	3,895,207
Designated on initial recognition at fair value through profit or loss	636,492	1,019,418	581,502	1,005,505
Total quoted debt assets	14,069,417	14,461,120	13,227,386	13,919,407
Impairment recognized in profit or loss (on a cumulative basis)	177	-		

b. Shares

	December 31			
	Carrying amount		**Amortized cost *)**	
	2021	2020	2021	2020
	NIS in thousands			
Quoted				
Available-for-sale	157,020	226,363	77,355	171,516
Total quoted shares	157,020	226,363	77,355	171,516
Unquoted				
Available-for-sale	99,627	53,445	81,019	22,222
Total unquoted shares	99,627	53,445	81,019	22,222
Total shares	256,647	279,808	158,374	193,738
Impairment recognized in profit or loss (on a cumulative basis)	54,030	81,403		

*) Net of provisions for impairment.

APPENDIX - DETAILS OF ASSETS OF OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE COMMISSIONER OF INSURANCE

c. Other financial investments

Other financial investments include mainly investments in ETFs, participation certificates in mutual funds, hedge funds, investment funds, financial derivatives, future contracts, options and structured products.

	December 31			
	Carrying amount		Cost *)	
	2021	2020	2021	2020
	NIS in thousands			
Quoted				
Available-for-sale	1,150,136	1,086,693	930,475	923,054
Derivative instruments	251	202	229	-
Total quoted financial investments	1,150,387	1,086,895	930,704	923,054
Unquoted				
Presented at fair value through profit or loss	-	37,003	-	-
Available-for-sale**	2,481,896	1,788,072	2,298,593	1,725,518
Derivative instruments	244,031	118,707	9,686	-
Total unquoted financial investments	2,725,927	1,943,782	2,308,279	1,725,518
Total other financial investments	3,876,314	3,030,677	3,238,983	2,648,572
Impairment recognized in profit or loss (on a cumulative basis)	958,169	687,310		

*) Net of provisions for impairment.

#7221456

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD - FS 12 2021

Client 9125

Return to Noah, Orly