SPARKLE ASSETS LIMITED

(the "**Company**")

(Incorporated in the British Virgin Islands with limited liability)

ANNOUNCEMENT

We refer to the US$400,000,000 6.875% Senior Notes due 2020 issued by the Company on 30 January 2013 and guaranteed by, *inter alias*, Fosun International Limited (the "**Parent Guarantor**").

The Parent Guarantor has released the attached announcement dated 31 December 2015 on The Stock Exchange of Hong Kong Limited.

BY ORDER OF THE BOARD

Qin Xuetang
Director

31 December 2015

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Fosun International Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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復星國際有限公司

FOSUN INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00656)

MAJOR TRANSACTION

ACQUISITION OF PHOENIX HOLDINGS

31 December 2015

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In this circular, the following expressions have the following meanings, unless the context requires otherwise:

"Acquisition"	the acquisition of the Target Shares by the Company pursuant to the Share Purchase Agreement
"Announcement"	the announcement dated 21 June 2015 issued by the Company in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday, or public holiday) on which banks located in Israel, the PRC, or Hong Kong are generally open for business
"Closing"	the consummation of the transactions contemplated by the Share Purchase Agreement
"Closing Date"	a date that is 12 Business Days following satisfaction or waiver of the last condition to Closing, or a date that the Seller and the Purchaser mutually agree
"Company" or "Fosun"	Fosun International Limited, a company incorporated under the laws of Hong Kong and the Shares are listed and traded on the main board of the Hong Kong Stock Exchange
"Directors"	the directors of the Company
"Encumbrance"	any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim or restriction of any nature, subject to certain exceptions as a result of operation of applicable regulatory requirements and listing rules
"Enlarged Group"	the Group as enlarged by the Acquisition
"EUR"	the single, unified, lawful currency of those member states of the European Union participating in the Economic and Monetary Union
"Excellence"	Excellence Investments Ltd., a subsidiary of Phoenix Holdings
"Fosun Holdings"	Fosun Holdings Limited
"Fosun International Holdings"	Fosun International Holdings Ltd.
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards
"ISA"	the Israeli Securities Authority
"Israel"	State of Israel
"Israel Stock Exchange" or "TASE"	Tel Aviv Stock Exchange
"Latest Practicable Date"	24 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Main Business"	the existing business as conducted by Phoenix Holdings and its subsidiaries, which includes (1) insurance business, (2) marketing and management of investments for third parties, (3) mutual funds management, (4) underwriting and investment banking, (5) issue of structured products and financial products, (6) provision of stock exchange and trading services, (7) management of provident funds, (8) mortgage consulting services and sale of ancillary products, (9) credit card receivables financing, check receivables financing, trade receivables financing, monitoring and reconciliation services for credit card payments and credit advancements, (10) assisted living business, and (11) exporting agricultural products
"Material Adverse Effect"	any event, fact, circumstance, condition, change or effect that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the operations, financial condition or results of operations of the PH Group taken as a whole, subject to certain exceptions
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules
"NIS"	New Israeli Shekel, the lawful currency of Israel
"Phoenix Holdings"	Phoenix Holdings Ltd., a company incorporated under the laws of Israel
"PH Group"	Phoenix Holdings and its subsidiaries
"PRC"	the People's Republic of China
"Purchase Price"	the price payable by the Purchaser for the Target Shares, which is at a maximum amount of NIS1,868,066,426 (approximately RMB3,024,212,737)

"Purchaser"	PI Emerald II (UK) Limited, a limited liability company incorporated under the laws of England and Wales and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"Seller" or "Delek Group"	Delek Group Ltd., a company incorporated under the laws of Israel
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Shareholder(s)"	holders of the issued ordinary share(s) of the Company
"Share Purchase Agreement"	a share purchase agreement dated 21 June 2015 and entered into between the Purchaser and the Seller in relation to the sale and purchase of the Target Shares
"Share(s)"	the shares of the Company
"Target Shares"	130,623,262 ordinary shares of Phoenix Holdings issued at a par value of NIS1.00 per share

For the purpose of this circular, unless otherwise stated, all amounts in NIS are translated into RMB at an exchange rate of approximately NIS1.00 = RMB1.6189.

FOSUN 復星

復星國際有限公司
FOSUN INTERNATIONAL LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00656)

Directors:
Executive Directors:
Mr. Guo Guangchang (*Chairman*)
Mr. Liang Xinjun *(Vice Chairman and Chief Executive Officer)*
Mr. Wang Qunbin *(President)*
Mr. Ding Guoqi
Mr. Qin Xuetang
Mr. Chen Qiyu
Mr. Xu Xiaoliang

Independent Non-Executive Directors:
Mr. Zhang Shengman
Mr. Zhang Huaqiao
Mr. David T. Zhang
Mr. Yang Chao

Registered address:
Room 808, ICBC Tower
3 Garden Road
Central
Hong Kong

31 December 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF PHOENIX HOLDINGS

1. INTRODUCTION

Reference is made to the Announcement whereby the Company announced that the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Seller entered into the Share Purchase Agreement on 21 June 2015 (Israel time), pursuant to which the Purchaser has agreed to acquire 130,623,262 ordinary shares of Phoenix Holdings, representing 52.31% of the issued and outstanding share capital of Phoenix Holdings. Subject to certain agreed adjustments, the Purchase Price for the Target Shares shall be NIS1,763,204,090 (approximately RMB2,854,451,101), together with interest accrued on such amount at 4.75% per annum for the period from 30 September 2014 to the Closing Date. As a result, the maximum amount of consideration payable is expected to be not more than approximately NIS1,868,066,426 (approximately RMB3,024,212,737).

The purpose of this circular is, among other things, to provide you with more information in relation to the Acquisition.

The details of the Share Purchase Agreement are as follows:

2. THE SHARE PURCHASE AGREEMENT

Date	21 June 2015 (Israel time)
Parties	1. PI Emerald II (UK) Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser; 2. Delek Group Ltd., as the Seller. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Seller is a third party independent of the Company and connected persons of the Company, and is not a connected person of the Company.
Target Shares to be Acquired	130,623,262 ordinary shares of Phoenix Holdings, representing 52.31% of the issued and outstanding share capital of Phoenix Holdings, shall be purchased free and clear from all Encumbrances.
Purchase Price and Payment Terms	The Purchase Price for the Target Shares shall be NIS1,763,204,090 (approximately RMB2,854,451,101), together with interest accrued on such an amount at 4.75% per annum for the period from 30 September 2014 to the Closing Date, subject to certain agreed adjustments in accordance with the terms of the Share Purchase Agreement. As a result, the maximum amount of consideration payable is expected to be not more than approximately NIS1,868,066,426 (approximately RMB3,024,212,737). The Purchase Price for the Acquisition was determined through arm's length negotiations among the parties to the Share Purchase Agreement by reference to, among other matters: (i) the value of the assets and business of Phoenix Holdings; and (ii) the factors set out in the section headed "Reasons for and Benefits of the Acquisition". The Purchase Price shall be satisfied by the Company's own funds or a combination of the Company's own funds and external financing. The audited net profits (both before and after taxation) attributable to shareholders of Phoenix Holdings for the two fiscal years immediately preceding the Acquisition are as follows:

	For the year ended 31 December	
	2014	**2013**
	(audited)	**(audited)**
	approximately	*approximately*
	NIS million	*NIS million*
Net profit before tax	782.86	1,178.09
Net profit after tax	531.19	760.13

The audited total assets and net assets of Phoenix Holdings was approximately NIS101,336.65 million (approximately RMB164.05 billion) and NIS3,929.14 million (approximately RMB6.36 billion), respectively, as at 31 December 2014. The unaudited total assets and net assets of Phoenix Holdings was approximately NIS99,513.52 million (approximately RMB161.10 billion) and NIS3,941.90 million (approximately RMB6.38 billion), respectively, as at 30 June 2015.

Conditions to Closing

The obligations of the Purchaser to consummate the Acquisition are subject to the satisfaction (or waiver) as of the Closing of the conditions contemplated by the Share Purchase Agreement, which include, inter alia, the following:

1. required regulatory approvals from Israeli insurance regulator, securities regulator, TASE, amongst others, have been obtained;

2. required third party consents in connection with the change of control in Phoenix Holdings have been obtained;

3. the pledges over certain Target Shares to Bank Hapoalim and Bank Mizrachi-Tefahot have been duly removed; and

4. there shall not have been any Material Adverse Effect between signing and Closing.

The obligations of the Seller to consummate the Acquisition are subject to the satisfaction (or waiver) as of the Closing of certain conditions contemplated by the Share Purchase Agreement, which include, inter alia, the Purchaser has received required regulatory approvals.

As at the Latest Practicable Date, item 3 relating to the removal of the pledge over certain Target Shares to Bank Hapoalim had been satisfied.

Termination by the Purchaser

The Purchaser may terminate the Share Purchase Agreement for customary reasons and also has an option to terminate the Share Purchase Agreement if certain labor matters involving the PH Group are not resolved prior to the Closing. If the Purchaser exercises its option to terminate the Share Purchase Agreement under these circumstances, the Seller would be obligated to pay the Purchaser a break up fee of NIS12,000,000 (approximately RMB19,426,800).

Closing

The Closing of the Acquisition contemplated by the Share Purchase Agreement shall take place on the twelfth (12th) Business Day following the satisfaction or waiver by the Purchaser or the Seller, as applicable, of the last condition set forth in the Share Purchase Agreement or on such other date as may be mutually agreeable to the Purchaser and the Seller.

Seller Indemnities and Undertakings	The Share Purchase Agreement contains representations, warranties and covenants for a transaction of this nature and scale, and the Seller shall indemnify the Purchaser for any breach of representations, warranties and covenants, for a period of 15 months post-Closing for general claims, and longer period in relation to certain claims, such as tax indemnity, certain identified litigations, or investigations by or disputes with regulators, based on the relevant statute of limitations or the estimated reasonable time for resolution of the relevant litigation or dispute (ranging from 5 to 7 years). The Seller also undertakes not to compete with Phoenix Holdings in relation to its Main Business for a period of 4 years post-Closing, and not to solicit its employees for a period of 4 years post-Closing.
Parent Guarantee	The Company provides an irrevocable and unconditional parent guarantee to guarantee the full performance and payment by the Purchaser of each of its covenants, obligations and undertakings under the Share Purchase Agreement.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

Phoenix Holdings will become a subsidiary of the Company upon Closing and remain principally engaging in insurance and asset management business in Israel, which is a core business, a key growth engine and a strategic priority for the Group. The Group regards the development of the insurance and asset management business as an attractive way to connect the Group's investment capability to high-quality long-term capital. The Acquisition is another milestone in the Group's path towards internationalization, will further expand the Group's insurance and asset management business, and will strengthen the Group's capability to access high-quality long-term capital.

In particular, the Company believes the following benefits can be achieved:

1. the audited total assets of Phoenix Holdings as of 31 December 2014 amounted to approximately NIS101.34 billion (approximately RMB164.05 billion). Its assets under management as of 31 December 2014 amounted to approximately NIS160 billion (approximately RMB259.02 billion). The Company plans to apply its investment capabilities to enhance the return on these assets;

2. the Acquisition will further optimize the Group's capital structure and lower its cost of funding on a consolidated level; and

3. synergies could be achieved between other insurance and reinsurance businesses of the Group and the PH Group.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the ordinary and usual course of business of the Group, and that the terms of the Share Purchase Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

4. FINANCIAL EFFECTS OF THE ACQUISITION

After Closing, the PH Group will become the indirect subsidiaries of the Company and their results would be consolidated into the consolidated financial statements of the Group. 52.31% of the share capital and voting rights of Phoenix Holdings will be held indirectly by the Company after Closing.

According to the unaudited consolidated financial statements of the Group as contained in the Interim Report 2015 of the Company, the unaudited total assets and liabilities of the Group as at 30 June 2015 were approximately RMB353.5 billion and RMB259.3 billion, respectively, whereas according to the unaudited pro forma financial information as contained in Appendix III of this circular, the unaudited pro forma total assets and total liabilities of the Enlarged Group as at 30 June 2015 were approximately RMB510.2 billion and RMB413.5 billion following the consolidation of results and assets and liabilities of the PH Group as at 30 June 2015.

The financial effects of the Acquisition on the Group is set out in Appendix III to this circular and summarised as follows:

a. **Assets**

As of 30 June 2015, the consolidated total assets of the Group were approximately RMB353.5 billion. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total assets of the Enlarged Group would have been increased to approximately RMB510.2 billion.

b. **Liabilities**

As of 30 June 2015, the consolidated total liabilities of the Group were approximately RMB259.3 billion. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have been increased to approximately RMB413.5 billion.

c. **Total equity**

As of 30 June 2015, the total equity of the Group was RMB94,253.4 million. According to the unaudited pro forma financial information, the unaudited pro forma total equity of the Enlarged Group would have been increased to RMB96,662.4 million.

d. **Earnings**

For the six months ended 30 June 2015, the consolidated net profit of the Group was RMB4,877.9 million and according to the financial information of the PH Group as set out in Appendix II to this circular, the unaudited net profit (on an aggregate basis) for the six months ended 30 June 2015 amounted to NIS40.8 million (approximately RMB66.1 million). The Directors believe the PH Group will be able to continue to generate profit attributable to the Shareholders in the future.

5. INFORMATION ON THE PARTIES

The Company

The principal businesses of the Company include integrated finance (insurance, investment, asset management and banking and other financial business) and industrial operations (health, happy lifestyle, steel, property development and sales and resources).

The Purchaser

PI Emerald II (UK) Limited, an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding.

The Seller

Delek Group Ltd. is a company organized under the laws of Israel, listed on the Israel Stock Exchange (TASE ticker: DLEKG). It is Israel's dominant integrated energy company, and a pioneering leader of natural gas exploration and production activities in the Eastern Mediterranean region. In addition, Delek Group Ltd. and its subsidiaries have a number of assets in downstream energy and water desalination.

Phoenix Holdings

Phoenix Holdings is a company organized under the laws of Israel, listed on the TASE (TASE ticker: PHOE). It integrates the operations of the following entities: (1) The Phoenix Insurance Company Ltd., one of Israel's leading insurance companies that provides life, non-life, health insurance and long-term savings, and (2) The Phoenix Investments and Finance Ltd., which manages its members' funds, Phoenix Insurance's portfolio, and holds 90% equity interest in Excellence Nessuah Investment House ("Excellence House"), one of the largest securities houses in Israel. Phoenix Holdings has approximately NIS162 billion of assets (including those of Excellence House) and is one of Israel's largest financial groups.

6. LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Acquisition exceed 25% and are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to notification, announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Share Purchase Agreement and the Acquisition, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Share Purchase Agreement and the Acquisition. The Company has obtained a written shareholder approval from Fosun Holdings Limited, the controlling Shareholder holding approximately 71.37% of the total issued shares of the Company on 21 June 2015, in lieu of holding a general meeting to approve the Share Purchase Agreement and the Acquisition in accordance with Rule 14.44 of the Listing Rules.

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Currently, Fosun has adopted CIPC as its new model for investment, which is to select middle-class families and high net worth individuals as clients (Clients), focusing on their consumption and investment demands, through seeking investment opportunities (Investments) worldwide to start opportunistic investments as a small shareholder and gradually to consolidate and merge. Focus on researching and developing highly competitive assets-end and liabilities-end products (Products) to create service experiences that astonish clients and maintain sustainable relationships with clients (Clients) who create frequent and extensive transactions.

Meanwhile, Fosun will continue to identify systematic mismatches and value investing opportunities around the world. These opportunities include (1) the mismatch between reasonably low-priced overseas consumer assets, China's explosive growing and the world's largest and second largest consumer markets, which is the "Combining China's Growth Momentum with Global Resources" investment model that Fosun is proficient in consistently, the key to success rests on helping overseas brands to achieve high growth in China; (2) the mismatch between low-cost capital from the low interest rate environments in Europe, the US and Japan and the high return from RMB and USD assets, the key to success is to identify scalable investment opportunities based on deep and professional industrial capabilities, and to implement Fosun's investment techniques in the invested

financial institutions on how to achieve high return by investing RMB and USD assets; and (3) sporadic opportunities from the return of China concept stocks, HK-listed stocks and H-shares to A-shares market and opportunities from Asia-listing of Asia-based assets of global consumer enterprises.

For the prospects of the economy in the PRC, Fosun believes although the economy in the PRC is currently under downward pressure, transformation of the economy has been successful in several areas such as Shanghai and Zhejiang; if this success in transformation can be replicated and expanded rapidly nationwide, the long-term growth that the transformation of the economy in the PRC brings about is predictable; the corrections in commodity prices have brought about negative sentiments towards the economy in the PRC, but it has lowered costs in the manufacturing sector in the PRC; the RMB devaluation has inflicted negative impact on the capital markets, but will benefit exports from the PRC.

Looking forward, Fosun will constantly foster "Insurance-oriented Comprehensive Financial Capability" and "Global Industrial Integration Capability Taking Roots in China", and steadily and proactively implement the "Insurance + Investment" twin driver core strategy to seek for sustainable development under the global complicated economic environment. Fosun will make investment based on clients' needs, and promote the industry with investment to develop products and services with better content, so as to ultimately serve clients and to create maximum values for the society and the Shareholders. Fosun and its subsidiaries in industrial and insurance sectors have sufficient capital and are well-prepared for the cross-cycle development. Fosun will persistently adhere to value investing discipline and dance with cyclicality on the value floor, as well as identify mismatch of value opportunities around the world and put cross bull-bear low-risk high-yield growth model into practice, with a view to evolving into an intelligent and vital entity.

8. WAIVERS FROM STRICT COMPLIANCE WITH RULE 14.67(6)(a)(i) AND CHAPTER 4 OF THE LISTING RULES

Background

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on the PH Group prepared in accordance with Chapter 4 of the Listing Rules. The accounts on which such report is based must relate to a financial period ended six months or less before this circular is issued, and the financial information on the PH Group must be prepared using accounting policies which should be materially consistent with those of the Company. In this regard, the Company is required under Chapter 4 of the Listing Rules to include an accountants' report on the PH Group with the financial information of the PH Group for the three financial years ended 31 December 2014 and a stub period of six months ended 30 June 2015 prepared under HKFRS.

Waiver Sought

The Company has applied to the Hong Kong Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules on the following grounds:

A. It would be unduly burdensome for the Company to engage professional accountants to prepare an accountants' report on Phoenix Holding as required by the Listing Rules in light of the substantial time and costs required with reasons below:

   (a) Phoenix Holdings is a company organized under the laws of Israel , and its shares are listed on the Israel Stock Exchange (TASE ticker: PHOE). The auditors of the PH Group is Ernst & Young Israel ("EY Israel");

   (b) the PH Group has over 40 subsidiaries and affiliates, which have engaged their own local auditors/accounting firms (mainly Ernst & Young but also KPMG and

PricewaterhouseCoopers), which render the Company and its auditors, Ernst & Young Hong Kong ("EY Hong Kong") to spend substantial additional time and cost to collate information and liaise with those local auditors, in addition to the liaison with auditors of the PH Group - EY Israel;

(c) there are around 16 main subsidiaries of Phoenix Holdings including one public company, one public affiliate, one private affiliate and several real estate companies which Phoenix Holdings cannot influence them and/or has no control over them, it might be infeasible to get the audited reports for the interim periods. In general, it is the company policy and also the accounting requirements to prepare valuations as part of the audited report on a yearly basis instead of an interim basis. As such, extra time and cost are required for gathering the required information in which Phoenix Holdings is not certain if it is able to do so; and

(d) the unaudited accounts for the six months ended 30 June 2015 and the relevant management accounts of Phoenix Holdings and its subsidiaries are only prepared in local language other than in English, and thus substantial additional time and cost are required just for translation purpose, in addition to the actual work on preparation of the account report for the PH Group;

B. based on the above, it is expected that the required accountants' report for the PH Group up to 30 June 2015 for incorporation in this circular could only be finalized by the end of 2015 or early 2016. As required under Rule 4.03 of the Listing Rules, the accounts on which the report is based must relate to a financial period ended six months or less before the circular is issued, the Company would by then require to prepare another additional stub period or wait until the audited financial results of the PH Group is ready for incorporation in this circular, which cause further unnecessary delay in depsatch of this circular. The Directors are of the view that it is not in the best interests of, and beneficial to, the Company and the Shareholders as a whole to strictly comply with the requirements of Rule 4.09(2) of the Listing Rules, taking into account the substantial time and cost required;

C. as the PH Group published audited financial statements on a yearly basis (including the last three financial years) and also published unaudited (reviewed) financial statements on a quarterly basis (the unaudited (reviewed) six months financial statements had been published by the end of August 2015), and such financial statements are audited or reviewed by EY Israel in accordance with IFRS, which is basically the same as the accounting standards as used by the Group for its regular financial reports, the HKFRS, the granting of the permission as requested by the Company would unlikely result in undue risks to the Shareholders; and

D. while EY Israel is not registered under the Hong Kong Professional Accountants Ordinance, it is a firm with international name and reputation and registered with a recognised body of accountants, namely The Institute of Certified Public Accountants in Israel ("ICPA"). Ernst & Young Global Limited ("EY") is one of the big four international professional services firms. EY Israel is a full member firm of EY.

ALTERNATIVE DISCLOSURE

The Company has included the following information ("Audited Consolidated Financial Statements") in this circular as alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules:

A. the published audited financial statements for the three financial years ended 31 December 2014 audited by EY Israel prepared under IFRS and the ISA rules, with "true and fair view" audit opinion given by EY Israel, included in Appendix II to this circular;

B. the published unaudited financial statements for the six months ended 30 June 2015 prepared under IFRS and the ISA rules, reviewed by EY Israel, together with unaudited comparatives for the prior year stub period prepared under IFRS and the ISA rules and reviewed by EY Israel, included in Appendix II to this circular; and

C. a line-by-line reconciliation of the PH Group's financial information for the differences between its accounting policies under the IFRS and the accounting policies of the Company under HKFRS, with an explanation of the differences. The auditors of the Company, Ernst & Young Hong Kong would review the reconciliation in accordance with the applicable standards.

Based on the information provided by the Company and the alternative disclosure above, the Hong Kong Stock Exchange granted the waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules.

9. RECOMMENDATION

Although no general meeting will be convened for approving the Acquisition, the Directors (including the independent non-executive Directors) believe that the transactions contemplated under the Share Purchase Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if the general meeting were convened for approving the Acquisition, the Directors would have recommended the Shareholders to vote in favour of the Acquisition.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By Order of the Board
Guo Guangchang
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this circular the information for the last three financial years and the six months ended 30 June 2015 with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group. The financial information of the Group is disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.fosun.com) :

- The unaudited consolidated financial statements of the Group for the six months ended 30 June 2015 are set out in the interim report of the Company (pages 38 - 76) published on 22 September 2015. Please also see below link to the Interim Report 2015:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0922/LTN20150922441.pdf

- The audited consolidated financial statements of the Group for the year ended 31 December 2014 are set out in the annual report of the Company (pages 91 - 247) published on 20 April 2015. Please also see below link to the Annual Report 2014:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0420/LTN20150420821.pdf

- The audited consolidated financial statements of the Group for the year ended 31 December 2013 are set out in the annual report of the Company (pages 77 - 204) published on 14 April 2014. Please also see below link to the Annual Report 2013:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0414/LTN20140414375.pdf

- The audited consolidated financial statements of the Group for the year ended 31 December 2012 are set out in the annual report of the Company (pages 70 - 189) published on 17 April 2013. Please also see below link to the Annual Report 2012:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0417/LTN20130417258.pdf

2. INDEBTEDNESS

At the close of business on 31 October 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this indebtedness statement, the Enlarged Group had an aggregate outstanding indebtedness of approximately RMB122,457,398,000, which was comprised of:

	As at 31 Oct 2015 *RMB'000*
Interest-bearing bank and other borrowings:	
Bank loans	
Guaranteed	1,589,536
Secured	30,839,412
Unsecured	45,759,124
	78,188,072
Private placement notes	7,500,000
Corporate bonds and enterprise bonds	11,901,301
Commercial paper	5,600,000
Senior notes	2,196,984
Medium-term notes	6,994,774
Other borrowings, secured	3,299,557
Other borrowings, unsecured	6,118,934
Total interest-bearing bank and other borrowings	121,799,622
Convertible bonds	386,419
Loan from related companies	193,000
Finance lease payables	78,357
Total	122,457,398
Repayable:	
Within one year	66,695,250
In the second year	19,741,640
In the third to fifth years, inclusive	25,542,951
Over five years	10,477,557
	122,457,398

As at the close of business on 31 October 2015, some of the Enlarged Group's bank loans were secured by the pledge of some of the Enlarged Group's buildings, plant and machinery, mining infrastructure, investment properties, prepaid land lease payments, properties under development, completed properties for sale, time deposits with original maturity of more than three months, trade and notes receivables, inventories, equity investment at fair value through profit or loss, an investment in a jointly-controlled entity and investment in subsidiaries.

Contingent Liabilities:

As at the close of business on 31 October 2015, the Enlarged Group had the following contingent liabilities:

	As at 31 Oct 2015 *RMB'000*
Guaranteed bank loans of:	
Related parties	379,981
Third parties	0
	379,981
Qualified buyers' mortgage loans	2,578,660
	2,958,641

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, at the close of business on 31 October 2015, the Enlarged Group did not have any outstanding debts securities, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptances credits, material hire purchase commitments, mortgages or charges, which were either guaranteed, unguaranteed, secured or unsecured.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2015.

3. WORKING CAPITAL

Taking into account the existing cash and bank balances, the present internal resources and the available banking facilities of the Enlarged Group, the Directors, after due and careful enquiry, are of the opinion that the working capital of the Enlarged Group is sufficient for at least twelve months from the date of this circular.

(A) CONSOLIDATED FINANCIAL STATEMENTS OF THE PH GROUP

EY
Building a better working world

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Translation from Hebrew into English of the financial statements of The Phoenix Holdings Ltd.

We wish to report that we are proficient in Hebrew and in English and in our opinion, the attached translation of the audited financial statements of The Phoenix Holdings Ltd as of the following dates are properly conducted :

- December 31, 2013 –consolidated financial statements
- December 31, 2013 –separate financial statement of the company
- December 31, 2014 –separate financial statement of the company

Kost Forer Gabbay & Kasierer

Tel-Aviv, Israel
November 6, 2015

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Auditors' report
to the shareholders of The Phoenix Holdings Ltd.

We have audited the accompanying consolidated statements of financial position of The Phoenix Holdings Ltd. ("the Company") as of December 31, 2014 and 2013 and the related consolidated statements of income, comprehensive income, changes in equity and the cash flows for each of the last three years ended December 31, 2014. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets constitute 1.3% and 41% of total consolidated assets as of December 31, 2014 and December 31, 2013, respectively, and whose consolidated revenues constitute 1%, 4.9% and 5.7% of total consolidated revenues for the years ended December 31, 2014, 2013 and 2012, respectively. Furthermore, we did not audit the financial statements of certain investments in companies which are accounted for using the equity method, the investment in which amounted to NIS 419,751 thousands and NIS 315,094 thousands as of December 31, 2014 and 2013, respectively, and the Company's share of their earnings amounted to NIS 33,827 thousands, NIS 36,825 thousands and NIS 43,211 thousands for the years ended December 31, 2014, 2013 and 2012, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance), 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that 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 applied and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and on the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2014 and 2013 and the results of their operations, changes in equity and cash flows for each of the last three years ended on December 31, 2014, in conformity with International Financial Reporting Standards (IFRS), and in accordance with the disclosure requirements prescribed in the Control of Financial Services (Insurance) Law, 1981.

Furthermore, in our opinion, these financial statements have been prepared in accordance with the provisions of the Israeli Securities Regulations (Preparation of Annual Financial Statements), 2010, insofar as these regulations are applicable to insurance companies.

Without qualifying our opinion, we draw attention to Note 42 to the financial statements with respect to exposure to contingent liabilities.

We have also audited, in conformity with Audit Standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control over Financial Reporting", internal controls over the Company's financial reporting as of December 31, 2014, and our report of March 26, 2015 includes an unqualified opinion of the effective fulfilment of these components.

Tel Aviv
March 26, 2015

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Auditor's report
to the shareholders of The Phoenix Holdings Ltd.

We have audited the accompanying consolidated statements of financial position of The Phoenix Holdings Ltd. ("the Company") as of December 31, 2013 and 2012 and the related consolidated statements of income, comprehensive income, changes in equity and the cash flows for each of the last three years ended December 31, 2013. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets constitute 41% and 37% of total consolidated assets as of December 31, 2013 and December 31, 2012, respectively, and whose consolidated revenues constitute 4.9%, 5.7% and 9.6% of total consolidated revenues for the years ended December 31, 2013, 2012 and 2011, respectively. Furthermore, we did not audit the financial statements of certain investments in companies which are accounted for using the equity method, the investment in which amounted to NIS 315.094 million and NIS 304.987 million as of December 31, 2013 and 2012, respectively, and the Company's share of their earnings amounted to NIS 36.825 million, NIS 43.211 million and NIS 31.827 million for the years ended December 31, 2013, 2012 and 2011, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance), 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that 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 applied and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and on the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2013 and 2012 and the results of their operations, changes in equity and cash flows for each of the last three years ended on December 31, 2013, in conformity with International Financial Reporting Standards (IFRS), and in accordance with the disclosure requirements prescribed in the Control of Financial Services (Insurance) Law, 1981.

Furthermore, in our opinion, these financial statements have been prepared in accordance with the provisions of the Israeli Securities Regulations (Preparation of Annual Financial Statements), 2010, insofar as these regulations are applicable to insurance companies.

Without qualifying our opinion, we draw attention to Note 42 to the financial statements with respect to exposure to contingent liabilities. Additionally, we draw attention to Note 2(AA) of the financial statements regarding restatement of the financial statements as of December 31, 2012 and the years ended December 31, 2012 and December 31, 2011, to reflect retrospectively the change in accounting policy for assisted living units and their reclassification from fixed assets to investment property, in accordance with the business model of a subsidiary, whereby the nature and extent of the services provided by the subsidiary to the tenants are not significant compared to the overall arrangement with the tenants.

We have also audited, in conformity with Audit Standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control over Financial Reporting", internal controls over the Company's financial reporting as of December 31, 2013, and our report of March 26, 2014 includes an unqualified opinion of the effective fulfillment of these components.

Tel Aviv
March 26, 2014

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statement of Financial Position

		December 31		
		2014	2013 (*)	2012 (*)
Assets	**Note**		**NIS thousands**	
Intangible assets	4	1,754,454	1,702,838	1,714,984
Deferred tax assets	22	7,906	6,844	36,835
Deferred acquisition costs	5	1,358,127	1,216,702	1,101,493
Property, plant and equipment	6	370,604	376,954	428,533
Investments in associates	7	582,819	488,913	465,054
Investment property for unit linked contracts	8	1,094,954	1,005,774	444,906
Other investment property	8	1,857,433	1,725,908	1,326,156
Reinsurance assets	16,17	1,398,926	1,364,409	1,352,112
Credit for acquisition of securities	9	160,000	165,000	237,000
Current tax assets		42,083	35,314	40,680
Debtors and receivables	10	261,933	312,162	440,150
Premiums receivable	11	596,844	556,774	571,841
Financial investments for unit linked contracts	12	31,438,806	27,634,603	23,231,004
Assets for holders of debentures, exchange-traded funds, reverse certificates, complex certificates, certificates of deposit, and structured bonds	12A	39,026,300	35,478,244	-
Financial investments for holders of debentures, exchange-traded funds , reverse certificates, complex certificates, certificates of deposit, and structured bonds	12A	-	-	11,455,979
Other financial investments				
Marketable debt assets	13B	5,503,979	5,424,370	5,277,927
Non-marketable debt assets	13C	10,570,471	10,085,236	8,784,551
Shares	13E	745,245	646,193	585,409
Others	13F	1,236,905	1,023,270	850,571
Total other financial investments		18,056,600	17,179,069	15,498,458
Cash and cash equivalents pledged for holders of debentures, exchange-traded funds, reverse certificates, complex certificates, certificates of deposit, and structured bonds	12A	-	-	14,367,000
Cash and cash equivalents for unit linked contracts	14A	2,651,399	2,240,940	1,700,297
Other cash and cash equivalents	14B	677,461	585,981	965,632
Total assets		101,336,649	92,076,429	75,378,114
Total assets for unit linked contracts	12	35,339,231	31,043,062	25,586,781

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

Consolidated Statement of Financial Position

	Note	December 31 2014	2013 (*)	2012 (*)
			NIS thousands	
Capital				
Share capital	15	304,258	304,216	301,603
Premium and capital reserves on shares		667,842	667,268	641,414
Treasury shares		(36,637)	(31,848)	(31,862)
Capital reserves		200,709	256,512	257,645
Retained earnings		2,668,873	2,361,357	1,943,203
Total equity attributed to Company shareholders		3,805,045	3,557,505	3,112,003
Non-controlling interests		124,097	96,840	137,406
Total shareholders' equity		3,929,142	3,654,345	3,249,409
Liabilities				
Liabilities for non- unit linked insurance contracts and investment contracts	16	18,381,210	17,545,565	15,918,319
Liabilities for unit linked insurance contracts and investment contracts	17	35,149,671	30,892,508	25,521,266
Liabilities for deferred taxes	22	425,226	426,332	376,160
Liabilities for employee benefits, net	23	113,254	114,707	119,178
Liabilities for current taxes		8,560	12,318	15,486
Creditors and payables	24	1,330,301	1,207,373	1,390,708
Liabilities for debentures, ETFs, reverse certificates and complex certificates, certificates of deposit, and structured debentures	25	38,404,175	34,911,165	25,148,994
Financial liabilities	26	3,595,110	3,312,116	3,552,587
Provision for payment for acquisition of an investee	26	-	-	86,007
Total liabilities		97,407,507	88,422,084	72,128,705
Total shareholders' equity and liabilities		101,336,649	92,076,429	75,378,114

(*) Restated, see Note 2 (AA)

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

. Asi Bartfeld	Eyal Lapidot	Omer Ziv
Chairman of the Board of Directors	CEO	Deputy CEO and CFO

Financial statements approved on March 26, 2015

. Dr.Moshe Bareket	Eyal Lapidot	Omer Ziv
Chairman of the Board of Directors	CEO	Deputy CEO and CFO

Financial statements approved on March 26, 2014

Consolidated Statements of Income

	Note	Year ended December 31		
		2014	2013	2012
		NIS thousands		
Premiums earned, gross	27	7,698,273	7,474,057	7,153,960
Premiums earned by reinsurers	27	644,363	647,954	670,322
Premiums earned in retention	27	7,053,910	6,826,103	6,483,638
Investment gains, net, and financing income	28	2,774,430	4,547,484	3,316,941
Management fees	29	857,811	875,490	637,758
Revenue from commissions	30	259,231	263,923	247,562
Income from other financial services	31	202,822	178,525	177,987
Other revenue	32	41,949	34,716	38,119
Total revenue		11,190,153	12,726,241	10,902,005
Payments and changes in liabilities for insurance contracts and investment contracts, gross		8,397,290	9,553,515	8,579,205
Share of reinsurers in payments and changes in liabilities for insurance contracts		450,734	448,941	386,217
Payments and changes in liabilities for insurance contracts and investment contracts in retention	33	7,946,556	9,104,574	8,192,988
Commissions, marketing expenses, and other acquisition costs	34	1,313,780	1,187,296	1,121,062
General and administrative expenses	35	1,030,271	1,027,442	941,986
Other expenses	37	36,056	99,299	67,417
Finance expenses	38	126,560	181,203	201,616
Total expenses		10,453,223	11,599,814	10,525,069
Share in earnings of investees treated under the equity method	7	45,933	51,666	41,079
Income before taxes on income		782,863	1,178,093	418,015
Taxes on income	22	251,678	417,967	138,511
Income for the year		531,185	760,126	279,504
Attributable to:				
Company shareholders		504,480	739,033	249,554
Non-controlling interests		26,705	21,093	29,950
Income for the year		531,185	760,126	279,504
Earnings per share attributed to shareholders (in NIS):	39			
Basic earnings per share				
Earnings per ordinary share of NIS 1 par value (NIS)		2.05	3.02	1.02
Diluted earnings per share				
Earnings per ordinary share of NIS 1 par value (NIS)		2.05	3.02	1.02

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

Consolidated Statements of Comprehensive Income

	Note	Year ended December 31		
		2014	2013	2012
		NIS thousands		
Income for the year		**531,185**	**760,126**	**279,504**
Other comprehensive income (loss)				
Amounts classified or reclassified to profit or loss under specific conditions				
Net change in the fair value of financial assets available for sale attributed to capital reserves		105,593	314,349	325,812
Net change in the fair value of financial assets available for sale transfered to the statement of income		(285,574)	(310,444)	(147,831)
Gain from impairment of financial assets available for sale transferred to statement of income		70,593	13,707	78,014
Adjustments arising from translation of financial statements of foreign operations		6,402	(3,529)	22,255
Tax effect	22	40,057	(11,663)	(93,321)
Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss:		(62,929)	2,420	184,929
Amounts not subsequently reclassified to profit or loss				
Actuarial gain for defined benefit plans		3,697	4,949	1,762
Tax effect		(1,260)	(1,832)	(593)
Total components of other comprehensive income, not subsequently reclassified to profit or loss:		2,437	3,117	1,169
Total other comprehensive income (loss), net		(60,492)	5,537	186,098
Total comprehensive income for the year		470,693	765,663	465,602
Attributable to:				
Company shareholders		443,971	744,468	435,652
Non-controlling interests		26,722	21,195	29,950
Comprehensive income for the year		470,693	765,663	465,602

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders										
	Share capital	Premium and capital reserves on shares	Treasury shares	Retained earnings	Capital reserve for transactions with non-controlling interests	Capital reserve for share-based payment	Reserve from translation differences	Capital reserve for financial assets available for sale	Total	Non-controlling interests	Total Equity
	NIS thousands										
Balance as of January 1, 2014	304,216	667,268	(31,848)	2,361,357	(4,804)	30,627	(3,791)	234,480	3,557,505	96,840	3,654,345
Net income	-	-	-	504,480	-	-	-	-	504,480	26,705	531,185
Other comprehensive income (loss)	-	-	-	2,420	-	-	6,402	(69,331)	(60,509)	17	(60,492)
Total comprehensive income (loss)	-	-	-	506,900	-	-	6,402	(69,331)	443,971	26,722	470,693
Share-based payment	-	-	-	-	-	7,742	-	-	7,742	-	7,742
Dividends	-	-	-	(199,384)	-	-	-	-	(199,384)	-	(199,384)
Dividend paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(465)	(465)
Acquisition of treasury shares	-	-	(4,789)	-	-	-	-	-	(4,789)	-	(4,789)
Exercise of employee options	42	574	-	-	-	(616)	-	-	-	-	-
Issue of capital to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	1,000	1,000
Balance as of December 31, 2014	304,258	667,842	(36,637)	2,668,873	(4,804)	37,753	2,611	165,149	3,805,045	124,097	3,929,142

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders										
	Share capital	Premium and capital reserves on shares	Treasury shares	Retained earnings	Capital reserve for transactions with non-controlling interests	Capital reserve for share-based payment	Reserve from translation differences	Capital reserve for financial assets available for sale	Total	Non-controlling interests	Total Equity
	NIS thousands										
Balance as of January 1, 2013	301,603	641,414	(31,862)	1,943,203	(24,204)	53,477	(262)	228,634	3,112,003	137,406	3,249,409
Net income	-	-	-	739,033	-	-	-	-	739,033	21,093	760,126
Other comprehensive income	-	-	-	3,117	-	-	(3,529)	5,846	5,434	102	5,536
Total comprehensive income	-	-	-	742,150	-	-	(3,529)	5,846	744,467	21,195	765,662
Share-based payment	-	-	-	-	-	5,433	-	-	5,433	-	5,433
Dividend paid	-	-	-	(323,996)	-	-	-	-	(323,996)	-	(323,996)
Treasury shares	-	-	(1,618)	-	-	-	-	-	(1,618)	-	(1,618)
Reissuance of treasury shares	-	184	1,632	-	-	-	-	-	1,816	20	1,836
Dividend to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(11,533)	(11,533)
Exercise of employee options	2,613	25,670	-	-	-	(28,283)	-	-	-	-	-
Acquisition (sale) of non-controlling interests, net (see Note 7(4A))	-	-	-	-	19,400	-	-	-	19,400	(50,146)	(30,746)
Deconsolidation	-	-	-	-	-	-	-	-	-	(102)	(102)
Balance as of December 31, 2013	304,216	667,268	(31,848)	2,361,357	(4,804)	30,627	(3,791)	234,480	3,557,505	96,840	3,654,345

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

Consolidated Statements of Changes in Equity

	Attributed to Company shareholders										
	Share capital	Premium and capital reserves on shares	Treasury shares	Retained earnings	Capital reserve for transactions with non-controlling interests	Capital reserve for share-based payment	Reserve from translation differences	Capital reserve for financial assets available for sale	Total	Non-controlling interests	Total Equity
	NIS thousands										
Balance as of January 1, 2012	301,603	640,952	(30,712)	1,692,480	(18,671)	49,821	(22,517)	65,960	2,678,916	122,739	2,801,655
Net income	-	-	-	249,554	-	-	-	-	249,554	29,950	279,504
Other comprehensive income	-	-	-	1,169	-	-	22,255(*)	162,674	186,098	-	186,098
Total comprehensive income	-	-	-	250,723	-	-	22,255	162,674	435,652	29,950	465,602
Share-based payment	-	-	-	-	-	3,656	-	-	3,656	-	3,656
Dividend paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(13,561)	(13,561)
Treasury shares	-	-	(8,012)	-	-	-	-	-	(8,012)	-	(8,012)
Reissuance of treasury shares	-	462	6,862	-	-	-	-	-	7,324	54	7,378
Acquisition of non-controlling interests	-	-	-	-	(5,533)	-	-	-	(5,533)	(1,776)	(7,309)
Balance as of December 31, 2012	301,603	641,414	(31,862)	1,943,203	(24,204)	53,477	(262)	228,634	3,112,003	137,406	3,249,409

See Note 7(4)(h)

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

Consolidated Statements of Cash Flows

	Appendix	Year ended December 31		
		2014	2013 (*)	2012 (*)
		NIS thousands		
Cash flows from operating activities				
Income for the year		531,185	760,126	279,504
Adjustments to reconcile net income to net cash provided by operating activities	(A)	161,827	237,756	534,094
Net cash provided by operating activities		693,012	997,882	813,598
Cash flow for investment activities				
Acquisition of property, plant and equipment		(32,306)	(26,900)	(30,398)
Proceeds from disposal of property, plant and equipment		552	7,272	219
Investment in associates		(58,543)	(10,611)	(11,538)
Dividend from associates		18,317	39,306	14,760
Acquisition of subsidiaries consolidated for the first time	(B)	-	-	(5,000)
Sale of a previously consolidated subsidiary	(C)	-	(518)	-
Receipt of a loan from an associate		1,048	789	-
Repayment of a loan from an associate		(1,876)	(1,925)	(247)
Acquisition and capitalization of costs of intangible assets		(208,312)	(197,992)	(175,890)
Net cash used in investment activities		(281,120)	(190,579)	(208,094)
Cash flows from (used in) financing activities				
Dividend to shareholders		(199,384)	(323,996)	-
Issue of shares to holders of non-controlling interests		1,000	-	-
Sale of non-controlling interests		-	(11,267)	(6,309)
Acquisition of Company shares		(4,789)	(1,618)	(8,012)
Reissuance of Company shares by subsidiaries		-	1,632	6,862
Financial liabilities received		159,286	82,809	175,275
Financial liabilities discharged		(254,987)	(408,502)	(436,863)
Payment for acquisition of an investee		-	(87,062)	(96,673)
Issue of debentures		394,786	173,225	38,630
Dividend to holders of non-controlling interests in a subsidiary		(465)	(11,533)	(13,561)
Payment of contingent liability for a put option to holders of non-controlling interests		(5,400)	(60,000)	(11,000)
Net cash provided by (used in) financing activities		90,047	(646,312)	(351,651)
Increase in cash and cash equivalents		501,939	160,992	253,853
Cash and cash equivalents at the beginning of the period:	(D)	2,826,921	2,665,929	2,412,076
Cash and cash equivalents at the end of the period	(D)	3,328,860	2,826,921	2,665,929

(*)Restated, see Note 2(AA)

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

Consolidated Statements of Cash Flows

		Year ended December 31		
		2014	2013 (*)	2012 (*)
		NIS thousands		
A.	Adjustments to reconcile net income to net cash provided by operating activities:			
	Items not involving cash flows			
	Net losses (gains) from financial investments for unit linked insurance contracts and investment contracts	(1,864,764)	(3,188,991)	2,396,547
	Change in the fair value of investment property for unit linked contracts	(14,487)	(8,044)	(4,844)
	Net loss (income) of other financial investments:			
	Marketable debt assets	(100,498)	141,362	139,798
	Non-marketable debt assets	160,812	293,892	250,226
	Shares	21,320	130,073	43,446
	Others	(13,530)	175,588	116,904
	Amortization and depreciation	220,527	238,718	185,257
	Gain (loss) on disposal of property, plant, and equipment	43	(525)	(32)
	Change in value of investment property	(81,712)	(84,238)	(60,062)
	Provision for impairment of property, plant and equipment	106	22,686	115
	Capital loss from disposal of an investment in a subsidiary	-	101	23,347
	Change in financial liabilities	(10,995)	39,475	48,872
	Income tax expenses	251,678	417,967	138,511
	Company's share in earnings of associates, net	(45,933)	(51,666)	(41,079)
	Salary expenses for share-based payments	7,742	5,433	3,656
	Notional financial expenses for Prisma contingent consideration	-	4,000	14,000
	Revaluation of provision for payment for the option to acquire an investee	-	1,055	8,469
	Changes in other balance sheet items, net:			
	Increase in liabilities for non-unit linked insurance contracts	835,645	829,246	885,054
	Increase in liabilities for unit linked contracts	4,257,163	5,371,242	4,064,619
	Increase in liabilities for debentures, ETFs	3,492,010	9,576,171	2,650,651
	Increase in financial investments for holders of ETFs and certificates of deposit	(3,548,056)	(9,529,922)	(2,833,341)
	Increase in deferred acquisition costs	(141,425)	(115,209)	(71,462)
	Decrease (increase) in reinsurance assets	(34,517)	(12,297)	5,662
	Increase (decrease) in employee benefit liabilities, net	770	(1,362)	537
	Decrease (increase) in debtors and receivables and premiums collectible	10,159	35,647	(91,108)
	Increase (decrease) in creditors and payables	98,355	(71,227)	141,997
	(Increase) decrease in credit for acquisition of securities	5,000	72,000	(53,000)
	Revaluation of loans - associates	(318)	(137)	(6,115)
	Financial investments and investment property for unit linked insurance contracts and investment contracts			
	Acquisition of property	(74,694)	(552,824)	(128,488)
	Acquisitions of financial investments, net	(1,939,439)	(1,214,608)	(5,899,789)
	Financial investments and other investment property			
	Acquisitions of financial investments, net	(1,055,006)	(1,609,710)	(1,166,687)
	Acquisition of property	(49,813)	(312,699)	(101,193)
	Cash paid and received in the period for:			
	Taxes paid	(254,931)	(412,721)	(141,640)
	Taxes received	30,615	49,279	15,266
	Total cash flows provided by operating activities	161,827	237,756	534,094

(*)Restated, see Note 2(AA)

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

Consolidated Statements of Cash Flows

		Year ended December 31		
		2014	2013	2012
		NIS thousands		
B.	Acquisition of subsidiaries consolidated for the first time			
	Assets and liabilities of subsidiaries at the acquisition date:			
	Working capital (excluding cash and cash equivalents)	-	-	(3,000)
	Financial investments for holders of ETFs and certificates of deposit	-	-	(2,807,000)
	Intangible assets and goodwill arising on acquisition	-	-	2,000
	Deferred taxes	-	-	2,000
	Liabilities for debentures, ETFs	-	-	2,801,000
		-	-	(5,000)
C.	Sales of consolidated companies			
	Working capital (excluding cash and cash equivalents)	-	459	-
	Property, plant and equipment, net	-	40	-
	Intangible assets and goodwill arising on acquisition	-	(567)	-
	Deferred taxes	-	106	-
	Non-controlling interests	-	(102)	-
	Liabilities for employee benefits	-	(82)	-
	Financial liabilities	-	(270)	-
	Capital gain from disposal of a subsidiary	-	(101)	-
		-	(517)	-
D.	Cash and cash equivalents			
	Cash and cash equivalents at the beginning of the period:			
	Cash and cash equivalents	585,981	965,632	1,136,050
	Cash and cash equivalents for unit linked contracts	2,240,940	1,700,297	1,276,026
		2,826,921	2,665,929	2,412,076
	Cash and cash equivalents at the end of the period			
	Cash and cash equivalents	677,461	585,981	965,632
	Cash and cash equivalents for unit linked contracts	2,651,399	2,240,940	1,700,297
		3,328,860	2,826,921	2,665,929
E.	Amounts included in operating activities			
	Interest paid	173,658	393,759	146,256
	Interest received	829,903	697,827	792,808
	Dividends received	29,597	139,853	73,384

(*) Restated, see Note 2(AA)

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

Notes to the Consolidated Financial Statements

NOTE 1 – GENERAL

A. Reporting Entity

The Phoenix Holdings Ltd. ("the Company" or "The Phoenix") is an Israeli resident company incorporated in Israel. The official address of the Company is 53 Derech Hashalom, Givatayim, Israel. The Company's consolidated financial statements as of 31 December 2014, 31 December 2013 and 31 December 2012 include the statements of the Company and its subsidiaries (together: "the Group") and investments in associates. The Group's main business is insurance, pension, provident, and financial services. The securities of the Company are listed for trading on the Tel Aviv Stock Exchange.

B. Definitions

In these financial statements -

The Company	-	The Phoenix Holdings Ltd.
The Group	-	The Phoenix Holdings Ltd. and its subsidiaries
Consolidated companies/subsidiaries	-	Companies or partnerships whose financial statements are consolidated, directly or indirectly, with the financial statements of the Group
Associates	-	Companies in which the Company exercises material influence, but not control, over the financial and operating policies, and the Company's investment in these companies is accounted for using the equity method
Investees	-	Subsidiaries, and companies or partnerships, the Company's investments in which is included in the financial statements on the equity basis
Related parties	-	As defined in IAS 24, Related Parties
Interested parties and controlling shareholder		As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010
The Commissioner	-	The Commissioner of the Capital Market, Insurance and Savings
The Supervision Law	-	The Financial Services (Insurance) Supervision Law, 1981
The Capital Regulations	-	The Insurance Business Supervision Regulations (Minimum Equity Required of an Insurer),1998 and its amendments
Investment Regulations	-	The Financial Services Supervision Regulations (Provident Funds) (Investment Rules Applicable to Institutions), 2012, and the circular "Investment Rules Applicable to Institutions"
Reporting Regulations	-	The Insurance Business (Reporting Details) Regulations, 1998 and its amendments
Insurance contracts	-	A contract 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 that are not insurance contracts
Unit linked contracts	-	Insurance contracts and investment contracts for life insurance and healthcare insurance in which the liabilities for the saving component or the risk are linked to the profits of the investment portfolio (profit-sharing policy), or arise from these contracts
Assets for unit linked contracts	-	Total assets against liabilities arising from unit linked contracts
Reinsurance assets	-	Reinsurers' share in insurance reserves and outstanding claims
Liabilities for insurance contracts	-	Insurance reserves and outstanding claims in life insurance, general insurance and healthcare insurance
Premiums	-	Premiums including fees.
Premiums earned	-	Premiums relating to the reporting period

Notes to the Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The financial statements of the Company have been prepared on a cost basis, except for investment property, financial assets available for sale, financial assets and liabilities (including derivative instruments) at fair value through profit and loss and insurance liabilities.

For further information about the measurement of these assets and liabilities see sections I and K below.

B. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies applied in the financial statements have been applied consistently to all the periods presented unless otherwise stated.

C. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements

Judgments

When applying the main accounting principles of the Group, management took the following issues into account, which have the most significant effect on the amounts recognized in the financial statements:

1. Classification of insurance contracts and investment contracts

   Insurance contracts are contracts in which the insurer takes a significant insurance risk for another party. Management considers each contract, or group of similar contracts, whether they involve significant insurance risk and should be classified as either insurance contracts or investment contracts.

2. Classification and designation of financial investments

   The Group's management exercises judgment when classifying and designating the financial investments into the following groups:

   * Financial assets at fair value through profit or loss
   * Held-to-maturity investments
   * Loans and receivables
   * Available-for-sale financial assets

   See Note 2(I) below.

3. Measurement of investment property at fair value - see Note 8.

4. Effective control

   The Company assesses whether it has control in a company in which it holds less than the majority of the voting rights, inter alia, according to its proportionate share in the voting rights compared to the share held by other holders of voting rights and the distribution of other holdings and voting patterns at prior shareholder meetings.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements (Continued)

Estimates and assumptions

The preparation of the financial statements requires management to use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 relevant circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in the accounting estimates are reported in the period of the change in estimate.

Critical estimates made when applying accounting policy that have a significant effect on the financial statements are as follows:

1. Liabilities for insurance contracts

   These liabilities are based on actuarial assessment methods and on assessments of demographic and economic variables. The actuarial estimates and assumptions arise mainly from past experience and are based on the past behavior and claims which represent what will happen in the future. Changes in risk factors, in the frequency or severity of the events, and the changes in the legal situation could have a material effect on the amount liabilities for insurance contracts. For further information see Note 40(5).

   For information about changes in the main assumptions used to calculate insurance liabilities in life insurance, including the supplementary reserve for annuities, see Note 21 and Note 40.

2. Contingent liabilities

   There are contingent claims and motions for certification of class actions against the Group. When assessing the possible outcomes of legal claims that were filed against the Company and its investees, the Group companies relied on the opinions of their legal counsel. These opinions are based on the best of their professional judgment, and take into consideration the current stage of the proceedings and the legal precedents for various matters. Since the outcomes of the claims will ultimately be determined in the courts, these outcomes could differ from the assessments. For further information see Note 42.

   In addition to these claims, the Company is exposed to unasserted legal claims, inter alia, where there is any doubt as to the interpretation of the agreement and/or the provisions of the law and/or their implementation. This exposure is brought to the attention of the Company and its investees in several ways, including through customer applications to Group entities, in particular to the Group's public complaints officer, through customer complaints to the public inquiries unit in the supervisor's office, and through claims (other than class action suits) filed at the court. These issues are brought to the attention of the Group's management insofar as the relevant entities identify that the claims could have widespread implications. When assessing the risk arising from these unasserted allegations/claims, the Group companies rely on internal assessments of the relevant parties and the management, which assess the prospects of a claim being filed and the chances for its success, if filed. The assessment is based on experience gained with respect to filing claims and the analysis of each claim.

   By their nature, in view of the preliminary stage of the clarification of the legal claim, the actual outcome could be different from the assessment made before the claim was filed.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements (Continued)

Estimates and assumptions (Continued)

3. Determining fair value of an unquoted financial instrument

The fair value of non-marketable debentures, loans and deposits is based on the discounted cash flow model. The interest rates used for discounting are determined by a company that provides interest rates and price quotes for institutions.

4. Impairment of financial investments

When there is objective evidence of impairment loss on loans and receivables recorded at amortized cost, or the value of available-for-sale financial assets is impaired, the amount of the loss is recognized in profit or loss. See Note 13 below.

At each reporting date, the Group reviews whether there is objective evidence as described above

5. Investment property

Investment property that can be measured reliably is presented at fair value at the reporting date with fair value changes recognized in the statement of income. The fair value is usually determined by external, independent valuation assessors using economic valuations, including the use of valuation techniques and assumptions as to estimates of projected future cash flows from the asset and estimated suitable discount rate for these cash flows. If possible, fair value is determined in relation to recent transactions in real estate with similar characteristics and in a similar location to the assessed property.

When measuring the fair value of investment property, the Company's appraisers and management use certain assumptions for the rate of return required in respect of the Group's assets, future rental prices, occupation rates, contract rates, probability of leasing vacant space, operating expenses of the assets, financial robustness of the tenants and the consequences arising from investments required for future development, in order to assess the future cash flows from the assets. Changes in assumptions used to measure the investment property may result in a change in fair value. See Note 8 below.

6. Impairment of goodwill

The Group reviews goodwill for impairment at least once a year. This requires management to assess the expected future cash flows from continued use of the cash-generating units to which goodwill has been allocated. Management is also required to estimate the appropriate discount rate for these cash flows. See Note 4 below.

7. Determining recoverability of deferred acquisition costs

Recoverability of deferred acquisition costs is assessed once a year using assumptions regarding the cancellation, mortality and morbidity rates and other variables. If these assumptions are not realized, accelerated amortization or even derecognition of the deferred acquisition costs could be required. See Note 5 below.

D. Reporting framework and operating cycle period

The Group's regular operating cycle generally exceeds one year, in particular in the branches of life insurance and long-term savings, long-term care and disease and hospitalization, general insurance and compulsory motor and liabilities insurance.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Reporting framework and operating cycle period (Continued)

The consolidated statements of financial position, which include mainly the assets and liabilities of a consolidated insurance company, were presented according to liquidity, with no distinction made between current and non-current. This presentation, which provides more relevant information, is consistent with IAS 1, Presentation of Financial Statements.

E. Functional currency and foreign currency

1. Functional currency and presentation currency

   These financial statements are presented in NIS, which is the Company's functional currency, and have been rounded up the nearest thousand. This currency most effectively reflects the economic environment in which the Company operates.

2. Transactions, assets and liabilities in foreign currency

   Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each balance sheet date into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or carried to equity in hedging transactions, are recognized in the statement of income. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction.

   Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. CPI-linked monetary items

   Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("the CPI") are adjusted at the relevant index at each reporting date according to the terms of the agreement.

F. Consolidated financial statements, business combinations and goodwill

1. The consolidated financial statements include the statements of companies that are controlled by the Company (subsidiaries). Control exists when the Company has the power to affect the investee, is exposed, or has rights, to variable returns from its involvement with the investing entity, and it has the ability to affect those returns arising from the investee. When assessing the existence of control, all potential voting rights are taken into account only if they are exercisable. The financial statements are consolidated from the date that control is obtained and ends when such control ceases.

   The financial statements of the Company and its subsidiaries are prepared as of the same dates and periods. The accounting policies in the financial statements of the subsidiaries are applied uniformly and consistently with the accounting policies in the Company's financial statements. Material intercompany balances and transactions and profits or losses arising from transactions between the Company and the subsidiaries have been eliminated in full in the consolidated financial statements.

   Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in these companies. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Consolidated financial statements, business combinations and goodwill (Continued)

2. Business combinations are accounted for by the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred at the acquisition date, including any non-controlling interests in the acquiree. In any business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value at the acquisition date or in accordance with the proportionate share of the fair value of the net identifiable assets of the acquiree.

   Direct acquisition costs are recognized in the statement of income as incurred.

   In a business combination achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition date at fair value and recognizes the revalued prior investment in the statement of income at the date control was established.

   Contingent consideration is recognized at its fair value at the acquisition date. Contingent consideration is classified as a financing asset or liability according to IAS 39. Subsequent changes in the fair value of the contingent consideration are recognized in the statement of income or in the statement of other comprehensive income. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent measurement.

   Goodwill is initially measured at cost which represents the difference between the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount of goodwill is negative, the acquirer will recognize the resulting gain on the acquisition date.

3. Non-controlling interests

   Measurement of non-controlling interests on the date of the business combination

   Non-controlling interests for subsidiaries represent the equity of the subsidiaries that cannot be attributed, directly or indirectly, to the parent company. Non-controlling interests are measured separately under the Company's equity and measured at the date of the business combination at fair value, or according to their proportionate share in the assets and liabilities identified with the acquiree, on a separate basis for each transaction.

   This accounting policy choice does not apply to other instruments that meet the definition of non-controlling interests (such as options for ordinary shares). These instruments will be measured at fair value or in accordance with other relevant IFRS.

   Allocation of comprehensive income to the shareholders

   Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests. The loss is allocated to the owners of the Company and the non-controlling interests even if the result is a negative balance of non-controlling interests.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Investment in associates

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies.

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

The investment in associates is accounted for using the equity method and is first recognized at cost, including transactions costs. The investment includes original differences calculated at the acquisition date. Goodwill is calculated at the acquisition date, is not systematically amortized, and is tested for impairment as part of the investment in an associate. The investment is presented net of aggregate impairment losses. The consolidated financial statements include the Group's share in net assets, income and expenses, profit or loss, and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Group begins to recognize its share in these profits again, only after its share of the profits equals the share of the unrecognized losses.

The financial statements of the Company and its associates are prepared as of the same dates and periods.

Discontinuation of significant influence

The Group discontinues applying the equity method from the date it loses significant influence or achieves control and it accounts for the retained investment as a financial asset or subsidiary, as relevant.

On that date, the Group measures at fair value any retained interest it has in the former associate and recognizes in profit or loss the difference between the sum of the fair value of the retained interest and the proceeds received from the partial disposal of the investment in the associate, and the carrying amount of the investment at that date. The amounts recognized in capital reserves through other comprehensive income with respect to the same associate are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the associate had itself realized the same assets or liabilities.

Change in interest held in associates while retaining significant influence

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

When there is a decrease in the interest in an associate 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 capital reserves through other comprehensive income with respect to the same associate are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the associate had itself realized the same assets or liabilities.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Insurance contracts and asset management contracts

IFRS 4, Insurance Contracts allows the insurer to continue with the same accounting policy that was in effect prior to the transition date to IFRS for insurance contracts that it issues (including related acquisition costs and related intangible assets) and the reinsurance contracts that it acquires

Summary of the accounting policies for insurance contracts:

1. Life insurance and long-term saving

   A) Recognition of revenue (see section V below).

   B) Liabilities for life insurance contracts

      Liabilities for life insurance contracts in Israel are calculated according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and standard actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage, type of insurance and sum of insurance.

      Liabilities for life insurance contracts are determined on the basis of an actuarial assessment performed by the chief actuary at The Phoenix Insurance Ltd. ("The Phoenix Insurance"), Daniel Sharon. The share of reinsurers in liabilities for life insurance contracts is based on the terms of the relevant contracts.

      Liabilities for CPI-linked life insurance contracts and CPI-linked investments used to cover these liabilities were included in the financial statements according to the most recently published CPI prior to the balance sheet date, including liabilities for life insurance contracts in respect of policies with semi-annual linkage.

   C) The Commissioner's directives for liabilities for annuities

      Circulars issued by the Commissioner, regarding the calculation of the liabilities for annuities in life insurance policies provide directives on how to calculate the provisions as a result of the improvement in life expectancy that requires monitoring the adequacy of the liabilities for life insurance contracts that permit the receipt of an annuity, and their appropriate supplementation.

      Accordingly, The Phoenix Insurance immediately supplemented the liability, to the extent necessary, for policies in which annuities are paid when the policyholder reached retirement age or for a group of unprofitable policies. For other policies, where profits are expected, the liability is supplemented alongside the receipt of the expected income, over the policy period.

      For further information see Note 40, section 5.1.2

   D) Deferred acquisition costs:

      1) Deferred acquisition costs ("the DAC") for life insurance policies sold as from January 1, 1999 include commissions for agents and acquisition supervisors and general and administrative expenses related to the acquisition of new policies. The DAC is amortized at equal annual rates over the policy period but not over more than 15 years. The DAC for cancelled or settled policies are written off at the cancellation or settlement date.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Insurance contracts and asset management contracts (Continued)

1. Life insurance and long-term saving (Continued)

D) Deferred acquisition costs (Continued):

2) The actuary of The Phoenix Insurance assesses the recoverability of the DAC every year. This assessment verifies that the liabilities for insurance policies, net of the DAC, is sufficient, and that the policies are expected to generate future income to cover the DAC deduction and the insurance liabilities, operating expenses and commissions for those policies.

The assumptions used in this assessment, including assumptions regarding cancellations, operating expenses, yield on assets, mortality and morbidity rates, are determined by the Company's actuaries every year on the basis of past experience and relevant current surveys.

3) Commissions to agents and acquisition supervisors that are paid for acquisition of asset management contracts (pension and provident funds) are recognized as deferred acquisition costs (DAC) if they are separately identifiable and reliably measured and if their refund is expected through expected management fees. The DAC is amortized at equal annual rates over 10 years.

E) Liability adequacy testing for life insurance contracts

The Group tests for reserve adequacy. If the test indicates that the premiums received are insufficient to cover the expected claims, less insurance reserves at the calculation date, a special provision is recorded for the deficiency. Individual policies and collective policies are tested separately. Collective policies are tested on the single collective level.

The assumptions used in these tests include assumptions regarding cancellations, operating expenses, yield from assets, mortality and illness rates, and are determined by the actuary every year on the basis of past experience and other relevant surveys.

Following the test performed by The Phoenix Insurance on December 31, 2014, The Phoenix Insurance included an increase of the insurance liabilities for reserves for individual policies in health insurance. For further information see Note 40, section 5.1.8.

F) Outstanding claims

Outstanding claims, net of the reinsurers' share therein, are computed on an individual case basis, according to the valuation of The Phoenix Insurance experts, based on the notifications regarding the insurance events and the sums insured.

The provisions for pension payments, annuities, long lasting payment claims 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 the liabilities for insurance contracts and investment contracts.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Insurance contracts and asset management contracts (Continued)

1. Life insurance and long-term saving (Continued)

G) Investment contracts

Intakes for investment contracts are not included in the item of earned premiums but are directly recorded under liabilities for insurance and investment contracts. Surrenders and maturities of these contracts are not included in the statement of income but are deducted directly from liabilities for insurance contracts and investment contracts.

For these contracts, investment revenue, management fees collected from the policyholders, change in liabilities and payments for insurance contracts in respect of the share of the policyholders in investment revenue, commissions to agents, and general and administrative expenses are recognized in the statement of income.

H) Provision for participation in earnings of policyholders in group insurance

The provision is included under creditors and payables. In addition, the change in the provision is offset by income from the premium.

2. General insurance

A) Recognition of revenue – see section V above.

B) Payments and changes in liabilities for insurance contracts, gross and on retention, include settlement and direct handling costs of claims paid and indirect expenses to settle outstanding claims that occurred during the reporting period, as well as an adjustment of the provision for outstanding claims (including a provision for direct and indirect costs for handling claims) recorded in previous years.

C) Liabilities for insurance contracts and deferred acquisition costs

The insurance reserves and outstanding claims included in liabilities for insurance contracts, and the reinsurers' share in the reserve and in the outstanding claims under reinsurance assets, are computed in accordance with the Control of Financial Services Regulations (Insurance) (Calculation of General Insurance Reserves), 2013 ("the Calculation of Reserves Regulations), the Commissioner's directives, and standard actuarial methods for computing outstanding claims, which are applied according to the chief actuaries' discretion.

D) Liabilities for insurance contracts are composed of insurance reserves and outstanding claims, as follows:

1) The unearned premium reserve reflects the insurance premium for the insurance period subsequent to the balance sheet date and is calculated on a daily basis.

2) Provision for premium deficiency. The provision is recognized if the unearned premium (less deferred acquisition costs) does not cover the expected cost for insurance contracts. In the motor property, comprehensive housing, and business branches, the provision is based on a model in the Calculation of Reserves Regulations.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Insurance contracts and asset management contracts (Continued)

2. General insurance(Continued)

D) Liabilities for insurance contracts are composed of insurance reserves and outstanding claims, as follows(Continued):

3) Insurance reserves and outstanding claims are computed according to the methods set out below:

3.1 Outstanding claims and the reinsurers' share therein are included on the basis of an actuarial valuation, except for the branches detailed in section 3.2 below. Indirect expenses to settle claims are included on the basis of an actuarial valuation. The actuarial calculation for The Phoenix Insurance, for general insurance, was prepared by the appointed actuary at the Phoenix Insurance, Anna Nahum, who is employed by The Phoenix Insurance.

3.2 In insurance branches for marine hull, aircraft including third-party liability, incoming business and other risks, for which the actuary determines that an actuarial model cannot be applied, due to the absence of statistical significant, outstanding claims were included, based on an individual valuation for each claim according to an opinion received from attorneys and experts of The Phoenix Insurance who handle claims according to the reports of ceding companies for incoming business, with the addition of IBNR if necessary. The valuations include appropriate provision for unpaid settlement and handling expenses at the date of the financial statement.

3.3. Surplus of income over expenses

For businesses with long tail claims (branches in which it could be several years before the claim is settled), such as the liability and motor act branches, excess of income over expenses ("the Excess") is calculated on an aggregate tri-annual basis.

The excess is calculated in accordance with the Reserve Calculation Regulations and the Commissioner's directives, based on revenue from premiums less claims and acquisition costs (up to a limit determined by the Commissioner as a percentage of the premium), plus revenue from investments calculated at an annual rate of 3% (independent of actual return on the investments), less the share of reinsurers, according to insurance branch and underwriting year. The excess accumulated until its release, from the beginning of the insurance, net of the unearned premium reserve, net of deferred acquisition costs, and net of outstanding claims as described above aforesaid, is included in liabilities for the insurance contracts. If the actuary estimates that any underwriting year will end in a loss, that loss is charged to the statement of insurance business in that same year.

3.4 Claims recoveries and salvage are taken into consideration in the data-base by which the actuarial valuations of the outstanding claims are calculated.

3.5 The Phoenix Insurance believes that the outstanding claims are appropriate, sufficient, given that the outstanding claims are calculated mainly on an actuarial basis and their balance includes appropriate provisions required for IBNR.

3.6 For information about the expected changes in the calculation of insurance reserves in general insurance, including elimination of the Excess, see Note 40(5)(2).

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Insurance contracts and asset management contracts (Continued)

2. General insurance (Continued)

D) Liabilities for insurance contracts are composed of insurance reserves and outstanding claims, as follows (Continued):

3) Insurance reserves and outstanding claims are computed according to the methods set out below (Continued):

3.7 For information about the profitability in the liability branch in 2013, see the disclosure provided at the request of the Capital Market division and the Israel Securities Authority in Note 18E(2).

E) Deferred acquisition costs in general insurance include fees for agents and general and administrative expenses for acquisition of polices, referring to unearned insurance premiums. The acquisition costs are calculated for each branch separately, on the basis of the actual rates of expenses or according to standard rates, as a percentage of the unearned premium, at the lower of the two.

F) Business received from the Israeli pool for motor vehicle property insurance of the Association of Insurance Companies in Israel ("the Pool"), from other insurance companies (including co-insurance and incoming foreign business) and from underwriting agencies, is reported according to the reports received up to the balance sheet date with the addition of the relevant provisions, based on the insurance subsidiaries' rate of participation in them.

3. Healthcare insurance

A) Recognition of revenue – see section V below.

B) Liabilities for healthcare insurance contracts

Liabilities for healthcare insurance contracts in Israel are computed according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and standard actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage, type of insurance and sum of insurance.

Healthcare insurance liabilities and the reinsurers' share therein are determined on the basis of an actuarial assessment performed by the supervising actuary in The Phoenix Insurance, Dafna Wairauch, who is an employee of The Phoenix Insurance.

C) Liability adequacy testing for health insurance contracts

The Group tests for reserve adequacy. If the test indicates that the premiums received are insufficient to cover the expected claims, less insurance reserves at the calculation date, a special provision is recorded for the deficiency. Individual policies and collective policies are tested separately. Collective policies are tested on the single collective level.

The parameters and assumptions used in these tests include assumptions regarding cancellations, operating expenses, mortality and illness rates, which are determined by the actuary on the basis of past experience and other relevant surveys. For collective policies, tests are for reserve adequacy in accordance with experience of the collective claims.

Following the assessment performed by The Phoenix Insurance on December 31, 2014, The Phoenix Insurance recognized an increase of the insurance liabilities for long-term care. For further information, see Note 40, section 5.1.8.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Insurance contracts and asset management contracts (Continued)

3. Healthcare insurance (Continued)

D) Outstanding claims

The provisions for long lasting payment claims for long-term care insurance, the direct and indirect expenses deriving from them, as well as provisions for incurred but not yet reported claims (IBNR) are included under liabilities for insurance reserves.

E) Provision for profit sharing of policyholders in collective insurance

The provision for profit sharing of policyholders in collective insurance is included under creditors and payables. In addition, the change in the provision is offset by income from the premium.

F) Deferred acquisition costs

1) Deferred acquisition costs ("DAC") include commissions for agents and acquisition supervisors and general and administrative expenses related to acquisition of new policies. In healthcare and hospitalization branches, policies are amortized at equal rates over the period of the policy, but no longer than six years, and in long-term health insurance branches (such as long-term care and dread diseases) the policies are amortized over no more than 15 years. Deferred acquisition costs relating to canceled policies are written off on the cancellation date.

2) The Company's actuary assesses the recoverability of the DAC every year. The assessment verifies that the liabilities for insurance policies (policies sold in 2005 and for which the DAC is calculated), net of the DAC is adequate and that the policies are expected to generate future income to cover the DAC deduction, insurance liabilities, operating expenses and commissions for those policies.

The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, yield on assets, mortality and illness rates, are determined by the actuaries every year on the basis of past experience and relevant current surveys.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Financial instruments

1. Non-derivative financial instruments

Non-derivative financial instruments include both financial assets and financial liabilities. Financial assets include financial investments (marketable debt assets, non-marketable debt assets, shares and others) and other financial assets such as premiums receivable, other receivables, cash and cash equivalents. In addition, financial instruments include financial liabilities, such as loans and borrowings received, and trade and other payables.

Initial recognition of financial assets

Non-derivative financial instruments are recognized initially at fair value, and for instruments not presented at fair value through profit or loss plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognized as an asset or liability when the Company accepts the contractual terms (the transaction date).

Financial assets are classified into the following groups:

Cash and cash equivalents

Cash comprises cash balances available for immediate use and call deposits. Cash equivalents include highly liquid investments, including short-term investments that can be easily converted into known amounts of cash and that are exposed to an insignificant risk of changes in value and are unpledged.

Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then such debt securities are classified as held-to-maturity. Held-to-maturity investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method (taking into consideration transaction costs), less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale or are not classified into one of the following categories: financial assets are measured at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from fair value adjustments, except for interest, exchange differences, and a dividend from a capital instrument, are recognized in other comprehensive income. When the investment is disposed of or in case of impairment, other comprehensive income (loss) is reclassified to the statement of income.

Financial assets at fair value through profit or loss

A financial instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition.

Loans and receivables

Loans and receivables are investments repaid in fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans are recognized at cost, plus direct transaction costs, using the effective interest rate, and less provision for impairment. Short-term receivables are recognized according to their terms, usually at their nominal value.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Financial instruments (continued)

2. Offset of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group currently has a legally enforceable right to offset the amounts recognized and intends either to settle the asset or liability on a net basis or to dispose of the asset and settle the liability simultaneously.

The right to offset must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of bankruptcy or insolvency of one of the counterparties. Offset must not be contingent on a future event or periods of time in which they will not apply, or may be removed by a future event.

3. 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, derivatives are measured at fair value and changes in fair value are recognized in the statement of income under income from investments, net and finance revenue.

4. CPI-linked assets and liabilities that are not measured at fair value

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

5. Designation of assets

A) Financial assets in investment portfolios of policies participating in investment profits

These assets, which include marketable and non-marketable financial instruments are recognized at fair value through profit or loss, for the following reasons: these are portfolios under management, separate and identified, whose statement at fair value significantly reduces an accounting mismatch of reporting financial assets and financial liabilities at different bases of measurement. Furthermore, the management is based on fair value and the portfolio's performance is measured at fair value, in accordance with a documented risk management strategy. The information about the financial instruments is reported to the management (the relevant investments committee) internally at fair value.

B) Non-marketable financial assets that are not included in investment portfolios against profit-participating policies (nostro)

Assets that meet the criteria of the group of loans and receivables, including Hetz debentures, were classified in this group and measured at amortized cost, using the effective interest method.

Non-marketable capital instruments are classified as available-for-sale financial assets.

C) Marketable financial assets which are not included in investment portfolios against profit-participating policies (nostro), which do not include embedded derivatives or do not constitute derivatives (including investment funds)

These assets are classified as financial instruments available for sale.

D) Financial instruments that include embedded derivatives requiring separation

These assets are designated in groups of fair value through profit or loss.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Financial instruments (continued)

5. Designation of assets (continued)

E) Marketable financial assets in an investment management subsidiary

These assets were classified in groups of fair value through profit or loss, and include financial assets held for trading and financial assets designated at fair value through profit or loss.

6. Financial liabilities

The liabilities are recognized initially at fair value. Other loans and liabilities measured at amortized cost are presented net of direct transaction costs.

Subsequent to initial recognition, the accounting treatment of financial liabilities is based on their classification as described below:

A) Financial liabilities at amortized cost

Subsequent to initial recognition, loans and other liabilities are recognized at cost, less direct transaction costs, using the effective interest rate.

B) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they were acquired principally for the purpose of selling in the short term. Profit or loss for liabilities held for trading is recognized in profit or loss.

Derivatives, including separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. The need for separation is only reassessed if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

A liability may be designated at initial recognition to fair value through profit or loss, subject to the conditions set out in IAS 39.

C) Liabilities for financial guarantees

Liabilities for financial guarantees are initially recognized at fair value, taking into account direct transaction costs attributed the guarantees provided. Subsequent to initial recognition, the liability is measured at the higher of the amount initially recognized (net of appropriate amortization over the guarantee period), and the estimated amount required (if required) to recognize it at the reporting date in accordance with IAS 37 for the guarantee amount.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Financial instruments (continued)

7. Put option granted to non-controlling shareholders

Up to December 31, 2009, the Group granted non-controlling shareholders ("the Minority") a put option to sell part or all of their interests in a subsidiary during a certain period. Non-controlling interests are classified as financial liabilities on the day of allotment. At each reporting date, the Group recognizes financial liabilities at the present value of the estimated expected payment to the non-controlling interests. At the same time, the non-controlling interests are accounted for as if they are held by the Group. For business combinations that occurred up to December 31, 2009, changes in the liability in subsequent periods, other than the time value recognized in profit or loss, caused by a change in the estimate expected payments, are recognized in goodwill up to exercise of the option.

For business combinations that occurred after January 1, 2010, any changes in the liability are recognized in profit or loss. If the options are exercised in subsequent periods, the transactions are accounted for as the sale of the liabilities. If the option expires, the expiry is accounted for as sale of an investment in the subsidiary while maintaining control.

8. Derecognition of financial instruments

A) Financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Group transfers the rights to receive the contractual cash flows on the financial asset or assumes an obligation to pay the cash flows in full to a third party, without material delay, or transfers substantially all the risks and rewards of the asset, or neither transfers nor retains substantially all the risks and rewards of the asset, but transfers control of the asset.

If the Company transfers its rights to receive cash flows from an asset and neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, a new asset is recognized to the extent of the Company's continuing involvement in the asset. When continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

B) Financial liabilities

A financial liability is derecognized when it is extinguished, that is, when the liability is discharged, canceled or expires. A financial liability is extinguished when the debtor (the Group) repays the liability by a cash payment, other financial assets, goods or services, or is legally discharged of the liability.

Where an existing financial liability is exchanged with another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability at fair value as of this date. The difference between the carrying amount of the above liabilities in the financial statements is recognized in the statement of income. If the exchange or modification is immaterial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognized from the exchange. When determining whether a change in substantive terms of an existing liability, the Company takes into consideration quantitative and qualitative considerations.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property, plant and equipment

Items of property, plant and equipment are measured at cost with the addition of direct acquisition costs, less aggregate depreciation and impairment losses, net investments grants and excluding day-to-day servicing expenses. The cost includes spare parts and servicing equipment used in the property, plant and equipment.

The components of an item of property, plant and equipment with a significant cost in relation to the total cost of the item, are depreciated separately, according to the components method. Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	2012-2014
	Years
Buildings	20-80
Computers	4-7
Motor vehicles	7
Equipment and furniture	7-17
Leasehold improvements	See below
Works of art	Without depreciation

1. Leasehold improvements are depreciated on a straight line basis over the rental period (including the option period for extension that the Group intends to exercise) or according to the estimated useful life of the improvement, whichever is shorter.

2. The useful life, depreciation method and value in retention are reviewed at least at each year-end and changes are accounted for prospectively as a change in an accounting estimate. Depreciation of assets ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. See section N below for further information about impairment of property, plant and equipment.

K. Investment property

Investment property is measured initially at cost, including direct acquisition costs. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are recognized in profit or loss as incurred. Investment property is not systematically depreciated.

Investment property under development for future use as investment property is also measured at fair value as set out above, when fair value can be reliably measured. The cost basis of property under development includes the cost of land plus the costs of credit used to finance the construction, direct incremental planning and development costs and brokerage fees for rental agreements.

The Group determines the fair value of investment property on the basis of a valuation by outside independent assessors who are experts in the valuation of property and have the appropriate expertise experience, and on the basis of the extensive professional expertise of the Group's management, as well on the valuation of internal expert assessors.

Assisted living units, other than nursing departments and supporting units, are recognized as investment property.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Leases

The tests for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the principles below as set out in IAS 17.

1. Finance lease

   Finance leases transfer to the lessor all the risks and benefits incidental to ownership of the leased asset. At the commencement of the lease term, the leased asset is measured at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The leased asset is amortized over its useful life, or the lease term, whichever is lower.

2. Operating lease

   Assets are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. The lease payments are recognized as an expense in the statement of income, on a straight-line basis over the lease term.

M. Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost with the addition of costs directly attributable to the acquisition. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in the statement of income when incurred.

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, the change in the useful life assessment from indefinite to finite is accounted for as a 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 a finite useful life are amortized over their useful life and reviewed for impairment when there are indications of impairment. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each year end.

1. Software development costs

   Software development costs are only capitalized if the development costs can be measured reliably; the software is technically and commercially applicable; and the Group has sufficient resources to complete the development and intends to use the software. A capitalized expense includes the cost of the materials, direct labor and overhead expenses directly attributable to preparation of the asset for its intended use. Other development expenses are recognized in profit or loss as incurred.

   Capitalized development costs are measured at cost less aggregate amortization and impairment losses.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Intangible assets (continued)

2. Software

The Company's assets include computer systems consisting of hardware and software. Software that is an integral part of the hardware, which cannot function without the programs installed on it, is classified as property, plant and equipment. However, licenses for stand-alone software which adds functionality to the hardware is classified as intangible assets.

3. Subsequent expenditure

Subsequent expenditure is recognized as an intangible asset only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization, except for goodwill, is recognized in the statement of income over the estimated useful life of the intangible assets, from the date on which the assets are available for use.

4. Amortization

The estimated useful lives for the current and comparative periods are as follows:

	Years	Amortization method
Computer software	3-10	Straight line
Brand	5-8	Straight line
Non-competition agreements	5-13	Straight line
Provident fund management fees	9	Expected benefit
Commission portfolios	2-10	Straight line

The estimates underlying the depreciation method and useful life are reviewed at least at the end of each reporting date.

N. Impairment

The Group assesses whether there is impairment of financial assets or a group of financial assets at each reporting date.

1. Financial investments

A) Financial assets measured at amortized cost

There is objective evidence of impairment when one or more events had a negative effect on the estimated future cash flows after initial recognition. The amount of the loss recorded in the statement of income is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the original effective interest rate of the financial asset. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate.

In subsequent periods, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Impairment (continued)

1. Financial investments(continued)

A) Financial assets measured at amortized cost(continued)

The Group considers evidence of impairment for debt assets classified as loans and receivables at both a specific asset level and collective level (collective review). 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 been incurred 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.

B) Available-for-sale financial assets

The evidence for equity instruments classified as available-for-sale financial assets includes a significant or prolonged decline in the fair value of the asset below its cost and calculation of changes in the technological, market, economic or legal environment in which the issuer of the instrument operates. The calculation of a significant or prolonged impairment depends on the circumstances at the end of each reporting period. The calculation considers historical volatility in fair value and the existence of an ongoing decrease in fair value. Where there is evidence of impairment, the aggregate loss, which is recognized in other comprehensive income, is reclassified in profit or loss. In subsequent periods, reversal of impairment loss is not recognized in profit or loss but recognized as other comprehensive income (loss).

Evidence of impairment for debt instruments classified as available-for-sale financial assets includes one or more events that have a negative impact on the estimated future cash flows of the asset.

Subsequent to the investment date, where there is evidence of impairment, the aggregate loss, which is recognized in other comprehensive income is recognized as an impairment loss in profit or loss. In subsequent periods, the amount of the impairment loss is reversed if the increase in fair value can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

2. Reinsurance

Reinsurance liabilities to The Phoenix Insurance do not exempt it from its liabilities to policyholders according to the insurance policies. If a reinsurer fails to fulfill its liabilities under the reinsurance contracts, The Phoenix Insurance may incur losses.

The Phoenix Insurance includes a provision for doubtful accounts in respect of reinsurers' debts whose collection is doubtful on the basis of individual risk estimates and on the basis of the scope of the debt.

In addition, when determining the reinsurers' share in insurance reserves liabilities, The Phoenix Insurance also considers the likelihood of collection from the reinsurers. When the reinsurers' share is calculated on an actuarial basis, the share of those reinsurers who are in financial difficulties is calculated in accordance with the actuary's recommendation, which takes all the risk factors into account.

In addition, when preparing the provisions, The Phoenix Insurance takes into account, among other things, the willingness of the parties to reach cut off agreements (termination of agreements by final repayment of debts) to reduce exposure.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Impairment (continued)

3. Premium to collect

The provision for premiums receivable in general insurance business is partially based on the extent of amounts due and on existing collateral.

4. Customer credit for acquisition of securities

Customer credit is recognized for the first time at fair value, and subsequently measured at amortized cost based on the effective interest method, less a provision for doubtful debts.

The provision for doubtful debts is determined specifically for debts which the Company's management believes are unlikely to be collected. Impaired trade receivables are derecognized when they are assessed as uncollectible.

5. Non-financial assets

The Group assesses impairment of non-financial assets, which are not deferred acquisition costs, investment property, assets arising from employee benefits, and deferred tax assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. When the carrying amount of the non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable value. The recoverable value is the higher of the fair value less selling costs and its value in use.

When measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate Independent cash flows is determined for the cash-generating unit to which the asset belongs. All impairment losses are recognized in the statement of income under other expenses.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of the loss is limited to the lower of the amount of previously recognized impairment of the asset (net of depreciation or amortization) or the recoverable amount of the asset. For an asset measured at cost, reversal of the loss is recognized in profit or loss.

The following criteria are applied in assessing impairment of these specific assets:

A) Goodwill for subsidiaries

The Company assesses goodwill impairment annually, for December 31, or more frequently if events or changes in circumstances indicate impairment.

Impairment of goodwill is determined by assessing the recoverable amount of a cash generating unit (or group of cash generating units) to which the goodwill belongs. An impairment loss is recognized if the recoverable amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated is less than the carrying amount of the cash generating unit (or group of cash generating units). Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Impairment (continued)

5. Non-financial assets(continued)

B) Associates

After implementing the equity accounting method, the Company assesses whether it is necessary to recognize further loss for impairment of the investment in associates. At each balance sheet date, it is assessed whether there is objective evidence of impairment of an investment in an associate. Impairment is assessed for the entire investment, including goodwill attributable to the associate.

C) Intangible assets with indefinite useful life

The Group assesses goodwill for impairment annually, on December 31, or more frequently if events or changes in circumstances indicate impairment.

O. Fair value measurement

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market.

The fair value of the asset or liability is based on assumptions that would have been used by market participants to price the asset or liability, assuming that market participants act in their economic interests.

Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through the optimal use of the asset, or by selling it to another market participant that will make optimal use of the asset.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable data and minimizing the use of unobservable data.

The fair value of traded financial instruments is determined by market prices on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flows or other valuation models. The fair value of non-marketable debentures, loans and deposits is based on the discounted cash flow model. See Note 13G.

All assets and liabilities measured at fair value, or for which there was fair value disclosure, are categorized within the fair value hierarchy, based on the lowest level of the data, which is significant to fair value measurement of a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
Level 3: Inputs that are not based on observable market data (unobservable inputs) (assessment without using observable market inputs).

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Share capital and treasury shares

Costs directly attributable to the issue of shares and share options are recognized as a deduction from equity.

The Company's shares held by the Company and/or subsidiaries are measured at their acquisition cost and are offset from the Company's equity. Any profit or loss from the purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

Q. Employee benefits

The Group has several employee benefit plans:

1. Short-term employee benefits

Short-term employee benefits are benefits which are expected to be fully paid up to 12 months after the end of the annual reporting period in which employees provide the services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability for a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits

Defined contribution plans

The Group has defined contribution plans in accordance with Section 14 of the Severance Pay Law in Israel. According to these plans, the Group pays fixed contributions without having a legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits related to the employee's service in the current and prior periods.

Contributions to the defined contribution plan for severance pay or compensation are recognized as an expense when contributed simultaneously with receiving the employee's services.
In addition, the Group has a defined benefit plan for severance pay under the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement.

The liability for severance pay is measured on the basis of the actuarial value of the projected credit unit. The actuarial assumptions include future salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented on the basis of discounting the expected future cash flows using the interest rate based on the yield at the reporting date on CPI-linked high quality corporate debentures with maturity dates approximating the period for the Group's obligation for severance compensation. For information about the effect of the change arising from the use of the interest rate on CPI-linked high quality corporate debentures, see section AA below.

The Company makes current deposits for its liability to pay compensation to some of its employees in pension funds and insurance companies ("the Plan Assets"). The Plan Assets are assets held by the employee benefit fund in the long term or relevant insurance policies The Plan Assets are not available for the use of the Group's creditors, and cannot be paid directly to the Group.
The compensation component in policies issued by the Company does not constitute plan assets and is offset from liabilities for insurance contracts.

The liability for employee benefits in the statement of financial position presents the present value of the defined benefit liability less the fair value of the Plan Assets.

Remeasurements of the net liability are recognized in other comprehensive income.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Employee benefits (continued)

3. Other employee benefits

Group employees are entitled to benefits for adaptation grants. The Group's net obligation for other employee benefits, other than post-employment benefit plans, is for the amount of future benefit that employees have earned in return for their service in current and prior periods.

4. Termination benefits and voluntary retirement benefits

Termination benefits are recognized as an expense when the Group has committed to terminate employment before the retirement age and it is unable to cancel the offer, or when the Group recognizes restructuring costs that include payment of termination benefits, whichever is earlier.

5. Share-based payments

The fair value on the grant date of the equity instruments granted to employees is recognized as a salary expense with a corresponding increase in capital reserve over the period in which the employees become entitled to the equity instruments ("the Vesting Period"). The amount recognized as an expense is adjusted to reflect the number of equity instruments that are expected to vest.

Fair value estimates do not take into account vesting conditions (including service and performance conditions that are not market conditions). The only conditions taken into account when estimating fair value are market conditions and non-vesting conditions.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all the other vesting conditions (service and/or performance) are satisfied.
If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee at the modification date.

If a grant of an equity instrument is cancelled, it is accounted for as if it had vested on the cancellation date, and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the cancelled grant and is identified as a replacement grant on the grant date, the cancelled and new grants are accounted for as a modification of the original grant, as described in the previous paragraph.

When the Company grants employees of the Group rights in its equity instruments, the grant is accounted for as an equity-settled share-based payment. In other words, the fair value of the grant is recognized directly in equity, as set out above.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value on the grant date using a standard pricing model for options. For further information see Note 36. The fair value is recognized as an expense over the vesting period and a corresponding liability is recognized. The liability is remeasured at each reporting date until settled at fair value, with any changes in fair value recognized in the statement of income, taking into account the scope of services provided until that date.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Liability for exchange-traded funds and deposit certificates

Exchange-traded funds

Liabilities for exchange-traded funds {"ETFs") issued by Excellence are measured initially at the value of their liability and recognized in the balance sheet plus dividends accrued as of the date of the financial statements, less accrued management fees and costs of issuance not yet amortized. This recognition it is not materially different from the amortized cost in the effective interest method since the liability period for the ETF holders is short-term and immediately repayable. Gains and losses are measured through the statement of income. Liabilities for ETFs are a compound financial instrument that includes a host contract and an embedded derivative. IAS 39 requires separation of the host contract (which in the case of ETFs is a zero-coupon loan) and the embedded derivative (which is a forward contract on the index to which the ETF is linked) and separate measurement.
In accordance with IAS 39, the host contract in the ETF does not require separate presentation of each component of the compound instrument.

Excellence believes that presentation of the components of the ETF together most adequately reflects the economic nature of the liabilities for the ETFs.

In accordance with IAS 39, when a compound financial instrument includes an embedded derivative, the embedded derivative is stated at fair value. Since the ETF is a puttable instrument that can be resold at any given moment, the effect of separating an embedded derivative and the accounting treatment for each component is to measure the combined instrument at the redemption amount payable as of the reporting date, less issuance expenses. The fair value of the embedded derivative at the issuance date of the ETF is close to zero. Accordingly, the issuance costs of the ETFs are attributed proportionately between the embedded derivative and the host contract. Since the value of the embedded derivative is negligible, most of the issuance expenses are attributed to the host contract (zero coupon loan). The Group recognizes the discounts at the date of initial issue of the ETF to the statement of income.

Certificates of deposit

Liabilities for certificated of deposit issued by Excellence are measured initially at their liability value and recognized in the balance sheet plus interest accrued as of the date of the financial statements. This recognition it is not materially different from the amortized cost in the effective interest method since the liability period for the certificates of deposit holders is short-term and immediately repayable. Gains and losses are measured through the statement of income. Excellence recognizes the discounts at the date of initial issue of the certificates of deposit to the statement of income.

S. Liability for structure debentures, debentures and long-term loans

Debentures issued and loans received are initially recognized at fair value, less transaction costs. In subsequent periods, the debentures and loans are presented at amortized cost. Any difference between the consideration (less transactions costs) and the redemption value is recognized in profit or loss over the debenture or loan period, as relevant, using the effective interest method.

T. Liability for short sale of securities

Liabilities for short sale of securities are classified as liabilities for debentures, ETFs, reverse certificates, complex certificates, certificates of deposit and structured bonds at fair value through profit or loss. Therefore, these liabilities are initially recognized at fair value when the attributable transaction expenses are recognized in profit or loss. These liabilities are measured subsequent to initial recognition at fair value in profit or loss.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

U. Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is likely that financial resources will be required to settle the obligation and it can be estimated reliably. When the Group expects that some or all of the expense will return to the Company, such as in an insurance contract, the repayment will be recognized as a separate asset, only when it is highly likely that the asset will be received. The expense is recognized in the statement of income less the return of the expense.

Types of provision included in the financial statements:

1. Legal claims

   A provision for claims is recognized if, as a result of a past event, the Group has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.

2. Onerous contracts

   A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group under it. The provision is measured at the lower of the present value of the anticipated cost of terminating the contract and the present value of the anticipated net cost of fulfilling the contract.

3. Levies

   Levies imposed on the Company by government institutions through legislation, are accounted for in accordance with IFRIC 21, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy.

V. Recognition of revenue

1. Premiums

   A) Premiums in life insurance and health insurance, including savings premiums and with the exception of intakes for investment contracts, are recognized as revenues when the Group is entitled to receive such premiums.

      Cancellations are recorded when the notification is received from the policyholder or when initiated by the Group due to arrears in payments, subject to legal provisions. Participation in profits for policyholders is deducted from the premiums.

   B) General insurance premiums are accounted for as income based on monthly reports. The premiums usually refer to an insurance period of one year. Gross income from premiums and changes in unearned premium are accounted for under earned premiums, gross.

      Premiums in compulsory motor insurance are recognized when the premium is paid, since insurance cover is subject to payment of the premium.

      Premiums for policies that come into effect after the balance sheet date or premiums for policies for a period exceeding one year are recorded as a prepaid income under other payables.

      The monthly output, primarily in the motor casco and housing branches, include automatic renewals of policies due for renewal.

      The income included in the financial statements is after cancellations requested by policyholders and net of cancellations and provisions due to non-payment of the premiums, subject to the law, and net of the policyholder's participation in profits, based on valid agreements.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

V. Recognition of revenue (continued)

2. Management fees

1. Management fees for unit linked insurance contracts

The management fees are computed in accordance with the Commissioner's directives on the basis of the yield and the aggregate saving of the policyholders in the profit-participating portfolio.

Management fees include the following components:
For policies sold as from January 1, 2004 – fixed management fees only
For policies sold until December 31, 2003 – fixed and variable management fees
The fixed management fees are computed at fixed percentages of the aggregate saving and are recorded on an accrual basis.

The variable management fees are computed as a percentage of the annual real profit (from January 1 to December 31) attributed to the policy, less the fixed management fees collected from that policy. Only positive variable management fees can be collected, net of negative amounts accumulated in the preceding years.

During each period, the variable management fees are recorded on an accrual basis in accordance with the real monthly yield if it is positive. In months when the real yield is negative, the variable management fees are reduced to the amount of the aggregate variable management fees collected since the beginning of the year. Negative yield for which a reduction of the management fees was not made during a current year, will be deducted for the purpose of computing the management fees from the positive yield in subsequent periods.

2. Management fees from pension funds and provident funds:

Income from the management of pension funds and provident funds is recognized on the basis of the balances of the managed assets and on the basis of the receipts from the members, in accordance with the Commissioner's directives.

3. Management fees of mutual funds and customer portfolio management:

Income from the management of mutual funds and income from the management of customer portfolios are recognized on the basis of the managed asset balance.

3. Commissions

Insurance agencies

Income from general insurance commission recognized as it is incurred.
Income from life insurance commissions is recognized on the basis of the date of entitlement for payment of the commissions according to agreements with the insurance companies, net of provisions for refunds of commissions due to expected cancellations of insurance policies.

Insurance companies

Income from reinsurance commissions in general, life and healthcare insurance is recognized as incurred.

4. Rental income

Rental income is recognized on a straight-line basis over the lease term. A fixed increase in rent over the term of the contract is recognized as income on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Recognition of revenue (continued)

5. Recognition of income from the sale of works of art

Income from sale of works of art is included at the date of transfer when the income can be estimated reliably, there is a binding contractual agreement with the buyer and it is highly likely that the consideration will be received.

6. Income from financial services

Income from underwriting and distribution

Income from underwriting and distribution commission is recognized when the issuance and distribution is carried out, after fulfillment of the terms in the agreement with the company and/or issuer.

Income from brokerage fees

Income from trading fees is recognized on completion of the transactions.

W. Net gains (losses) from investments, finance income and expenses

Gains (losses) from net investments and finance investment include interest income and linkage differences for debt assets, dividend income, gains (losses) from the sale of financial assets available for sale, changes in the fair value of financial assets measured at fair value through profit or loss, foreign currency gains (losses) for debt assets, changes in the fair value of investment property and rental income of investment property. Gains (losses) from the disposal of investments are calculated as the difference between the proceeds from the sale, net, and the original or amortized cost and are recognized at the time of the sale. Interest income is recognized as it accrues using the effective interest method. Dividend income is recognized on the date that the Company's right to receive payment is established which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, interest and exchange rate differences on reinsurer deposits and balances, and changes in the time value of provisions. All borrowing costs, which are undiscounted, are recognized in profit or loss using the effective interest method.

X. General and administrative expenses

General and administrative expenses are classified as indirect costs to settle claims (included under payments and changes in liabilities for insurance and investment contracts), acquisition-related costs (included under fees, marketing costs and other acquisition costs) and the balance of general and administrative expenses included under this section. Classification is in accordance with the Group's internal models based on direct and indirect expenses.

Y. Taxes on income

The tax results for current or deferred taxes are recognized in profit or loss, except if they refer to items recognized in other comprehensive income or in equity.

Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted before the reporting date as well as adjustments for the tax liability for previous years.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Taxes on income (continued)

Deferred taxes

Deferred taxes are calculated for temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are calculated at the tax rate that is expected to apply when the asset is disposed of or the liability is settled, based on tax laws that have been enacted or substantively enacted before the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced if it is not probable that they will be utilized. Temporary differences for which no deferred tax assets were recognized are reviewed at each reporting date and if it is probable that they will be utilized, an appropriate deferred tax asset is recognized.

Deferred taxes for investment property held to recover substantially all the economic benefits therein by disposal and not by use, are measured according to the expected settlement method of the underlying asset, based on disposal and not on use.

If the Company owns an asset entity, and the Company expects to dispose of the investment by selling the shares of the asset entity and not by disposing of the asset itself, the Company is required to recognize deferred taxes for the inside differences arising from the difference between the tax basis of the asset and its carrying amount, and for the outside differences arising from the difference between the tax basis of the shares and the share of the company holding the net assets of the subsidiary in the consolidated statements.

The calculation of deferred taxes does not take into account the taxes that would be applicable in the case of disposal of investments in investees, provided that the sale of these investments is not likely in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the subsidiary's policy not to initiate distribution of dividends that triggers an additional tax liability.

Income tax relating to shareholder distributions of an equity instrument and transaction costs of an equity transaction are accounted for according to IAS 12.

Deferred taxes are offset if there is a legal right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Z. Earnings per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of ordinary shares outstanding in the period.
Potential ordinary shares are included in the computation of diluted earnings per share when their conversion dilutes earnings per share from continuing operations. Potential ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is based on the earnings per share of the investees multiplied by the number of shares held by the Company.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AA. Reclassification

1. The balance sheet as of December 31, 2013 and 2012 included the following reclassifications:

   Excellence Nessuah Provident Ltd.(a subsidiary) reclassified its statements of financial position as of December 31, 2013 and 2012 to retroactively reflect the presentation of investments of guaranteed-return provident fund members and the obligations to guaranteed-return provident fund members in its financial statements.

   Pledged cash and cash equivalents and other receivables were reclassified to "financial assets for holders of bonds, exchange-traded funds, reverse certificates, complex certificates, certificates of deposit, and structured debentures". Other payables and bank credit were reclassified to "liabilities for holders of debentures, exchange-traded funds, reverse certificates, complex certificates, certificates of deposit, and structured debentures".

   The reclassifications had no effect on total capital, statement of income, and comprehensive income.

2. Restatement - investment property

   The Group's financial statements as of December 31, 2012 and December 31, 2011, and for each of the two years ended December 31, 2012 and December 31, 2011, respectively, were restated by way of reconciliation to retrospectively reflect the amendment to the accounting treatment of Ad 120 Residence Centers for Senior Citizens Ltd. ("Ad 120"), for the assisted living units owned by the Group, as investment property.

   The Company believes that the nature and extent of the services provided by the Company to the tenants are not significant compared to the overall arrangement with the tenants. Accordingly, the Company believes that based on the business model, the assisted living units should be considered as investment property accounted for in accordance with the Company's accounting policy as set out in section K above.

3. Application of IAS 19

   As from January 1, 2013, the Company changed its accounting policy and applied the amended IAS 19 for the first time. The changes were implemented by retrospective application in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and accordingly, financial information of prior periods was restated.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AA. Reclassification (continued)

Effects of the change in accounting policy following initial application/restatement for investment property:

Consolidated Statements of Financial Position

	As previously reported	Change (1)	As reported in these financial statements
		NIS thousands	
Statement of financial position as of December 31, 2012:			
Property, plant and equipment	1,176,537	(748,004)	428,533
Investment property	749,023	1,022,039	1,771,062
Liabilities for deferred taxes	(325,648)	(50,512)	(376,160)
Capital surplus	(1,782,439)	(160,764)	(1,943,203)
Non-controlling interests	(74,647)	(62,759)	(137,406)
Statement of financial position as of December 31, 2011:			
Property, plant and equipment	1,190,665	(748,212)	442,453
Investment property	507,469	964,708	1,472,177
Liabilities for deferred taxes	(247,677)	(39,574)	(287,251)
Capital surplus	(1,564,528)	(127,948)	(1,692,476)
Non-controlling interests	(73,769)	(48,975)	(122,744)

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AA. Reclassification (continued)

Consolidated statements of income

	As previously reported	Change (1)	Change (2)	As presented in these financial statements
	NIS thousands			
Year ended December 31, 2012				
Revenue from investments	3,240,518	75,423	-	3,316,941
Other revenue	103,650	(65,531)	-	38,119
General and administrative expenses	987,871	(47,647)	1,762	941,986
Taxes on income	128,166	10,938	(593)	138,511
Income attributable to the Company's shareholders	217,911	32,812	(1,169)	249,554
Income attributable to non-controlling interests	16,161	13,789	-	29,950
Comprehensive income attributable to equity holders	402,840	32,812	-	435,652
Comprehensive income attributable to non-controlling interests	16,161	13,789	-	29,950
Basic earnings per share of NIS 1 par value (NIS)	0.89	0.13	-	1.02
Basic earnings per share of NIS 5 par value (NIS)	4.45	0.65	-	5.1
Diluted earnings per share of NIS 1 par value (NIS)	0.89	0.13	-	1.02
Diluted earnings per share of NIS 5 par value (NIS)	4.45	0.65	-	5.1
Year ended December 31, 2011				
Losses from investments, net	(487,126)	83,442	-	(403,684)
Other revenue	93,730	(56,685)	-	37,045
General and administrative expenses	929,512	(45,404)	3,014	887,122
Taxes on income	148,444	14,416	(1,034)	161,826
Income attributable to the Company's shareholders	53,519	43,249	(1,980)	94,788
Income attributable to non-controlling interests	15,711	14,496	-	30,207
Comprehensive income (loss) attributable to equity holders	(29,993)	43,249	-	13,256
Comprehensive income attributable to non-controlling interests	15,711	14,496	-	30,207
Basic earnings per share of NIS 1 par value (NIS)	0.22	0.17	-	0.39
Basic earnings per share of NIS 5 par value (NIS)	1.10	0.85	-	1.95
Diluted earnings per share of NIS 1 par value (NIS)	0.22	0.17	-	0.39
Diluted earnings per share of NIS 5 par value (NIS)	1.10	0.85	-	1.95

(1) Effects of the change in accounting policy regarding restatement of assisted living units as investment property.

(2) Effects of the change for initial application of IAS 19.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BB. Change in estimates

In November 2014, the Securities Authority published Accounting Staff Position Paper 21-1, according to which a deep market for high quality corporate debentures exists in Israel ("the Position Paper"), for the purpose of determining the discount rate of a shekel-denominated or shekel-linked defined benefit obligation and other long-term benefits, in accordance with IAS 19, Employee Benefits. According to the position paper, the transition from using the yield rate of government bonds (0.45%) to using the yield rate of high quality corporate debentures 1.38%) should be applied prospectively as a change in the accounting estimate.

Effects of the change in the discount rate:

The decrease in the obligation for a defined benefit plan and the increase in deferred taxes as of December 31, 2014 amounted to NIS 3,125 thousand and NIS 1,030 thousand, respectively, which were recognized against other comprehensive income. The change in estimate of the net interest expenses in 2015 is not expected to have a material effect on the Company's financial statements.

CC. Disclosure of new IFRSs in the period prior to their adoption

1. Amendments to IAS 16 and IAS 38 regarding generally accepted depreciation and amortization methods

   In May 2014, the IASB published amendments to IAS 16 and IAS 38 ("the Amendments") regarding the use of revenue-based depreciation and amortization methods.
   In accordance with the Amendments, revenue-based amortization arising from the use of an asset is inadequate, since these revenues generally also reflect other factors beyond consumption of the economic benefits from the asset.

   For intangible assets, the revenue-based amortization method can only be applied in certain circumstances, for example when it can be demonstrated that the revenue and consumption of the economic benefits from the intangible asset are highly correlated.

   The Amendments will be applied prospectively in financial statements for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

   The Company believes that application of the amendments is not expected to have a material effect on the financial statements.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CC. Disclosure of new IFRSs in the period prior to their adoption (continued)

2. IFRS 9, Financial Instruments:

In July 2014, the IASB published the full and final version of IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 focuses mainly on the classification and measurement of financial assets and it applies to all financial assets within the scope of IAS 39.

According to IFRS 9, upon initial recognition, all the financial assets will be measured at fair value. In subsequent periods, debt instruments should be measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 provides a distinction between debt instruments measured at fair value through profit or loss and debt instruments measured at fair value through other comprehensive income.

Financial assets that are equity instruments will be measured in subsequent periods at fair value and the changes will be recognized in the statement of income or in other comprehensive income (loss), as elected by the Company on an instrument-by-instrument basis. Nevertheless, if equity instruments are held for trading, they should be measured at fair value through profit or loss.

For disposals and financial liabilities, IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected.
Pursuant to the amendment, the amount of the adjustment to the liability's fair value that is attributable to changes in credit risk should be presented in other comprehensive income. All other fair value adjustments should be presented in profit or loss.

IFRS 9 includes new requirements for hedge accounting.

IFRS 9 is applicable for annual periods beginning on or after January 1, 2018 Earlier application is permitted.

The Company is assessing the possible effect of the standard, however at this stage, it is unable to estimate any effect it may have on the financial statements.

3. IFRS 15, Revenues from Contracts with Customers

IFRS 15 replaces current guidelines for revenue recognition and presents a new model for recognition of revenues from contracts with customers. IFRS 15 establishes two approaches to revenue recognition: over time or at a point in time. The model includes five steps for analyzing transactions so as to determine when to recognize revenue and at what amount. IFRS 15 also establishes new and more extensive disclosure requirements.

The standard will be effective for annual periods starting from January 1, 2017. Early application is permitted. IFRS 15 includes various alternatives for application of the transition guidelines, so that companies may choose one of the following alternatives upon initial application: full retrospective application, including practical expedients; or application of IFRS 15 as from the initial application date, with adjustment of retained earnings at this date for open transactions.

The Group has not yet started to examine the effects of IFRS 9 (2013) on the financial statements.

Notes to the Consolidated Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CC. Disclosure of new IFRSs in the period prior to their adoption (continued)

4. Improvements to IFRSs for 2010-2012 and 2011-2013

As part of Improvements to IFRS 2009-2011, the IASB published amendments to eight IFRSs. The amendments that may be relevant to the Group and have an effect on the financial statements are:

A. Amendment to IFRS 8, Operating Segments, regarding an entity's aggregation of operating segments and its assets

The amendment adds requirements regarding disclosure of management's judgments in applying the aggregation criteria to operating segments. The amendment also clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if this information is reported regularly to the chief operating decision maker.

B. Amendment to IAS 24, Related Party Disclosures regarding a related party, in respect of the definition of a "related party"

The definition of the term was expanded so at to include entities that provide key management personnel (KMP) services to the reporting entity, directly or through another entity of the Group. Separate disclosure is to be provided of the amounts recognized as an expense in respect of the management services provided by the management entity. Nevertheless, there is no requirement to disclose the amounts paid to specific people in the management entity who provide such services.

The amendments are applicable for annual periods beginning on or after July 1, 2014 with earlier application being permitted.

The Group has not yet started to examine the effects of amendments on the financial statements.

DD. The following table presents information of the change in the dollar exchange rate and the CPI:

	CPI		Exchange rates representative of
	for	Known index	US dollar
	%	%	%
Year ended December 31, 2014	(0.2)	(0.1)	12.0
Year ended December 31, 2013	1.8	1.9	(7.0)
Year ended December 31, 2012	1.6	1.4	(2.3)

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS

The Company operates in the following operating segments:

1. **Life insurance and long-term savings**

   The life insurance and long-term savings segment includes life insurance, related coverage and pension and provident funds management. The segment includes long-term savings (through various types of insurance policies, pension funds, and provident funds) and insurance coverage for various risks such as death, disability and work disability. According to the Commissioner's directives, the long-term savings segment is divided into life insurance, pension funds, and provident funds.

2. **Healthcare insurance**

   The healthcare insurance segment concentrates all of the Group's healthcare insurance business. The segment includes LTC (long-term care) insurance, medical expense insurance, operations and transplants, dental insurance, overseas travel and foreign workers.

3. **General insurance**

   The general insurance segment includes the liability and property insurance businesses.

   Compulsory motor insurance

   The compulsory motor insurance branch focuses on coverage, the acquisition of which 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.

   Motor property insurance

   The motor property insurance segment focuses on property damage coverage for the insured vehicle and property damages caused by the insured vehicle to third parties.

   Other liability insurance

   Liability insurance is designed to cover the policyholder's liabilities for damage caused to any third party. These segments include third party liability, employers' liability, professional liability, and product warranties.

   Property and other branches

   These are the remaining property sectors, other than motor property insurance and liabilities, and include other insurance sectors.

4. **Financial services**

   The financial services branch includes the results of the subsidiary Excellence Investments Ltd. ("Excellence"), except for provident funds and pension funds, which are part of the life insurance and long-term savings sector. The sector includes operations financial asset management services, brokerage services, underwriting services, market-making in various securities, and other services.

5. **Others**

   This sector includes operating segments, the scope of which do not meet the quantitative criterion for reporting (mainly operations of the arrangement agencies, other consolidated insurance agencies and the operations of other consolidated companies engaging in various matters).

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

A. Reportable segment

	Year ended December 31, 2014							
	Life insurance and long-term savings	Healthcare	General insurance	Finance services	Other	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousands							
Premiums earned, gross	3,867,151	1,554,729	2,276,393	-	-	-	-	7,698,273
Premiums earned by reinsurers	62,620	131,412	450,331	-	-	-	-	644,363
Premiums earned in retention	3,804,531	1,423,317	1,826,062	-	-	-	-	7,053,910
Investment gains (losses), net, and financing income	2,294,145	74,565	195,470	4,000	120,478	88,413	(2,641)	2,774,430
Management fees	701,711	-	-	154,000	52,447	3,003	(53,350)	857,811
Revenue from commissions	18,821	22,642	64,507	-	234,743	-	(81,482)(1)	259,231
Revenue from financial services	-	-	-	202,822	-	-	-	202,822
Other revenue	-	-	-	-	43,010	-	(1,061)	41,949
Total revenue	6,819,208	1,520,524	2,086,039	360,822	450,678	91,416	(138,534)	11,190,153
Increase in insurance liabilities and payments for insurance contracts	5,761,088	1,205,497	1,430,705	-	-	-	-	8,397,290
Less - reinsurance	32,293	137,517	280,924	-	-	-	-	450,734
	5,728,795	1,067,980	1,149,781	-	-	-	-	7,946,556
Commissions and other acquisition costs	545,936	313,182	465,655	63,000	3,728	-	(77,721)	1,313,780
General and administrative expenses	439,399	89,054	122,964	177,000	219,729	40,418	(58,293)	1,030,271
Other expenses	22,069	-	-	1,886	11,787	314	-	36,056
Financing expenses (income)	1,272	-	15,379	3,000	5,378	101,989	(458)	126,560
Total expenses	6,737,471	1,470,216	1,753,779	244,886	240,622	142,721	(136,472)	10,453,223
Company's share of the results, net, of investees	22,170	-	7,819	3,000	12,944	-	-	45,933
Income (loss) before taxes on income	103,907	50,308	340,079	118,936	223,000	(51,305)	(2,062)	782,863
Other comprehensive income (loss) before taxes on income	(5,351)	(8,936)	(54,066)	-	(1,107)	(29,829)	-	(99,289)
Comprehensive income (loss) before taxes on income	98,556	41,372	286,013	118,936	221,893	(81,134)	(2,062)	683,574

(1) Arising from revenues from commissions received by agencies owned by the Group, primarily from operations in life insurance and long-term savings

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

A. Reportable segment (continued)

	Year ended December 31, 2013							
	Life insurance and long-term savings	Healthcare	General insurance	Finance services	Other	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousands							
Premiums earned, gross	3,860,745	1,409,664	2,203,648	-	-	-	-	7,474,057
Premiums earned by reinsurers	62,170	125,468	460,316	-	-	-	-	647,954
Premiums earned in retention	3,798,575	1,284,196	1,743,332	-	-	-	-	6,826,103
Investment gains, net, and financing income	3,843,869	112,747	274,800	(3,000)	115,220	207,278	(3,430)	4,547,484
Management fees	725,301	-	-	148,000	46,356	2,998	(47,165)	875,490
Revenue from commissions	23,033	25,171	68,673	-	231,901	-	(84,855)(1)	263,923
Revenue from financial and other services	-	-	-	178,525	-	-	-	178,525
Other revenue	-	-	-	-	34,448	1,339	(1,071)	34,716
Total revenue	8,390,778	1,422,114	2,086,805	323,525	427,925	211,615	(136,521)	12,726,241
Increase in insurance liabilities and payments for insurance contracts	7,112,807	1,032,577	1,408,131	-	-	-	-	9,553,515
Less - reinsurance	28,670	176,696	243,575	-	-	-	-	448,941
	7,084,137	855,881	1,164,556	-	-	-	-	9,104,574
Commissions and other acquisition costs	495,230	261,498	453,621	54,000	3,111	-	(80,164)	1,187,296
General and administrative expenses	388,606	85,831	125,092	185,000	214,944	79,837	(51,868)	1,027,442
Other expenses	60,218	-	-	3,762	35,270	49	-	99,299
Financing expenses (income)	7,869	-	(5,609)	11,056	22,876	146,309	(1,298)	181,203
Total expenses	8,036,060	1,203,210	1,737,660	253,818	276,201	226,195	(133,330)	11,599,814
Company's share of the results, net, of investees	17,414	-	4,178	2,000	28,074	-	-	51,666
Income (loss) before taxes on income	372,132	218,904	353,323	71,707	179,798	(14,580)	(3,191)	1,178,093
Other comprehensive income (loss) before taxes on income	(5,229)	(140)	12,457	1,000	746	10,198	-	19,032
Comprehensive income (loss) before taxes on income	366,903	218,764	365,780	72,707	180,544	(4,382)	(3,191)	1,197,125

(2) Arising from revenue from commissions received by agencies owned by the Group, primarily from operations in life insurance and long-term savings

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

A. Reportable segment (continued)

	Year ended December 31, 2012							
	Life insurance and long-term savings	Healthcare	General insurance	Finance services	Other	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousands							
Premiums earned, gross	3,752,958	1,288,114	2,112,888	-	-	-	-	7,153,960
Premiums earned by reinsurers	62,609	159,095	448,618	-	-	-	-	670,322
Premiums earned in retention	3,690,349	1,129,019	1,664,270	-	-	-	-	6,483,638
Investment gains (losses), net, and financing income	2,914,082	61,084	134,716	10,000	74,580	126,041	(3,562)	3,316,941
Management fees	483,738	-	-	152,000	41,020	3,108	(42,108)	637,758
Revenue from commissions	13,123	25,704	64,093	-	226,491	-	(81,849)(1)	247,562
Revenue from financial and other services	-	-	-	177,987	-	-	-	177,987
Other revenue	-	-	-	-	39,071	-	(952)	38,119
Total revenue	7,101,292	1,215,807	1,863,079	339,987	381,162	129,149	(128,471)	10,902,005
Increase in insurance liabilities and payments for insurance contracts	6,235,465	986,559	1,357,181	-	-	-	-	8,579,205
Less - reinsurance	38,488	171,957	175,772	-	-	-	-	386,217
	6,196,977	814,602	1,181,409	-	-	-	-	8,192,988
Commissions and other acquisition costs	458,472	233,662	439,381	60,000	3,362	-	(73,815)	1,121,062
General and administrative expenses	360,128	75,821	111,273	170,000	214,661	56,836	(46,733)	941,986
Other expenses	18,937	-	-	3,573	11,237	33,670	-	67,417
Finance expenses	12,690	-	(284)	27,469	21,519	141,679	(1,457)	201,616
Total expenses	7,047,204	1,124,085	1,731,779	261,042	250,779	232,185	(122,005)	10,525,069
Company's share of the results, net, of investees	11,032	-	306	(1,000)	30,741	-	-	41,079
Income (loss) before taxes on income	65,120	91,722	131,606	77,945	161,124	(103,036)	(6,466)	418,015
Other comprehensive income (loss) before taxes on income	75,720	23,780	102,269	-	(4,345)	82,588	-	280,012
Comprehensive income (loss) before taxes on income	140,840	115,502	233,875	77,945	156,779	(20,448)	(6,466)	698,027

(1) Arising from revenue from commissions received by agencies owned by the Group, primarily from operations in life insurance and long-term savings

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

B. Additional information on the life insurance and long-term savings segment

	Year ended December 31, 2014			
	Life insurance	Provident	Pension	Total
	NIS thousand			
Premiums earned, gross	3,867,151	-	-	3,867,151
Premiums earned by reinsurers	62,620	-	-	62,620
Premiums earned in retention	3,804,531	-	-	3,804,531
Investment gains, net, and financing income	2,292,106	146	1,893	2,294,145
Management fees	389,297	189,688	122,726	701,711
Revenue from commissions	18,821	-	-	18,821
Total revenue	6,504,755	189,834	124,619	6,819,208
Payments and changes in liabilities for insurance contracts and investment contracts, gross	5,761,088	-	-	5,761,088
Share of reinsurers in payments and changes in liabilities for insurance contracts	32,293	-	-	32,293
Payments and changes in liabilities for insurance contracts and investment contracts in retention	5,728,795	-	-	5,728,795
Commissions, marketing expenses, and other acquisition costs	431,596	38,676	75,664	545,936
General and administrative expenses	286,489	113,806	39,104	439,399
Other expenses	2,291	19,402 (*)	376	22,069
Finance expenses	1,272	-	-	1,272
Total expenses	6,450,443	171,884	115,144	6,737,471
Company's share of the results, net, of investees	22,170	-	-	22,170
Income before taxes on income	76,482	17,950	9,475	103,907
Other comprehensive loss before taxes on income	(5,351)	-	-	(5,351)
Other comprehensive income for the year before taxes on income	71,131	17,950	9,475	98,556

(*) See Note 4 - Intangible Assets

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

B. Additional information on the life insurance and long-term savings segment (continued)

	Year ended December 31, 2013			
	Life insurance	Provident	Pension	Total
	NIS thousand			
Premiums earned, gross	3,860,745	-	-	3,860,745
Premiums earned by reinsurers	62,170	-	-	62,170
Premiums earned in retention	3,798,575	-	-	3,798,575
Investment gains, net, and financing income	3,841,398	284	2,187	3,843,869
Management fees	432,404	196,277	96,620	725,301
Revenue from commissions	23,033	-	-	23,033
Total revenue	8,095,410	196,561	98,807	8,390,778
Payments and changes in liabilities for insurance contracts and investment contracts, gross	7,112,807	-	-	7,112,807
Share of reinsurers in payments and changes in liabilities for insurance contracts	28,670	-	-	28,670
Payments and changes in liabilities for insurance contracts and investment contracts in retention	7,084,137	-	-	7,084,137
Commissions, marketing expenses, and other acquisition costs	399,414	35,875	59,941	495,230
General and administrative expenses	238,736	117,094	32,776	388,606
Other expenses	9,283	50,935 (*)	-	60,218
Finance expenses	6,869	1,000	-	7,869
Total expenses	7,738,439	204,904	92,717	8,036,060
Company's share of the results, net, of investees	17,414	-	-	17,414
Income (loss) before taxes on income	374,385	(8,343)	6,090	372,132
Other comprehensive loss before taxes on income	(5,229)	-	-	(5,229)
Other comprehensive income (loss) for the year before taxes on income	369,156	(8,343)	6,090	366,903

(*) See Note 4 - Intangible Assets

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

B. Additional information on the life insurance and long-term savings segment (continued)

	Year ended December 31, 2012			
	Life insurance	Provident	Pension	Total
	NIS thousand			
Premiums earned, gross	3,752,958	-	-	3,752,958
Premiums earned by reinsurers	62,609	-	-	62,609
Premiums earned in retention	3,690,349	-	-	3,690,349
Investment gains, net, and financing income	2,911,470	325	2,287	2,914,082
Management fees	178,260	219,949	85,529	483,738
Revenue from commissions	13,123	-	-	13,123
Total revenue	6,793,202	220,274	87,816	7,101,292
Payments and changes in liabilities for insurance contracts and investment contracts, gross	6,235,465	-	-	6,235,465
Share of reinsurers in payments and changes in liabilities for insurance contracts	38,488	-	-	38,488
Payments and changes in liabilities for insurance contracts and investment contracts in retention	6,196,977	-	-	6,196,977
Commissions, marketing expenses, and other acquisition costs	374,046	32,640	51,786	458,472
General and administrative expenses	216,375	115,088	28,665	360,128
Other expenses	2,458	16,479	-	18,937
Finance expenses	5,690	7,000	-	12,690
Total expenses	6,795,546	171,207	80,451	7,047,204
Company's share of the results, net, of investees	11,032	-	-	11,032
Income before taxes on income	8,688	49,067	7,365	65,120
Other comprehensive income before taxes on income	75,720	-	-	75,720
Other comprehensive income for the year before taxes on income	84,408	49,067	7,365	140,840

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

C. Additional information about the general insurance segment

	Year ended December 31, 2014				
	Compulsory motor	Motor property	Property and others (*)	Other liabilities (**)	Total
	NIS thousands				
Gross premiums	448,256	832,154	669,296	380,512	2,330,218
Premiums, reinsurance	8,916	-	371,367	91,409	471,692
Premiums, retention	439,340	832,154	297,929	289,103	1,858,526
Change in unearned premium balance, in retention	14,283	9,170	1,282	7,729	32,464
Premiums earned in retention	425,057	822,984	296,647	281,374	1,826,062
Investment gains, net, and financing income	99,898	21,061	11,062	63,449	195,470
Revenue from commissions	-	-	61,852	2,655	64,507
Total revenue	524,955	844,045	369,561	347,478	2,086,039
Payments and change in liabilities for insurance contracts, gross	318,885	563,481	365,516	182,823	1,430,705
Share of reinsurers in payments and changes in liabilities for insurance contracts	(5,409)	233	269,357	16,743	280,924
Payments and change in liabilities for insurance contracts in retention	324,294	563,248	96,159	166,080	1,149,781
Commissions, marketing expenses, and other acquisition costs	44,722	194,181	152,523	74,229	465,655
General and administrative expenses	24,182	45,202	33,314	20,266	122,964
Finance income	8,809	-	975	5,595	15,379
Total expenses	402,007	802,631	282,971	266,170	1,753,779
Company's share of the results, net, of investees	3,955	914	438	2,512	7,819
Income before taxes on income	126,903	42,328	87,028	83,820	340,079
Other comprehensive loss before taxes on income	(27,348)	(6,323)	(3,027)	(17,368)	(54,066)
Comprehensive income for the year before taxes on income	99,555	36,005	84,001	66,452	286,013
Liabilities for insurance contracts, gross, as of December 31, 2014	2,214,280	566,117	744,374	1,747,639	5,272,410
Liabilities for insurance contracts in retention as of December 31, 2014	2,171,019	566,143	216,717	1,363,677	4,317,556

(*) Property insurance and others include primarily data from comprehensive homeowners' insurance, comprehensive business insurance, and property loss, the operations of which account for 75% of the premiums in these branches.

(**) Other liability branches include mainly information from third-party insurance branches, employers and professional liability, operations of which account for 88% of total premiums in these branches.

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

C. Additional information on the general insurance segment (continued)

	Year ended December 31, 2013				
	Compulsory motor	Motor property	Property and others(*)	Other liabilities(**)	Total
	NIS thousands				
Gross premiums	424,703	821,330	662,925	360,055	2,269,013
Premiums, reinsurance	8,569	-	366,143	86,984	461,696
Premiums, retention	416,134	821,330	296,782	273,071	1,807,317
Change in unearned premium balance, in retention	23,564	29,174	9,035	2,212	63,985
Premiums earned in retention	392,570	792,156	287,747	270,859	1,743,332
Investment gains, net, and financing income	141,041	33,332	3,381	97,046	274,800
Revenue from commissions	-	-	64,162	4,511	68,673
Total revenue	533,611	825,488	355,290	372,416	2,086,805
Payments and change in liabilities for insurance contracts, gross	326,930	561,118	396,811	123,272	1,408,131
Share of reinsurers in payments and changes in liabilities for insurance contracts	(11,462)	(17)	252,777	2,277	243,575
Payments and change in liabilities for insurance contracts in retention	338,392	561,135	144,034	120,995	1,164,556
Commissions, marketing expenses, and other acquisition costs	41,826	186,833	151,570	73,392	453,621
General and administrative expenses	23,630	45,239	36,262	19,961	125,092
Finance income	(3,135)	-	(317)	(2,157)	(5,609)
Total expenses	400,713	793,207	331,549	212,191	1,737,660
Company's share of the results, net, of investees	2,068	478	209	1,423	4,178
Income before taxes on income	134,966	32,759	23,950	161,648	353,323
Other comprehensive income before taxes on income	6,153	1,423	647	4,234	12,457
Comprehensive income for the year before taxes on income	141,119	34,182	24,597	165,882	365,780
Liabilities for insurance contracts, gross, as of December 31, 2013	2,129,472	565,770	720,823	1,728,298	5,144,363
Liabilities for insurance contracts in retention as of December 31, 2013	2,076,227	565,852	235,675	1,348,917	4,226,671

(*) Property insurance and others include primarily data from comprehensive homeowners' insurance, comprehensive business insurance, and property loss, the operations of which account for 73% of the premiums in these branches.

(**) Other liability branches include mainly information from third-party branches, employers and professional insurance, the operations of which account for 88% of the premiums in these branches.

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

C. Additional information about the general insurance segment (continued)

	Year ended December 31, 2012				
	Compulsory motor	Motor property	Property and others(*)	Other liabilities(**)	Total
	NIS thousands				
Gross premiums	384,484	763,426	623,257	353,744	2,124,911
Premiums, reinsurance	14,222	-	338,231	88,584	441,037
Premiums, retention	370,262	763,426	285,026	265,160	1,683,874
Change in unearned premium balance, in retention	9,755	3,433	7,708	(1,292)	19,604
Premiums earned in retention	360,507	759,993	277,318	266,452	1,664,270
Investment gains, net, and financing income	67,557	14,521	6,526	46,112	134,716
Revenue from commissions	-	-	57,909	6,184	64,093
Total revenue	428,064	774,514	341,753	318,748	1,863,079
Payments and change in liabilities for insurance contracts, gross	271,693	570,415	284,340	230,733	1,357,181
Share of reinsurers in payments and changes in liabilities for insurance contracts	3,516	(33)	161,716	10,573	175,772
Payments and change in liabilities for insurance contracts in retention	268,177	570,448	122,624	220,160	1,181,409
Commissions, marketing expenses, and other acquisition costs	40,355	181,114	145,534	72,378	439,381
General and administrative expenses	20,853	41,056	30,657	18,707	111,273
Finance income	(160)	-	(15)	(109)	(284)
Total expenses	329,225	792,618	298,800	311,136	1,731,779
Company's share of the results, net, of investees	153	33	14	106	306
Income (loss) before taxes on income	98,992	(18,071)	42,967	7,718	131,606
Other comprehensive income before taxes on income	51,298	11,001	4,954	35,016	102,269
Comprehensive income (loss) for the year before taxes on income	150,290	(7,070)	47,921	42,734	233,875
Liabilities for insurance contracts, gross, as of December 31, 2012	2,038,138	520,228	589,182	1,784,669	4,932,217
Liabilities for insurance contracts in retention as of December 31, 2012	1,957,930	520,246	202,988	1,378,204	4,059,368

(*) Property insurance and others include primarily data from comprehensive homeowners' insurance, comprehensive business insurance, and property loss, the operations of which account for 69% of the premiums in these branches.

(**) Other liability branches include mainly information from third-party branches, employers and professional insurance, the operations of which account for 87% of the premiums in these branches.

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

D. Segment assets and liabilities

	December 31, 2014							
	Life insurance and long-term savings	Healthcare	General insurance	Finance services	Other	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousands							
Assets:								
Intangible assets	375,185	-	-	347,692	282,676	748,901	-	1,754,454
Deferred acquisition costs	913,091	274,059	196,628	-	-	-	(25,651)	1,358,127
Investments in associates	168,079	22,698	38,074	3,000	350,968	-	-	582,819
Investment property for unit linked contracts	1,083,236	11,718	-	-	-	-	-	1,094,954
Other investment property	393,246	53,106	181,603	-	1,229,478	-	-	1,857,433
Financial investments for unit linked contracts	31,577,483	359,714	-	-	-	-	(498,391)	31,438,806
Financial investments for holders of debentures, exchange-traded funds , reverse certificates, complex certificates and certificates of deposit	-	-	-	39,094,000	-	-	(67,700)	39,026,300
Other financial investments								
Marketable debt assets	1,179,857	175,554	2,838,054	22,000	114,766	1,173,748	-	5,503,979
Non-marketable debt assets	7,369,457	1,122,103	1,011,688	909,000	4,648	153,575	-	10,570,471
Shares	216,740	33,002	173,659	29,000	10,966	297,798	(15,920)	745,245
Others	530,442	79,761	168,490	31,000	146,004	300,148	(18,940)	1,236,905
Total other financial investments	9,296,496	1,410,420	4,191,891	991,000	276,384	1,925,269	(34,860)	18,056,600
Cash and cash equivalents for unit linked contracts	2,623,025	28,374	-	-	-	-	-	2,651,399
Other cash and cash equivalents	300,610	39,550	71,398	43,617	101,307	120,979	-	677,461
Reinsurance assets	159,779	284,293	954,854	-	-	-	-	1,398,926
Premiums receivable	41,364	71,830	483,650	-	-	-	-	596,844
Other assets	269,271	33,608	82,944	215,014	180,282	871,472	(810,065)	842,526
Total assets	47,200,865	2,589,370	6,201,042	40,694,323	2,421,095	3,666,621	(1,436,667)	101,336,649
Total assets for unit linked contracts	35,461,464	376,158	-	-	-	-	(498,391)	35,339,231
Liabilities:								
Liabilities for non-unit linked insurance contracts and investment contracts	11,488,372	1,620,428	5,272,410	-	-	-	-	18,381,210
Liabilities for unit linked insurance contracts and investment contracts	34,773,513	376,158	-	-	-	-	-	35,149,671
Liabilities for debentures, ETFs, reverse certificates and complex certificates	-	-	-	38,925,000	-	-	(520,825)	38,404,175
Financial liabilities	88,506	-	1,946	132,000	803,841	2,600,628	(31,811)	3,595,110
Other liabilities	963,560	69,842	843,356	67,333	187,357	551,371	(805,478)	1,877,341
Total liabilities	47,313,951	2,066,428	6,117,712	39,124,333	991,198	3,151,999	(1,358,114)	97,407,507

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

D. Segment assets and liabilities (continued)

	December 31, 2013 (*)							
	Life insurance and long-term savings	Healthcare	General insurance	Finance services	Other	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousands							
Assets:								
Intangible assets	394,276	-	-	349,579	270,241	688,742	-	1,702,838
Deferred acquisition costs	821,350	232,943	186,001	-	-	-	(23,592)	1,216,702
Investments in associates	113,137	15,504	14,155	-	346,117	-	-	488,913
Investment property for unit linked contracts	994,807	10,967	-	-	-	-	-	1,005,774
Other investment property	355,504	48,718	174,582	-	1,147,104	-	-	1,725,908
Financial investments for unit linked contracts	27,663,254	322,976	-	-	-	-	(351,627)	27,634,603
Financial investments for holders of debentures, exchange-traded funds , reverse certificates, complex certificates and certificates of deposit	-	-	-	35,538,000	-	-	(59,756)	35,478,244
Other financial investments								
Marketable debt assets	1,531,015	202,078	2,234,134	3,000	63,756	1,390,387	-	5,424,370
Non-marketable debt assets	7,937,741	968,922	1,011,252	7,000	17,924	142,397	-	10,085,236
Shares	203,320	27,577	147,674	15,000	11,438	261,030	(19,846)	646,193
Others	369,858	49,140	237,504	11,000	110,274	267,350	(21,856)	1,023,270
Total other financial investments	10,041,934	1,247,717	3,630,564	36,000	203,392	2,061,164	(41,702)	17,179,069
Cash and cash equivalents for unit linked contracts	2,216,506	24,434	-	-	-	-	-	2,240,940
Other cash and cash equivalents	211,072	19,045	69,474	49,638	93,586	143,166	-	585,981
Reinsurance assets	161,336	285,381	917,692	-	-	-	-	1,364,409
Premiums receivable	39,111	66,019	451,644	-	-	-	-	556,774
Other assets	138,459	11,670	95,334	274,884	124,689	540,279	(289,041)	896,274
Total assets	43,150,746	2,285,374	5,539,446	36,248,101	2,185,129	3,433,351	(765,718)	92,076,429
Total assets for unit linked contracts	31,057,850	336,839	-	-	-	-	(351,627)	31,043,062
Liabilities:								
Liabilities for non-unit linked insurance contracts and investment contracts	11,020,671	1,380,531	5,144,363	-	-	-	-	17,545,565
Liabilities for unit linked insurance contracts and investment contracts	30,555,669	336,839	-	-	-	-	-	30,892,508
Liabilities for debentures, ETFs, reverse certificates and complex certificates	-	-	-	35,284,000	-	-	(372,835)	34,911,165
Financial liabilities	45,191	-	-	206,000	777,096	2,291,094	(7,265)	3,312,116
Other liabilities	847,595	54,848	318,507	57,129	166,467	583,389	(267,205)	1,760,730
Total liabilities	42,469,126	1,772,218	5,462,870	35,547,129	943,563	2,874,483	(647,305)	88,422,084

(*) Restated, see Note 2(AA).

Notes to the Consolidated Financial Statements

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

D. Segment assets and liabilities (continued)

	December 31, 2012 (*)							
	Life insurance and long-term savings	Healthcare	General insurance	Finance services	Other (*)	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousands							
Assets:								
Intangible assets	445,181	-	-	377,341	268,426	624,036	-	1,714,984
Deferred acquisition costs	774,980	174,307	172,606	-	-	-	(20,400)	1,101,493
Investments in associates	104,586	14,124	6,515	-	339,829	-	-	465,054
Investment property for unit linked contracts	441,150	3,756	-	-	-	-	-	444,906
Other investment property	222,788	30,087	22,242	-	1,051,039	-	-	1,326,156
Financial investments for unit linked contracts	23,367,259	203,453	-	-	-	-	(339,708)	23,231,004
Financial investments for holders of debentures, exchange-traded funds , reverse certificates, complex certificates and certificates of deposit	-	-	-	11,496,000	-	-	(40,021)	11,455,979
Other financial investments								
Marketable debt assets	1,630,331	219,771	2,318,699	49,000	73,125	987,001	-	5,277,927
Non-marketable debt assets	6,679,259	919,413	945,148	6,000	39,774	220,845	(25,888)	8,784,551
Shares	176,355	24,276	192,080	12,000	17,212	179,252	(15,766)	585,409
Others	319,881	42,551	171,831	47,000	52,714	236,153	(19,559)	850,571
Total other financial investments	8,805,826	1,206,011	3,627,758	114,000	182,825	1,623,251	(61,213)	15,498,458
Cash and cash equivalents for unit linked contracts	1,685,942	14,355	-	-	-	-	-	1,700,297
Other cash and cash equivalents	455,195	50,096	144,066	67,133	68,348	180,794	-	965,632
Cash and cash equivalents pledged for holders of debentures, exchange-traded funds , reverse certificates, complex certificates and certificates of deposit	-	-	-	14,367,000	-	-	-	14,367,000
Reinsurance assets	161,405	317,858	872,849	-	-	-	-	1,352,112
Premiums receivable	59,893	64,700	447,248	-	-	-	-	571,841
Other assets	140,359	15,700	91,483	395,895	237,368	650,550	(348,157)	1,183,198
Total assets	36,664,564	2,094,447	5,384,767	26,817,369	2,147,835	3,078,631	(809,499)	75,378,114
Total assets for unit linked contracts	25,711,028	215,461	-	-	-	-	(339,708)	25,586,781
Liabilities:								
Liabilities for non-unit linked insurance contracts and investment contracts	9,662,022	1,324,080	4,932,217	-	-	-	-	15,918,319
Liabilities for unit linked insurance contracts and investment contracts	25,305,805	215,461	-	-	-	-	-	25,521,266
Liabilities for debentures, ETFs, reverse certificates and complex certificates	-	-	-	25,503,000	-	-	(354,006)	25,148,994
Financial liabilities	78,058	-	-	578,007	650,242	2,255,779	(9,499)	3,552,587
Other liabilities	909,373	62,614	369,053	181,597	268,928	523,404	(327,430)	1,987,539
Total liabilities	35,955,258	1,602,155	5,301,270	26,262,604	919,170	2,779,183	(690,935)	72,128,705

(*) Restated, see Note 2(AA).

Notes to the Consolidated Financial Statements

NOTE 4 - INTANGIBLE ASSETS

A. Composition and change

	Goodwill	Original differences attributable to the value of insurance portfolios	Original differences attributable to commission portfolios and future management fees	Non-competition	Brand	Software	Other	Total
	NIS thousands							
Cost								
Balance as of January 1, 2012	1,187,045	116,932	249,587	46,483	45,915	1,014,414	572	2,660,948
Additions	11,857	-	10,773	238	-	160,527 (*)	-	183,395
Adjustment of contingent consideration (see C and D below)	(55,811)	-	-	-	-	-	-	(55,811)
Disposals	(1,576)	-	(1,016)	-	-	-	-	(2,592)
Balance as of December 31, 2012	1,141,515	116,932	259,344	46,721	45,915	1,174,941	572	2,785,940
Accumulated amortization and impairment losses								
Balance as of January 1, 2012	194,202	106,405	147,200	16,604	16,938	443,623	505	925,477
Amortization recognized during the year	-	10,527	20,172	5,197	5,698	103,867	17	145,478
Balance as of December 31, 2012	194,202	116,932	167,372	21,801	22,636	547,490	522	1,070,955
Carrying amount, net								
December 31, 2012	947,313	-	91,972	24,920	23,279	627,451	50	1,714,985

(*) Additions for software include additions for self-development amounting to NIS 114 million in 2012.

Notes to the Consolidated Financial Statements

NOTE 4 - INTANGIBLE ASSETS (CONTINUED)

A. Composition and change (continued)

	Goodwill	Original differences attributable to commission portfolios and future management fees	Non-competition	Brand	Software	Total
			NIS thousands			
Cost						
Balance as of January 1, 2013	1,141,515	259,916	46,721	45,915	1,174,941	2,669,008
Additions	-	3,555	1,051	-	194,880 (*)	199,485
Adjustment of contingent consideration (see C and D below)	(14,766)	-	-	-	-	(14,766)
Deconsolidation	(908)	-	-	-	(364)	(1,272)
Balance as of December 31, 2013	1,125,841	263,471	47,772	45,915	1,369,456	2,852,455
Additions	-	-	-	-	208,312 (*)	208,312
Adjustment of contingent consideration (see C and D below)	24,880	-	-	-	-	24,880
Balance as of December 31, 2014	1,150,721	263,471	47,772	45,915	1,577,768	3,085,647
Accumulated amortization and impairment losses						
Balance as of January 1, 2013	194,202	167,894	21,801	22,636	547,490	954,023
Deconsolidation	-	-	-	-	(238)	(238)
Amortization recognized during the year	-	20,116	5,142	5,983	128,591	159,832
Impairment (see B below)	36,000	-	-	-	-	36,000
Balance as of December 31, 2013	230,202	188,010	26,943	28,619	675,843	1,149,617
Amortization recognized during the year	-	17,064	3,967	5,644	147,901	174,576
Impairment (see B below)	7,000	-	-	-	-	7,000
Balance as of December 31, 2014	237,202	205,074	30,910	34,263	823,744	1,331,193
Carrying amount, net						
December 31, 2014	913,519	58,397	16,862	11,652	754,024	1,754,454
December 31, 2013	895,639	75,461	20,829	17,296	693,613	1,702,838

(*) Additions for software include additions for self-development amounting to NIS 155 million and NIS 136 million, in 2014 and 2013, respectively.

Notes to the Consolidated Financial Statements

NOTE 4 - INTANGIBLE ASSETS (CONTINUED)

B. Assessment of the recoverability of intangible assets with an indefinite useful life

To assess the recoverability of goodwill, the goodwill was assigned to the following cash-generating units:

- Provident: includes management of pension provident, study funds, and central provident funds for compensation.
- Financial services: management of mutual funds, ETFs, brokerage services, portfolio management, and underwriting.
- Insurance agencies and pension advice
- Assisted living

Carrying amount of goodwill allocated to each of the following cash-generating units:

	December 31		
	2014	2013	2012
	NIS thousands		
Provident	345,871	352,871	388,871
Financial services	344,130	344,130	368,130
Insurance agencies and pension advice	199,670	174,790	166,464
Assisted living	23,848	23,848	23,848
Total	913,519	895,639	947,313

To assess the recoverability of goodwill, the recoverable amount of the cash-generating unit to which the goodwill was assigned was assessed for its carrying amount. If the recoverable amount of the cash-generating unit exceeds its carrying amount, the units and allocated assets will be considered to be unimpaired.

The recoverable amount of the provident fund and financial services units is calculated on the basis of a valuation prepared by Uri Cohen of Cognum Financial Consulting Ltd. The valuation is based on the projected representative operating cash flow multiple, which is similar to the discounted cash flow method. The value of each of the units is assessed separately.

The valuation for provident activity assumed an operating multiple net of tax of 10.5-11.5, reflecting discount rates of 10.5%-11.5% net of tax and a growth rate of 1.5%-2.5%. The rate of management fees is based on an assumed rate of 0.805%-0.855%.

The valuation for financial services estimated each financial service separately, based mainly on the valuation multiple. The operating multiple is between 7.5 and 11.5, based on the type of activity.

Goodwill in the provident unit was amortized in 2014 and 2013 by NIS 7 million and NIS 36 million, respectively, mainly due to the erosion of management fees. These amortizations were included under other expenses in the statement of income. For financial services, the recoverable amount exceeds its carrying amount by NIS 200 million.

The recoverable amount of goodwill for insurance agencies and pension advice was based on individual valuations for agencies and according to the expected cash flow method. It was found that the recoverable amount of the goodwill of each of the agencies exceeds its carrying amount.

Discount rates of between 14% and 18% and growth rates of 1.5% were assumed for the valuation of goodwill for insurance agencies and pension advice.

Notes to the Consolidated Financial Statements

NOTE 4 - INTANGIBLE ASSETS (CONTINUED)

C. Acquisition of Prisma operations

On February 25, 2009 Excellence and companies under its control ("Excellence" or "Excellence Fund Management") signed an agreement with Prisma Investment House Ltd. ("Prisma" or "Ampik") to acquire Prisma's mutual funds, ETFs, and portfolio management operations ("the Agreement").

Under the agreement, Excellence Fund Management allocated to Prisma shares representing 45% of the issued and paid-up shares in Excellence Fund Management ("the Allocated Shares"). During 2014-2017, Prisma is required to sell to Excellence, and Excellence is required to acquire from Prisma, all of the allocated shares, at the rates stipulated in the agreement and for a consideration that will be based on the formula in the agreement, which is based, inter alia, on the future profits of Excellence Fund Management ("the Consideration for the Shares").

On June 9, 2009, the parties completed the transaction. The consideration was estimated at NIS 185 million on the closing date of the transaction.

On September 16, 2013, Excellence signed an agreement with Ampik to bring forward the sale of shares allotted to Excellence, so that at the completion date of the transaction as described below, Excellence will hold 100% of the issued and paid up share capital of Excellence Fund Management. In consideration for these shares, Excellence will pay NIS 64.2 million (of which, NIS 4.2 million is for the creditor balance). It was further agreed that there will be an additional consideration of NIS 8.3 million, contingent on the operating results of Excellence Fund Management in 2014.

On September 29, 2013, the transaction was completed and Excellence paid the consideration of NIS 64.2 million. In accordance with the Agreement, these two amounts replaced the contingent consideration set out in the original transaction.

As of December 31, 2014 and 2013, a liability for the contingent consideration was not included, since Excellence Fund Management failed to meet the conditions for the operating results as agreed on by the parties (as of December 31, 2012, NIS 80 million).

D. Holders of non-controlling interests in a subsidiary ("Holders of Interests") have a put option of 40%, exercisable for five years, from the beginning of 2010. For further information, see Note 7(4)(C).

NOTE 5 – DEFERRED ACQUISITION COSTS

A. Composition:

	December 31		
	2014	2013	2012
	NIS thousands		
Life insurance	708,082	676,964	656,709
Pension funds	179,358	120,794	97,871
Health insurance	274,059	232,943	174,307
General insurance	196,628	186,001	172,606
	1,358,127	1,216,702	1,101,493

Notes to the Consolidated Financial Statements

NOTE 5 – DEFERRED ACQUISITION COSTS (CONTINUED)

B. Change in deferred acquisition costs in life insurance, pension funds and healthcare insurance:

	Life	Pension funds	Healthcare insurance	Total
	NIS thousands			
Balance as of January 1, 2012	639,364	80,711	139,530	859,605
Additions				
Acquisition commissions	103,701	26,660	58,531	188,892
Other acquisition costs	80,258	1,932	29,591	111,781
Total additions	183,959	28,592	88,122	300,673
Current amortization	(79,402)	(11,432)	(41,590)	(132,424)
Amortization for cancellations (*)	(87,212)	-	(11,755)	(98,967)
Balance as of December 31, 2012	656,709	97,871	174,307	928,887
Additions				
Acquisition commissions	97,077	34,707	89,731	221,515
Other acquisition costs	90,692	2,719	41,039	134,450
Total additions	187,769	37,426	130,770	355,965
Current amortization	(85,394)	(14,503)	(54,577)	(154,474)
Amortization for cancellations (*)	(82,120)	-	(17,557)	(99,677)
Balance as of December 31, 2013	676,964	120,794	232,943	1,030,701
Additions				
Acquisition commissions	104,781	74,749	96,052	275,582
Other acquisition costs	100,923	4,114	40,310	145,347
Total additions	205,704	78,863	136,362	420,929
Current amortization	(87,388)	(20,299)	(70,458)	(178,145)
Amortization for cancellations (*)	(87,198)	-	(24,788)	(111,986)
Balance as of December 31, 2014	708,082	179,358	274,059	1,161,499

(*) The amortization for cancellations refers to deferred acquisition costs for life insurance policies issued as from the 1999 underwriting year only and healthcare insurance (not short term).

Notes to the Consolidated Financial Statements

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

A. Composition and change

2014

	Land and buildings(*)	Computers	Vehicles	Office furniture and equipment	Leasehold improvements	Works of art	Total
	NIS thousands						
Cost							
Balance as of January 1, 2014	321,257	225,733	2,891	198,190	25,291	74,379	847,741
Additions during the year	800	12,628	26	14,811	4,041	-	32,306
Disposals during the year	-	(5,289)	(637)	(21,141)	-	-	(27,067)
Balance as of December 31, 2014	322,057	233,072	2,280	191,860	29,332	74,379	852,980
Accumulated depreciation							
Balance as of January 1, 2014	93,524	198,686	1,058	137,952	14,755	-	445,975
Additions during the year	8,635	15,028	363	10,809	3,120	-	37,955
Disposals during the year	-	(4,890)	(465)	(21,117)	-	-	(26,472)
Balance as of December 31, 2014	102,159	208,824	956	127,644	17,875	-	457,458
Balance of depreciated cost	219,898	24,248	1,324	64,216	11,457	74,379	395,522
Provision for impairment	(22,792) *	-	-	-	-	(2,126)	(24,918)
Depreciated cost as of December 31, 2014	197,106	24,248	1,324	64,216	11,457	72,253	370,604

(*) For the nursing departments and support units in the assisted living units

Notes to the Consolidated Financial Statements

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

A. Composition and change (continued)

2013

	Land and buildings (*)	Computers	Vehicles	Office furniture and equipment	Leasehold improvements	Works of art	Total
	NIS thousands						
Cost							
Balance as of January 1, 2013	342,806	218,121	3,202	185,766	21,367	74,379	845,641
Additions during the year	1,056	7,776	1,341	12,803	3,924	-	26,900
Reclassification of investment property	(6,838)	-	-	-	-	-	(6,838)
Company consolidated for the first time	-	(164)	-	(24)	-	-	(188)
Disposals during the year	(15,767)	-	(1,652)	(355)	-	-	(17,774)
Balance as of December 31, 2013	321,257	225,733	2,891	198,190	25,291	74,379	847,741
Accumulated depreciation							
Balance as of January 1, 2013	94,833	183,141	1,687	123,028	12,293	-	414,982
Additions during the year	9,138	15,684	374	15,135	2,462	-	42,793
Reclassification of investment property	(625)	-	-	-	-	-	(625)
Additions for a company consolidated for the first time	-	(139)	-	(9)	-	-	(148)
Disposals during the year	(9,822)	-	(1,003)	(202)	-	-	(11,027)
Balance as of December 31, 2013	93,524	198,686	1,058	137,952	14,755	-	445,975
Balance of depreciated cost	227,733	27,047	1,833	60,238	10,536	74,379	401,766
Provision for impairment	(22,686) *	-	-	-	-	(2,126)	(24,812)
Depreciated cost as of December 31, 2013	205,047	27,047	1,833	60,238	10,536	72,253	376,954

(*) For the long-term care departments and support units in the assisted living units

Notes to the Consolidated Financial Statements

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

A. Composition and change (continued)

2012

	Land and buildings (*)	Computers	Vehicles	Office furniture and equipment	Leasehold improvements	Works of art	Total
	NIS thousands						
Cost							
Balance as of January 1, 2012	341,807	203,179	3,533	179,099	18,196	74,379	820,193
Additions during the year	999	14,942	148	6,848	3,171	-	26,108
Disposals during the year	-	-	(479)	(181)	-	-	(660)
Balance as of December 31, 2012	342,806	218,121	3,202	185,766	21,367	74,379	845,641
Accumulated depreciation							
Balance as of January 1, 2012	85,573	168,275	1,632	109,499	10,519	-	375,498
Additions during the year	9,260	14,866	423	13,633	1,774	-	39,956
Disposals during the year	-	-	(368)	(104)	-	-	(472)
Balance as of December 31, 2012	94,833	183,141	1,687	123,028	12,293	-	414,982
Balance of depreciated cost	247,973	34,980	1,515	62,738	9,074	74,379	430,659
Provision for impairment	-	-	-	-	-	(2,126)	(2,126)
Depreciated cost as of December 31, 2012	247,973	34,980	1,515	62,738	9,074	72,253	428,533

(*) For the long-term care departments and support units in the assisted living units

Notes to the Consolidated Financial Statements

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

B. Phoenix Insurance and Hadar Green Properties and Investments Ltd., a wholly-owned subsidiary of The Phoenix Insurance Company ("Hadar Green") hold the right to register as the owners of 15 floors of offices, warehouses, parking lots and related areas in a high-rise office and commercial building on Plot 923, Block 6154 in Givatayim ("the Building"). The sellers, in whose name the plot is registered in the Tel Aviv-Jaffa Land Registry, undertook to register the title in the Company's name within 36 months after of transfer of the title to the Company. The procedure for registering the building as a condominium is underway and the drafts have been transferred to the Condominium Registration Supervisor. The Supervisor required approval of the full blueprints by the regional planning and construction committee. Completion of registration was delayed for reasons related to the sellers.

In accordance with the agreement of September 27, 2011, the sellers undertook to complete registration of the building as a condominium, including registration of The Phoenix's rights (together with the rights of The Phoenix Insurance in accordance with a sale agreement in 2001 and its appendixes and the rights of Hadar Green in accordance with a sale agreement in 1999 and its appendixes), within five years from the date the agreement was signed, and deposited funds to secure its compliance with the registration in accordance with these dates.

C. The Company owns all the rights to the land and buildings, other than an asset at depreciated cost of NIS 6 million as of the reporting date, which is for a 37-year capitalized lease from the Israel Land Administration.

D. Liens - see Note 42(E).

Notes to the Consolidated Financial Statements

NOTE 7 – INVESTMENTS IN INVESTEES

1. Investees accounted for using the equity method

A. Investees treated under the equity method

	See section 4 below	Country of incorporation	Company's interest in voting rights	Loans and capital notes	Volume of investment (*)	Total
			%	NIS thousand		
December 31, 2014						
Mehadrin Ltd.	E	Israel	41.42	-	186,127	186,127
Gama Management and Clearing Ltd.	F	Israel	49	50,000	57,977	107,977
HFN Tao Holdings LP Ltd.	D	Israel	30	-	86,142	86,142
Others	I			28,692	173,881	202,573
				78,692	504,127	582,819
December 31, 2013						
Mehadrin Ltd.	E	Israel	41.42	-	188,041	188,041
Gama Management and Clearing Ltd.	F	Israel	49	50,000	53,532	103,532
HFN Tao Holdings LP Ltd.	D	Israel	30	-	76,429	76,429
Others	I			13,764	107,147	120,911
				63,764	425,149	488,913
December 31, 2012						
Mehadrin Ltd.	E	Israel	41.42	-	188,279	188,279
Gama Management and Clearing Ltd.	F	Israel	49	50,000	51,630	101,630
HFN Tao Holdings LP Ltd.	D	Israel	30	-	78,097	78,097
Others	I			12,498	84,550	97,048
				62,498	402,556	465,054

(*) Less provision for impairment

B. Composition of investments:

	December 31		
	2014	2013	2012
	NIS thousands		
Shares	513,989	435,011	412,418
Loans	78,692	63,764	62,498
	592,681	498,775	474,916
Less - provision for impairment	(9,862)	(9,862)	(9,862)
	582,819	488,913	465,054
Goodwill and original differences included in investment	54,192	56,277	52,942

Notes to the Consolidated Financial Statements

NOTE 7 – INVESTMENTS IN INVESTEES (CONTINUED)

1. Investees accounted for using the equity method (continued)

C. Summary of financial information for investees accounted for using the equity method, in accordance with the ownership percentage held by the Company:

The Group's share in the balance sheet of investees accounted for using the equity method, in accordance with the ownership percentage held by them at the reporting date:

	December 31		
	2014	2013	2012
	NIS thousands		
Assets (*)	3,099,753	2,882,351	2,814,595
Liabilities	(2,585,764)	(2,447,340)	(2,402,177)
Net assets	513,989	435,011	412,418

(*) Including original differences and goodwill

The Group's share in the operating results of investees accounted for using the equity method, in accordance with the ownership percentage held by them in the period:

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Revenue	730,932	772,222	818,832
Income for the period	45,933	51,666	41,079
Other comprehensive income (loss)	6,402	(3,529)	22,255

D. Market value of investments in associates for which there is a market price on the TASE

	December 31					
	2014		2013		2012	
	Carrying amount	Market value	Carrying amount	Market value	Carrying amount	Market value
	NIS thousands					
Mehadrin Ltd.	186,127	181,369	188,041	179,993	188,279	177,238

E. Dividends received from associates in the reporting period (*)

Year ended December 31		
2014	2013	2012
NIS thousands		
18,317	39,306	14,760

(*) The amounts do not include a dividend declared and not yet received.

Notes to the Consolidated Financial Statements

NOTE 7 – INVESTMENTS IN INVESTEES (CONTINUED)

2. Subsidiaries held directly by the Company

A. Composition of the investment:

	Loans and capital notes provided by the Company to subsidiaries	Investment in subsidiaries
	NIS thousands	
2014		
The Phoenix Insurance Company Ltd.	-	2,714,954
The Phoenix Investments and Finance Ltd.	777,038	669,192
Ad 120 Residence Centers for Senior Citizens Ltd. *)	-	405,790
Others	8,648	(5,867)
	785,686	3,784,069
2013		
The Phoenix Insurance Company Ltd.	-	2,650,912
The Phoenix Investments and Finance Ltd.	777,233	602,490
Ad 120 Residence Centers for Senior Citizens Ltd. *)	-	332,352
Others	9,164	(5,984)
	786,397	3,579,770
2012		
The Phoenix Insurance Company Ltd.	-	2,178,961
The Phoenix Investments and Finance Ltd.	722,134	645,927
Ad 120 Residence Centers for Senior Citizens Ltd. *)	15,005	269,514
Others	9,848	(5,124)
	746,987	3,089,278

For information about the ownership percentage, see section 3 below.

(*) Through companies: Ampal Protected Housing (1994) Ltd., Ampal Protected Housing (1998) Ltd., Ampal Protected Housing (1996) Ltd., whose sole operation is the holding in Ad 120 Residence Centers for Senior Citizens Ltd.

B. Market value of investments in subsidiaries for which there is a market price on the TASE

	December 31					
	Carrying amount	Market value	Carrying amount	Market value	Carrying amount	Market value
	2014		2013		2012	
	NIS thousands					
Excellence Investments Ltd.	1,067,140	728,239	993,531	729,768	1,063,408	662,953

Notes to the Consolidated Financial Statements

NOTE 7 – INVESTMENTS IN INVESTEES (CONTINUED)

2. Subsidiaries held directly by the Company (continued)

C. Dividends that the Company received or is entitled to receive from subsidiaries in the reporting year:

Year ended December 31		
2014	2013	2012
NIS thousands		
260,138	315,000	-

(*) In February 2015, the Company received a dividend of NIS 200 million from the Phoenix Insurance Ltd.

3. Holdings in the major investees

			December 31		
			2014	2013	2012
	See Section 4 below	Country of incorporation	Shares conferring voting rights and rights to profits	Shares conferring voting rights and rights to profits	Shares conferring voting rights and rights to profits
			Holding (%)		
Investees					
The Phoenix Insurance Company Ltd.		Israel	100	100	100
The Phoenix Investments and Finance Ltd.		Israel	100	100	100
Ad 120 Residence Center for Senior Citizens Ltd.	A	Israel	100	100	100
Investees of The Phoenix Insurance					
The Phoenix Pension and Provident Funds Ltd.		Israel	100	100	100
The Phoenix Old Balanced Pension Funds Ltd., a management company		Israel	100	100	100
The Phoenix Insurance Agencies 1989 Ltd.		Israel	100	100	100
The Phoenix Capital Raising (2009) Ltd.	b.	Israel	100	100	100
HFN Tao Holdings LP Ltd. (*)	D.	Israel	29	29	29
Companies held by The Phoenix Investments and Finance Ltd.					
Mehadrin Ltd.	E.	Israel	41.42	41.42	41.42
Excellence Investments Ltd.		Israel	89.81	89.81	84.70
Gama Management and Clearing Ltd.	F.	Israel	49	49	49
Phoeniclass Ltd.	G.	Israel	67	67	67
Main investees of The Phoenix Insurance Agencies 1989 Ltd.					
Shekel Insurance Agencies (2008) Ltd. (**)		Israel	100	100	100
Agam Liderim Holdings (2001) Ltd.	C.	Israel	60	60	60
Agam Leaders Insurance Agency (2003) Ltd.		Israel	25	25	25
Kela Insurance Agency (1987) Ltd. (**)		Israel	-	100	85

(*) There is another holding of 20%, accounted for as a financial investment for unit linked contracts.

(**) In February 2014, The Phoenix Insurance Agencies sold Kela Insurance Agency (1987) Ltd. to Shekel Insurance Agencies (2008) Ltd

Notes to the Consolidated Financial Statements

NOTE 7 – INVESTMENTS IN INVESTEES (CONTINUED)

4. Additional information about investees

A. Ad 120 Residence Center for Senior Citizens Ltd.

Ad 120 Residence Centers for Senior Citizens Ltd. ("Ad 120") operates independently and through limited partnerships in which it is the main partner in the development, establishment and operation of assisted living centers for the elderly. Ad 120 has three assisted living centers: in Rishon Lezion, Hod Hasharon and Tel Aviv.

In February 2013, Ad 120 exercised its right to acquire 25% of Ad 120 Ramat Hahayal Limited Partnership ("the Partnership"). Subsequent to the acquisition, Ad 120 holds the full partnership rights.

B. The Phoenix Capital Raising (2009) Ltd.

In 2009, The Phoenix Insurance established The Phoenix Capital Raising (2009) Ltd. ("The Phoenix Capital Raising"). The sole operation of The Phoenix Capital Raising is the raising of funds in Israel for The Phoenix Insurance, through the issue (public and private) of debt certificates and/or debentures, and/or capital notes, the proceeds of which are deposited in The Phoenix Insurance for its use at its discretion and responsibility.

Raising of capital is affected by the capital requirements of The Phoenix Insurance. The terms of the issued debentures are affected by the capital market and level of supply and demand of marketable debentures in Israel.

The Phoenix Capital Raising deposits the proceeds of the issue in deferred deposits at The Phoenix Insurance under the same terms as the debentures issued to the public.

C. Put option for non-controlling interests in The Phoenix Agencies

The Phoenix Agencies Ltd. ("the Phoenix Agencies"), a subsidiary, holds 60% of the capital and voting rights in Agam Leaders Holdings (2001) Ltd. ("Agam Holdings"), which holds 75% of the capital and voting rights in Agam Leaders (Israel) Insurance Agency (2003) Ltd. ("Agam Israel"). The Phoenix Agencies also holds 25% of the capital and voting rights in Agam Israel. In accordance with the shareholders agreement of September 2005, between The Phoenix Agencies and the other shareholders (in this section: "the Founders"), each of the Founders was granted a put option exercisable up to November 8, 2014, and The Phoenix Agencies was granted a call option to acquire the shares of Agam Holdings from the Founders up to November 8, 2014, at a value set out in the shareholders agreement.

In April 2012, the minority shareholders in Agam Holdings (40%) sought to exercise their put option, and it was agreed that the exercise price will be set in accordance with an agreement between two assessors. as of the reporting date, the value has not yet been set.

D. HFN-Tao

The Company, through The Phoenix Insurance and The Phoenix Investments holds 50% of the rights in HFN-Tao Holdings Limited Partnership ("the Partnership"). The Partnership owns 50% of the rights and liabilities in the Mall HaYam shopping center in Eilat, so that in the final tier the Company holds 25% of the shopping center. The Partnership is entitled to its proportionate share of the income from the shopping center, following repayment of the debentures in favor of which the shopping center is encumbered.

Notes to the Consolidated Financial Statements

NOTE 7 – INVESTMENTS IN INVESTEES (CONTINUED)

4. Additional information about investees(continued)

E. Mehadrin Ltd.

The Phoenix Investment holds 41.42% of the issued share capital of Mehadrin, a public company whose shares are listed for trading on the TASE.

The Phoenix Investments has joint control in Mehadrin in accordance with a shareholders agreement signed in September 2006 with Hadarim Properties Ltd.

F. Gama Management and Clearing Ltd.

Gama's operations include financing, factoring, clearing and management of credit card vouchers, the provision of various types of credit, check discounting and factoring. Gama's main operation is credit card factoring services. The factoring service provides advance payment to businesses against the assignment of vouchers from credit card companies by the businesses to the factoring company. The service allows businesses, including Gama's customers, to perform sales transactions in installments with their customers through vouchers of credit card companies and to provide advance payments of the amounts of the transactions. The Company is assessing the expansion of its activities to related fields.

The Phoenix Investments holds 49% of the share capital of Gama. The purchase agreement grants The Phoenix Investment an option to acquire an additional 2% of Gama at the same value. The exercise period for the option was three years from the completion date of the acquisition up to April 2011 ("The Phoenix Option").

Under the purchase agreement, The Phoenix Investment provided a shareholder loan of NIS 50 million to Gama, which is subordinated to the bank loan. In addition, in 2010, the shareholders and The Phoenix Investment reached an agreement whereby The Phoenix Investment waived The Phoenix Option and in return for the waiver, it was agreed that any party that wishes to sell its entire holdings in Gama shares will have the right to obligate the other party to sell it its shares.

G. Phoeniclass Ltd.

The Phoenix Investments holds 67% of the share capital of Phoeniclass

Phoeniclass entered into an agreement with Seminar Hakibbutzim Teachers College, for a combination transaction between Phoeniclass and Seminar Hakibbutzim Teachers College for land belonging to the college in north Tel Aviv, including the land on which the college's buildings are built. As part of the transaction, and in return for the rights to the land for construction of a residential project that includes 450 apartments, Phoeniclass will implement the project, which, in addition to this residential project, includes the demolition of the college's buildings, financing of a new complex for the college, and the transfer of public areas to the Tel Aviv Municipality for commercial and public use ("the Project").

Phoeniclass is taking steps to advance the licensing procedures and the detailed project plan, alongside negotiations with Seminar Hakibbutzim Teachers College (and on its behalf) to finalize the principles of the transaction and its implementation.

H. Linchfield Limited ("Linchfield")

The Company holds 5% in Linchfield, whose main operation is holding of building portfolios in the UK. Until September 30, 2012, the investment was accounted for using the equity method, due to the additional holdings of the controlling shareholder in Linchfield. In the fourth quarter of 2012, the controlling shareholder lost effective control in Linchfield. On December 31, 2011, in view of the negative adjustment of the fair value of investment property, the value of the investment was fully amortized.

Notes to the Consolidated Financial Statements

NOTE 7 – INVESTMENTS IN INVESTEES (CONTINUED)

4. Additional information about investees(continued)

I. Investments in foreign real estate

The Company's investments in foreign real estate are generally carried out through investees that invest directly in real estate. The Company owns several investees that invest in real estate with leverage in the United States and Europe. The real estate assets are diverse and include office buildings, shopping centers and housing complexes.

5. Capital requirements in Group institutions

A. Management's policy is to maintain a strong capital base in order to preserve the ability of the Company to continue operating in variable market conditions and to generate profits for its shareholders while maintaining financial stability.

The Phoenix Insurance, Excellence Group and other institutional entities consolidated in these financial statements are subject to the capital requirements determined by the Commissioner of Insurance.

B. Required and existing capital of the Company

The required and existing capital of The Phoenix Insurance is determined in accordance with Control of Financial Services Regulations (Insurance) (Minimum Equity Required of an Insurer) 1998 and its amendments ("the Capital Regulations") and the Commissioner's directives.

Notes to the Consolidated Financial Statements

NOTE 7 – INVESTMENTS IN INVESTEES (CONTINUED)

5. Capital requirements in Group institutions (continued)

B. Required and existing capital of the Company (continued)

1. Information about the required and existing capital of The Phoenix Insurance in accordance with the capital directives of the Commissioner:

	December 31		
	2014	2013	2012
	NIS thousands		
Amount required according to the Regulations and instructions of the Commissioner (A)	3,017,615	2,796,157	2,563,056
The existing amount calculated according to the Capital Regulations:			
Tier 1 capital	2,714,947	2,650,906	2,178,958
Complex tier 2 capital (B)	777,324	776,249	766,700
Subordinated tier 2 capital (C)	362,136	543,020	535,580
Total subordinated capital	1,139,460	1,319,269	1,302,280
Hybrid tier 3 capital	394,787	-	-
	1,534,247	1,319,269	1,302,280
Total existing capital calculated according to the Capital Regulations	4,249,194	3,970,175	3,481,238
Excess (*)	1,231,579	1,174,018	918,182
Capital transactions subsequent to the reporting date:			
Dividend paid	200,000	-	-
Excess taking into account events subsequent to the reporting date(*)	1,031,579	1,174,018	918,182
(*) Apart from the general requirements in the Companies Law, distribution of a dividend from excess capital in insurance companies is also subject to liquidity requirements and compliance with the investment regulations. In this matter, the amount of investments in investees that must be made available against capital excess pursuant to the Commissioner's instructions, and therefore constitutes non-distributable surplus.	542,633	454,261	379,486
(A) Amount required including capital requirements for activities in general insurance/required tier 1 capital	484,337	474,813	459,279
Long-term care insurance	64,907	58,092	49,737
Exceptional risks in life insurance	316,952	280,083	248,911
Deferred acquisition costs in life insurance and health insurance	989,174	909,429	821,064
Requirements for yield-guaranteed plans	54	172	196
Unrecognized assets as defined in the Capital Regulations	26,159	74,116	47,989
Investment in consolidated insurance companies and managing companies	49,265	40,061	33,661
Investment assets and other assets	720,821	630,500	578,999
Catastrophe risks in general insurance	131,473	115,087	123,448
Operating risks	234,473	213,804	199,772
Amount required according to the Regulations and instructions of the Commissioner	3,017,615	2,796,157	2,563,056

(B) For information about issue of debentures the proceeds of which are used as the Company's complex equity, see Note 26.

(C) Subordinated notes issued by December 31, 2009

Notes to the Consolidated Financial Statements

NOTE 7 – INVESTMENTS IN INVESTEES (CONTINUED)

5. Capital requirements in Group institutions (continued)

3. Implementation of Solvency II

In November 2014, the Commissioner published a letter to managers of insurance companies ("the Letter") regarding an outline for implementation of a solvency regime based on Solvency II. In the Letter, the Commissioner states that the European parliament voted to adopt the directive in Europe at the beginning of 2016 and timetables for implementation of the final directives were established. In view of the intention to issue final guidelines in Europe by June 2015, in 2016, the Commissioner intends to publish guidelines for the adjustment of the first pillar of the directive in the domestic market, which will replace the current guidelines, and insurance companies will be required to comply with these guidelines as from the annual statements for 2016. In the planned preparation process towards final implementation, there are two more phases for IQIS exercises for 2014 and 2015, followed by a quarterly report based on the new outline, parallel to reporting of capital requirements and based on the current guidelines.
In addition, the Commissioner intends to publish guidelines for capital management and establishment of an internal capital target for the gap analysis that the companies will be required to perform for the risk management system, controls and corporate governance, and the consultation paper to advance Own Risk and Solvency Assessment (ORSA).

Implementation of Solvency II guidelines, according to the current IQIS model, may result in a significant increase in capital requirements alongside an increase in existing capital. At the current stage, the model is sensitive to changes in market and other factors and therefore the capital requirements reflected by these changes might be volatile. In addition, application of the final guideline may affect business operations, including the assessment to expanding hedges for the Company's investment assets and insurance liabilities, change in fees and discounts, effect on the Company's capital management and a more significant effect when integrating capital costs in decision making processes.

The model has not yet been approved, and there are fundamental issues which are being discussed. It is further noted that regulations for the capital adjustment, if required, have not yet been formulated. In any event, the Company is monitoring developments to prepare for the new framework if determined.

At this stage, the Company is unable to assess the results of these discussions, and the regulatory decisions arising from future capital requirements and their future business effect on the Company.

4. The Phoenix Insurance undertook to complement the shareholders' equity of The Phoenix Pension and Provident Ltd. ("The Phoenix Pension") to the amount determined in the Income Tax Regulations (Regulations for Approval and Management of Provident Funds), 1964. The undertaking will be valid as long as The Phoenix Insurance controls The Phoenix Pension, directly or indirectly.

5. Other subsidiaries in the Group require minimum equity in accordance with the Control of Financial Services Regulations (Provident Funds) (Minimum Equity Required of a Management Company of a Provident Fund or Pension Fund), 2012, and the guidelines of the Commissioner of Capital Markets and the Israel Securities Authority, and the bylaws of the TASE.

As at December 31, 2014, all the subsidiaries are in compliance with these requirements.

6. For information about the exchange tender offer being assessed by The Phoenix Capital Raising, a subsidiary of The Phoenix Insurance, see Note 43(3) and Note 43(4).

Notes to the Consolidated Financial Statements

NOTE 8 - INVESTMENT PROPERTY

A. Composition and change

	Investment property for unit linked contracts								
	Leased for commerce			Leased for offices and other			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	NIS thousands								
Balance as of January 1	689,203	444,906	317,458	316,571	-	-	1,005,774	444,906	317,458
Acquisitions of and additions to existing assets	9,128	259,495	122,605	65,566	293,327	-	74,694	552,822	122,605
Fair value adjustment	(306)	(15,198)	4,843	14,792	23,244	-	14,486	8,046	4,843
Balance as of December 31	698,025	689,203	444,906	396,929	316,571	-	1,094,954	1,005,774	444,906
Range of capitalization rates	6.75%-8.8%	6.75%-8.75%	7%-9%	7.25%-8.0%	7.5%-8.25%	-	6.75%-8.8%	6.75%-8.75%	7%-9%

	Other investment property											
	Leased for commerce			Leased for offices and other			Assisted living			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
	NIS thousands											
Balance as of January 1	352,502	218,238	162,502	256,830	85,879	27,600	1,116,576	1,022,039	964,708	1,725,908	1,326,156	1,154,810
Acquisitions of and additions to existing assets	4,874	141,930	53,912	35,531	156,674	47,913	9,531	11,557	10,181	49,936	310,161	112,006
Fair value adjustment	(566)	(7,666)	1,824	10,262	14,277	10,366	71,893	76,767	47,150	81,589	83,378	59,340
Reclassified from property, plant and equipment	-	-	-	-	-	-	-	6,213	-	-	6,213	-
Balance as of December 31	356,810	352,502	218,238	302,623	256,830	85,879	1,198,000	1,116,576	1,022,039	1,857,433	1,725,908	1,326,156
Range of capitalization rates	6.75%-8.8%	6.75%-8.75%	7%-9%	7.25%-8.00%	7.5%-8.6%	7.9%-8.7%	8.0%-10.0%	8.0%-10.0%	8.5%-10%	6.75%-10.0%	6.75%-10.0%	7%-10%

Notes to the Consolidated Financial Statements

NOTE 8 - INVESTMENT PROPERTY (CONTINUED)

B. Fair value measurement of investment property

Investment property is measured at fair value on the basis of valuations of an external, independent assessor having the requisite qualifications and experience in the location and type of property being assessed. The fair value is based on recent market transactions in properties and locations similar to those of the properties owned by the Group, and based on estimated future cash flows from the property. The cash flow takes into account the embedded risk. A decrease in the discount rate or an increase in rent has a positive effect on the fair value of investment property.

When assessing the fair value of investment property under construction, the discounted cash flow method is used, at the assessor's discretion. The fair value is based on estimated future revenues expected from the finished project, using returns adjusted to the material risks relevant to the establishment process, including building and leasing risks, which are higher than the current returns for similar investment property when completed. The expected costs remaining for completion, plus development gains, are deducted from the estimated future revenues as set out above.

Investment property is measured at fair value and classified as level 3 of the fair value hierarchy.

C. Sensitivity analysis

The discount rate is a significant estimate in determining fair value, since a change in the discount rate will have a significant effect on the fair value of investment property. A change in fair value of investment property for unit linked contracts does not fully affect the Company's profit or loss.

An increase of half a percent in the discount rate will result in a decrease of NIS 150 million in the value of investment property and a decrease of NIS 110 million in pre-tax profit or loss as at December 31, 2014.

A decrease of half a percent in the discount rate will result in an increase of NIS 156 million in the value of investment property and a decrease of NIS 113 million in pre-tax profit or loss as at December 31, 2014.

D. Land rights used by the Group as investment property, unit linked investment and other:

	December 31		
	2014	2013	2012
	NIS thousands		
Freehold	1,206,578	1,087,173	622,018
Capitalized lease	1,745,809	1,644,509	1,149,044
Total	2,952,387	2,731,682	1,771,062

Capitalized leased assets of NIS 1,648,415 thousand (in 2013, NIS 1,547,513 thousand, in 2012, NIS 1,046,059 thousand) are leased for 28-42 years.

Capitalized leased assets of NIS 25,494 thousand (in 2013, NIS 24,596 thousand, in 2012, NIS 27,885 thousand) are leased for 78 years.

Capitalized leased assets of NIS 71,900 thousand (in 2013, NIS 72,400 thousand, in 2012, NIS 75,100 thousand) are leased for 982 years.

E. For information about the agreements to acquire investment property, see Note 42F.

Notes to the Consolidated Financial Statements

NOTE 9 – CREDIT FOR ACQUISITION OF SECURITIES

	December 31		
	2014	2013	2012
	NIS thousands		
Open accounts	168,000	172,000	244,000
Less provision for doubtful accounts	(8,000)	(7,000)	(7,000)
Trade payables, net	160,000	165,000	237,000

Credit was provided to customers in a subsidiary to acquire securities. The credit is unlinked and bears interest at the prime interest rate plus a margin. The credit is mainly secured by a lien on the securities portfolios of customers. A significant decrease in the market value of the securities could expose the Company to difficulties in collection. Impairment of trade receivables is accounted for by recording a provision for doubtful debts.

NOTE 10 – DEBTORS AND RECEIVABLES

A. Composition:

	December 31		
	2014	2013	2012
	NIS thousands		
Government authorities and institutions	12,264	14,496	29,729
Revenues receivable	19,034	22,467	73,324
Prepaid expenses	34,218	32,306	30,623
Employees	706	852	1,527
Related parties	14,983	33,512	6,884
Advances on account of agency fees	28,043	26,158	25,593
Insurance companies and brokers - other accounts	45,353	55,191	41,883
Advances for acquisition of rental property	-	-	81,367
Customer deposits held in trust	-	-	33,000
Agent debts	2,555	1,967	1,368
Insurance fees receivable	34,870	41,865	46,052
Others	70,602	84,476	69,359
	262,628	313,290	440,709
Less allowance for doubtful accounts	(695)	(1,128)	(559)
Total other receivables	261,933	312,162	440,150

B. Movement in the provision for doubtful debts relating mainly to agent debts

	December 31		
	2014	2013	2012
	NIS thousands		
Balance as of January 1	1,128	1,031	1,653
Change in provision for the year	(433)	97	(1,094)
Balance as of December 31	695	1,128	559

C. For information about other receivables that are related parties, see Note 40.

Notes to the Consolidated Financial Statements

NOTE 11 – PREMIUMS RECEIVABLE

A. Composition:

	December 31		
	2014	2013	2012
	NIS thousands		
Premiums receivable (*)	600,774	560,929	576,221
Less allowance for doubtful accounts	3,930	4,155	4,380
Total premium receivable (**)	596,844	556,774	571,841
(*) Including checks receivable and stop orders	267,497	316,126	311,076

(*) For information about premiums receivable from related parties and interested parties, see Note 41.

(**) The Group's exposure to currency risks referring to premiums receivable is described in Note 40 - Risk Management. For information about linkage terms of premium receivable, see Note 40.

B. Aging:

	December 31		
	2014	2013	2012
	NIS thousands		
Unimpaired premium receivable, not past due	456,561	421,113	413,690
Past due (*)			
Less than 90 days	90,728	84,587	99,150
90-180 days	21,024	22,861	27,799
More than 180 days	21,127	20,710	20,782
Total impaired premium past due	132,879	128,158	147,731
Impaired premium past due	11,334	11,658	14,800
Provision for doubtful debts	(3,930)	(4,155)	(4,380)
Total impaired premium past due	7,404	7,503	10,420
Total premium for collection	596,844	556,774	571,841

(*) Includes mainly debts past due in life insurance; these debts are mainly secured by the surrender value of the policy.

C. Changes in provision for doubtful debts for premiums due

	December 31		
	2014	2013	2012
	NIS thousands		
Balance as of January 1	4,155	4,380	4,380
Change in provision for the year, recognized in the statement of income	(225)	(225)	-
Balance as of December 31	3,930	4,155	4,380

Notes to the Consolidated Financial Statements

NOTE 12 - ASSETS FOR UNIT LINKED CONTRACTS

A. Assets at fair value through profit or loss:

	December 31		
	2014	2013	2012
	NIS thousands		
Investment property	1,094,954	1,005,774	444,906
Financial investments			
Marketable debt assets	15,209,782	12,383,638	9,591,028
Non-marketable debt assets	4,387,012	4,160,617	3,861,171
Shares	6,664,480	5,798,576	4,633,885
Other financial investments	5,177,532	5,291,772	5,144,920
Total other financial investments	31,438,806	27,634,603	23,231,004
Cash and cash equivalents	2,651,399	2,240,940	1,700,297
Other	154,072	161,745	210,574
Total assets for unit linked contracts	35,339,231	31,043,062	25,586,781

For information about exposure for profit-sharing policy assets, see Note 40, Risk Management.

B. Fair value hierarchy of financial assets

The following table presents an analysis of assets held against insurance contracts and investment contracts at fair value through profit and loss. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data (unobservable inputs)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Marketable debt assets	15,209,782	-	-	15,209,782
Non-marketable debt assets	-	4,299,184	87,828	4,387,012
Shares	6,601,609	-	62,871	6,664,480
Others	2,413,164	800,279	1,964,089	5,177,532
Total	24,224,555	5,099,463	2,114,788	31,438,806

Notes to the Consolidated Financial Statements

NOTE 12 - ASSETS FOR UNIT LINKED CONTRACTS (CONTINUED)

B. Fair value hierarchy of financial assets (continued)

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Marketable debt assets	12,383,638	-	-	12,383,638
Non-marketable debt assets	-	4,071,496	89,121	4,160,617
Shares	5,715,109	-	83,467	5,798,576
Others	3,134,446	573,258	1,584,068	5,291,772
Total	21,233,193	4,644,754	1,756,656	27,634,603

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Marketable debt assets	9,591,028	-	-	9,591,028
Non-marketable debt assets	-	3,731,349	129,822	3,861,171
Shares	4,542,201	-	91,684	4,633,885
Others	3,188,998	251,054	1,704,868	5,144,920
Total	17,322,227	3,982,403	1,926,374	23,231,004

For information about interest rates used for determining fair value, see Note 13(G)

C. Changes in Level 3 financial assets measured at fair value

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	NIS thousands				
Balance as of January 1, 2014	-	89,121	83,467	1,584,068	1,756,656
Total gains recognized in the statement of income	-	3,855	31,825	387,917	423,597
Purchases	-	12,626	-	307,756	320,382
Interest and dividend proceeds	-	(4,614)	(503)	(155,488)	(160,605)
Redemptions/sales	-	(11,913)	(51,918)	(160,164)	(223,995)
Transfer from level 3	-	(1,247)	-	-	(1,247)
Balance as of December 31, 2014	-	87,828	62,871	1,964,089	2,114,788
Total gains for the period included in profit or loss for assets held at December 31, 2014	-	3,840	24,598	385,784	414,222

In the year ended December 31, 2014, there were no material transfers between Level 1 and Level 2.

Notes to the Consolidated Financial Statements

NOTE 12 - ASSETS FOR UNIT LINKED CONTRACTS (CONTINUED)

C. Changes in Level 3 financial assets measured at fair value (continued)

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	NIS thousands				
Balance as of January 1, 2013	-	129,822	91,684	1,704,868	1,926,374
Total gains (losses) recognized in the statement of income	-	(28,430)	(6,542)	164,082	129,110
Purchases	-	6,548	-	228,799	235,347
Interest and dividend proceeds	-	(6,562)	(1,675)	(205,499)	(213,736)
Redemptions/sales	-	(12,257)	-	(308,182)	(320,439)
Balance as of December 31, 2013	-	89,121	83,467	1,584,068	1,756,656
Total gains (losses) for the period included in profit or loss for assets held as of December 31, 2013	-	(28,787)	(6,542)	153,568	118,239

In the year ended December 31, 2013, there were no material transfers between Level 1 and Level 2.

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	NIS thousands				
Balance as of January 1, 2012	-	130,368	91,473	1,960,352	2,182,193
Total profits (losses) recognized in:					
Profit or loss	-	(2,583)	(64)	78,848	76,201
Purchases	-	1,873	-	493,229	495,102
Redemptions/sales	-	(18,194)	(170)	(827,561)	(845,925)
Transfer to level 3	-	18,358	445	-	18,803
Balance as of December 31, 2012	-	129,822	91,684	1,704,868	1,926,374
Total gains (lossses) for the period included in profit or loss for assets held at December 31, 2012	-	(2,999)	(101)	39,821	36,721

Notes to the Consolidated Financial Statements

NOTE 12A - INVESTMENTS FOR HOLDERS OF DEBENTURES, EXCHANGE-TRADED FUNDS, REVERSE CERTIFICATES, COMPLEX CERTIFICATES, CERTIFICATES OF DEPOSIT, AND STRUCTURED BONDS

	December 31	
	2014	2013
	NIS thousands	
Securities held for trading in series-specific accounts: (1)		
Shares	7,627,000	8,180,000
Corporate debentures	3,465,000	3,199,000
Government bonds	3,163,000	1,401,000
Foreign shares	146,000	218,000
Foreign corporate debentures	500,000	85,000
Non-marketable debentures	432,000	411,000
Non-marketable debentures	-	172,000
Future transactions	70,000	2,000
Swap	60,000	123,000
ETF	331,000	172,000
Exchange-traded funds	6,000	9,000
Maof options	36,000	76,000
Gains for future contracts	191,000	159,000
Amounts receivable for securities	60,000	57,000
	16,087,000	14,264,000
Designated cash and deposits in series -specific accounts (1)(2)		
Designated cash in NIS	19,481,000	14,664,000
Designated cash in USD	839,000	3,748,000
CPI-linked designated cash	2,345,000	2,377,000
Other designated cash	342,000	485,000
	23,007,000	21,274,000
	39,094,000	35,538,000
Offset of mutually-held ETFs	(28,162)	(15,184)
Offset of treasury shares	(39,538)	(44,572)
	39,026,300	35,478,244

1. In series-specific accounts, ETFs and deposit certificates issued by subsidiaries and deposited in commercial banks, foreign brokers and other TASE members, the withdrawal of which is subject to compliance with prospectus obligations and some of them are subject to approval of the trustee for ETFs and deposit certificates.

2. The fair value of the designated deposits is similar to their carrying amount.

Notes to the Consolidated Financial Statements

NOTE 13 – OTHER FINANCIAL INVESTMENTS

A. Composition:

		December 31, 2014			
	Description	Presented at fair value through profit or loss	Available for sale	Loans and receivables	Total
		NIS thousands			
Marketable debt assets	B.	126,326	5,377,653	-	5,503,979
Non-marketable debt assets	C.	-	-	10,570,471	10,570,471
Shares	E.	23,974	721,271	-	745,245
Others	F.	209,924	1,026,981	-	1,236,905
Total		360,224	7,125,905	10,570,471	18,056,600

		December 31, 2013			
	Description	Presented at fair value through profit or loss	Available for sale	Loans and receivables	Total
		NIS thousands			
Marketable debt assets	B.	108,041	5,316,329	-	5,424,370
Non-marketable debt assets	C.	-	-	10,085,236	10,085,236
Shares	E.	14,954	631,239	-	646,193
Others	F.	149,407	873,863	-	1,023,270
Total		272,402	6,821,431	10,085,236	17,179,069

		December 31, 2012			
	Description	Presented at fair value through profit or loss	Available for sale	Loans and payables	Total
		NIS thousands			
Marketable debt assets	B.	103,887	5,174,040	-	5,277,927
Non-marketable debt assets	C.	-	-	8,784,551	8,784,551
Shares	E.	12,000	573,409	-	585,409
Others	F.	181,606	668,965	-	850,571
Total		297,493	6,416,414	8,784,551	15,498,458

Notes to the Consolidated Financial Statements

NOTE 13 – OTHER FINANCIAL INVESTMENTS (CONTINUED)

B. Marketable debt assets

Composition:

	December 31		
	2014	2013	2012
	NIS thousands		
Government bonds			
Presented at fair value through profit or loss	100,604	86,804	51,912
Available for sale	3,028,460	3,309,871	3,390,955
Total government bonds	3,129,064	3,396,675	3,442,867
Other debt assets:			
Non-convertible			
Presented at fair value through profit or loss	25,722	21,237	51,947
Available for sale	2,349,193	2,006,458	1,783,113
Total other non-convertible debt assets	2,374,915	2,027,695	1,835,060
Total marketable debt assets	5,503,979	5,424,370	5,277,927
Permanent impairment recognized in profit or loss (aggregate)	98,172	52,700	81,057

NOTE 13 – OTHER FINANCIAL INVESTMENTS (CONTINUED)

C. Non-marketable debt assets

Composition:

	December 31					
	Carrying amount			Fair value (*)		
	2014	2013	2012	2014	2013	2012
	NIS thousands					
Government bonds						
Presented as loans and receivables:						
Designated debentures	6,580,549	6,233,161	5,780,091	8,536,728	7,673,723	7,222,241
Other debentures	216	204	215	672	458	483
Total government bonds	6,580,765	6,233,365	5,780,306	8,537,400	7,674,181	7,222,724
Other non-convertible debt assets						
Presented as loans and receivables, except for bank deposits	3,375,121	3,160,029		4,148,002	3,796,140	
Bank deposits	614,585	691,842		748,496	830,331	
Total other non-convertible debt assets	3,989,706	3,851,871	3,004,245	4,896,498	4,626,471	3,327,095
Total non-marketable debt assets	10,570,471	10,085,236	8,784,551	13,433,898	12,300,652	10,549,819
Permanent impairment recognized in profit or loss (aggregate)	88,126	116,604	117,394			

(*) Calculated at the contractual repayment date

D. Interest and linkage for debt assets

	Effective interest		
	December 31		
	2014	2013	2012
Marketable debt assets			
Linkage basis			
CPI-linked	2.45%	1.63%	2.09%
Shekel	2.39%	2.53%	2.64%
Linked to foreign currency	4.33%	4.97%	4.90%

Notes to the Consolidated Financial Statements

NOTE 13 – OTHER FINANCIAL INVESTMENTS (CONTINUED)

D. Interest and linkage for debt assets (continued)

	Effective interest		
	December 31		
	2014	2013	2012
	%		
Non-marketable debt assets			
Linkage basis			
CPI-linked	4.95%	5.05%	5.71%
Shekel	4.00%	6.21%	6.39%
Linked to foreign currency	6.34%	6.14%	6.25%

E. Shares

	December 31		
	2014	2013	2012
	NIS thousands		
Marketable			
Presented at fair value through profit or loss	23,975	14,952	11,999
Available for sale	681,810	601,396	537,831
Total marketable shares	705,785	616,348	549,830
Non-marketable			
Available for sale	39,460	29,845	35,579
Total shares	745,245	646,193	585,409
Permanent impairment recognized in profit or loss (aggregate)	69,452	38,299	62,118

Notes to the Consolidated Financial Statements

NOTE 13 – OTHER FINANCIAL INVESTMENTS (CONTINUED)

F. 1. Other financial investments

Other financial investments include mainly investments in exchange-traded funds, mutual funds, investment funds, financial derivatives, future contracts, options and structured products.

	December 31		
	2014	2013	2012
	NIS thousands		
Marketable			
Presented at fair value through profit or loss	121,192	55,503	72,579
Available for sale	732,464	630,521	427,669
Derivative instruments (2)	61,202	62,323	63,567
Total marketable financial investments	914,858	748,347	563,815
Non-marketable			
Available for sale	294,517	243,341	241,295
Derivative instruments (2)	27,530	31,582	45,461
Total non-marketable financial investments	322,047	274,923	286,756
Total other finance investments	1,236,905	1,023,270	850,571
Permanent impairment recognized in profit or loss (aggregate)	53,796	62,894	62,140

For information about the agreement for the liability for investment in funds, see Note 42(F).

F. 2. Derivative instruments

Summary of exposure, net of the base asset, stated in delta terms of financial transactions as of the date of the financial statements:

	December 31		
	2014	2013	2012
	NIS thousands		
Foreign currency	(873,059)	(678,321)	(801,907)
Shares	336,916	87,597	16,463

The Company has other derivative instruments that are not included in the above table:

1. For information about the liability for short sale of securities, see Note 25.

2. Derivatives held against the liability for ETFs and structured bonds, see Note 25.

Notes to the Consolidated Financial Statements

NOTE 13 – OTHER FINANCIAL INVESTMENTS (CONTINUED)

G. Methods and assumptions used for determining fair value

The fair value of investments actively traded on institutional financial markets is determined by market prices on the reporting date. For investments where there is no active market, fair value is determined as follows:

1. Non-marketable debt assets

The fair value of non-marketable financial debt assets for which information is provided for disclosure purposes only, are determined by discounting estimated future cash flows. The discount rates are mainly based on the returns of government bonds and margins of corporate debentures as reported on the TASE. The price quotations and interest rates used for discounting are determined by the company that won the tender issued by the Ministry of Finance, for the installation and operation of a database that provides price quotations and interest rates for financial institutions. As from March 20, 2011, the Mirvach Hogen Group ("Mirvach Hogen") provides price quotations and discount interest rates to institutions for revaluation of unquoted debt assets. The Mirvach Hogen model is mainly based on the division of the market to deciles by yield to maturity of the debt assets and placing the unquoted asset in those deciles, in accordance with the risk premium derived from transaction/issue prices in the unquoted market ("the Mirvach Hogen Model").

Following the Supreme Court's ruling, which ordered cancellation of the tender that was won by Mirvach Hogen, a new tender was issued.

In accordance with a letter issued by the Ministry of Finance in September 2014, the tender committee announced that Mirvach Hogen had won the new tender. The letter further noted that a separate notice will be issued for the timetable for application of the updated model. At this stage, the Company is unable to assess the effect of the expected update in the methodology for the fair value of non-marketable debt assets, nor whether there will be any effect.

Weighted average interest rates for unquoted debt assets, included in other financial investments, divided into ratings:

	December 31		
	2014	2013	2012
	%		
For non-marketable debt assets - in Israel, according to local rating *			
AA and above	0.50%	0.46%	0.72%
A+ to BBB	2.79%	1.93%	3.02%
Lower than BBB	5.22%	2.65%	6.09%
Unrated	9.27%	8.34%	9.36%

(*) Sources for the rating in Israel are Maalot and Midroog rating companies and internal rating. The data of Midroog were transferred to rating symbols according to accepted conversion coefficients. Each rating includes all the ranges, for example: A includes A- to A+. For information about internal rating, see Note 40(6.3).

2. Non-marketable shares

The DCF model was used to measure the fair value of the investment in non-marketable shares. The estimate requires management to make certain assumptions about the model information, including projected cash flows, discount rates, credit risk, and volatility. The probabilities for the estimates can be reliably measured and management uses them to determine and assess the fair value of those investments in non-marketable shares.

Notes to the Consolidated Financial Statements

NOTE 13 – OTHER FINANCIAL INVESTMENTS (CONTINUED)

G. Methods and assumptions used for determining fair value (continued)

3. Derivatives

The Company has transactions in derivative financial instruments with several parties, mainly financial institutions. Derivatives evaluated using evaluation models with observable market data are mainly interest rate swap contracts and forward contracts on foreign exchange. The most frequent assessment techniques that are used include forward prices and swap models used to calculate present value. The models integrate several data, including the credit rating of the parties to the financial transaction, the spot exchange rate, rate of forward contracts, and interest rate curves. All derivative contracts are fully backed against cash, therefore there is no counterparty credit risk and non-performance risk of the Company itself.

H. Fair value hierarchy of financial assets

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Marketable debt assets	5,503,979	-	-	5,503,979
Shares	705,785	-	39,460	745,245
Others	914,858	20,343	301,704	1,236,905
Total	7,124,622	20,343	341,164	7,486,129
Non-marketable debt assets for which disclosure of fair value is provided (13C above)	-	13,148,473	285,425	13,433,898

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Marketable debt assets	5,424,370	-	-	5,424,370
Shares	616,348	-	29,845	646,193
Others	748,347	31,155	243,768	1,023,270
Total	6,789,065	31,155	273,613	7,093,833
Non-marketable debt assets for which disclosure of fair value is provided (13C above)	-	11,961,506	339,146	12,300,652

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Marketable debt assets	5,277,927	-	-	5,277,927
Shares	549,830	-	35,579	585,409
Others	562,193	29,505	258,873	850,571
Total	6,389,950	29,505	294,452	6,713,907

Notes to the Consolidated Financial Statements

NOTE 13 – OTHER FINANCIAL INVESTMENTS (CONTINUED)

I. Movement in assets measured at fair value at Level 3

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss and available-for-sale financial assets				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	NIS thousands				
Balance as of January 1, 2014	-	-	29,845	243,768	273,613
Total profits (losses) recognized in:					
Profit or loss	-	-	3,607	38,717	42,324
Other comprehensive income	-	-	6,155	20,588	26,743
Purchases	-	-	-	28,256	28,256
Interest and dividend proceeds	-	-	(147)	(14,905)	(15,052)
Redemptions/sales	-	-	-	(14,720)	(14,720)
Balance as of December 31, 2014	-	-	39,460	301,704	341,164
Total gains) for the period included in profit or loss for assets held as of December 31, 2014	-	-	3,607	30,483	34,090

In the year ended December 31, 2014, there were no material transfers between Level 1 and Level 2.

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss and available-for-sale financial assets				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	NIS thousands				
Balance as of January 1, 2013	-	-	35,579	258,873	294,452
Total profits (losses) recognized in:					
Profit or loss	-	-	(8,640)	15,749	7,109
Other comprehensive income	-	-	65	5,541	5,606
Purchases	-	-	4,166	50,979	55,145
Interest and dividend proceeds			(138)	(40,517)	(40,655)
Redemptions/sales	-	-	(1,187)	(46,857)	(48,044)
Balance as of December 31, 2013	-	-	29,845	243,768	273,613
Total gains (losses) for the period included in profit or loss for assets held as of December 31, 2013	-	-	(7,541)	20,054	12,513

In the year ended December 31, 2013, there were no material transfers between Level 1 and Level 2.

Notes to the Consolidated Financial Statements

NOTE 13 – OTHER FINANCIAL INVESTMENTS (CONTINUED)

I. Movement in assets measured at fair value at Level 3 (continued)

	Fair value at the reporting date				
	Financial assets at fair value through profitor loss and available-for-sale financial assets				
	Marketable debt assets	non-marketable debt assets	Shares	Other financial investments	Total
	NIS thousands				
Balance as of January 1, 2012	-	-	26,140	224,964	251,104
Total profits (losses) recognized in:					
Profit or loss	-	-	198	4,818	5,016
Other comprehensive income	-	-	1,167	4,560	5,727
Purchases	-	-	8,127	67,088	75,215
Redemptions/sales	-	-	(53)	(42,557)	(42,610)
Balance as of December 31, 2012	-	-	35,579	258,873	294,452
Total gains (losses) for the period included in profit or loss for assets held as of December 31, 2012	-	-	1,220	13,733	14,953

J. Aging of investments in non-marketable financial debt assets:

	December 31		
	2014	2013	2012
	NIS thousands		
Unimpaired debt			
Not past due	10,531,101	10,050,127	8,635,974
Past due (*)			
Less than 90 days	323	208	523
90-180 days	635	156	11,559
More than 180 days	21,617	17,238	44,019
Total unimpaired debt assets	10,553,676	10,067,729	8,692,075
Impaired debt assets			
Impaired assets, gross	104,920	134,111	209,873
Provision for loss	(88,126)	(116,604)	(117,397)
Impaired debt assets, net	16,795	17,507	92,476
Total non-marketable debt assets	10,570,471	10,085,236	8,784,551

It is noted that the above amounts do not constitute the actual amount in arrears, but rather the balance of the debt involved in the arrears.

(*) Mainly loans to agents secured by a mortgage on real estate.

Notes to the Consolidated Financial Statements

NOTE 14 – CASH AND CASH EQUIVALENTS

Note 14A – Cash and cash equivalents for unit linked contracts

	December 31		
	2014	2013	2012
	NIS thousands		
Cash and deposits for immediate withdrawal in banks	355,459	292,282	360,038
Short-term deposits	2,295,940	1,948,658	1,340,259
Cash and cash equivalents	2,651,399	2,240,940	1,700,297

As of the balance sheet date, cash deposits in banks bear current interest based on nominal interest rates for daily bank deposits at a rate of 0.11% (December 31, 2013, 0.93%),(December 31, 2012, 1.62%).

Short-term deposits in banks are for periods of between one week and three months. The deposits bear nominal interest at a rate of 0.22% (December 31, 2013, 0.95%),(December 31, 2012, 1.69%).

For linkage and interest terms of cash balances and short-term deposits, see Note 40.

Note 14B – Other Cash and Cash Equivalents

	December 31		
	2014	2013	2012
	NIS thousands		
Cash and deposits for immediate withdrawal in banks	356,026	323,249	318,304
Short-term deposits	321,435	262,732	647,328
Cash and cash equivalents	677,461	585,981	965,632

As of the balance sheet date, cash deposits in banks bear current interest based on nominal interest rates for daily bank deposits at a rate of 0.11% (December 31, 2013, 0.93%),(December 31, 2012, 1.62%).

Short-term bank deposits in banks are for periods of between one week and three months. The deposits bear nominal interest at a rate of 0.22% (December 31, 2013, 0.95%),(December 31, 2012, 1.69%).

For linkage and interest terms of cash balances and short-term deposits, see Note 40.

Notes to the Consolidated Financial Statements

NOTE 15 – EQUITY AND CAPITAL RESERVES

A. Composition of the share capital

	December 31, 2014		December 31, 2013		December 31, 2012	
	Authorized	Issued and paid up	Authorized	Issued and paid up	Authorized	Issued and paid up
	NIS thousands					
Ordinary shares of NIS 1 par value each	300,000	250,462	300,000	250,420	300,000	223,151
Ordinary shares of NIS 5 par value each (*)	-	-	-	-	24,656	24,656
	300,000	250,462	300,000	250,420	324,656	247,807

(*) In accordance with the resolution of the TASE board of directors on January 21, 2010, the Company's shares of NIS 5 par value each were placed on the watch list on January 25, 2010, due to non-compliance with the requirement for the rate of public holding. On January 26, 2012, after 24 months had elapsed from the suspension date of the shares under the watch list, and the conditions for resumption of trading were not fulfilled, these shares were delisted from trading.

On May 28, 2012, the Company's board of directors resolved to approve consolidation of the Company's shares so that each of the Company's shares of NIS 5 par value each will be split into five Company shares of NIS 1 par value each ("the Consolidation of Capital"), and to amend the Company's memorandum and articles of association accordingly. The Consolidation of Capital will be implemented without any compensation to shareholders of the Company's shares of NIS 1 par value each, based on an economic opinion prepared for the Company.

As of April 24, 2014, a special general meeting of the Company's shareholders approved the resolution of the board of directors. For further information, see the Company's immediate report of April 4, 2014, ref. 2014-01-050115.

B. Changes in share capital

	Number of shares	Total nominal value
	Thousands	NIS housands
Balance as of January 1, 2012	228,082	247,807
Issue of shares (*)	-	-
Balance as of December 31, 2012	228,082	247,807
Issue of shares (*)	2,613	2,613
Balance as of December 31, 2013	230,695	250,420
Issue of shares (*)	42	42
Consolidation of capital (**)	19,725	-
Balance as of December 31, 2014	250,462	250,462

(*) For information about the allocation of employee options, see Note 36(A) regarding share-based payment.

(**) See section A above.

C. Underlying rights for shares

1. Voting rights at the general meeting, dividend rights, rights on liquidation of the Company and the right to appoint directors in the Company.

2. The Company’s shares are traded on the TASE.

Notes to the Consolidated Financial Statements

NOTE 15 – EQUITY AND CAPITAL RESERVES (CONTINUED)

D. Treasury shares - Company shares held by the Company and subsidiaries

The Company and its subsidiaries hold the following shares:

	December 31		
	2014	2013	2012
Shares			
Rate of issued capital (%)	2.14%	2.00%	2.01%
Cost (NIS thousands)	36,637	31,848	31,862

E. Dividend distributed

- In March 2013, the Company's board of directors approved the distribution of a cash dividend of NIS 75 million. The dividend was paid in April 2013. The dividend per share of NIS 1 par value and per share of NIS 5 par value is NIS 0.3 and NIS 1.5, respectively.
- In May 2013, the Company's board of directors approved the distribution of a cash dividend of NIS 150 million. The dividend was paid in June 2013. The dividend per share of NIS 1 par value and per share of NIS 5 par value is NIS 0.6 and NIS 3, respectively.
- In November 2013, the Company's board of directors approved the distribution of a cash dividend of NIS 100 million. The dividend was paid in December 2013. The dividend per share of NIS 1 par value and per share of NIS 5 par value is NIS 0.4 and NIS 2, respectively.
- On August 28, 2014, the Company's board of directors approved the distribution of a cash dividend of NIS 200 million. The dividend was paid in September 2014. The dividend per share of NIS 1 par value is NIS 0.8.

F. Exchange differences on translation of foreign operations

Capital reserve from translation differences due to changes in exchange rates arising from the translation of the financial statements of investees that are foreign operations and changes in exchange rates arising from the translation of financial statements from the functional currency to the presentation currency.

G. Capital management

Management’s policy is to maintain a strong capital base in order to preserve the ability of the Company to continue operating so that it may provide a return on capital to its shareholders and sustain future development of the business.

This capital is also intended to provide a solution to the various risks facing the Group, such as market and credit risk, operational risk, and catastrophe risk.

The Phoenix Insurance, Excellence and other institutions consolidated in its financial statements are subject to the external capital requirements determined by the Commissioner of Insurance. For further information see Note 7(5) to the financial statements.

Notes to the Consolidated Financial Statements

NOTE 16 – LIABILITIES FOR NON-UNIT LINKED INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

	December 31								
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	Gross			Reinsurance			On retention		
	NIS thousands								
Life insurance and long-term saving									
Insurance contracts	10,687,308	10,234,663	9,674,712	100,101	102,780	104,448	10,587,207	10,131,883	9,570,264
Investment contracts	952	6,884	7,002	-	-	-	952	6,884	7,002
	10,688,260	10,241,547	9,681,714	100,101	102,780	104,448	10,588,159	10,138,767	9,577,266
Less amounts deposited in the Company as part of a defined benefit plan for Group employees	18,888	18,876	19,692	-	-	-	18,888	18,876	19,692
Total life insurance	10,669,372	10,222,671	9,662,022	100,101	102,780	104,448	10,569,271	10,119,891	9,557,574
Management companies of provident funds	819,000	798,000	-	-	-	-	819,000	798,000	-
Total life insurance and long-term savings	11,488,372	11,020,671	9,662,022	100,101	102,780	104,448	11,388,271	10,917,891	9,557,574
Insurance contracts included in the healthcare insurance segment (see Note 20)	1,620,428	1,380,531	1,324,080	263,575	263,083	305,850	1,356,853	1,117,448	1,018,230
Insurance contracts included in the general insurance segment (see Note 18)	5,272,410	5,144,363	4,932,217	954,854	917,692	872,849	4,317,556	4,226,671	4,059,368
Total liabilities for non-unit linked insurance contracts and investment contracts	18,381,210	17,545,565	15,918,319	1,318,530	1,283,555	1,283,147	17,062,680	16,262,010	14,635,172

Notes to the Consolidated Financial Statements

NOTE 17 – LIABILITIES FOR UNIT LINKED INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

	December 31								
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	Gross			Reinsurance			On retention		
	NIS thousands								
Life insurance and long-term saving									
Insurance contracts	32,547,025	29,472,397	24,907,656	59,678	58,556	56,957	32,487,347	29,413,841	24,850,699
Investment contracts	2,288,182	1,144,940	462,484	-	-	-	2,288,182	1,144,940	462,484
	34,835,207	30,617,337	25,370,140	59,678	58,556	56,957	34,775,529	30,558,781	25,313,183
Less amounts deposited in the Company as part of a defined benefit plan for Group employees	61,694	61,668	64,335	-	-	-	61,694	61,668	64,335
Total life insurance and long-term savings	34,773,513	30,555,669	25,305,805	59,678	58,556	56,957	34,713,835	30,497,113	25,248,848
Insurance contracts included in the healthcare insurance segment (see Note 20)	376,158	336,839	215,461	20,718	22,298	12,008	355,440	314,541	203,453
Total liabilities for unit linked insurance contracts and investment contracts	35,149,671	30,892,508	25,521,266	80,396	80,854	68,965	35,069,275	30,811,654	25,452,301

In unit linked insurance contracts, insurance benefits that the beneficiary is entitled to receive are dependent on or linked to returns produced by certain investments of the Company, less management fees. These contracts include insurance plans with a bonus-malus for the policyholder, according to the investment results of profit-sharing policies in the Company's investment gains. In non-unit linked contracts, the insurance benefits to which a policyholder is entitled are not dependent on the income or loss from the Company's investments.

The distinction between the unit linked contracts and the non-unit linked contracts is made on the level of the individual coverage, such that there are insurance policies with several coverages, some of which are unit linked and some are non-unit linked.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR

A 1. Liabilities for insurance contracts in the general insurance segment, by category:

	December 31								
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	Gross			Reinsurance			On retention		
	NIS thousands								
Compulsory motor and liabilities branches									
Provision for unearned premium	342,442	312,442	288,364	42,282	34,295	35,993	300,160	278,147	252,371
Excess of income over expenses (aggregate) (*)	205,050	265,042	258,519	194,556	230,626	211,859	10,494	34,416	46,660
Outstanding claims	3,414,427	3,280,286	3,275,924	190,385	167,705	238,821	3,224,042	3,112,581	3,037,103
Total compulsory motor insurance and liabilities branches	3,961,919	3,857,770	3,822,807	427,223	432,626	486,673	3,534,696	3,425,144	3,336,134
Of this, total liability for the compulsory motor branch	2,214,280	2,129,472	2,038,138	43,261	53,245	80,208	2,171,019	2,076,227	1,957,930
Property and other branches									
Provision for unearned premium	609,662	585,837	544,550	139,514	126,141	123,062	470,148	459,696	421,488
Outstanding claims	700,829	700,756	564,860	388,117	358,925	263,114	312,712	341,831	301,746
Total property and other branches (see B2 below)	1,310,491	1,286,593	1,109,410	527,631	485,066	386,176	782,860	801,527	723,234
Total liabilities for insurance contracts in the general insurance sector	5,272,410	5,144,363	4,932,217	954,854	917,692	872,849	4,317,556	4,226,671	4,059,368
Deferred acquisition costs:									
Compulsory motor and liabilities branches	51,251	45,586	42,113	7,468	6,310	6,313	43,783	39,276	35,800
Property and other branches	145,377	140,415	130,493	29,494	26,625	26,184	115,883	113,790	104,309
Total deferred acquisition costs	196,628	186,001	172,606	36,962	32,935	32,497	159,666	153,066	140,109
Liabilities for general insurance contracts net of deferred acquisition costs:									
Compulsory motor and liabilities branches	3,910,668	3,812,184	3,780,694	419,755	426,316	480,360	3,490,913	3,385,868	3,300,334
Property and other branches	1,165,114	1,146,178	978,917	498,137	458,441	359,992	666,977	687,737	618,925
Total liabilities for general insurance contracts net of deferred acquisition costs:	5,075,782	4,958,362	4,759,611	917,892	884,757	840,352	4,157,890	4,073,605	3,919,259

(*) For information about the cancellation of the surplus revenue reserve as from the financial statements as of December 31, 2015, see Note 40 to the financial statements.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR(CONTINUED)

A. 2. Liabilities for insurance contracts in the general insurance segment, by calculation method:

	December 31								
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	Gross			Reinsurance			On retention		
	NIS thousands								
Actuarial estimates									
Total actuarial estimates by Anna Nachum, general insurance actuary	4,072,155	3,931,678	3,785,655	556,414	499,394	470,699	3,515,741	3,432,284	3,314,956
Total actuarial estimates by Dafna Weirauch	27,564	29,157	35,103	9,340	12,581	18,675	18,224	16,576	16,428
Total actuarial estimates	4,099,719	3,960,835	3,820,758	565,754	511,975	489,374	3,533,965	3,448,860	3,331,384
Provisions based on other valuations									
Valuation of the claims department for known outstanding claims	14,286	18,598	18,588	11,606	13,341	11,478	2,680	5,257	7,110
Addition to outstanding IBNR claims	1,251	1,609	1,438	1,142	1,314	1,083	109	295	355
Provision for unearned premium	952,104	898,279	832,914	181,796	160,436	159,055	770,308	737,843	673,859
Excess of income over expenses (aggregate)	205,050	265,042	258,519	194,556	230,626	211,859	10,494	34,416	46,660
Total liabilities for insurance contracts in the general insurance sector	5,272,410	5,144,363	4,932,217	954,854	917,692	872,849	4,317,556	4,226,671	4,059,368

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR(CONTINUED)

B. Change in liabilities for insurance contracts included in the general insurance sector, net of deferred acquisition costs:

1. Compulsory motor and liabilities branches

	Year ended December 31								
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	Gross			Reinsurance			On retention		
	NIS thousands								
Balance as of the beginning of the year	3,812,184	3,780,694	3,666,741	426,316	480,360	557,778	3,385,868	3,300,334	3,108,963
Aggregate cost of claims for the current underwriting year	661,413	610,363	560,230	42,690	29,791	38,816	618,723	580,572	521,414
Change in balances at the beginning of the year as a result of linkage to the CPI and investment gains according to discounting liability assumptions	(3,208)	62,548	45,054	(164)	4,559	4,461	(3,044)	57,989	40,593
Change in aggregate cost of claims for prior underwriting years (5)	(72,170)	(208,627)	(58,395)	11,707(6)	(63,998)	(31,530)	(83,877)	(144,629)	(26,865)
Total change in aggregate cost of claims	586,035	464,284	546,889	54,233	(29,648)	11,747	531,802	493,932	535,142
Payments to settle claims during the year:									
For the current underwriting year	(7,245)	(8,035)	(8,620)	(563)	(218)	(1,231)	(6,682)	(7,817)	(7,389)
For prior underwriting years	(420,314)	(431,282)	(382,983)	(24,162)	(42,945)	(85,629)	(396,152)	(388,337)	(297,354)
Total payments for the period	(427,559)	(439,317)	(391,603)	(24,725)	(43,163)	(86,860)	(402,834)	(396,154)	(304,743)
Aggregate for the current underwriting year	53,853	57,698	47,344	46,598	54,553	39,331	7,255	3,145	8,013
Aggregate carried to profit for the released underwriting year	(130,561)	(113,472)	(136,923)	(102,744)	(90,695)	(83,562)	(27,817)	(22,777)	(53,361)
Aggregate balance of change	16,716	62,297	48,246	20,077	54,909	41,926	(3,361)	7,388	6,320
Aggregate balance of change – total aggregate change in the period	(59,992)	6,523	(41,333)	(36,069)	18,767	(2,305)	(23,923)	(12,244)	(39,028)
Balance as of the end of the year	3,910,668	3,812,184	3,780,694	419,755	426,316	480,360	3,490,913	3,385,868	3,300,334

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

B. Change in liabilities for insurance contracts included in the general insurance sector, net of deferred acquisition costs (continued)

1. Compulsory motor and liabilities branches (continued)

1. Opening and closing balances include outstanding claims with the addition of provision for premium deficiency, unearned premium reserve and net of deferred acquisition costs.

2. The aggregate cost of claims (ultimate) is the balance of the outstanding claims (without accumulation), unearned premium net of deferred acquisition costs with the addition of the total claims payments including direct and indirect expenses to settle claims.

3. The payments include indirect expenses to settle claims (administrative and general recorded in the claims) in relation to the underwriting years.

4. The aggregate cost of claims is adjusted according to the model in view of actual development of the claims.

5. The gross change in the estimated aggregate cost of claims for prior underwriting years in 2014 is mainly due to a decrease in reserves in compulsory motor insurance following the adjusted forecast in the actuarial model for the cost of claims, including the gradual release of the standard deviation. In 2013, most of the decrease is due to the compulsory motor insurance branch, employer obligations, third party and professional liability arising mainly from updates in the actuarial model, and a decrease in the assessment of the claims department. See also Note 18C(1), Note 18E(1) and Note 18E(2).

6. The increase in reinsurance in the estimated aggregate cost of claims for prior underwriting years in 2014 is mainly due to a large claim in product liability, which is fully covered by reinsurance.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

B. Change in liabilities for insurance contracts included in the general insurance branch net of deferred acquisition costs (continued):

2. Property and other branches

	Year ended December 31								
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	Gross			Reinsurance			On retention		
	NIS thousands								
Balance as of the beginning of the year	1,146,178	978,917	899,301	458,441	359,992	338,629	687,737	618,925	560,672
Aggregate cost of claims for events in the reporting year (5)	841,666	988,084	852,503	150,092	267,697	162,527	691,574	720,387	689,976
Change in the aggregate cost of claims for events prior to the reporting year (6)	87,330	(30,155)	2,249	119,498	(14,936)	(848)	(32,168)	(15,219)	3,097
Payments to settle claims during the year:									
For events in the reporting year	(580,231)	(570,987)	(563,801)	(75,419)	(79,332)	(80,042)	(504,812)	(491,655)	(483,759)
For events prior to the reporting year	(348,689)	(251,046)	(218,047)	(164,978)	(77,617)	(58,573)	(183,711)	(173,429)	(159,474)
Total payments	(928,920)	(822,033)	(781,848)	(240,397)	(156,949)	(138,615)	(688,523)	(665,084)	(643,233)
Changes in provisions for net unearned premiums from deferred acquisition costs	18,860	31,365	6,712	10,503	2,637	(1,701)	8,357	28,728	8,413
Balance as of the end of the year	1,165,114	1,146,178	978,917	498,137	458,441	359,992	666,977	687,737	618,925

1. Opening and closing balances include outstanding claims with the addition of provision for premium deficiency, unearned premium reserve and net of deferred acquisition costs.
2. The aggregate cost of claims for events in the reporting year includes the balance of outstanding claims at the end of the reporting year with the addition of total claims payments in the reporting period, including direct and indirect expenses to settle claims.
3. Payments to settle claims during the year include payments for events prior to the reporting year.
4. The payments to settle claims include direct and indirect expenses to settle claims (general and administrative recorded in the claims) attributed to the damage years.
5. The aggregate cost of claims in 2013 for events in the reporting year was also affected by damages caused by the storm in 2013.
6. The increase in the gross aggregate cost of claims for events prior to the reporting year is mainly due to several large claims in property loss and engineering which are fully covered by reinsurance. The decrease in the cost of aggregate claims in retention for events prior to the reporting year is mainly due to vehicle property and business branches in which most of the change in the estimates arises from the retention, and from a reinsurance transaction following the damages caused by the storm in 2013.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

C. 1. Examination of run-off of valuation of gross liabilities for insurance contracts net of deferred acquisition costs, gross, in compulsory motor and liabilities branches (1):

	December 31, 2014 (*)										
	Underwriting year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	NIS thousands adjusted to the CPI of November 2014 (2)										
Claims paid (aggregate) at the end of the year											
After the first year	10,393	11,036	15,051	13,425	12,710	8,995	7,682	8,793	8,119	7,252	
After two years	76,817	78,658	61,868	71,375	62,009	43,857	39,406	47,092	39,081		
After three years	155,137	143,353	120,232	134,586	112,989	98,147	86,183	95,417			
After four years	219,204	204,846	177,685	186,189	164,780	154,304	151,505				
After five years	284,336	259,466	252,120	243,059	208,485	211,711					
After six years	349,497	304,610	287,130	298,827	252,557						
After seven years	421,952	344,256	342,357	333,475							
After eight years	463,343	385,662	381,051								
After nine years	491,562	409,518									
After ten years	516,729										
Estimated aggregate claims (including payments) at end of year:											
After the first year (3)	675,093	577,635	539,112	557,029	642,201	645,708	628,439	618,586	667,500	715,272	
After two years	712,366	621,865	571,694	587,939	670,131	700,180	670,165	643,251	704,157		
After three years	736,065	643,347	610,094	617,334	687,018	735,059	686,523	679,325			
After four years	728,368	595,408	585,423	554,317	551,228	607,983	579,283				
After five years	732,157	594,102	580,925	584,163	565,542	613,419					
After six years	742,537	602,357	585,273	550,416	531,785						
After seven years	706,231	591,262	543,180	529,326							
After eight years	694,577	563,952	530,206								
After nine years	678,378	551,296									
After ten years	649,402										
Excess (deficit) after release of the accrual (4)	78,966	44,112	55,217	24,991	19,443	(5,436)					217,293
Deviation rate after release of the accrual (%) (5)	10.8%	7.4%	9.4%	4.5%	3.5%	(0.9%)					6.0%
Cost of aggregate claims as of December 31, 2014	649,402	551,296	530,206	529,326	531,785	613,419	579,283	679,325	704,157	715,272	6,083,471
Aggregate payments up to December 31, 2014	516,729	409,518	381,051	333,475	252,557	211,711	151,505	95,417	39,081	7,252	2,398,296
Outstanding claims at end of year	132,673	141,778	149,155	195,851	279,228	401,708	427,778	583,908	665,076	708,020	3,685,175
For years up to and including the 2004 underwriting year											225,493
Total liabilities for insurance contracts in compulsory motor insurance and liabilities branches net of deferred acquisition costs as of December 31, 2014											3,910,668

(1) The information below includes the amounts of the accrual (excess of revenues over expenses).

(2) The above amounts are presented in values adjusted to inflation to allow examination of the run-off based on real values.

(3) Estimated aggregate claims at the end of the first year including reserve for unearned premium less deferred acquisition costs

(4) Excess of the estimated aggregate claims in the fourth year (the first after release of the accrual) and the estimated aggregate claims as of the reporting date.

(5) The significance of the actuarial models is higher when assessing the development of the claims for all underwriting years. Accordingly, it is more appropriate to examine the run-off of the valuations at the level of total underwriting years and not per underwriting year.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

C. 2. Examination of run-off of valuation of gross liabilities for insurance contracts net of deferred acquisition costs, on retention, in compulsory motor insurance and liabilities branches (1):

	December 31, 2014										
	Underwriting year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	NIS thousands adjusted to the CPI of November 2014 (2)										
Claims paid (aggregate) at the end of the year											
After the first year	10,393	10,898	14,468	12,892	12,242	8,729	6,801	7,537	7,902	6,690	
After two years	76,016	76,869	60,601	69,446	56,588	42,468	35,114	38,578	35,783		
After three years	153,881	140,931	118,642	132,541	106,204	95,785	79,460	85,011			
After four years	216,230	201,815	176,016	183,994	154,726	147,673	140,625				
After five years	277,430	256,099	231,091	236,283	198,160	204,035					
After six years	334,255	301,082	265,607	281,049	241,194						
After seven years	382,338	335,139	319,901	314,236							
After eight years	393,127	376,522	356,558								
After nine years	418,864	398,865									
After ten years	441,805										
Estimated aggregate claims (including payments) at end of year:											
After the first year (3)	557,807	494,702	471,239	495,126	539,664	545,946	533,166	539,023	583,239	625,987	
After two years	586,827	526,152	485,039	507,774	549,353	550,995	547,020	549,588	603,292		
After three years	610,436	551,555	525,928	538,980	568,401	581,799	563,902	567,792			
After four years	646,054	574,983	532,729	536,160	529,937	553,958	557,602				
After five years	642,582	577,787	535,210	561,789	540,227	550,430					
After six years	642,314	578,932	542,414	528,053	513,288						
After seven years	608,033	568,414	515,158	506,284							
After eight years	595,626	542,530	501,032								
After nine years	583,136	534,015									
After ten years	555,144										
Excess (deficit) after release of the accrual (4)	90,910	40,968	31,697	29,876	16,648	3,528					213,628
Deviation rate after release of the accrual (5)	14.1%	7.1%	6.0%	5.6%	3.1%	0.6%					6.3%
Cost of aggregate claims as of December 31, 2014	555,144	534,015	501,032	506,284	513,288	550,430	557,602	567,792	603,292	625,987	5,514,866
Aggregate payments up to December 31, 2014	441,805	398,865	356,558	314,236	241,194	204,035	140,625	85,011	35,783	6,690	2,224,802
Outstanding claims at end of year	113,339	135,150	144,474	192,048	272,094	346,395	416,977	482,781	567,509	619,297	3,290,064
For years up to and including the 2004 underwriting year											200,849
Total liability for insurance contracts in compulsory motor insurance and liabilities branches net of deferred acquisition costs.											3,490,913

(1) The information below includes the amounts of the accrual (excess of revenues over expenses).

(2) The above amounts are presented in values adjusted to inflation to allow examination of the run-off based on real values.

(3) Estimated aggregate claims at the end of the first year including reserve for unearned premium less deferred acquisition costs

(4) Excess of the estimated aggregate claims in the fourth year (the first after release of the accrual) and the estimated aggregate claims a at the reporting date.

(5) The significance of the actuarial models is higher when assessing the development of the claims for all underwriting years. Accordingly, it is more appropriate to examine the run-off of the valuations at the level of total underwriting years and not per underwriting year.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

C. 3. Examination of run-off of valuation of gross liabilities for insurance contracts net of deferred acquisition costs, gross, in the compulsory motor branch (1)

	December 31, 2014										
	Underwriting year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	NIS thousands adjusted to the CPI of November 2014 (2)										
Claims paid (aggregate) at the end of the year											
After the first year	8,466	8,580	9,443	7,969	8,349	5,959	3,899	4,284	4,831	4,248	
After two years	60,799	60,674	44,412	51,422	36,962	28,368	21,024	21,029	21,224		
After three years	122,867	106,970	85,068	91,572	70,439	63,875	49,322	50,754			
After four years	170,575	150,881	121,479	124,892	99,737	97,683	83,884				
After five years	220,387	185,988	155,436	153,005	120,337	131,196					
After six years	265,613	208,380	171,731	193,759	145,012						
After seven years	321,854	230,616	211,443	215,900							
After eight years	351,221	256,791	233,463								
After nine years	366,998	267,916									
After ten years	382,581										
Estimated aggregate claims (including payments) at end of year:											
After the first year (3)	439,497	335,142	298,865	327,474	351,174	366,158	347,074	346,065	383,542	411,482	
After two years	456,144	354,651	314,409	336,148	359,509	374,354	350,144	353,793	393,223		
After three years	468,652	359,108	328,940	343,456	367,449	383,155	358,818	365,142			
After four years	500,046	354,845	325,688	329,811	312,446	350,881	334,918				
After five years	506,438	349,945	318,325	334,091	313,470	352,371					
After six years	512,476	350,331	324,923	329,709	293,751						
After seven years	496,768	347,864	318,421	318,734							
After eight years	482,350	338,621	309,918								
After nine years	479,886	335,877									
After ten years	466,008										
Excess (deficit) after release of the accrual (4)	34,038	18,968	15,770	11,077	18,695	(1,490)					97,058
Deviation rate after release of the accrual (%) (5)	6.8%	5.3%	4.8%	3.4%	6.0%	(0.4%)					4.5%
Cost of aggregate claims as of December 31, 2014	466,008	335,877	309,918	318,734	293,751	352,371	334,918	365,142	393,223	411,482	3,581,424
Aggregate payments up to December 31, 2014	382,581	267,916	233,463	215,900	145,012	131,196	83,884	50,754	21,224	4,248	1,536,178
Outstanding claims at end of year	83,427	67,961	76,455	102,834	148,739	221,175	251,034	314,388	371,999	407,234	2,045,246
For years up to and including the 2004 underwriting year											148,124
Total liabilities for insurance contracts in compulsory motor insurance and liabilities branches less deferred acquisition costs as of December 31, 2014											2,193,370

(1) The information below includes the amounts of the accrual (excess of revenues over expenses).

(2) The above amounts are presented in values adjusted to inflation to allow the examination of the run-off based on real values.

(3) Estimated aggregate claims at the end of the first year including reserve for unearned premium less deferred acquisition costs

(4) Excess of the estimated aggregate claims in the fourth year (the first after release of the accrual) and the estimated aggregate claims as of the reporting date.

(5) The significance of the actuarial models is higher when assessing the development of the claims for all underwriting years. Accordingly, it is more appropriate to examine the run-off of the valuations at the level of total underwriting years and not per underwriting year.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

C. 4. Examination of run-off of valuation of liabilities for insurance contracts net of deferred acquisition costs, on retention, in the compulsory motor branch (1)

	December 31, 2014										
	Underwriting year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	NIS thousands adjusted to the CPI of November 2014 (2)										
Claims paid (aggregate) at the end of the year											
After the first year	8,466	8,580	9,443	7,969	8,349	5,959	3,899	4,284	4,831	4,248	
After two years	60,799	60,674	44,412	51,422	36,962	28,368	21,024	21,029	21,224		
After three years	122,867	106,970	85,068	91,572	70,439	63,875	49,322	50,754			
After four years	169,367	150,881	121,479	124,892	99,737	97,683	83,884				
After five years	214,888	185,988	155,436	153,005	120,337	131,196					
After six years	254,138	208,380	171,731	182,732	145,012						
After seven years	287,414	229,377	211,443	203,410							
After eight years	286,691	255,552	233,463								
After nine years	300,071	266,678									
After ten years	314,814										
Estimated aggregate claims (including payments) at end of year:											
After the first year (3)	376,647	320,567	290,313	319,321	340,965	355,499	338,320	336,704	377,030	404,897	
After two years	391,388	335,928	302,162	322,921	344,416	358,786	336,385	342,553	384,371		
After three years	402,138	341,204	317,152	330,637	352,740	367,818	345,324	353,893			
After four years	433,147	348,943	323,724	317,635	312,446	350,881	334,918				
After five years	427,830	346,386	316,546	320,732	313,470	352,371					
After six years	430,071	347,078	324,492	316,348	293,751						
After seven years	415,341	344,771	318,421	305,035							
After eight years	401,617	336,328	309,918								
After nine years	401,612	333,485									
After ten years	388,973										
Excess (deficit) after release of the accrual (4)	44,174	15,458	13,806	12,600	18,695	(1,490)					103,243
Deviation rate after release of the accrual (%) (5)	10.2%	4.4%	4.3%	4.0%	6.0%	(0.4%)					4.9%
Cost of aggregate claims as of December 31, 2014	388,973	333,485	309,918	305,035	293,751	352,371	334,918	353,893	384,371	404,897	3,461,612
Aggregate payments up to December 31, 2014	314,814	266,678	233,463	203,410	145,012	131,196	83,884	50,754	21,224	4,248	1,454,683
Outstanding claims at end of year	74,159	66,807	76,455	101,625	148,739	221,175	251,034	303,139	363,147	400,649	2,006,929
For years up to and including the 2004 underwriting year											143,180
Total liabilities for insurance contracts in compulsory motor insurance and liabilities branches less deferred acquisition costs as of December 31, 2014											2,150,109

(1) The information below includes the amounts of the accrual (excess of revenues over expenses).

(2) The above amounts are presented in values adjusted to inflation to allow examination of the run-off based on real values.

(3) Estimated aggregate claims at the end of the first year including reserve for unearned premium less deferred acquisition costs

(4) Excess of the estimated aggregate claims in the fourth year (the first after release of the accrual) and the estimated aggregate claims as of the reporting date.

(5) The significance of the actuarial models is higher when assessing the development of the claims for all underwriting years. Accordingly, it is more appropriate to examine the run-off of the valuations at the level of total underwriting years and not per underwriting year.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

D. 1. Cumulative information on underwriting years in compulsory motor insurance:

	Underwriting year						
	2014	2013	2012	2011	2010	2009	2008
	(NIS thousands)						
Gross premiums (1)	451,710	423,645	384,370	373,472	388,377	358,974	321,537
Aggregate comprehensive income (loss) in retention for the underwriting year (2), (3)	(23,071)	(15,115)	748	25,657	42,834	91,310	57,492
Excess of income over expenses in retention	-	-	-				
Aggregate effect of income from investments on aggregate comprehensive income in retention for the underwriting year (3)	3,021	15,123	33,076	52,198	72,303	81,886	83,511

1. The increase in premiums over the period is mainly due to an increase in the Company's sales alongside a decrease in prices.
2. For the 2009 underwriting year, a one-time gain was recorded, due to the transfer of insurance liability for medical expenses to health funds.
3. The decrease in investment income over the underwriting years is mainly due to the fact that investment income has not yet accumulated in the reporting year and in the relevant underwriting years.
4. For information about the cancellation of the surplus revenue reserve as from the financial statements as of December 31, 2015, see Note 40 to the financial statements.

D 2. Cumulative information on underwriting years in the other insurance liability branch:

	Underwriting year						
	2014	2013	2012	2011	2010	2009	2008
	(NIS thousands)						
Gross premiums	352,887	357,151	334,402	364,096	340,265	332,233	260,119
Aggregate comprehensive income (loss) in retention for the underwriting year (1)	(15,299)	(24,516)	(17,194)	(14,457)	6,457	(4,903)	(2,567)
Excess of income over expenses in retention	7,255	2,184	1,054				
Aggregate effect of income from investments on aggregate comprehensive income in retention for the underwriting year (2)	1,628	8,149	19,135	31,170	40,688	52,026	56,854

1. The aggregate comprehensive income (loss) in retention for the underwriting year, net of investment income on the same underwriting year, indicates an improvement in the Company's underwriting results in recent years, mainly due to the Company's steps to improve underwriting efficiency.
2. The decrease in investment income over the underwriting years is mainly due to the fact that investment income has not yet accumulated in the reporting year and in the relevant underwriting years.
3. For information about the cancellation of the surplus revenue reserve as from the financial statements as of December 31, 2015, see Note 40 to the financial statements.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

E. 1. Composition of comprehensive income (loss) in retention in compulsory motor insurance:

	Comprehensive income (loss) for open years (1)	Comprehensive income for the underwriting year released in the reporting year (2)	Adjustments for underwriting years released in previous years (3)	Activity not included in calculation of reserves (4)	Total comprehensive income
Year ended					
December 31, 2014	(31,009)	19,723	108,311	2,530	99,555
December 31, 2013	(9,815)	33,155	103,282	14,497	141,119
December 31, 2012	25,262	51,760	88,762	(15,494)	150,290

(1) The deterioration in results for the open years describe above is mainly due to a decrease in comprehensive income recognized for these years, and an increase in the losses of the Pool.

(2) The underwriting years that were released in the 2014, 2013, and 2012 reporting years are 2011, 2010, and 2009, respectively. The decrease in profits in 2014 compared to 2013 is mainly due to a decrease in investment income. In 2012, the profit was affected by one-time margin due to the transfer of insurance liability for medical expenses to health funds.

(3) Adjustments for underwriting years released in prior years in 2014 and 2013 differ from those of 2012, particularly since 2012 was significantly affected by a decrease in the rate of risk-free interest, which resulted in an increase in insurance liabilities. In 2014 and 2013, the change in insurance liabilities due to changes in the rate of risk free interest had a lower effect. The amount released in 2014 is not significantly different than the amount released in 2013, due to the decrease in investment income in 2014, and the improvement in actuarial forecasts.

(4) An activity not included in the calculation of reserves, is mainly the difference between the imputed real yield of investment income for the open years at a rate of 3% and the actual income from investments in those years. This section also includes expenses that cannot be attributed to the accrual.

E. 2. Composition of comprehensive income (loss) in retention in the other insurance liabilities branch

	Comprehensive loss for open years (1)	Comprehensive income for the underwriting year released in the reporting year (2)	Adjustments for underwriting years released in previous years (3)	Activity not included in calculation of reserves (5)	Total comprehensive income
Year ended					
December 31, 2014	(31,478)	1,875	93,574	2,481	66,452
December 31, 2013	(18,870)	21,240	152,585 (4)	10,927	165,882
December 31, 2012	(30,826)	6,066	69,768	(2,274)	42,734

(1) The losses recorded in the open years are mainly for employer liability and third party branches.

(2) The underwriting years that were released in the 2014, 2013, and 2012 reporting years are 2011, 2010, and 2009, respectively. Income in 2013 is mainly in the professional liability branch.

(3) The decrease in comprehensive income for the underwriting years released in previous years in 2014 compared to 2013 is mainly due to a decrease in investment income. In addition, in 2013, income was affected by adjusted estimates for insurance liabilities, mainly in employer, third party and professional liability branches (see section 4 below). 2012 was significantly affected by a decrease in the risk-free interest rates, resulting in an increase in insurance liabilities. In 2014 and 2013, the effect of the change in insurance liabilities due to changes in the rate of risk free interest is lower.

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

E. 2. Composition of comprehensive income (loss) in retention in the other insurance liabilities branch(continued)

(4) In the context of reported income in 2013 (and the financial statements for 2013), it is noted that the profit in liability branches in 2013 for underwriting years released in previous years, is based on higher investment income in that year, and an adjustment of estimates in employer, third party and professional liability branches.

As a result of the improved future cash flow forecast in these branches, compared to expectations in the past, there was a decrease of NIS 12 million in insurance liabilities (net of tax). The improvement is partially due to underwriting decisions made by The Phoenix Insurance in previous years, including the elimination of non-profitable businesses, raising premiums, and increasing deductibles. There was also a business and managerial change in the claims system at The Phoenix as from 2012. These processes gradually led to an improvement in underwriting results, a decrease in expected future payments of claims, and as a result, a change in the claims array in liability branches.

A total of NIS 17 million (net of tax) is due to an adjustment in the actuarial valuation of large claims in the claims department.

It is further noted that in 2013, the provision for large claims in the third party branch was adjusted, due to the increase in the quantitative threshold for defining a claim as a large claim, and as a result, a decrease of NIS 10 million (net of tax) in actuarial liabilities was recorded. The change in the quantitative threshold is due to the fact that in prior years, statistics in this branch are not adequately significant, and there was concern that the actuarial valuation does not predict large claims with sufficient reliability. Moreover, this is a long-term branch, and the large claims in particular continue for many years. This concern grew following the Group's 2004 merger between The Phoenix Insurance and other insurance companies in the Group (Hadar, Dolev), which resulted in a significant change in the Company's portfolio in terms of size and business mix, since there were insufficient years of maturity on the Group level. Over the years, the claims matured and confidence in the model for the large claims increased. In addition, over the years, the number of large claims and their weight compared to the total portfolio increased, and it can be observed that the basic model has higher prediction reliability.

There was also a decrease of NIS12 million (net of tax) due to the decrease in the estimate of the claims department in those underwriting years, when the estimate of the claims department exceeded the actuarial valuation

As aforesaid, the difference between these amounts and the amount in the table is mainly due to investment income.

The above disclosure is provided at the request of the Capital Market Division and the Israel Securities Authority.

(5) An activity not included in the calculation of reserves, is mainly the difference between the imputed real yield of investment income for the open years at a rate of 3% and the actual income from investments in those years. This section also includes expenses that cannot be attributed to the accrual.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

F. 1. Assessment of the run-off of the valuation of outstanding claims in property and other branches, gross:

	December 31, 2014								
	2007	2008	2009	2010	2011	2012	2013	2014	Total
	NIS thousands adjusted to the CPI of November 2014 (*)								
Claims paid (aggregate) at year ended:									
After the first year	560,680	535,167	527,003	540,500	619,677	575,097	577,205	580,800	
After two years	753,888	699,041	683,459	734,246	806,893	770,928	866,031		
After three years	781,588	721,148	697,180	749,276	826,815	802,807			
After four years	791,418	734,494	705,370	774,870	835,447				
After five years	798,452	738,473	708,825	779,031					
After six years	799,227	740,884	716,174						
After seven years	802,173	742,189							
After eight years	804,214								
Aggregate claims (including payments)									
After the first year	833,641	779,503	766,569	806,931	875,837	869,022	993,896	842,235	
After two years	831,328	768,269	745,969	823,058	884,945	855,797	1,033,765		
After three years	828,278	763,097	747,178	829,735	874,340	901,067			
After four years	820,027	762,965	742,998	822,719	872,921				
After five years	817,701	764,155	742,663	822,811					
After six years	815,210	765,846	744,724						
After seven years	814,193	764,671							
After eight years	817,940								
Estimated aggregate costs as of December 31, 2014	817,940	764,671	744,724	822,811	872,921	901,067	1,033,765	842,235	6,800,134
Aggregate payments up to December 31, 2014	804,214	742,189	716,174	779,031	835,447	802,807	866,031	580,800	6,126,693
Balance of outstanding claims	13,726	22,482	28,550	43,780	37,474	98,260	167,734	261,435	673,441
Outstanding claims for the years up to and including 2006									27,388
Total outstanding claims in the branch as of December 31, 2014									700,829

(*) The above amounts are presented in values adjusted to inflation to allow assessment of the run-off based on real values.

Notes to the Consolidated Financial Statements

NOTE 18 – LIABILITIES FOR INSURANCE CONTRACTS IN THE GENERAL INSURANCE SECTOR (CONTINUED)

F. 2. Assessment of the run-off of the valuation of outstanding claims in property and other branches in retention:

	December 31, 2014								
	2007	2008	2009	2010	2011	2012	2013	2014	Total
	NIS thousands adjusted to the CPI of November 2014 (*)								
Claims paid (aggregate) at year ended:									
After the first year	472,054	434,290	423,247	445,424	465,919	493,447	497,008	505,308	
After two years	596,975	546,268	531,910	573,042	611,535	645,631	649,854		
After three years	612,107	558,653	541,089	582,082	623,885	663,563			
After four years	617,323	564,273	546,146	585,824	631,012				
After five years	619,505	566,672	547,320	588,896					
After six years	619,694	567,763	548,728						
After seven years	620,833	568,742							
After eight years	621,672								
Aggregate claims (including payments)									
After the first year	635,132	588,662	566,880	589,504	644,716	703,398	725,517	692,070	
After two years	639,571	583,134	562,267	601,229	650,595	688,629	705,912		
After three years	636,610	577,495	562,756	611,008	646,856	678,402			
After four years	627,366	573,590	554,039	609,237	645,531				
After five years	625,021	575,510	553,355	609,754					
After six years	623,669	574,904	553,298						
After seven years	623,986	574,723							
After eight years	624,711								
Estimated aggregate costs as of December 31, 2014	624,711	574,723	553,298	609,754	645,531	678,402	705,912	692,070	5,084,401
Aggregate payments up to December 31, 2014	621,672	568,742	548,728	588,896	631,012	663,563	649,854	505,308	4,777,775
Balance of outstanding claims	3,039	5,981	4,570	20,858	14,519	14,839	56,058	186,762	306,626
Outstanding claims for the years up to and including 2006									6,086
Total outstanding claims in the branch as of December 31, 2014									312,712

(*) The above amounts are presented in values adjusted to inflation to allow assessment of the run-off based on real values.

Notes to the Consolidated Financial Statements

NOTE 19 – ADDITIONAL INFORMATION ABOUT THE LIFE INSURANCE AND LONG-TERM SAVINGS SECTOR

A. Liabilities for insurance contracts and investment contracts by exposure

December 31, 2014

	Policies that include a savings component (including riders) by policy issue date				Policy without a saving component		
			From 2004		Risk sold as a single policy		
	Up to 1990(*)	Up to 2003	Non-unit linked	Unit linked	Individual	Collective	Total
	NIS thousands						
1. According to insurance exposure							
Liabilities for insurance contracts							
Annuity without guaranteed coefficients	223,045	21,329	-	147,295	-	-	391,669
Annuity with guaranteed coefficients							
Up to May 2001	4,905,819	14,078,875	-	-	-	-	18,984,694
As from June 2001	-	1,988,328	1,380	8,397,280	-	-	10,386,988
Annuity in payment	882,600	526,488	-	79,923	17,074	-	1,506,085
Lump sum (without annuity option)	3,634,054	4,937,552	387	1,803,047	-	-	10,375,040
Other risk components	123,390	580,745	-	218,449	585,541	81,731	1,589,856
Total for insurance contracts	9,768,908	22,133,317	1,767	10,645,994	602,615	81,731	43,234,332
Liabilities for investment contracts	-	-	952	2,288,182	-	-	2,289,134
Total	9,768,908	22,133,317	2,719	12,934,176	602,615	81,731	45,523,466
Liabilities for consolidated management companies of provident funds							819,000
Total							46,342,466
2. According to financial exposure							
Unit linked	84,739	21,811,802	-	12,766,513	161,893	10,260	34,835,207
Non-unit linked	9,684,169	321,515	2,719	167,663	440,722	71,471	10,688,259
Total	9,768,908	22,133,317	2,719	12,934,176	602,615	81,731	45,523,466
Yield-guaranteed liabilities for consolidated provident fund management companies							819,000
Total							46,342,466

(*) The products issued up to 1990 (including the growth in respect thereof) were designed mainly to guarantee yield, and they are backed mainly by designated debentures.

Notes to the Consolidated Financial Statements

NOTE 19 – ADDITIONAL INFORMATION ABOUT THE LIFE INSURANCE AND LONG-TERM SAVINGS SECTOR (CONTINUED)

A. Liabilities for insurance contracts and investment contracts by exposure (continued)

December 31, 2013

	Policies that include a savings component (including riders) by policy issue date				Policy without a saving component		
			From 2004		Risk sold as a single policy		
	Up to 1990(*)	Up to 2003	Non-unit linked	Unit linked	Individual	Collective	Total
	NIS thousands						
1. According to insurance exposure							
Liabilities for insurance contracts							
Annuity without guaranteed coefficients	237,227	19,763	-	34,762	-	-	291,752
Annuity with guaranteed coefficients							
Up to May 2001	4,624,548	13,116,996	-	-	-	-	17,741,544
As from June 2001	-	1,766,012	1,348	6,728,455	-	-	8,495,815
Annuity in payment	723,588	390,740	-	54,724	17,963	-	1,187,015
Lump sum (without annuity option)	3,655,694	4,914,027	376	1,868,761	-	-	10,438,858
Other risk components	136,206	594,606	-	196,714	537,691	86,859	1,552,076
Total for insurance contracts	9,377,263	20,802,144	1,724	8,883,416	555,654	86,859	39,707,060
Liabilities for investment contracts	-	-	6,884	1,144,940	-	-	1,151,824
Total	9,377,263	20,802,144	8,608	10,028,356	555,654	86,859	40,858,884
Liabilities for consolidated management companies of provident funds							798,000
Total							41,656,884
2. According to financial exposure							
Unit linked	79,070	20,496,896	-	9,876,957	150,956	13,458	30,617,337
Non-unit linked	9,298,193	305,248	8,608	151,399	404,698	73,401	10,241,547
Total	9,377,263	20,802,144	8,608	10,028,356	555,654	86,859	40,858,884
Yield-guaranteed liabilities for consolidated provident fund management companies							798,000
Total							41,656,884

(*) The products issued up to 1990 (including the growth in respect thereof) were designed mainly to guarantee yield, and they are backed mainly by designated debentures.

Notes to the Consolidated Financial Statements

NOTE 19 – ADDITIONAL INFORMATION ABOUT THE LIFE INSURANCE AND LONG-TERM SAVINGS SECTOR (CONTINUED)

A. Liabilities for insurance contracts and investment contracts by exposure (continued)

December 31, 2012

	Policies that include a savings component (including riders) by policy issue date				Policy without a saving component		
			From 2004		Risk sold as a single policy		
	Up to 1990(*)	Up to 2003	Non-unit linked	Unit linked	Individual	Collective	Total
	NIS thousands						
1. According to insurance exposure							
Liabilities for insurance contracts							
Annuity without guaranteed coefficients	202,851	17,050	-	-	-	-	219,901
Annuity with guaranteed coefficients							
Up to May 2001	4,521,202	11,341,648	-	-	-	-	15,862,850
As from June 2001	-	1,442,459	2,142	4,883,936	-	-	6,328,537
Annuity in payment	574,608	260,177	-	33,127	17,714	-	885,626
Lump sum (without annuity option)	3,438,142	4,586,028	664	1,816,273	-	-	9,841,107
Other risk components	150,111	565,444	-	167,581	479,722	81,489	1,444,347
Total for insurance contracts	8,886,914	18,212,806	2,806	6,900,917	497,436	81,489	34,582,368
Liabilities for investment contracts	-	-	7,002	462,484	-	-	469,486
Total	8,886,914	18,212,806	9,808	7,363,401	497,436	81,489	35,051,854
2. According to financial exposure							
Unit linked	71,990	17,926,590	-	7,228,935	133,593	9,032	25,370,140
Non-unit linked	8,814,924	286,216	9,808	134,466	363,843	72,457	9,681,714
Total	8,886,914	18,212,806	9,808	7,363,401	497,436	81,489	35,051,854

(*) The products issued up to 1990 (including the growth in respect thereof) were designed mainly to guarantee yield, and they are backed mainly by designated debentures.

Notes to the Consolidated Financial Statements

NOTE 19 – ADDITIONAL INFORMATION ABOUT THE LIFE INSURANCE AND LONG-TERM SAVINGS SECTOR (CONTINUED)

B. Expenses by type of policy

Information for the year ended December 31, 2014:

	Policies that include a savings component (including riders) by policy issue date				Policy without a saving component		
			From 2004		Risk sold as a single policy		
	Up to 1990 [1]	Up to 2003	Non-unit linked	Unit linked	Individual	Collective	Total
	NIS thousands						
Gross premiums:							
Traditional/endowment	65,193	34,359	-	-	-	-	99,552
Saving factor	68,313	954,197	-	1,902,630	-	-	2,925,140
Other	17,432	203,245	-	127,574	407,432	86,776	842,459
Total	150,938 [2]	1,191,801	-	2,030,204	407,432	86,776	3,867,151
Premiums for investment contracts credited directly to insurance reserves	-	-	-	1,174,978	-	-	1,174,978
Financial margin including management fees	158,460 [3]	267,527	47	119,742	1,467	-	547,243
Payments and change in liabilities for insurance contracts, gross	676,354	2,212,938	3	2,476,034	182,680	65,304	5,613,313
Payments and change in liabilities for investment contracts	-	-	235	147,540	-	-	147,775
Profit (loss) from life insurance operations	(32,614)	153,735	47	(126,320)	68,166	13,468	76,482
Other comprehensive loss from life insurance business	(3,689)	(570)	-	(286)	(449)	(357)	(5,351)
Comprehensive income (loss) from life insurance operations	(36,303)	153,165	47	(126,606)	67,717	13,111	71,131
Profit from pension and provident funds							27,425
Total profit from life insurance and long-term savings							98,556
Annualized premium for insurance contracts – new business	29	1,070	-	92,630	80,256	-	173,985
One-time premium for insurance contracts	-	3,747	-	578,554	-	-	582,301
Annualized premium for investment contracts – new business	-	-	-	99,373	-	-	99,373
One-time premium for investment contracts	-	-	-	1,050,761	-	-	1,050,761
Transfers to the Company for insurance contracts and investment contracts	-	-	-	181,646	-	-	181,646
Transfers from the Company for insurance contracts and investment contracts	4,319	43,972	-	122,655	-	-	170,946

1. The products issued up to 1990 (including the growth in respect thereof) were designed mainly to guarantee yield, and they are backed mainly by designated debentures.
2. The increase in existing policies is not included in the annualized premium for new business, but in the operational expenses of the original policy.
3. The financial margin does not include the Company's further income collected as a percentage of the premium and it is calculated according to deduction of expenses for investment management. The financial margin in policies with guaranteed yield is based on the actual investment income during the reporting period net of the product of the guaranteed yield rate during the year, multiplied by the average reserve for the year in the various insurance funds. In this matter, investment income includes the change in fair value of available for sale financial assets recognized in the statement of comprehensive income. In unit linked contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the average yield and balance of the insurance reserves.

Notes to the Consolidated Financial Statements

NOTE 19 – ADDITIONAL INFORMATION ABOUT THE LIFE INSURANCE AND LONG-TERM SAVINGS SECTOR (CONTINUED)

B. Expenses by type of policy (continued)

Information for the year ended December 31, 2013:

	Policies that include a savings component (including riders) by policy issue date				Policy without a saving component		
			From 2004		Risk sold as a single policy		
	Up to 1990 [1]	Up to 2003	Non-unit linked	Unit linked	Individual	Collective	Total
	NIS thousands						
Gross premiums:							
Traditional/endowment	73,050	38,288	-	-	-	-	111,338
Saving factor	65,130	941,664	-	1,938,244	-	-	2,945,038
Other	19,060	212,087	-	122,504	359,677	91,041	804,369
Total	157,240 [2]	1,192,039	-	2,060,748	359,677	91,041	3,860,745
Premiums for investment contracts credited directly to insurance reserves	-	-	-	749,376	-	-	749,376
Financial margin including management fees	124,165 [3]	108,884	63	78,059	8,291	1,647	321,109
Payments and change in liabilities for insurance contracts, gross	748,675	3,488,797	190	2,581,923	171,488	82,629	7,073,702
Payments and change in liabilities for investment contracts	-	-	439	38,666	-	-	39,105
Profit (loss) from life insurance operations	95,339	286,613	88	(89,501)	77,198	4,648	374,385
Other comprehensive loss from life insurance business	(4,066)	(559)	-	(126)	(385)	(93)	(5,229)
Comprehensive income (loss) from life insurance operations	91,273	286,054	88	(89,627)	76,813	4,555	369,156
Loss from pension and provident funds							(2,253)
Total profit from life insurance and long-term savings							366,903
Annualized premium for insurance contracts – new business	25	1,375	-	140,335	77,169	-	218,904
One-time premium for insurance contracts	-	3,337	-	656,933	-	-	660,270
Annualized premium for investment contracts – new business	-	-	-	59,182	-	-	59,182
One-time premium for investment contracts	-	-	-	723,604	-	-	723,604
Transfers to the Company for insurance contracts and investment contracts	-	-	-	144,519	-	-	144,519
Transfers from the Company for insurance contracts and investment contracts	-	40,592	-	132,677	-	-	173,269

1. The products issued up to 1990 (including the growth in respect thereof) were designed mainly to guarantee yield, and they are backed mainly by designated debentures.
2. The increase in existing policies is not included in the annualized premium for new business, but in the operational expenses of the original policy.
3. The financial margin does not include the Company's further income collected as a percentage of the premium and it is calculated according to deduction of expenses for investment management. The financial margin in policies with guaranteed yield is based on the actual investment income during the reporting period net of the product of the guaranteed yield rate during the year, multiplied by the average reserve for the year in the various insurance funds. In this regard, investment income includes the fair value change of available for sale financial assets recognized in the statement of income. In unit linked contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the average yield and balance of the insurance reserves.

Notes to the Consolidated Financial Statements

NOTE 19 – ADDITIONAL INFORMATION ABOUT THE LIFE INSURANCE AND LONG-TERM SAVINGS SECTOR (CONTINUED)

B. Expenses by type of policy (continued)

Information for the year ended December 31, 2012:

	Policies that include a savings component (including riders) by policy issue date				Policy without a saving component		
			From 2004		Risk sold as a single policy		
	Up to 1990 [1]	Up to 2003	Non-unit linked	Unit linked	Individual	Collective	Total
	NIS thousands						
Gross premiums:							
Traditional/endowment	82,919	43,724	-	-	-	-	126,643
Saving factor	76,152	933,855	-	1,853,093	-	-	2,863,100
Other	21,717	223,829	-	111,347	309,721	96,601	763,215
Total	180,788 [2]	1,201,408	-	1,964,440	309,721	96,601	3,752,958
Premiums for investment contracts credited directly to insurance reserves	-	-	-	116,199	-	-	116,199
Financial margin including management fees	77,648 [3]	99,478	146	59,197	566	(11)	237,024
Payments and change in liabilities for insurance contracts, gross	782,202	2,855,341	272	2,333,303	150,462	77,558	6,199,138
Payments and change in liabilities for investment contracts in retention	-	-	421	35,906	-	-	36,327
Profit (loss) from life insurance operations	(21,115)	29,378	63	(78,658)	68,761	10,259	8,688
Other comprehensive income from life insurance operations	56,693	6,658	-	3,044	7,678	1,647	75,720
Comprehensive income (loss) from life insurance operations	35,578	36,036	63	(75,614)	76,439	11,906	84,408
Profit from pension and annuity							56,432
Total profit (loss) from life insurance and long-term savings							140,840
Annualized premium for insurance contracts – new business	77	1,430	-	397,113	62,840	-	461,460
One-time premium for insurance contracts	-	3,919	-	697,926	-	-	701,845
Annualized premium for investment contracts – new business	-	-	-	7,564	-	-	7,564
One-time premium for investment contracts	-	-	-	116,199	-	-	116,199
Transfers to the Company for insurance contracts and investment contracts	-	-	-	159,429	-	-	159,429
Transfers from the Company for insurance contracts and investment contracts	3,231	59,163	-	121,483	-	-	183,877

1. The products issued up to 1990 (including the growth in respect thereof) were designed mainly to guarantee yield, and they are backed mainly by designated debentures.
2. The increase in existing policies is not included in the annualized premium for new business, but in the operational expenses of the original policy.
3. The financial margin does not include the Company's further income collected as a percentage of the premium and it is calculated according to deduction of expenses for investment management. The financial margin in policies with guaranteed yield is based on the actual investment income during the reporting period net of the product of the guaranteed yield rate during the year, multiplied by the average reserve for the year in the various insurance funds. In this matter, investment income includes the change in fair value of available for sale financial assets recognized in the statement of comprehensive income. In unit linked contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the average yield and balance of the insurance reserves.

Notes to the Consolidated Financial Statements

NOTE 19 – ADDITIONAL INFORMATION ABOUT THE LIFE INSURANCE AND LONG-TERM SAVINGS SECTOR (CONTINUED)

C. Information about yields and management fees for unit linked liabilities

	Gross nominal annual yield					Annual average nominal yields for 5 years		Management fees for the year ended December 31, 2014
	2014	2013	2012	2011	2010	Before management fees	After management fees	
	%							NIS thousands
Fund J	5.10	13.21	11.30	(6.95)	12.23	6.70	5.68	272,873
General track in policies as from 2004	4.82	12.17	10.52	(5.20)	10.81	6.42	5.07	58,236
Other								58,188
Total								389,297

For information about management fees, see also Note 29.

D. Information about money transfers

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Transfers to the Company			
Transfers from other insurance companies	151,634	88,350	79,203
Transfers from pension funds	11,629	32,637	29,571
Transfers from provident funds	18,383	23,532	50,655
Total transfers to the Company	181,646	144,519	159,429
Transfers from the Company to other entities			
Transfers to other insurance companies	56,674	95,684	97,212
Transfers to pension funds	64,068	45,944	49,931
Transfers to provident funds	50,204	31,641	36,734
Total transfers from the Company	170,946	173,269	183,877
Transfers, net	10,700	(28,750)	(24,448)

Notes to the Consolidated Financial Statements

NOTE 20 - INSURANCE LIABILITIES INCLUDED IN HEALTHCARE INSURANCE

A. 1. Insurance liabilities

	December 31, 2014				
	Long-term care		Other [4]		
	Individual	Collective	Long term	Short term	Total
	NIS thousands				
Insurance liabilities by financial exposure:					
Unit linked	283,481	92,677	-	-	376,158
Other	463,544	430,443	700,775	25,666	1,620,428
Total insurance liabilities	747,025	523,120	700,775	25,666	1,996,586

	December 31, 2013				
	Long-term care		Other [4]		
	Individual	Collective	Long term	Short term	Total
	NIS thousands				
Insurance liabilities by financial exposure:					
Unit linked	257,084	79,755	-	-	336,839
Other	380,778	423,443	559,149	17,161	1,380,531
Total insurance liabilities	637,862	503,198	559,149	17,161	1,717,370

	December 31, 2012				
	Long-term care		Other [4]		
	Individual	Collective	Long term	Short term	Total
	NIS thousands				
Insurance liabilities by financial exposure:					
Unit linked	215,461	-	-	-	215,461
Other	373,533	462,183	470,253	18,111	1,324,080
Total insurance liabilities	588,994	462,183	470,253	18,111	1,539,541

Notes to the Consolidated Financial Statements

NOTE 20 - INSURANCE LIABILITIES INCLUDED IN HEALTHCARE INSURANCE(CONTINUED)

A. 2. Liabilities for insurance contracts by insurance exposure

	December 31, 2014				
	Long-term care		Other [4]		
	Individual	Collective	Long term	Short term	Total
	NIS thousands				
Annuity in payment	159,965	368,553	-	-	528,518
Other risk components	587,060	154,567	700,775	25,666	1,468,068
Total insurance liabilities	747,025	523,120	700,775	25,666	1,996,586

	December 31, 2013				
	Long-term care		Other [4]		
	Individual	Collective	Long term	Short term	Total
	NIS thousands				
Annuity in payment	149,400	362,208	-	-	511,608
Other risk components	488,462	140,990	559,149	17,161	1,205,762
Total insurance liabilities	637,862	503,198	559,149	17,161	1,717,370

	December 31, 2012				
	Long-term care		Other [4]		
	Individual	Collective	Long term	Short term	Total
	NIS thousands				
Annuity in payment	141,518	343,877	-	-	485,395
Other risk components	447,476	118,306	470,253	18,111	1,054,146
Total insurance liabilities	588,994	462,183	470,253	18,111	1,539,541

Notes to the Consolidated Financial Statements

NOTE 20 - INSURANCE LIABILITIES INCLUDED IN HEALTHCARE INSURANCE (CONTINUED)

B. Expenses by type of policy

	Information for the year ended December 31, 2014				
	Long-term care		Other [4]		
	Individual	Collective	Long term	Short term	Total
	NIS thousands				
Gross premiums	139,358	235,820	1,095,889 [1]	88,345 [1]	1,559,412
Profit (loss) from healthcare insurance business	(35,953)	12,577	65,885	7,799	50,308
Other comprehensive loss from healthcare insurance business	(2,028)	(1,926)	(4,806)	(176)	(8,936)
Comprehensive income (loss) from healthcare business	(37,981) [2]	10,651	61,079	7,623	41,372
Annualized private premium - new business	17,011	-	99,471	-	116,482

(1) Of this amount, private premiums of NIS 699,343 thousand and collective premiums of NIS 484,891 thousand.

	Information for the year ended December 31, 2013				
	Long-term care		Other [4]		
	Individual	Collective	Long term	Short term	Total
	NIS thousands				
Gross premiums	126,574	222,233	988,056 [1]	70,109 [1]	1,406,972
Profit from healthcare insurance business	23,973	5,950	183,851	5,130	218,904
Other comprehensive income (loss) from healthcare insurance business	(607)	(661)	1,066	62	(140)
Comprehensive income from healthcare business	23,366	5,289	184,917 [3]	5,192	218,764
Annualized private premium - new business	14,675	-	106,351	-	121,026

(1) Of this amount, private premiums of NIS 608,755 thousand and collective premiums of NIS 449,410 thousand.

	Information for the year ended December 31, 2012				
	Long-term care		Other [4]		
	Individual	Collective	Long term	Short term	Total
	NIS thousands				
Gross premiums	116,074	210,002	878,810 [1]	68,611 [1]	1,273,497
Profit (loss) from healthcare insurance business	(12,908)	(23,221)	121,937	5,914	91,722
Other comprehensive income from healthcare insurance business	6,711	7,783	8,825	461	23,780
Total comprehensive income (loss) from healthcare business	(6,197)	(15,438)	130,762	6,375	115,502
Annualized private premium - new business	14,070	-	76,922	-	90,992

(1) Of this amount, private premiums of NIS 553,762 thousand and collective premiums of NIS 393,659 thousand.

(2) The results include a provision of NIS 25 million for LAT, mainly due to recognition of the low interest rate.

Notes to the Consolidated Financial Statements

NOTE 20 - INSURANCE LIABILITIES INCLUDED IN HEALTHCARE INSURANCE (CONTINUED)

B. Expenses by type of policy (continued)

3) In February 2013, The Phoenix Insurance signed a cut off agreement with a reinsurer. Under the agreement, the reinsurer will no longer serve as reinsurer for a certain percentage in some health insurance policies of The Phoenix, effective as from January 1, 2013. At the same time, The Phoenix Insurance signed a reinsurance agreement with another reinsurer after receiving its consent to serve as reinsurer for insurance business included in the cut off agreement, effective as from January 1, 2013. Signing of this agreement and the cut-off agreement increased the gain by NIS 72 million (before tax) in 2013.
4) The most significant coverage in each of the years 2012, 2013, and 2014, included in other long-term healthcare insurance is medical expenses, and short-term is overseas travel.

NOTE 21 - MOVEMENT IN LIABILITIES FOR UNIT LINKED AND NON-UNIT LINKED LIFE INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND HEALTHCARE INSURANCE

	Life insurance				Reinsurance assets in health insurance
	Insurance contracts	Investment contracts	Total	Healthcare insurance	
	NIS thousands				
Balance as of January 1, 2012	30,074,637	426,245	30,500,882	1,338,831	273,114
Interest, linkage differences and investment gains (1)	2,367,464	29,657	2,397,121	26,890	-
Increase for premiums recognized in liabilities (2)	2,883,915	116,199	3,000,114	49,142	-
Decrease for claims, surrenders and maturities	(1,216,523)	(102,615)	(1,319,138)	(1,937)	-
Changes due to change in assumptions (3)	75,251	-	75,251	28,834	16,870
Other changes (4)	397,624	-	397,624	97,781	27,874
Balance as of December 31, 2012	34,582,368	469,486	35,051,854	1,539,541	317,858
Interest, linkage differences and investment gains (1)	3,010,060	30,713	3,040,773	37,251	-
Increase for premiums recognized in liabilities (2)	3,007,727	749,376	3,757,103	52,282	-
Decrease for claims, surrenders and maturities	(1,098,413)	(97,751)	(1,196,164)	(2,266)	-
Changes due to change in assumptions (3)	29,456	-	29,456	20,075	8,263
Other changes (4)	175,862	-	175,862	70,487	(40,740)
Balance as of December 31, 2013	39,707,060	1,151,824	40,858,884	1,717,370	285,381
Interest, linkage differences and investment gains (1)	1,533,949	133,455	1,667,404	12,878	-
Increase for premiums recognized in liabilities (2)	2,981,799	1,174,978	4,156,777	63,819	-
Decrease for claims, surrenders and maturities	(1,181,803)	(171,123)	(1,352,926)	(2,163)	-
Changes due to change in assumptions (3)	-	-	-	41,688	17,413
Other changes (4)	193,328	-	193,328	162,994	(18,501)
Balance as of December 31, 2014	43,234,333	2,289,134	45,523,467	1,996,586	284,293

NOTE 21 - MOVEMENT IN LIABILITIES FOR UNIT LINKED AND NON-UNIT LINKED LIFE INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND HEALTHCARE INSURANCE(CONTINUED)

(1) Interest, linkage differences and investment gains – this item includes interest, linkage differences and investment gains for the balance as of the beginning of the year, with the addition of interest, linkage differences and investment gains for only the savings premiums recognized in the reporting period.

(2) Increase for premiums recognized under liabilities – this premium does not include the entire premiums recorded as income in the Group. The premium includes the premium savings and part of the premium in fixed premium products.

(3) Life insurance: In 2013, the Company adjusted its annuity estimates, based on updated studies. Healthcare insurance: In 2014, the change is mainly due to adjusted morbidity assumptions based on the Company's experience. In 2013, the provision increased, mainly due to adjustments in the rate of assumptions of expenses and cancellations based on the Company's experience.

(4) Other changes - this item includes changes in the reserve for outstanding claims, reserve for periodic claims IBNR, paid annuities, and similar types (based on the assumptions used at the end of the previous year). The section also includes the effect of interest, linkage differences and investment gains which were not included under the item for “interest, linkage differences and investment gains”, such as interest, linkage differences and investment gains on claim payments and non-savings premiums.

In 2014, an increase of NIS 158 million was recorded in insurance liabilities in life insurance and NIS 25 million in healthcare insurance, mainly due to an adjustment in the rate of risk-free interest and the illiquidity premium following a decrease in the rate of risk-free interest. In 2013, the change in the rate of interest did not have a material effect on life insurance and healthcare insurance liabilities For further information see Note 40, section 5.1.8

Notes to the Consolidated Financial Statements

NOTE 22 – INCOME TAX

A. Tax laws applicable to the Group companies

1. General

   A) Corporate tax is applicable to the income of the Company and all other Group companies in accordance with the Income Tax Ordinance ("the Ordinance"). In addition, capital gains tax and payroll tax are applicable to the income of Group companies classified as "financial institutions", as defined in the Value Added Tax Law, 1975. It is noted that the operations of companies classified as financial institutions in the insurance, pension and finance branches constitute the bulk of the Group's operations.

   B) As from 2008, the results for tax purposes are measured at nominal values, with the exception of certain adjustments for changes in the Israeli CPI up to December 31, 2007. Adjustments which refer to capital gains continue to apply until the disposal date.

2. Specific tax arrangements for the insurance industry

   A) Agreement with the tax authorities

   There is an agreement between the Israel Insurance Association and the tax authorities ("the Tax Agreement"), which is renewed and updated on a yearly basis, and which regulates tax issues specific to the branch for the tax years up to and including the 2012 tax year. The agreement addresses the following issues:

   1 Deferred acquisition costs ("DAC"): Direct expenses of insurance companies for the purchase of life insurance contracts will be deductible for tax purposes in equal parts over four years. Deferred acquisition costs in disease and hospitalization insurance are amortized over a period of six years, similar to the amortization rate in the financial statements

   2. Attribution of expenses to preferred income: Expenses will attributed to income that is subject to reduced tax rates and to the tax-exempt income of insurance companies ("the Preferred Income"), which means that part of the Preferred Income becomes income subject to the full rate of tax, according to the rate of attribution. The attribution rate set out in the agreement depends on the financial source generating the Preferred Income.

Notes to the Consolidated Financial Statements

NOTE 22 - INCOME TAX (CONTINUED)

A. Tax regulations applicable to Group companies (continued)

2. Specific tax arrangements for the insurance industry(continued)

3. Taxation of investment of funds from profit-sharing policies: To prevent possible tax distortions, it was agreed that taxation of profits from quoted securities and profits from the revaluation and disposal of real estate will be performed such that there is a matching of income to expenses.

No agreement has yet been signed for the 2013 and 2014 tax year. The tax provision for these tax years in the financial statements was made in accordance with the principles of the agreement.

B) Tax applicable to cancellation of the reserve for extraordinary risks in life insurance

The State Economic Arrangements Law (Amendments to Legislation to Achieve the Budgetary Goals and Economic Policy for the 2007 Fiscal Year), 2007, which passed on January 11, 2007, includes provisions regarding the tax applicable to cancellation of the reserve for extraordinary risks in life insurance, which was included in the financial statements until December 31, 2006. In accordance with the provisions, part of the reserve in life insurance calculated as 0.17% of the insurance amount at risk, in self retention, for which a capital requirement was defined, will be tax exempt. In accordance with the branch tax agreement, the exemption is based on the capital requirement, reflected as above, and if the capital requirement is canceled or reduced, the parties will discuss the resulting tax implications, if any.

B. Tax rates applicable to the Group companies

1. The statutory tax applicable to financial institutions, including the Company, which constitute the majority of the Group's operations, is comprised of corporate tax and capital gains tax.

2. Statutory tax rates applicable to financial institutions:

	Corporate tax	Capital gains tax	Total tax rate in financial institutions
		%	
Year			
2012	25	16.33 (*)	35.53
2013	25	17.58 (*)	36.22
2014 onwards	26.5	18.00	37.71

(*) Weighted rate

Notes to the Consolidated Financial Statements

NOTE 22 - INCOME TAX (CONTINUED)

C. Tax assessments

1. Final tax assessments

The Company has final tax assessments up to and including the 2005 tax year.
The subsidiary, The Phoenix Insurance, has final tax assessments up to and including the 2010 tax year.
The subsidiary, The Phoenix Insurance Agencies (1989) Ltd., has final tax assessments up to and including the 2010 tax year.
The Phoenix Pension and Provident has final tax assessments up to and including the 2007 tax year.
The subsidiary, The Phoenix Investments, has final tax assessments up to and including the 2010 tax year.
The subsidiary, Excellence Investments Ltd., has final tax assessments up to and including the 2009 tax year.
The subsidiary, Ad 120 Residence Centers for Senior Citizens Ltd., has final tax assessments up to and including the 2009 tax year.
In accordance with and subject to the provisions of Section 145 of the Income Tax Ordinance, the reports submitted to the tax authority for the 2010 tax year are considered to be final.

2. Disputed tax assessments

The Phoenix Insurance filed a reservation with the Tax Authority for deduction assessments that were issued for 2007-2009. Since its reservation was dismissed, orders were issued, and The Phoenix Insurance filed grounds for appeal at the court. The Phoenix Insurance included an appropriate provision for the income tax requirements in these assessments.
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D. Carry-forward losses for tax purposes

The Company has carry-forward losses for tax purposes as of December 31, 2014, December 31, 2013 and December 31, 2012 amounting to NIS 150,533 thousand, NIS 128,393 thousand and NIS 90,899 thousand, respectively. There are also capital losses for tax purposes amounting to NIS 70,778 thousand, NIS 72,083 thousand and NIS 70,824 thousand as of December 31, 2014, December 31, 2013 and December 31, 2012, respectively. Deferred taxes were not recognized for the balance of these losses

The subsidiaries have carry-forward business losses for tax purposes amounting to NIS 188,216 thousand, NIS 184,197 thousand and NIS 169,438 thousand as of December 31, 2014, December 31, 2013 and December 31, 2012, respectively. The subsidiaries also have capital losses for tax purposes amounting to NIS 45,264 thousand, NIS 46,325 thousand and NIS 43,932 thousand as of December 31, 2014, December 31, 2013 and December 31, 2012 respectively. Deferred tax assets of NIS 18,916 thousand were included in the financial statements for the balance of the business losses. See also Section G below.

In addition, carry-forward losses for tax purposes for a subsidiary acquired in the Prisma transaction amount to NIS 454 million (as at December 31, 2013, NIS 398 million and as at December 31, 2012, NIS 337 million). Deferred taxes were not recognized for the balance of these losses.

The subsidiaries did not recognize deferred tax assets for carry-forward business losses and for capital losses of NIS 160,904 thousand, in the absence of their expected utilization in the foreseeable future.

Notes to the Consolidated Financial Statements

NOTE 22 - INCOME TAX (CONTINUED)

E. Income tax in the statements of income

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Current taxes	215,390	369,607	152,605
Deferred taxes relating to the generation and reversal of temporary differences (see section G below)	36,629	37,492	(16,532)
Taxes for prior years	(341)	(2,108)	859
Adjustment of deferred tax balances due to changes in tax rates	-	12,976	1,579
Taxes on income	251,678	417,967	138,511

F. Taxes on income attributed to other comprehensive income

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
For available-for-sale financial assets	(40,057)	11,663	93,321
Actuarial gain for defined benefit plans	1,260	1,832	593
Other	-	118	286
	(38,797)	13,613	94,200

Notes to the Consolidated Financial Statements

NOTE 22 - INCOME TAX (CONTINUED)

G. Deferred taxes

Composition:

	Deferred acquisition costs in life insurance	Available for sale financial assets	Property plant and equipment and investment property	Losses for tax purposes (*)	Others	Total
	NIS thousands					
Deferred tax asset (liability) as of January 1, 2012	(162,848)	22,158	(158,260)	22,729	17,143	(259,078)
Changes recognized in profit or loss	(1,856)	18,614	(31,187)	1,586	29,375	16,532
Changes recognized in equity	-	(93,321)	-	-	(879)	(94,200)
Effect of the change in the tax rate	-	-	-	-	(1,000)	(1,000)
Consolidation	(1,244)	1,089	(1,227)	-	(197)	(1,579)
Deferred tax asset (liability) as of December 31, 2012	(165,948)	(51,460)	(190,674)	24,315	44,442	(339,325)
Changes recognized in profit or loss	(6,337)	(19,394)	(33,537)	(1,717)	23,493	(37,492)
Changes recognized in equity	-	(11,663)	-	-	(1,950)	(13,613)
Effect of the change in the tax rate	(8,647)	2,268	(9,845)	-	3,248	(12,976)
Other	-	-	(16,465)	-	383	(16,082)
Deferred tax asset (liability) as of December 31, 2013	(180,932)	(80,249)	(250,521)	22,598	69,616	(419,488)
Changes recognized in profit or loss	(9,350)	25,211	(36,349)	(3,682)	(12,459)	(36,629)
Changes recognized in other comprehensive income	-	40,057	-	-	(1,260)	38,797
Deferred tax asset (liability) as of December 31, 2014	(190,282)	(14,981)	(286,870)	18,916	55,897	(417,320)

(*) See section D above

Deferred taxes are presented in the balance sheet as follows:

	December 31		
	2014	2013	2012
	NIS thousands		
Deferred tax assets	7,906	6,844	36,835
Liabilities for deferred taxes	425,226	426,332	376,160
	(417,320)	(419,488)	(339,325)

Notes to the Consolidated Financial Statements

NOTE 22 - INCOME TAX (CONTINUED)

H. Theoretical tax

The table below presents the adjusted tax amount that would be applicable if all the income and expenses, profits and losses in the statement of income were taxable at the statutory tax rates in Israel and the tax amount recognized in the statement of income.

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Income before taxes on income	782,863	1,178,093	418,015
Total statutory tax rate applicable to financial institutions (see section B(2) above)	37.71%	36.22%	35.53%
Tax calculated at the total statutory tax rate	295,218	426,706	148,521
Deduction for non-applicability of income tax on companies that are not financial institutions	(23,472)	(9,916)	(9,292)
Increase (decrease) in taxes on income arising from the following:			
Non-deductible expenses	(3,999)	(329)	495
Group share in earnings (losses) of associates	(16,126)	(15,738)	(11,811)
Differences in measurement basis	1,672	(5,205)	(3,140)
Losses and other differences for unrecognized deferred taxes	73	7,626	11,632
Adjustment of deferred tax balances due to changes in tax rates	-	12,976	1,579
Taxes for prior years	(341)	(2,108)	859
Others	(1,347)	3,955	(332)
Taxes on income	251,678	417,967	138,511
Average effective tax rate	32.15%	35.48%	33.14%

NOTE 23 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS

Employee benefits consist of short-term benefits, post-employment benefits, other long-term benefits and termination benefits.

Post-employment benefits

Labor laws and the Severance Pay Law in Israel requires the Company to pay compensation to employees if they are dismissed or when they retire or to make routine deposits in defined deposit plans under section 14 of the Severance Pay Law, as described below. The Company's liability is accounted for as a post-employment benefit. The Company's employee benefit liability is calculated in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

Post-employment benefits are usually financed by contributions classified as a defined benefit plan or as a defined contribution plan as described below.

Notes to the Consolidated Financial Statements

NOTE 23 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (CONTINUED)

1. Defined contribution plans

Section 14 of the Severance Pay Law, 1963 applies to part of the compensation payments, according to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom the contributions were made. These contributions and contributions for compensation represent defined contribution plans.

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Expenses for defined contribution plans	55,412	51,127	48,464

2. Defined benefit plan

The Group accounts for the part of the compensation payments that are not covered by deposits in defined contribution plans as a defined benefit plan, according to which the liability for the benefits are recognized. The Group makes contributions to central compensation funds and suitable insurance policies.

	December 31		
	2014	2013	2012
	NIS thousands		
Liabilities for an unfinanced defined benefit plan	7,446	6,630	6,644
Liability for a financed defined benefit plan (see section A)	128,568	132,727	129,001
Total liability for a defined benefit plan	136,014	139,357	135,645
Less fair value of plan assets (see section B)	45,455	46,515	40,312
Total liability, net, for defined benefit plans	90,559	92,842	95,333
Other short-term benefits	22,695	21,865	23,845
Total liabilities for employee benefits, net	113,254	114,707	119,178

Notes to the Consolidated Financial Statements

NOTE 23 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (CONTINUED)

2. Defined benefit plan (continued)

A. Changes in the present value of liabilities for a defined benefit plan

	December 31		
	2014	2013	2012
	NIS thousands		
Balance as of January 1	132,727	136,001	131,416
Expense recognized in profit or loss			
Cost of interest	4,205	4,255	6,003
Current cost of service	7,897	8,533	7,912
Actuarial gain, net, recognized in other comprehensive income :			
Actuarial losses (gains) arising from changes in financial assumptions	(2,345)	(921)	-
Actuarial loss (gain) for deviations in experience	-	-	419
Other actuarial losses (gains)	(748)	(3,715)	-
Other movements:			
Plan payments	-	-	(16,749)
Benefits paid	(13,168)	(11,426)	-
Balance as of December 31	128,568	132,727	129,001

B. Changes in the present value of liabilities for a defined benefit plan

1. Plan assets

The plan assets include long-term assets held by the employee benefit fund and relevant insurance policies

Movement in fair value of plan assets:

	December 31		
	2014	2013	2012
	NIS thousands		
Balance as of January 1	46,515	47,313	39,997
Expense recognized in the statement of income			
Interest income	1,548	1,730	1,794
Actuarial gain, net, recognized in other comprehensive income :			
Actual yield, net of interest income	604	313	2,181
Other movements:			
Contributions to the plan by the employer	4,195	3,195	3,646
Other adjustments (*)	-	-	(642)
Plan payments	-	-	(6,664)
Benefits paid	(7,407)	(6,036)	-
Balance as of December 31	45,455	46,515	40,312

(*) Deposits from a central compensation fund to personal employee funds to which section 14 of the Severance Pay Law applies.

Notes to the Consolidated Financial Statements

NOTE 23 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (CONTINUED)

C. Main actuarial assumptions for determining liabilities for a defined benefit plan

	2014	2013	2012
		%	
Discount rate as of December 31 (*)	1.38	1.10	0.83
Expected real wage increase	1.50	1.50	1.50
Expected inflation rate	2.00	2.00	2.00

(*) The discount rate is based on high quality CPI-linked corporate debentures (2013 - government bonds). For information about the effect of the change on the discount rate, see Note 2BB.

D. Amounts, timing and uncertainty of future cash flows

Possible changes considered to be reasonable at the end of the reporting period, for each actuarial assumption, assuming that the other actuarial assumptions remained unchanged:

	Change in a defined benefit liability
	NIS thousands
Balance as of December 31, 2014	
Sensitivity to change in the expected rate of wage increase	
Change due to:	
Increase of 1% in salary	3,283
Sensitivity to change in capitalization rate of the liability	
Change due to:	
Increase of 1% in discount rate	(1,633)
Decrease of 1% in discount rate	4,384

E. Expense recognized in the statement of income

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Current cost of service	7,897	8,533	7,912
Cost of interest	4,205	4,255	6,003
Interest income for plan assets	(1,548)	(1,730)	(1,794)
	10,554	11,058	12,121

Notes to the Consolidated Financial Statements

NOTE 24 – CREDITORS AND PAYABLES

	December 31		
	2014	2013	2012
	NIS thousands		
Employees and other liabilities for wages and salaries	62,441	68,320	56,470
Expenses payable	92,725	95,660	77,070
Trade payables	118,266	110,680	97,574
Government authorities and institutions	68,637	59,268	52,039
Liabilities to investees and interested parties	1,534	1,391	110
Deferred acquisition costs for reinsurance	37,762	33,398	32,719
Insurance companies and insurance agents			
Deposits from reinsurers	307,151	311,703	329,137
Other accounts	74,212	72,854	91,105
Total insurance companies and agents	381,363	384,557	420,242
Insurance agents	236,462	208,223	241,427
Prepaid premium	75,550	67,844	69,538
Profit sharing in collective insurance	26,139	22,615	30,953
Policyholders and members	42,152	34,555	50,714
Deposits from tenants in protected housing	9,645	10,069	10,153
Interest payable	36,125	33,857	167,671
Prepaid revenue	61,466	-	-
Other liabilities	80,034	76,936	84,028
Total creditors and payables	1,330,301	1,207,373	1,390,708

For information about the assets and liabilities divided into linkage bases, see Note 40.
For information about other payables which are related parties, see Note 41.
(*) Regarding reclassification see Note 2 (AA)

NOTE 25 - LIABILITIES FOR DEBENTURES, ETFS, REVERSE CERTIFICATES AND COMPLEX CERTIFICATES

A. Liabilities for debentures, exchange-traded funds, reverse certificates, complex certificates and deposit certificates:

	See below	December 31		
		2014	2013	2012
		NIS thousands		
Exchange-traded funds and deposit		35,532,000	31,894,000	22,308,000
Debentures included in liabilities for holders of ETFs and deposit		2,776,000	3,032,000	3,049,000
Liability for short sale of securities	I	617,000	358,000	146,000
Total	D	38,925,000	35,284,000	25,503,000
Offset by investments held by the Group		(520,825)	(372,835)	(354,006)
		38,404,175	34,911,165	25,148,994

NOTE 25 – LIABILITIES FOR DEBENTURES, ETFS, REVERSE CERTIFICATES AND COMPLEX CERTIFICATES (CONTINUED)

B. The Group, through special purpose companies ("SPCs"), engages in the issue of ETFs and ETNs listed on the TASE. In this context, the Company issues ETFs that track share, commodity and sector indexes, reverse certificates for share indexes and covered warrants for indexes and commodities ("the Certificates").

Each issuing company is a special purpose company ("SPC") that was set up to issue ETFs, commodity certificates and reverse certificates, and other securities approved by the board of directors of the TASE.

1. ETFs were issued by companies that exclusively issue ETFs and handle assets pledged in favor of the debenture holders. The certificates accurately track an index and are convertible into shares or at a financial value according to the reference index determined for that certificate. The certificates are backed by underlying assets that produce the yields of various share and goods indexes. Of the proceeds of the issuance, the companies deposit sums in accounts (banks or financial institutes) and underlying assets and/or financial instruments and derivatives that will be acquired to fulfill their obligations towards the debenture holders. The rights of the debenture holders will be exercised out of the net proceeds received from the companies from the pledged assets. Up to December 31, 2014, 179 certificates were issued (in December 31, 2013, 166 certificates and (in December 31, 2012, 136 certificates).

2. Deposit certificates were issued by companies that engage exclusively in issuing deposit certificates and handling assets that are pledged in favor of the deposit holders. Deposit certificates are linked (principal and interest) to the rate of exchange for a variety of currencies against the Israeli shekel and they bear interest. Each of the deposit certificate companies is an SPC which was set up for the sole purpose of issuing deposit certificates and these companies may not engage in any other commercial activity. The companies make bank deposits from the proceeds of the issuance to secure their liabilities towards the holders of the deposit certificates. The rights of the companies in the backup deposits are the sole source of repayment for obligations to the holders of the certificates of deposit. As of the reporting date, the certificates of deposit are rated ilAA +. Subsequent to the reporting date, the rating was upgraded to ilAAA. The rating is based, among others, on the rating of the banks in which the deposits are placed.
   Up to December 31, 2014, 5 certificates of deposit were issued (in December 31, 2013, 4 certificates and in December 31, 2012, 8 certificates).

C. The structured debentures were issued through special purpose companies that engage exclusively in issuing debentures and handling assets mortgaged in favor of the debenture holders ("Heharim companies")

Heharim Companies are SPCs that were set up for the sole purpose of issuing bonds and these companies may not engage in any other commercial activity. The SPC acquires non-marketable structured debentures ("Notes") from the proceeds of the issuance, which constitute the sole source of repayment of the liabilities of the Heharim Companies (non-recourse liabilities).

As of December 31, 2014, there are 5 series of structured debentures: one is listed on the Tel Aviv Stock Exchange Ltd. ("the TASE") and four were issued in private offerings. The debentures traded on the TASE have been rated by Maalot - the Israel Securities Rating Company Ltd. ("Maalot") at ilAA+ as of the reporting date. Subsequent to the reporting date, the rating was upgraded to ilAAA.

Subsequent to the reporting date, final repayment was made for the listed debentures under the terms of the prospectus.

Notes to the Consolidated Financial Statements

NOTE 25 – LIABILITIES FOR DEBENTURES, ETFS, REVERSE CERTIFICATES AND COMPLEX CERTIFICATES (CONTINUED)

D. Additional information about the composition of assets and liabilities of SPCs as of December 31, 2014:

	Israel shares indexes	Foreign shares indexes	Israel debentures	Foreign debentures	Averaged and strategic	Indexes basket	Deposit Certificates	Others	Total
					NIS thousand				
Backed up assets, net (*)	7,592,000	12,269,000	6,014,000	992,000	496,000	961,000	9,323,000	1,447,000	39,094,000
Certificates	7,515,000	12,090,000	5,730,000	964,000	472,000	954,000	9,302,000	1,281,000	38,308,000
Liabilities	57,000	92,000	268,000	26,000	3,000	-	5,000	166,000	617,000
	20,000	87,000	16,000	2,000	21,000	7,000	16,000	-	169,000

(*) Less credit and credit balances and less liabilities for options for short sale of securities

Additional information about the composition of assets and liabilities of SPCs as of December 31, 2013:

	Israel shares index	Foreign shares index	Israel debentures	Foreign debentures	Leverage and strategic	Indexes basket	Deposit Certificates	Others	Total
					NIS thousand				
Backed up assets, net (*)	8,222,000	8,907,000	5,196,000	736,000	435,000	587,000	9,565,000	1,890,000	35,538,000
Certificates	8,102,000	8,812,000	5,131,000	711,000	418,000	584,000	9,533,000	1,635,000	34,926,000
Liabilities	102,000	25,000	47,000	24,000	1,000	-	-	159,000	358,000
	18,000	70,000	18,000	1,000	16,000	3,000	32,000	96,000	254,000

(*) Less credit and credit balances and less liabilities for options for short sale of securities

Additional information about the composition of assets and liabilities of SPCs as of December 31, 2012:

	Share indexes in Israel	Sector share indexes	Foreign share indexes	Commodity indexes	Exchange rates	Debenture indexes	Others	Total
				NIS thousands				
Backed up assets, net (*)	9,068,000	129,000	5,166,000	559,000	314,000	7,243,000	7,000	22,486,000
Certificates	9,012,000	127,000	5,124,000	555,000	301,000	7,218,000	6,000	22,343,000
	56,000	2,000	42,000	4,000	13,000	25,000	1,000	143,000

The total fair value for the entire balance of ETFs and deposit is not significantly different from their carrying amount.

Notes to the Consolidated Financial Statements

NOTE 25 – LIABILITIES FOR DEBENTURES, ETFS, REVERSE CERTIFICATES AND COMPLEX CERTIFICATES (CONTINUED)

E. Information about the SPCs that issue ETFs and certificates of deposit:

	Rate of holding		
	December 31		
	2014	2013	2012
Company			
KSM ETFs and Index Products Ltd.	84%	84%	84%
KSM Currencies Ltd.	84%	84%	84%
KSM Jumbo Ltd.	84%	84%	84%
Netivim Debentures Ltd. (**)	100%	100%	100%
Keshet Bonds Ltd.	50%	50%	50%
World Currencies Ltd.	100%	100%	100%
Electricity Plus Debentures Ltd. (**)	100%	100%	100%
Galila Deposits Ltd.	99.5%	99.5%	99.5%
KSM Dollar Ltd. (formerly: Eden Dollar Ltd.) (*)	84%	100.0%	-
Paz - Foreign Deposit Ltd.	-		100%
Paz - Foreign Deposit 2 Ltd.	-		100%
Carmel 4 Debentures Ltd.	-		100%
Galileo Debentures Ltd.	-		100%
Gilboa Dollar Ltd.	-		100%
Eden Dollar Ltd.	-		100%

(*) During the year, the company was sold to KSM Group.

(**) Non-marketable debentures

F. Management fees and conversion commission

SPCs are entitled to management fees and conversion fees calculated as a percentage of the obligation for the certificates held by the public. The management fees are deducted from the balance of the SPC's obligation for the certificates.

If any of the certificate holders of any of the series submits a conversion notice, the SPCs will receive a consideration (by way of deduction from the conversion proceeds), as described in the prospectus of the SPCs.

G. 1) As collateral for repayment of the principal, interest and linkage differences that the SPCs issuing structured instruments undertook to pay to the debenture holders, and to secure full and accurate fulfillment of all its other obligations under the terms of the debenture and deed of trust, these companies placed a fixed first lien on all its rights in the non-marketable debentures that were issued for them and a first floating lien on their rights in the bank accounts in which the consideration of the issuance and proceeds received from the non-marketable debentures were deposited. The pledged non-marketable debentures were deposited with a trustee.

2) As collateral for repayment of the consideration that the SPCs issuing ETFs and deposit certificates undertook to pay the certificate holders, these companies placed a current first lien on all the bank accounts in which the net consideration of the issuance was deposited and/or in which the base asset and financial instruments were deposited as collateral for holders of the ETFs. The deposits that will be used to cover the companies' activities in options and/or financial instruments were pledged in favor of the trustee in a second lien.

H. In 2014, final repayment was made for six series of structured debentures issued to the public, in a total amount of NIS 348 million. Subsequent to the reporting date, final repayment was made for a series of structured debentures (the marketable series), in a total amount of NIS 2,344 million.

Notes to the Consolidated Financial Statements

NOTE 25 – LIABILITIES FOR DEBENTURES, ETFS, REVERSE CERTIFICATES AND COMPLEX CERTIFICATES (CONTINUED)

I. Liability for short sale of securities and credit from banks

		December 31	
		2014	2013
		NIS thousands	
A.	Short sales of securities held for trading in series-specific accounts		
	Shares	101,000	107,000
	Corporate debentures	53,000	31,000
	Government bonds	213,000	-
	Future transactions	23,000	17,000
	Swap	43,000	1,000
	Maof options	17,000	3,000
	Gains for future contracts	36,000	13,000
	Amounts payable for securities	43,000	133,000
		529,000	305,000
B.	Borrowings from banks		
	Bank credit in NIS	82,000	18,000
	Bank credit in USD	1,000	30,000
	Other bank credit	5,000	5,000
		88,000	53,000
		617,000	358,000

The fair value of the credit is similar to their carrying amount.

Notes to the Consolidated Financial Statements

NOTE 26 – FINANCIAL LIABILITIES

This Note provides information about the contractual terms of the financial liabilities. Additional information about the Group's exposure to interest, exchange, and liquidity risks appears in Note 40 – Risk Management

A. Financial liabilities

	See below	Book value December 31 2014	Book value December 31 2013	Book value December 31 2012	Fair value December 31 2014	Fair value December 31 2013	Fair value December 31 2012
		NIS thousands					
1. Financial liabilities measured at amortized cost:							
Short-term credit from banks		60,000	105,208	201,393	60,000	105,208	201,393
Debentures	D, E	848,482	949,503	841,080	944,965	1,055,076	889,384
Subordinated debt certificates (*)	D, E	1,718,845	1,340,948	1,506,565	1,882,962	1,507,258	1,662,634
Loans from banks	D.	24,897	124,555	165,564	24,897	124,555	165,564
Deposits from tenants	I.	713,303	684,815	607,055	713,303	684,815	607,055
Other		75,777	55,938	229,889	75,777	55,938	234,242
		3,441,304	3,260,967	3,551,546	3,701,904	3,532,850	3,760,272
2. Financial liabilities at fair value through profit or loss							
Liability for short sale of marketable securities		52,000	-	-	52,000	-	-
Other		101,806	51,149	87,048	101,806	51,149	87,048
Total financial liabilities		3,595,110	3,312,116	3,638,594	3,855,710	3,583,999	3,847,320
(*) Of which subordinated notes comprising hybrid secondary tier 2 capital and tier 3 capital		1,534,247	1,319,269	1,302,280	1,680,737	1,471,565	1,437,187

Notes to the Consolidated Financial Statements

NOTE 26 – FINANCIAL LIABILITIES (CONTINUED)

B. Interest and linkage details

		December 31, 2014	
	Linkage basis	Carrying amount	Interest rate
		NIS thousands	%
Financial liabilities measured at amortized cost:			
	Linked to foreign currency	2,000	1.92%
	Shekel	891,026	1.57%-6%
	CPI-linked (*)	2,548,278	0%-4.5%
		3,441,304	

		December 31, 2013	
	Linkage basis	Carrying amount	Interest rate
		NIS thousands	%
Financial liabilities measured at amortized cost:			
	Linked to foreign currency	34,000	3.5%
	Shekel	585,001	3.77%-6%
	CPI-linked (*)	2,641,966	0%-4.5%
		3,260,967	

		December 31, 2012	
	Linkage basis	Carrying amount	Interest rate
		NIS thousands	%
Financial liabilities measured at amortized cost:			
	Linked to foreign currency	58,000	3.5%
	NIS	911,881	3.5%-6.5%
	CPI-linked (*)	2,581,665	0%-5.75%
		3,551,546	

(*) Including interest-free deposits from tenants See section I below.

C. Financial liabilities measured at fair value

Financial liabilities at fair value through profit or loss, according to hierarchy:

The table below presents analysis of the financial liabilities presented at fair value. The hierarchy is as follows:

Level 1: quoted prices (unadjusted) in active markets for identical instruments

Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: inputs that are not based on observable market data (unobservable inputs)

Notes to the Consolidated Financial Statements

NOTE 26 – FINANCIAL LIABILITIES (CONTINUED)

C. Financial liabilities measured at fair value (continued)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Liability for short sale of marketable securities	52,000	-	-	52,000
Other	-	96,684	5,122	101,806
Financial liabilities measured at fair value	52,000	96,684	5,122	153,806

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Other	-	45,834	5,315	51,149

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Other	-	78,192	8,856	87,048

Changes in level 3 financial liabilities measured a fair value

	Fair value measurement at the reporting date
	Derivatives
	NIS thousands
Balance as of January 1, 2014	5,315
Total gains recognized in the statement of income	(193)
Balance as of December 31, 2014	5,122

	Fair value measurement at the reporting date
	Derivatives
	NIS thousands
Balance as of January 1, 2013	8,856
Total gains recognized in the statement of income	1,529
Redemptions	(5,070)
Balance as of December 31, 2013	5,315

	Fair value measurement at the reporting date
	Derivatives
	NIS thousands
Balance as of January 1, 2012	6,245
Total gains recognized in the statement of income	(2,147)
Purchases	4,758
Balance as of December 31, 2012	8,856

Notes to the Consolidated Financial Statements

NOTE 26 – FINANCIAL LIABILITIES (CONTINUED)

D. Repayment subsequent to the reporting date

1. Subordinated debt certificates

	December 31		
	2014	2013	2012
	NIS thousands		
First year	3,541	18,165	187,230
Second year	181,756	3,542	17,823
Third year	525,257	181,934	3,476
Fourth year	181,756	525,435	178,526
Fifth year and onwards	839,870	623,405	1,133,752
	1,732,180	1,352,481	1,520,807
Less discounts and deferred acquisition costs	(13,335)	(11,533)	(14,242)
	1,718,845	1,340,948	1,506,565

2. Debentures

	December 31		
	2014	2013	2012
	NIS thousands		
First year	92,241	93,533	91,868
Second year	92,241	93,533	124,715
Third year	92,241	93,533	124,715
Fourth year	92,241	93,533	124,715
Fifth year and onwards	520,768	623,311	374,275
	889,732	997,443	840,288
Less discounts and deferred acquisition costs	(41,250)	(47,940)	792
	848,482	949,503	841,080

Under the deed of trust of the Company's Debentures (Series 2), the Company undertook that as long as the Debentures (Series 2) are unpaid in full, it will not create a general floating charge on its assets, unless at that date, a charge of the same rank is also created in favor of the holders of debentures (Series 2). In addition, for the Debentures (Series 2), the Company also assumed restrictions on distribution of dividends and expansion of the debenture series (Series 2), and undertook to comply with financial covenants, according to which the Company's equity will not fall below NIS 1.3 billion and the ratio between the Company's net financial debt and its total assets will not exceed 60%. .

For further information see the shelf offering memorandum of February 19, 2013.

Notes to the Consolidated Financial Statements

NOTE 26 – FINANCIAL LIABILITIES (CONTINUED)

D. Repayment subsequent to the reporting date (continued)

3. Loans from banks

	December 31		
	2014	2013	2012
	NIS thousands		
First year	14,927	31,750	40,198
Second year	9,970	31,640	31,654
Third year	-	28,821	31,683
Fourth year	-	13,344	25,967
Fifth year and onwards	-	19,000	36,062
	24,897	124,555	165,564

Change in the loan terms of Excellence and early repayment

At the completion date of the acquisition transaction for Prisma funds in June 2009, as described in Note 4 above, Excellence Mutual Funds Ltd. ("Excellence Funds") and the banks signed a financing agreement to provide Excellence Funds with a loan of NIS 130 million. The loan was payable in forty equal quarterly installments.

In June 2014, the loan was repaid prematurely.

In December 2014, a new financing agreement was signed between the mutual fund company and one of the banks. Under the agreement, a short-term loan of NIS 58 million was provided to Excellence Funds, which is recognized as short-term borrowings, representing the balance of the long-term loan that was redeemed prematurely in accordance with the original repayment schedule. Under the agreement, Excellence Funds undertook to comply with the financial covenants relating to EBITDA, revenues and debt ratios, as well as liens on its assets and interests. The guarantees and liabilities of Excellence remained the same as in the previous loan.

As of the date of the statements of financial position, Excellence and Excellence Funds were in compliance with all the financial covenants and obligations.

Notes to the Consolidated Financial Statements

NOTE 26 – FINANCIAL LIABILITIES (CONTINUED)

E. Significant financial liabilities presented at amortized cost - additional information

						December 31, 2014					
Series	Issuance date	Nominal value at the issuance date	Rating and rating agency (4)	Linkage terms	Interest type	Book value (NIS millions)	Fair value (NIS millions)(*)	Principal payment dates	Interest payment dates	Type of capital	Rights for premature repayment
Debt certificates (Series A)	September. 2009	500	Midroog Aa2 (stable outlook); Maalot ilAA (stable outlook)	Linked	4.4%	543	597	Three equal payments on September 1st, in each year from 2016 to 2018 (inclusive)	Semi-annual interest on March 1st and September 1st	Subordinated tier 2	-
Debt certificates (Series B)	September 2010 (3)	413.7	Midroog Aa3 (stable outlook); Maalot ilAA- (stable outlook)	Linked	3.6%	435	491.5	One payment on September 30, 2022	Semi-annual interest on March 31st and September 30th	Hybrid tier 2	September 30, 2019
Debt certificates (Series C)	September 2010 (3)	343.5	Midroog Aa3 (stable outlook); Maalot ilAA- (stable outlook)	NIS	6%	342	387.6	One payment on September 30, 2020	Semi-annual interest on March 31st and September 30th	Hybrid tier 2	September 30, 2017
Debt certificates (Series D)	September 2014	398.8	Midroog Aa2 (stable outlook)	NIS	3.85%	395	403.7	One payment on January 31, 2026	Semi-annual interest on January 31st and July 31st	Hybrid tier 3	January 31, 2026
Debentures (Series 1)	March 2007 (4)	631.2	Midroog Aa3 (stable outlook); Maalot A+ (stable outlook)	Linked	4.5%	304	328	Six equal payments on March 26th, in each year from 2014 to 2019 (inclusive)	Once a year on March 26	-	-
Debentures (Series 2)	March 2013 (4)	620	Midroog Aa3 (stable outlook)	Linked	2.55%	544	616	Six equal payments at a rate of 5% each, on March 26 of each year from 2014 to 2019 (inclusive) and five equal payments at a rate of 14% each on March 26 of each year from 2020 to 2024 (inclusive).	Semi-annual interest on March 26th and September 26th	-	-

Notes to the Consolidated Financial Statements

NOTE 26 – FINANCIAL LIABILITIES (CONTINUED)

E. Significant financial liabilities presented at amortized cost - additional information (continued)

						December 31, 2013					
Series	Issuance date	Nominal value at the issuance date	Rating and rating agency (4)	Linkage terms	Interest type	Book value (NIS millions)	Fair value (NIS millions)(*)	Principal payment dates	Interest payment dates	Type of capital	Rights for premature repayment
Debt certificates (Series A)	September 2009	500	Midroog Aa2 (stable outlook); Maalot ilAA (negative outlook)	Linked	4.4%	543	616	Three equal payments on September 1st, in each year from 2016 to 2018 (inclusive)	Semi-annual interest on March 1st and September 1st	Subordinated tier 2	-
Debt certificates (Series B)	September 2010 (3)	413.7	Midroog Aa3 (stable outlook); Maalot ilAA- (negative outlook)	Linked	3.6%	434	488	One payment on September 30, 2022	Semi-annual interest on March 31st and September 30th	Hybrid tier 2	September 30, 2019
Debt certificates (Series C)	September 2010 (3)	343.5	Midroog Aa3 (stable outlook); Maalot ilAA- (negative outlook)	NIS	6%	342	382	One payment on September 30, 2020	Semi-annual interest on March 31st and September 30th	Hybrid tier 2	September 30, 2017
Debentures (Series 1)	March 2007 (4)	631.2	Midroog Aa3 (stable outlook); Maalot A+ (stable outlook)	Linked	4.5%	375	413	Six equal payments on March 26th, in each year from 2014 to 2019 (inclusive)	Once a year on March 26	-	-
Debentures (Series 2)	MARCH 2013 (4)	620	Midroog Aa3 (stable outlook)	Linked	2.55%	575	643	Six equal payments at a rate of 5% each, on March 26 of each year from 2014 to 2019 (inclusive) and five equal payments at a rate of 14% each on March 26 of each year from 2020 to 2024 (inclusive).	Semi-annual interest on March 26th and September 26th	-	-

(*) Less interest accumulated as from the date of the last payment

NOTE 26 – FINANCIAL LIABILITIES (CONTINUED)

E. Significant financial liabilities presented at amortized cost - additional information (continued)

Remarks:

1. Debt certificates (Series A-D) were issued by The Phoenix Capital Raising, a wholly-owned subsidiary of The Phoenix Insurance, which is wholly owned by the Company.

   Debentures 1 and 2 were issued by the Company.

2. All the series are listed on the TASE.
3. In November 2011, debt certificates (Series B and C) were expanded in an amount of NIS 357 million par value.
4. In March 2013, NIS 318,235,354 par value Debentures (Series 1) were exchanged for NIS 445,529,496 par value Debentures (Series 2) through an exchange tender offer.
5. In September 2014, NIS 398,831 thousand par value debentures of NIS 1 par value each were issued, and are payable in one payment on January 31, 2026. The consideration for the acquisition amounted to NIS 394,706 thousand.

F. Exchange tender offer

In February 2015, The Phoenix Capital Raising, a wholly owned subsidiary of The Phoenix Insurance, announced that it is considering the possibility of a public offering of two new debenture series, which will be recognized as capital, by way of an exchange tender offer for Debentures (Series A) of The Phoenix Capital Raising, which will be listed on the TASE.

For further information, see Note 43(3) and Note 43(4) and the Company's immediate report of February 22, 2015 (ref. 2015-01-035590).

G. Subordinated notes: hybrid tier 2 and tier 3 capital

In accordance with the prospectuses for Series B - D, under the suspending circumstances defined below, the payment of principal and/or interest will be deferred for Series B and C, which the Commissioner of Insurance will recognize as complex tier 2 capital of The Phoenix Insurance, and for principal payments for Series D, which the Commissioner of Insurance will recognize as complex tier 3 capital of The Phoenix Insurance, for periods as set out in the prospectus.

"Suspending conditions for hybrid tier 2 and tier 3 capital": In accordance with the directives of the Commissioner of Insurance, this includes one or more of the following conditions:

(1) The Phoenix Insurance has no distributable earnings, as defined in the Companies Law, in accordance with its most recent financial statements (annual or quarterly) preceding the relevant payment date of the interest or principal.

(2) The amount of recognized equity The Phoenix Insurance falls below the minimum equity required of it (according to the provisions of the law applicable to The Phoenix Insurance and/or the directives of the Commissioner of Insurance), in the most recent financial statements (annual or quarterly) preceding the relevant repayment date for the principal and/or interest.

(3) The board of directors of The Phoenix Insurance orders the postponement of the principal or interest payment, if it finds that a near and present concern has arisen with regard to the ability of The Phoenix Insurance to meet its minimum required equity (in accordance with the provisions of the law applicable to The Phoenix Insurance, and/or in accordance with the directives of the Commissioner of Insurance), provided advance approval for such action has been received from the Commissioner of Insurance.

NOTE 26 – FINANCIAL LIABILITIES (CONTINUED)

G. Subordinated notes: hybrid tier 2 and tier 3 capital (continued)

(4) The board of directors of The Phoenix Insurance orders a postponement of the principal and/or interest payment if it finds that a near and present concern has arisen with regard to The ability of The Phoenix Insurance to repay, on time, liabilities whose priority rating is higher than that of the debentures offered in the prospectus, provided that advance approval for such action has been received from the Commissioner of Insurance.

(5) The Commissioner of Insurance ordered a postponement of the principal and/or interest payment, due to significant impairment of the recognized equity of The Phoenix Insurance, or if the Commissioner believes that there is a near and present concern regarding the ability of The Phoenix Insurance to fulfill its minimum equity requirements, in accordance with the provisions of the law applicable to The Phoenix Insurance, and/or in accordance with the directives of the Commissioner of Insurance. In this matter, "recognized equity" means the recognized equity of an Israeli insurer as defined in the provisions of the law applicable to an insurer and/or the directives of the Commissioner of Insurance.
Any principal or interest amounts postponed as above will be postponed until the suspending circumstances no longer exist, and no longer than the period ending three years from the original repayment date of the debenture principal.

H. Rating of the Company

As of January 18, 2015 and December 31, 2014, the Company has a rating of ilA+ with stable outlook from Maalot.

As of January 18, 2015 and December 31, 2014, The Phoenix Insurance, a subsidiary of the Company, has a rating of ilAA+ with stable outlook from Maalot and a rating of Aa1 with stable outlook from Midroog.

I. Deposits from tenants

The balance includes the balance of deposits received from tenants under housing agreements for the right of use of housing units in centers. When leaving the protected housing units, the tenants (or their heirs in the event of death) are entitled to partial refund of their deposits, less the defined annual rate in the housing agreements, in accordance with the period of their stay. The deposits are linked to the CPI and do not bear interest.

Notes to the Consolidated Financial Statements

NOTE 27 – EARNED PREMIUMS

J. Contractual restrictions and financial covenants

For information about contractual restrictions and financial covenants for debentures issued by the Company, see section D.

	Year ended December 31, 2014		
	Gross	Reinsurance	On retention
	NIS thousands		
Life insurance premiums	3,867,151	62,620	3,804,531
Healthcare insurance premiums	1,559,412	132,374	1,427,038
General insurance premiums	2,330,218	471,692	1,858,526
Total premiums	7,756,781	666,686	7,090,095
Less - change in unearned premium balance(*)	58,508	22,323	36,185
Total earned premiums	7,698,273	644,363	7,053,910

	Year ended December 31, 2013		
	Gross	Reinsurance	On retention
	NIS thousands		
Life insurance premiums	3,860,745	62,170	3,798,575
Healthcare insurance premiums	1,406,972	126,157	1,280,815
General insurance premiums	2,269,013	461,696	1,807,317
Total premiums	7,536,730	650,023	6,886,707
Change in unearned premium balance (*)	62,673	2,069	60,604
Total earned premiums	7,474,057	647,954	6,826,103

	Year ended December 31, 2012		
	Gross	Reinsurance	On retention
	NIS thousands		
Life insurance premiums	3,752,958	62,609	3,690,349
Healthcare insurance premiums	1,273,497	159,702	1,113,795
General insurance premiums	2,124,911	441,037	1,683,874
Total premiums	7,151,366	663,348	6,488,018
Change in unearned premium balance	(2,594)	(6,974)	4,380
Total earned premiums	7,153,960	670,322	6,483,638

(*) Mainly general insurance, see Note 18

Notes to the Consolidated Financial Statements

NOTE 28 – INVESTMENT GAINS (LOSSES), NET, AND FINANCE INCOME

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Gains (losses) from assets held against unit linked liabilities			
Investment property	76,611	61,936	31,643
Financial investments:			
Marketable debt assets	347,477	661,476	621,272
Non-marketable debt assets	134,813	325,870	535,412
Shares	300,342	873,075	466,515
Other investments	892,332	1,210,938	705,181
Cash and cash equivalents	36,474	(5,142)	1,086
Total gains from assets held against unit linked liabilities	1,788,049	3,128,153	2,361,109
Gains from assets held against non- unit linked liabilities, capital and others			
Income from investment property			
Revaluation of investment property	81,589	83,378	59,340
Current income from investment property	81,890	72,830	47,398
Total income from investment property	163,479	156,208	106,738
Gains (losses) from financial investments, other than interest rate linkage and exchange rate differences and dividend for:			
Available-for-sale assets (A)	214,981	296,737	69,817
Assets measured at fair value through profit or loss (B)	(147,271)	111,463	(20,252)
Assets presented as loans and receivables (C)	97,550	53,343	39,472
	165,260	461,543	89,037
Interest income (*) and linkage differences from financial assets that are not measured at fair value through profit or loss	399,403	552,259	489,426
Interest income and linkage differences from financial assets measured at fair value through profit or loss and from other assets (**)	193,863	203,041	202,925
Income from exchange rate differences for investments that are not measured at fair value through profit or loss and from other assets (**)	40,607	22,280	40,961
Revenues from dividends	23,769	24,000	26,745
Total income) from net investments and finance income	2,774,430	4,547,484	3,316,941
(*) This income includes interest for impaired financial assets that are not measured at fair value through profit or loss.	1,248	2,175	2,179

(**) For information about exchange rate differences on financial liabilities, see Note 38.

Notes to the Consolidated Financial Statements

NOTE 28 – INVESTMENT GAINS (LOSSES), NET, AND FINANCE INCOME (CONTINUED)

A. Income (loss), net, from investments in available-for-sale assets

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Net gains from disposed securities	285,574	310,444	147,831
Net impairment recognized in profit or loss	(70,593)	(13,707)	(78,014)
Total income from investments in available-for-sale assets	214,981	296,737	69,817

B. Income (loss) from investments in assets at fair value through profit or loss

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Changes in fair value, net, including gain from disposals:			
For assets held for trading	(157,227)	103,301	(39,646)
For assets designated at initial recognition	9,956	8,162	19,394
Total gains (losses) from investments for assets at fair value through profit or loss	(147,271)	111,463	(20,252)

C. Gains (losses) from investments for assets presented as loans and receivables:

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Net gains from disposal of assets presented as loans and payables	78,984	83,910	77,651
Net impairment recognized in profit or loss	18,566	(30,567)	(38,179)
Total gains from investments for assets presented as loans and other payables	97,550	53,343	39,472

Notes to the Consolidated Financial Statements

NOTE 29 – REVENUE FROM MANAGEMENT FEES

A. Composition

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Management fees in pension and provident branches	312,414	292,897	305,478
Management fees from financial services	154,000	148,000	152,000
Variable management fees for life insurance contracts	137,882	218,956	-
Fixed management fees for life insurance contracts	237,095	205,056	171,590
Management fees for investment contracts	14,320	8,392	6,670
Total management fees from members and policyholders	855,711	873,301	635,738
Other management fees	2,100	2,189	2,020
Total income from management fees	857,811	875,490	637,758

B. Reduction of management fees

In June 2012, the Control of Financial Services Regulations (Provident Funds) (Management Fees), 2012, Control of Financial Services Regulations (Insurance) (Conditions in Insurance Contracts) (Amendment), 2012, and the draft Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment No. 4), 2012, were published, regarding amendment of management fees for pension savings products ("the Regulations"). In June 2012, a circular was issued for institutions regarding management fees in pension savings products ("the Circular"). The above provisions will be referred to as "the Management Fee Reform".

1. Changes in the maximum rate of management fees

   In accordance with the management fees reform, there was a gradual change in the maximum management fees for managers insurance (for new products), provident funds and new general pension funds. The change in management fees will not apply to insurance policies issued before the Regulations came into effect, guaranteed-return insurance funds, guaranteed-return provident funds, old funds, new comprehensive pension funds, study funds, personally managed provident funds, central provident funds, branch provident funds, provident funds for sick pay, provident funds for vacation and provident funds for other purposes.

Notes to the Consolidated Financial Statements

NOTE 29 – REVENUE FROM MANAGEMENT FEES (CONTINUED)

B. Reduction of management fees (continued)

1. Changes in the maximum rate of management fees (continued)

The table below presents the main change in the maximum annual management fees of various products (except for members who receive annuities):

	Pension funds that do not pay an annuity	Study funds and provident funds that are not provident funds do not pay an annuity	Directors insurance and compensation insurance for self-employed	General pension fund	Comprehensive pension fund
Maximum management fees up to December 31, 2012	2% from the accrual + 0% from deposits	2% from the accrual + 0% from deposits	2% from the accrual + 13% from deposits in the event of: conversion to a percentage of the deposits at a ratio of 1:10(*)	2% from the accrual + 0% from deposits	0.5% from the accrual + 6% from deposits
Maximum management fees in 2013 (the transition period)	1.1% from the accrual + 4% from deposits	Unchanged	1.1% from the accrual + 4% from deposits (**)	1.1% from the accrual + 4% from deposits	Unchanged
Maximum management fees as from 2014	1.05% from the accrual + 4% from deposits(****)	Unchanged(****)	1.05% from the accrual + 4% from deposits (***)	1.05% from the accrual + 4% from deposits	Unchanged

(*) Applies to policies issued as from January 1, 2004.

(**) Applies to policies issued as from January 1, 2013.

(***) Applies to policies issued as from January 1, 2014.

(****) Notwithstanding the information in the table, as from 2016, the management fees from the total aggregate balance of members in all their accounts in a provident fund that is not an insurance fund, will not fall below NIS 6 per month.

2. Entry of the regulations into force and change in the maximum management fees resulted in a reduction in management fees charged by institutions in the Group, due to a reduction of management fees from the accrual in the annuity period, for existing members as well, from reduction in management fees for insurance products sold as from January 1, 2013, and from a reduction in management fees members with whom contact has been lost. In this context, it is noted that most of the provident activity of The Group is managed through Excellence and accordingly, goodwill attributable to provident activity was amortized by NIS 7 million in the financial statements for 2014, NIS 36 million in the financial statements for 2013, and NIS 113 million in the financial statements for 2011.
In this context it is noted that entry of the regulations into force could raise the cancellation rate of policies with high management fees sold by the Company in the past and replacement with or migration to new policies with low management fees. The Company believes that this can be moderated by the cessation of marketing life insurance plans combining savings that include guaranteed annuities.

C. In 2012, the Company did not collect variable management fees for profit-sharing policies marketed until 2004, due to the aggregate negative real return. The deficit in management fees as of December 31, 2012 amounted to NIS 62 million. At the end of February 2013, the Company covered the full amount of the real investment losses accrued as a liability to the policyholders and started to collect variable management fees.

Notes to the Consolidated Financial Statements

NOTE 30 – INCOME FROM COMMISSIONS

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Insurance agency commissions	153,261	147,046	144,642
Reinsurance commissions, less change in deferred acquisition costs for reinsurance	105,970	116,877	102,920
Total income from commissions	259,231	263,923	247,562

NOTE 31 - INCOME FROM FINANCIAL AND OTHER SERVICES

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Income from ETFs and deposit, net (*)	143,822	112,525	121,987
Income from securities business, net	48,000	49,000	51,000
Income (expenses) from interest and exchange rate differences and early redemption of structured products, net	1,000	3,000	(1,000)
Income from banks for investments banking and underwriting	10,000	14,000	6,000
	202,822	178,525	177,987

(*) Income from ETFs and deposit:

	December 31		
	2014	2013	2012
	NIS thousands		
Gain from securities and finance	50,000	47,000	62,000
Dividend income from holdings in underlying assets, net	-	2,000	-
Revenues from lending fees, net	4,000	4,000	3,000
Income from ETF management fees	80,000	69,000	62,000
	134,000	122,000	127,000
Treasury shares	9,822	(9,475)	(5,013)
	143,822	112,525	121,987

NOTE 32 - OTHER REVENUE

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Services provided	17,864	17,493	14,321
Rental fees	3,227	3,083	3,361
Capital gain from disposal of property, plant and equipment	-	732	-
Consultation	16,597	10,046	12,489
Other revenue	4,261	3,362	7,948
Total other revenue	41,949	34,716	38,119

Notes to the Consolidated Financial Statements

NOTE 33 - PAYMENTS AND CHANGE IN LIABILITIES FOR INSURANCE AND INVESTMENT CONTRACTS IN RETENTION

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
For life insurance contracts			
Paid and outstanding claims: death, disability and other events	497,012	461,277	434,498
Less - reinsurance	34,367	30,717	32,251
	462,645	430,560	402,247
Redeemed policies	997,525	887,490	930,058
Matured policies	121,367	116,777	107,285
Annuities	105,115	80,454	61,775
Total claims	1,686,652	1,515,281	1,501,365
Increase in liabilities for life insurance contracts (except for changes in outstanding claims), in retention	3,894,368	5,529,751	4,659,285
Increase in liabilities for investment contracts due to the yield component	147,775	39,105	36,327
Total payments and change in liabilities for life insurance contracts and investment contracts in retention	5,728,795	7,084,137	6,196,977
Total payments and change in liabilities for general insurance contracts			
Gross	1,430,705	1,408,131	1,357,181
Reinsurance	280,924	243,575	175,772
In retention	1,149,781	1,164,556	1,181,409
Total payments and change in liabilities for healthcare insurance contracts			
Gross	1,205,497	1,032,577	986,559
Reinsurance	137,517	176,696	171,957
In retention	1,067,980	855,881	814,602
Total payments and change in liabilities for insurance contracts and investment contracts in retention	7,946,556	9,104,574	8,192,988

NOTE 34 - COMMISSIONS, MARKETING EXPENSES, AND OTHER ACQUISITION COSTS

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Acquisition costs			
Acquisition commissions	646,164	581,426	537,404
Other acquisition costs	255,516	241,973	213,185
Change in deferred acquisition costs	(141,425)	(115,209)	(71,463)
Total acquisition costs	760,255	708,190	679,126
Other current commissions	510,215	455,022	422,665
Other marketing expenses	43,310	24,084	19,271
Total commissions, marketing expenses, and other acquisition costs	1,313,780	1,187,296	1,121,062

Notes to the Consolidated Financial Statements

NOTE 35 – GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Wages and incidentals	764,552	725,233	671,210
Amortization and depreciation	184,050	168,279	140,544
Office maintenance and telecommunication	90,884	94,546	89,458
Computer services	71,703	68,353	64,384
Marketing and advertising	32,259	29,868	24,816
Legal and professional consulting	44,820	42,000	44,485
Others	187,464	213,095	188,390
Total (*)	1,375,732	1,341,374	1,223,287
Less:			
Amounts classified under the item for changes in liabilities and payments for insurance contracts	(63,092)	(60,142)	(56,028)
Amounts classified under the item for commissions, marketing expenses, and other acquisition costs	(282,369)	(253,790)	(225,273)
General and administrative expenses	1,030,271	1,027,442	941,986
(*) General and administrative expenses include automation expenses amounting to	230,437	215,900	193,114

NOTE 36 – SHARE-BASED PAYMENT

A. Recognized expense

The expense recognized in the financial statements for services received from employees is presented in the table below:

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
For cash-settled grants (see E below)	(304)	3,326	879
For equity grants	7,742	5,433	3,656
Total recognized expense from share-based payments	7,438	8,759	4,535

The share-based payment plans granted by the Company to its officers and employees are described below:

CEO of the Company

On June 1, 2009, Eyal Lapidot was appointed CEO of the Company. On August 30, 2009, the Company's board of directors approved a private placement of 6,177,879 options (unlisted for trading), which are offered to the Company's CEO for no consideration. Each option is exercisable into one ordinary registered share of NIS 1 par value of the Company, at an exercise price equal to NIS 7.976, plus annual interest at a rate of 3.75%, to be calculated for each lot of options, except for the first lot of options. The options will vest in four equal lots as from June 1, 2010 and up to June 1, 2013. Each lot is exercisable as from the vesting date up to June 1, 2014. The value of the benefit is measured at the grant date of the options using the binomial model. The average value of one option was estimated at NIS 4.86, and at the same date, the total value of the allocated options was estimated at NIS 30 million.

Notes to the Consolidated Financial Statements

NOTE 36 – SHARE-BASED PAYMENT (CONTINUED)

A. Recognized expense (continued)

CEO of the Company(continued)

In June 2013, Eyal Lapidot exercised 6,177,879 options that were granted to him. Following the exercise, Eyal Lapidot was allotted 2,502,539 ordinary shares of the Company of NIS 1 par value each, at a value reflecting the rate of the benefit.

2013 plan for employees and officers

On November 3, 2013 ("the Grant Date"), the Company's board of directors approved the allotment of 5,686,285 options to 39 employees of the Company and its subsidiaries, of which, 1,616,285 options were allotted to five officers in the Company and 4,070,000 options were allotted to 34 officers in the Company's subsidiaries. Following the exercise of these options, the underlying shares are ordinary shares of NIS 1 par value of the Company according to the number of options (conversion rate of 1:1).

The exercise price of each option is NIS 13.77. At the exercise date, the Company will allocate the underlying shares according to the number of options multiplied by the difference between the quoted share price at the exercise date and the exercise price divided by the quoted share price.

The options will vest in three equal lots, subject to the continuation of employment in the Company.

The fair value at the Grant Date is based on the valuation received from an external assessor using the binomial model. The average value of one option was estimated at NIS 3.41, and at the same date, the total value of the allocated options was estimated at NIS 19 million.

The following assumptions were used in measuring the fair value of equity-settled options for the 2013 plan:

Lot	Expected fluctuations in share price (A)	Risk-free interest rate (b)	Vesting date	Expiry date
1	32.68%	1.47%	11.2014	11.2016
2	32.68%	1.47%	11.2015	11.2016
3	32.91%	1.90%	11.2016	11.2017

A. Expected fluctuations in share price

The expected fluctuations (standard deviation) is based on historical fluctuations of the share price (according to daily margins) The expected fluctuation of the share price reflects the assumption that the historical fluctuation of the share price is an indication of the expected future fluctuations.

B. Risk-free interest

The interest rate used to calculate the value of the options to offerees is based on the risk-free nominal yield curve for redemption, based on the yield of unlinked Shahar government debentures

C. Churn rate (subsequent to the vesting period)

The model assumes a churn rate of 5% between the vesting date and the expiry of the option. The model does not assume the churn rate in the vesting period.

D. Dividends

The exercise price of the options in the plan is adjusted to dividends. Accordingly, calculation of the value of the options disregards future distribution of dividends.

Notes to the Consolidated Financial Statements

NOTE 36 – SHARE-BASED PAYMENT (CONTINUED)

A. Recognized expense (continued)

2007 and 2012 plan for employees and officers

In 2007, the Company approved the allocation of options to Company employees, and accordingly, options were allocated to Company employees in 2007, 2008, and 2010. Most of the options allotted under this plan expired. As of January 1, 2014, there are 120,000 outstanding options issued under this plan. In April 2014, all the options remaining under this plan were exercised for shares. In July 2013, 414,000 options were exercised for shares out of the plan.

On December 10, 2012, the Company's board of directors, after approval of the audit committee, approved the grant of 200,000 options exercisable for 200,000 ordinary Company shares of NIS 1 par value each, to the Group's executive deputy CEO. Each option is exercisable into one ordinary share for an exercise price equal to NIS 9.69 plus adjusted annual interest at a rate of 3.75%, which is measured as from the date of the board of director's resolution through to October 1, 2014. The options vested on October 1, 2014 and are exercisable until October 1, 2015. As of December 31, 2014, options that were allotted under this plan were unexercised.

B. Movements during the year

The following table presents the number of share options, the weighted average of their exercise price and the changes in employee options plans over the current year:

	2014		2013		2012	
	No. of options	Weighted average of adjusted exercise price	No. of options	Weighted average of adjusted exercise price	No. of options	Weighted average of adjusted exercise price
Options for shares at beginning of year	6,006,285	13.52	6,921,879	8.47	8,138,879	9.87
Options for shares granted during the year	-	-	5,686,285	13.77	200,000	10.05
Options for shares exercised during the year	(120,000)	9.06	(6,591,879)	8.04	-	-
Options for shares expired during the year	-	-	(10,000)	16.30	(1,119,600)	16.93
Options for shares forfeited during the year	(350,000)	12.97	-	-	(297,400)	15.99
Options for shares at beginning of year	5,536,285	12.80	6,006,285	13.52	6,921,879	8.47
Options for shares exercisable at the end of the year	2,045,428	12.50	120,000	9.06	4,977,409	8.25

Notes to the Consolidated Financial Statements

NOTE 36 – SHARE-BASED PAYMENT (CONTINUED)

C. The weighted average of the remaining contractual life of options at December 31, 2014 is 2.11 years (in 2013, 3.08 years; in 2012, 1.43 years).

D. The range of exercise prices of the options as of December 31, 2014 is between NIS 8.19 and NIS 12.97 (in 2013, between NIS 9.02 and NIS 13.77, and in 2012, between NIS 7.78 and NIS 16.3).

E. Cash-settled share-based payments

On March 18, 2012, the Company's board of directors approved, after the approval of the audit committee, the terms of the agreement between the Company and a company owned by Moshe Bareket, who served as chairman of the company's board of directors up to October 10, 2014 ("the Management Company"). In accordance with the agreement, the Management Company was entitled to a bonus of 0.4% of the annual increase in the Company's share value for the period of the chairman's service, calculated according to a formula that will be determined, provided the bonus does not exceed NIS 4 million (linked to the CPI) and the bonus for the entire period does not exceed NIS 9 million (linked to the CPI).

NOTE 37 - OTHER EXPENSES

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Amortization of intangible assets	26,675	31,243	41,611
Impairment loss of intangible assets and property, plant and equipment (*)	7,000	58,686	-
Modified reinsurance results	2,291	9,283	2,458
Translation differences for an investee due to a decrease in significant influence in an investee (**)	-	-	23,348
Loss from sale of property, plant and equipment and other	90	87	-
Total other expenses	36,056	99,299	67,417

(*) See Note 4.

(**) For further information, see Note 7(4)(H).

NOTE 38 – FINANCE EXPENSES

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Interest expenses and linkage differences for:			
Subordinated notes	66,278	89,553	96,113
Debentures and loans	37,259	61,083	56,751
Liability for acquisition of shares in subsidiaries	1,000	7,056	22,469
Deposits from tenants	3,627	19,910	18,086
Interest paid to reinsurers	3,345	8,389	7,650
Net exchange differences for liabilities	13,260	(7,383)	(2,243)
Commissions and other finance costs	1,791	2,595	2,790
Total finance expenses	126,560	181,203	201,616

Notes to the Consolidated Financial Statements

NOTE 39 – EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share was based on the earnings attributable to holders of ordinary shares, divided by the weighted average of the number of ordinary shares in circulation, as follows:

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Earnings attributable to the Company's shareholders	504,480	739,033	249,554

	Year ended December 31		
	2014	2013	2012
Weighted average number of ordinary shares	Number of shares (thousands)		
	NIS 1 par value (*)		
Balance as of January 1	246,190	243,576	243,983
Effect of the Company's shares held by the Group	(192)	(95)	(304)
Effect of shares issued in the year	29	1,530	423
Weighted average of the number of ordinary shares used to calculate basic earnings per share as of December 31	246,027	245,011	244,102
Effect of potential shares, diluted	12	62	355
Weighted average of the number of ordinary shares used to calculate diluted earnings per share as of December 31	246,039	245,073	244,457

(*) On April 24, 2014, a special general meeting of the Company's shareholders approved the consolidation of the Company's registered issued share capital, so that each Company share of NIS 5 par value was split into five Company shares of NIS 1 par value each. Accordingly, the Company's articles of association and regulations were amended. The record date for the capital consolidation is May 16, 2014, and the effective date for the consolidation is May 18, 2014. Subsequent to the capital consolidation, the Company's issued and paid up capital amounts to 250,461,389 ordinary shares of NIS 1 par value each and the Company's registered capital consists of 300,000,000 ordinary shares of NIS 1 par value. For further information, see the Company's immediate report of May 11, 2014, ref. 2014-01-060618.

NOTE 40 – RISK MANAGEMENT

The Group operates in the following main segments: Life insurance and long-term saving including pension funds and provident funds, healthcare insurance, general insurance and finance. The Group also has operations in financial services, ETFs and structured bonds.

The Group's operations in these area expose it to the following risks:

- Macro risks, including the state of the economy and level of employment
- Market risks
- Liquidity risks
- Credit risks, including credit risk of reinsurers
- Operating risks
- Insurance risks
- Legal risks arising from legal precedents, and claims and class actions
- Regulatory and compliance risks
- Goodwill risk and impairment of the Group's financial robustness
- Business risks, including risks of competition and level of portfolio retention

NOTE 40 – RISK MANAGEMENT (CONTINUED)

Macro risks: risks arising from the state of the economy and level of employment Economic recession and decline in employment may result in a decrease in deposits in long-term savings, and withdrawal of pension and medium-term savings (study funds) for current needs, an increase in bad debts, reduced cover purchased in insurance policies, an increase in the number of insurance cases and claims (due to an increase in theft and fraud), filing of claims on earlier dates, and intensification of competition in various operating segments.

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 risks arising from changes in interest rates, share prices, the CPI and foreign currency.

Liquidity risks: The risk that the Company will have difficulties in fulfilling obligations related to its liabilities, due to inability to sell assets immediately or without impairing their value.

Credit risks: The risk of loss due to the failure of a borrower/reinsurer to meet their obligations, or due to changes in credit spreads on the capital market.

Operating risks: The risk of a loss due to inadequacy or failure of internal processes, human error, system failures or external events.

Insurance risks: Life and healthcare insurance risks and actuarial risks in pension funds (the actuarial risks in the pension fund apply to members, and their effect on the management company is with respect to the management fees) arise from uncertainty in the anticipated future claims payment with respect to the assumptions relating to mortality/life expectancy rates, morbidity/disability rates, expenses, cancellations or surrenders. General insurance risks arise mainly from pricing uncertainty, assessment of reserves and catastrophe.

Legal risks: The Group is exposed to judicial decisions which may constitute a binding legal precedent for insurance operations, change the scope of the Group’s liabilities, and result in costs that were not expected when the insurance policies were purchased or in prior estimates of the insurance liabilities. The Group is also exposed to claims with the potential of becoming class actions, and the Group might be obliged to pay considerable sums.

Goodwill risk: The Group’s goodwill, financial stability and reputation constitute an important factor in the scope and profitability of the Group’s operations, agreements with new customers and retention of existing customers. Embezzlement, legal proceedings against the Group, and improper or illegal acts might impair its reputation.

Business risks: Intensified competition in areas in which the Group operates might impair the Group's profits. Increased competition can include intensified competition from existing competitors, entry of new competitors, and entry of new distribution channels. Operations in life insurance, provident funds and pension funds are exposed to policy cancellations and redemptions in the policy period. The Group's ability to retain its existing portfolio depends, inter alia, on its ability to achieve attractive returns compared to its competitors. The public’s tendency to choose alternative products in the various sectors, or the public’s tendency not to purchase insurance may affect the demand for the Group’s products, and its profits in the various sectors.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

Regulatory and compliance risks: Risks arising from the effect of regulatory changes on financial reporting, business operations and profitability. In addition, non-compliance with regulatory requirements may result in sanctions and financial penalties on the team.

This Note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes regarding the measurement and management of the risk. Additional quantitative disclosure is included throughout these consolidated financial statements.

1. Risk management procedures and methods

The Group has separate risk-management systems for insurance operations and for financial services. Excellence performs risk management for financial operations.

1.1. Insurance operations

Risk management at The Phoenix Insurance is designed to support and protect the Company against unexpected losses that may prevent it from achieving its business objectives, while complying with regulatory requirements.

The risk management process is performed in cooperation with supporting units that include actuarial, investments, reinsurance and accounting units.

At least once a year, a report is submitted to the board of directors and investment committees, identifying and mapping significant risks to the Company's financial robustness, the level of exposure to identified risks, means of control for these risks and recommendations to improve control, to the extent required.

The board of directors appointed a risk management committee on its behalf, which discussed the issues related to preparation for implementation of the Solvency II directive.

The Group attributes great importance to the involvement of the board of directors and investment committees in the risk management process. The board of directors of The Phoenix sets risk limits such as asset-liability management ("ALM"), CPI linkage limits, average maturity limits, and liquidity limits, for exposure to market risks as well as limits for aggregate exposure due to investment activity.

The board of directors and investment committees of The Phoenix approve the investment policy for profit-sharing portfolios and for nostro portfolios, as well as the credit management policy.

1.1.1. Market and liquidity risks

The Phoenix's investments are subject to policies established by the board of directors and implemented by various the various investment committees, subject to investment regulations.

The Company implemented systems to monitor its market risks. Controls are based on value at risk ("VAR") calculations and stress scenarios defined by the Company, using accepted methods for their implementation. The risk is measured for assets and liabilities (ALM) using accepted methodologies based on VAR calculations and stress scenarios, which are performed according a scenario defined as the result of extreme and simultaneous changes in the main parameters of the market risks, including interest rates, exchange rates and inflation, taking into account the correlation between the various risk factors. The board of directors set limits for the risk values and receives a report on compliance with them Routine reports summarizing the information are submitted for review to the investment committees, which convene regularly.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

1. Risk management procedures and methods (continued)

1.1. Insurance operations (continued)

1.1.1. Market and liquidity risks

As part of the ALM policy, the board of directors also set a minimum and maximum average duration limit for debt assets, a maximum rate of non-CPI linked assets and minimum rate of liquid assets.

In addition, the investment department holds discussions and performs routine controls on positions and on market developments and changes. There is also routine control in the back office unit for the integrity and reliability of the information. In addition, there are controls for compliance with the restrictions of the board of directors, investment committees and investment regulations, which are reviewed regularly by the investment control unit.

The board of directors set overall exposure restrictions (including debentures, loans and shares), referring to the single issuer, group, geographical distribution and rating. Reports of exposures and compliance with restrictions are submitted to the investment committees and the board of directors.

The investment committees examine the cash balances of The Phoenix, with an overview of the Company's liquidity requirements and the situation in the financial markets.

For further information about the exposure to market risks, see section 3 below and to liquidity risks, see section 4 below.

1.1.2. Exposure to credit risk for investment property and reinsurers

Exposure to credit risk for investment property
The exposure policy for credit risks establishes procedures for approving and providing loans, from authorized approval through to assessment of the borrower's rating and analyses, and up to the approval of the senior level or the relevant investment/credit committees as required, subject to the type and amount of the loan. The Company's credit policy is partially based on the borrower's debt service ability, quality of collateral, financial stability, and diversification of its credit portfolio among a large number of borrowers.

Detailed reports on the overall exposure in nostro portfolios and profit-sharing portfolios are produced frequently. These reports include different breakdowns, such as exposure to the issuer, exposure to the Group, geographic exposure, and exposure to credit ratings. The board of directors set limits for maximum exposure for each of the above breakdowns, and based on these reports, any exceptions are reported to the investment committees and board of directors.

The Phoenix developed and implemented a business credit rating model, which was approved by the Commissioner of Insurance. In addition, VAR calculations include the spread risk for quantification of the credit risk.

The risk management department analyses and rates new credit that is presented to the credit committee for approval and issues a reference paper analyzing the central risks.

The Phoenix has appointed a debt forum, which includes investment, accounting and risk management professionals, to control and classify problematic debts and report to the board of directors in their respect.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

1. Risk management procedures and methods (continued)

1.1. Insurance operations (continued)

1.1.2. Exposure to credit risk for investment property and reinsurers(continued)

Credit risk in exposure to reinsurers

The Phoenix Insurance purchases reinsurance in international markets. The Company's ability to purchase reinsurance on good terms is affected by the Group's performance in particular and the global reinsurance capacity in general (which is partially dependent on the reinsurers' stability and the occurrence of global catastrophic events Etc.). Changes in the cost and scope of reinsurance offered in these markets affect the Group's profits and its ability to expand the insurance volume and commit to certain insurance liabilities. In addition, reinsurance does not exempt the Group from its obligations towards its policyholders in accordance with the insurance policies, and for that reason, the financial stability and credit rating of the reinsurers affect the business results of insurance companies. ' Accordingly, the failure of a reinsurer to meet its obligations to the Group might have a significant effect on its ability to meet its obligations to its clients (for example, in the event of a catastrophe).

At least once a year, the board of directors of the insurance company discusses the exposure to reinsurers and the insurer's preparation for exposure management and control. The quality of the existing tools for managing exposure to reinsurers is also discussed and the control on it. The policy for exposure to reinsurers includes the policy for exposure management for reinsurers in life, general and healthcare branches, and defines a limit for maximum exposure to reinsurers, according to parameters set by the board of directors. As from 2002, The Phoenix Insurance enters into agreements with reinsurers with a rating of A- and above. As from 2012, the board of directors approved agreements with reinsurers with a rating of BBB + for short-tail business only, up to 10% of the exposure.

The Board of Directors approved a set of restrictions designed to ensure an adequate distribution between reinsurers as a function of rating and exposure, for catastrophe events and in the regular course of business.

For further information about the exposure to credit risks of investment property and reinsurers, see section 6 below.

1.1.3. Operating risk

In the course of its business, the Group is exposed to many operational risks, such as: the failure of internal systems, failure of computing and information systems, including a lack of information security, human error (employees, agents and suppliers), fraud, computer crime and external damage to the Company, such as an earthquake. The materialization of one or more of these risks could cause extensive damage.

Operating risk management includes a range of controls on different levels. These controls include operations of the audit committee and discussions of control in the CEO forum, using controls in the business process and controls in applications in information systems. The control system is based on work procedures and practices defined by the officers responsible for operations and on regulatory requirements, such as fraud and embezzlement circulars, information security and SOX 404. There are other control entities in the business sector.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

1. Risk management procedures and methods (continued)

1.1. Insurance operations (continued)

1.1.3. Operating risk (continued)

The Group's internal control system performs controls on a range of operations, and, among other things, examines the existence of controls against operating risks, and provides recommendations for strengthening and improving the controls. The Phoenix has implemented a process to assess the main operational risks. The process includes mapping and rating of core processes in the Group and the main risks arising from them.

The Group's information security policy includes The Phoenix's obligation to this matter. The policy defines principles of secure use as a basis for development, implementation of controls, procedures and information security mechanisms in The Phoenix's information systems. There are principles that address disclosure, early warning, prevention and documentation of exposures and materialization of damage events to availability and survivability, reliability, integrity and confidentiality in The Phoenix's information systems. Guidelines, responsibilities and scope were defined for implementation and integration of information security guidelines for ongoing business and operational aspects.

Appropriate administrative infrastructure was defined to establish and implement all information security operations. The Phoenix has an ordered process of assessing information security risks in information systems and interfaces. The risk assessment defines the sensitivity of the systems and addresses all potential information security risks arising from the information systems and routine business. Management directs appropriate resources to reduce risk according to risk assessment results.

To ensure that the information systems meet external and internal compliance requirements and international standards, and to assess management efficiency and protection measures applied in relation to risk assessment, information security risk surveys and controlled penetration tests of the Company's information technology system are carried out periodically, and before implementing major changes in the system or before these systems go live.

In recent years, the Group established and implemented a business continuity management (BCM) array. The project included establishment of an emergency portfolio, preparation of a procedure for immediate response to an emergency, strategy for business continuity, mapping of critical processes in the different units and confirmation times, definition of resources and human resources required for confirmation, benchmark scenarios, BCP sites, and an emergency management for the Group , and the appointment of special teams for handling emergencies and business emergency teams. In addition, in 2014, DRP and BCP training and drills were performed.

1.1.4. Insurance risks

Insurance risk controls are performed simultaneously on several levels: On the board of directors, senior management, actuarial, reinsurance department and control department level. The controls include generating reports, routine discussions and reporting, including for exposure reports, adequate reserves, and introduction of new insurance plans and/or new products.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

1. Risk management procedures and methods (continued)

1.1. Insurance operations (continued)

1.1.4. Insurance risks (continued)

In addition, the material risks in life, healthcare, and general insurance are evaluated to the extent possible, using a set of stress tests for the different portfolios, in compliance with IQIS requirements.

The Company's new products are approved by the chief risk officer, supervising actuary and chief information officer. These entities assess the risks and exposures associated with the product. Each new operating segment is reported to the board of directors.

Risks involved in insurance products are moderated by a wide distribution of insurance contracts. The risks are reduced by selecting and implementing underwriting strategies and by distribution over branches, geographic areas, types of risk and coverage limits.

In addition, to reduce risk exposure, the Company implements a strict evaluation policy for claims and ongoing evaluation of processes for handing claims.

The exposure of The Phoenix Insurance to earthquake risk in Israel, which is the main catastrophe to which it is exposed, is evaluated using international models and the Company acquires protection against this risk based on this assessment.

For further information about exposure to insurance risks, see section 5 below.

1.2. Financial services - managed by Excellence

1.2.1 Financial risk factors

The activities of Excellence expose it to various financial risks, such as Market risk (including currency risk and fair value risk for interest rates and CPI risk), credit risk and liquidity risk.

1. Market risk

Excellence Group companies operate, directly and indirectly, in the management of investments, portfolios, financial products, mutual funds, and real estate funds in the capital market, which is volatile, partially due to geo-political, security, and economic influences in Israel and the world, over which the Group companies have no control. The fluctuations affect the volume of public activity in the capital market and the prices of securities. Changes in the volume and value of investment portfolios, fund assets, and ETFs managed by the Group, and the number of the Group's customers, affect revenues of Group companies. Therefore, negative trends in prices of securities and the volume of activity in the capital market could have a negative effect on the Group's results.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

1. Risk management procedures and methods (continued)

1.2. Financial services - managed by Excellence (continued)

1.2.1 Financial risk factors (continued)

1. Market risk (continued)

A) Exposure to the capital market

Excellence operates in different areas of the capital market, which are highly volatile and affect the scope of the public's activities in the capital market and prices of securities, and consequently, the business results of Excellence. SPCs may perform hedging strategies on risks arising from changes in the market value. In general, the other Group companies do not hedge risks arising from the effect of changes in the market value of financial assets on the Company's assets.

Changes in prices of shares or debentures: changes in share prices or debenture indexes may result in profit or loss for the Group in the amounts to which the SPCs will be exposed from time to time, for the share indexes or debenture indexes, as the case may be.

Discrepancy between the composition of the shares or debentures in the indexes and the composition of the shares or debentures, as the case may be, may result in a change in the prices of the relevant shares or debentures, for the subsidiaries, gain or loss on the amounts for which there will be exposure from time to time to those shares or debentures, as the case may be.

B) Exchange rate risk

Excellence is exposed to exchange rate changes, mainly in the activities of SPCs that issue debentures linked to foreign CPI and as a result may be affected by foreign currency fluctuations. However, since the SPCs invest the proceeds from these issued products in underlying assets that track the index, including foreign currency, and/or which have the same linkage as the issued products, the net exposure to foreign currency, if any, is low and does not have a material effect on the Company's operating results.

2. Fair value of financial instruments

Marketable securities are exposed to fluctuations in market prices (market risks). Debentures are exposed to interest risks and exchange fluctuations since fluctuations in interest rates and exchange rates in the money market could affect the fair value and consequently, the market value of the security.

The financial instruments of Excellence are cash and cash equivalents, short term investments, credit for acquisition of securities, credit and short-term loans from banks, loans from banks and certain accounts payable and other payables, and liability for ETFs and deposits presented at the value of the liability. The Company's financial instruments are current and their maturity or exercise date is over the next year (other than a bank loan).

NOTE 40 – RISK MANAGEMENT (CONTINUED)

1. Risk management procedures and methods (continued)

1.2. Financial services - managed by Excellence (continued)

1.2.1 Financial risk factors (continued)

3. Trading difficulties

Suspension of trading or other trading difficulties in the underlying assets or options may prevent transactions and may create a situation where open positions cannot be closed and daily balance transactions in SPCs cannot be performed.

4. Risk for changes in the underlying assets and indexes

Sharp fluctuations in the underlying assets compared to the derivative assets: Sharp fluctuations in the underlying assets compared to short-term assets result in an increase in the premiums paid for the purchase of options, reflecting the uncertainty in the market, and may affect the volume of assets and liabilities of SPCs for options that the companies will create and/or acquire, which could have a positive or negative effect on the business results arising from such activity.

5. Risk for the use of derivatives

As part of the coverage activities, the subsidiary may use derivatives, such as options and future contracts. Use of derivatives creates additional risk exposure (such as changes in market expectations for interest rates and fluctuations of the underlying asset), for the use of underlying assets only, and therefore there may not be full consistency between their yields and the yields of the underlying assets.

6. Risk for borrowings (short sale)

Excellence's exposure for securities with a low trading volume increases with short sale transactions (borrowings) when trading is suspended or there are trading difficulties. This may result in a situation where the subsidiary will be unable to close the borrowing transaction in the quantities and time required when performing the coverage transactions and in accordance with the terms of the borrowing transactions.

7. Operating risk

Hedging the subsidiary's exposure to changes in the underlying assets requires continuous monitoring and supervision of these changes. Impairment of the subsidiary's ability to monitor the changes, for operational reasons (such as human error, breach of trust, or faults in the information and trading systems) could prevent it from successful hedging of the exposure.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

1. Risk management procedures and methods (continued)

1.2. Financial services - managed by Excellence (continued)

1.2.1 Financial risk factors (continued)

8. Risk for regulatory changes

Regulatory and legislative changes relating to securities in general, and financial products in particular, may have an adverse effect on the ability of the Group companies to operate in their field of activities and on the Group's profitability in this area, including due to costs arising for the Group companies from these regulatory changes, impairment of revenue and additional equity requirements.

9. Risk for time lag in overseas trading

For ETFs on a foreign underlying asset, when there is trading in Israel but not abroad, the issuer of the ETFs is unable to back itself by purchasing an underlying asset abroad, and accordingly, trading in the secondary market is expected to have lower liquidity and is based on market expectations for the prices of the underlying asset at the start of trading in the foreign market.

1.2.2. Credit risk

Credit risks are managed on the level of Excellence Group. Credit risks arise from cash and cash equivalents, short-term investments and deposits in banks and other financial institutions.

In addition, as part of its business activities, a subsidiary provides credit to the customers. The credit is secured by collateral of marketable securities in accordance with the TASE bylaws, and if their price falls, the collateral may be insufficient to cover the credit.

When there is high volatility in the prices of assets in this collateral, the customers' collateral may erode, which could significantly increase the credit risk in the credit that was provided.

Excellence's investments in non-marketable structured back-to-back debentures (non-recourse) are the sole financing source for payments to holders of the structured debentures issued by subsidiaries, therefore, the Group is not exposed to credit risk in their respect.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

1. Risk management procedures and methods (continued)

1.2. Financial services - managed by Excellence (continued)

1.2.3. Liquidity risk

The Group is acting to maintain an adequate ratio between the receipt of ongoing financing and the existing flexibility, through using credit and short term loans..

As part of the future backing activities of SPCs, the SPCs hold the assets relevant to the series and from time to time, cash, derivatives and relevant financial instruments. If a significant part of the holders of certificates of a particular series seek to convert the ETF at date unexpected by the SPCs, there is a risk that the SPCs ability to convert the full amount of the backing assets that are not assets, to shares will be impaired, and to transfer to the holders of the certificates the full amount of the shares in kind at that date. There is a risk that when converting or redeeming the certificates, the certificate holders will not receive the shares that comprise the index according to their weight, among other things, if the SPCs' backing activities result in their inability to fully repay their liabilities to the certificate holders.

SPCs that manage mutual funds, ETFs and deposits, and provident funds, deposit the balance of the funds and securities under their management in banks and TASE companies. A call for significant volumes of moneys may adversely affect the value of the customers' assets

Other than a long-term loan, which will be repaid within two years, all the assets and liabilities of the Company are current, and can be redeemed in the coming year.

1.2.4. Clearing risk

Excellence provides brokerage services for customers, including purchase of Israeli and foreign securities with a time lag of up to t+3 between the purchase of the securities and the receipt of the consideration for the purchase. Until the consideration for the purchase is received, the purchase consideration is secured by the purchased securities. As a result of the time lag, if the customer fails to pay the consideration, the Company is exposed to fluctuations in prices of the purchased securities that serve as collateral for the purchase consideration.

1.2.5. Capital risk management

The objectives of Excellence's capital risk management are to maintain the Group's ability to continue as a going concern in order to provide shareholders with a return on their investment and benefits for other interested parties, and to maintain an optimal capital structure to reduce the cost of capital.

Excellence may take various steps to maintain or adjust its capital structure, including a change in the amount of dividends paid to shareholders, return of capital to shareholders, issue of new shares, or sale of assets to repay debts.

Similar to other entities in the industry, Excellence monitors capital using its leverage ratio. This ratio is calculated by dividing the amount of the net debt by total capital. The amount of the net debt is calculated as the total credit (including “current credit and non-current credit" in the consolidated statements of financial position), less cash and cash equivalents. The total capital is calculated as the amount of capital in the consolidated statements of financial position, plus net debt.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

2. Legislative requirements

The Group operates within the existing regulatory requirements and complies with schedules for implementation of the various provisions. The main regulatory requirements issued for risk management in recent years are as follows:

2.1. Joint circular addressing risk management

In January 2014, the Commissioner of Insurance issued Chapter 10 of the joint circular addressing risk management in financial institutions. The circular includes general guidelines for qualifying conditions of the risk officer and the establishment of a risk management unit, which will be separate from the business lines that it reviews, to review at least market risks, counterparty risks and insurance risks. In addition, the circular defines the authority of the risk officer to receive information and access the data required to perform the duties of the unit as well as the resources required for it. In addition, the circular describes the duties and work methods of the risk officer, including identification of material risks, quantification and evaluation of material risks, and reports to the relevant organs.

2.2. Regulations for credit risk management, assessment and control

The circular of the Commissioner of Insurance issued on August 27, 2007 (regarding credit risk management for investment operations) establishes regulations to ensure the existence of management systems, adequate supervision and control for credit risk management of investments, including determining a credit policy by the board of directors according to criteria set out in the circular and rules for supervision, control and reporting to the board of directors by the investment committees.

Further to the above circular, the circular of the Commissioner of Insurance of the same date (regarding the provision of non-marketable credit by institutions - infrastructure for administrative, professional and operational support), establishes regulations to ensure administrative, professional and operational support, an appropriate organizational structure and infrastructure, and adequate supervision and control systems for providing non-marketable credit for investment operations, due to credit risks to which the Group is exposed when managing its investments. The circular includes provisions for construction of a professional organizational infrastructure, characterized by structural separation to prevent conflicts of interest; principles for the use of professional quality assurance tools to evaluate non-marketable credit (internal model for credit rating), and determining compulsory actions, the officers responsible for their implementation, and the relationship between them. The Phoenix developed and implemented a credit rating model, which was approved by the Commissioner of Insurance.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

2. Legislative requirements (continued)

2.3. Regulations for managing exposure to reinsurers

The Commissioner's circular regarding management of exposure to reinsurers establishes instructions and guidelines for management of exposure to reinsurers, a requirement for determining exposure policy and exposure limits for reinsurers, and regulations for reporting to the Commissioner. At least once a year, the board of directors will discuss and determine exposure policy and the insurer's preparation for managing and controlling exposure, for the individual reinsurer and a group of reinsurers with an economic connection, to estimate the quality of the tools for management and control of exposure to reinsurers.

The Phoenix Insurance has a policy for management of exposure to reinsurers that includes exposure to reinsurers in life, general, and healthcare branches, and has defined maximum exposure to reinsurers, according to parameters established by the board of directors.

2.4. Regulations for managing specific categories of operating risks: embezzlement and fraud, information security, and control on financial reporting (SOX)

The Group operates in accordance with the provisions in circulars issued by the Commissioner, which refer to management of operating risks arising from fraud and embezzlement, management of information security risks and control on financial reporting (SOX). For further information, see section 1.1.3 above.

2.5. Guidelines on the preparation for Solvency II

Solvency II defines capital requirements and risk management in insurance companies. The directive establishes a uniform set of capital requirements from insurance companies belonging to the European Union and beyond. The purpose of the directive is to improve the protection of policyholders' funds, deepen integration between markets and increase competition in the field. The proposed directive includes a comprehensive review of the risks to which insurance companies are exposed and sets standards for their management and measurement, while addressing the allocation of capital to the risks entailed in their operations. In addition to quantitative requirements, including the definition of two levels of required capital: Minimum Capital Requirement" (MCR) and Solvency Capital Requirement" (SCR), the proposed directive also focuses on internal supervision and control, as well as on market discipline, disclosure and reporting. The directive is expected to be implemented in Europe as from the beginning of 2016. The Commissioner of Insurance in Israel proposed a risk-based solvency governance system in the spirit of the directive and promoted a business culture that takes into account risk management considerations and allocation of capital when making decisions based on the principles of the directive, with the required adjustments for Israel.

In the context of the circulars for Solvency II preparations (of July 2008, March 2009, and May 2010), the Commissioner of Insurance required insurance companies to start a process to ensure organizational preparation to implement the proposed directive. As part of the preparations, the Commissioner issued guidelines for establishment of a development team and process officer (management member) on behalf of the Company and appointment of a board committee responsible for supervision and control of the process and the duty of reporting to the board of directors and the financial statements, The Phoenix is preparing to implement the directive. In addition, to calibrate the standard models for calculating capital adequacy, the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) issued a series of five quantitative impact surveys (QIS). The Commissioner of Insurance in Israel required preparation of the last two quantitative surveys (QIS4 and QIS 5). The Commissioner also required preparation of two other quantitative surveys in 2012 and 2013, with a number of adjustments to Israel (IQIS) for December 2011 and 2012, respectively. The Company completed the surveys and their results were presented to the board of directors and reported to the Commissioner.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

2. Legislative requirements (continued)

2.5. Guidelines on the preparation for Solvency II (continued)

To date, the Commissioner's guidelines have been revised each year, and accordingly, the calculation results of capital requirements have also changed. Implementation of Solvency II, according to the current IQIS model, may result in a significant increase in capital requirements, alongside an increase in existing capital. At the current stage, the model is sensitive to changes in market and other factors and therefore the capital requirements reflected by these changes might be volatile. In addition, application of the final guideline may affect the patterns of business operations. The model has not yet been approved, and there are fundamental issues which are being discussing in Europe as well as in Israel. See also Note 7(5)(3) above.

2.6. The Commissioner's regulations for capital requirements

The Group is subject to the Commissioner's regulations for capital requirements. For information about the capital requirements, see Note 7.

2.7. Investment regulations

The Company's assets are managed in accordance with the investment regulations.

3. Market risks

Market risk is the risk that the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include among other risks arising from changes in interest rates, share prices, the CPI and foreign currency.

The main market risks facing the Group are as follows:

Interest risk: The risk that the value of a financial asset and/or liability will change as a result of changes in market interest rates. In most of the Group's businesses, the average duration of the assets does not match the average duration of the liabilities, mainly that of life insurance liabilities in which the average duration of liabilities is considerably longer than the average duration of assets. As a result, maintaining the interest at the current rate and an additional decrease in the interest rate will lower future yields when refunding the assets compared to liabilities, and to a decrease in the embedded value of the life insurance portfolio.

Risks related to shares and real assets: Risks arising from a change in share prices or a change in the fair value of real assets.

Risks related to the CPI: A real loss arising from erosion in the value of shekel assets due to inflation being higher than the expectations reflected in the capital market, compared to CPI-linked insurance liabilities. In life insurance (for the portion of the life insurance portfolio that is not backed by designated bonds), general insurance and equity, there is no full correlation between the linkage basis of the assets and the linkage basis of the liabilities. This risk has a significant effect on nostro portfolios in which the liabilities are almost fully linked to the CPI, while not all the assets are linked to the CPI.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

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.

The value of the Group's assets and liabilities is exposed to the risks described above. Accordingly, investment income against insurance reserves and equity has a material effect on the profits of insurance companies. A major part of the Group's asset portfolio is invested in marketable securities in the capital market, and in financial derivatives, which are characterized by fluctuations as a result of political and economic events in Israel and around the world. Marketable securities are reported at their quoted price as of the reporting date. Therefore, the fluctuations in the value of these investments are likely to have a significant effect on the Group's profitability and equity. The extent of the impact on profits depends on the characteristics of the insurance liabilities (nostro and unit linked) and the conditions of the management fees in products for which the relevant reserve is held.

3.1 Unit linked contracts

Unit linked liabilities are liabilities for contracts in which the beneficiary is entitled to receive insurance benefits are based on the yield arising from investments made against the liabilities for these policies, less management fees as follows:

- In profit-sharing policies issued from 2004 onwards, yields from investments are allocated to the policyholders and the insurer is entitled to fixed management fees. In accordance with the decision of the Knesset Finance Committee, as from January 2014, maximum annual management fees are limited to up to 1.05% of the accrual balance and up to 4% of the current deposits. Up to 0.6% of the assets against liabilities will be paid for annuities. It is noted that, with regard to insurance policies, it was decided that the maximum management fee will not be applicable for insurance policies issued prior to January 1, 2013. For these products, the impact of the yields on the profits of the insurance company is reduced to exposure arising from the total scope of the reserve from which the insurer's management fees are derived.

- In profit-sharing policies issued up to December 31, 2003, the yield from the investments is credited to policyholders and the insurer is entitled to fixed management fees at a rate of 0.6% of the accrual and variable management fees at a rate of 15% of the real profit achieved after deducting the fixed management fees. In these policies, when the yield is negative, the Company may not collect variable management fees until a positive yield is achieved that will cover the accrued negative yield. In these products, in addition to the exposure arising from the amount of the accrual, there is an effect on the Company's profits as a result of the rate of variable management fees arising from the real yields allocated to policyholders.

- In pension and provident branches, the yield from the investments (less fixed management fees) is credited to members, therefore the effect of the investment results on the management company of the pension fund or provident fund is derived from the management fees paid to the management company, based on the scope of the assets.

Regarding assets and liabilities for these products, the insurance company does not have direct exposure for changes in interest rates, fair value of the investments, or the CPI. The effect of the financial results on the insurance company's profits is limited to the exposure arising from variable management fees which change according to fluctuations in yields credited to the policyholders (for policies issued up to 2004 only) and the total scope of liabilities, from which the fixed management fees of the insurer for all unit linked products are derived.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.1 Unit linked contracts (continued)

In view of the aforesaid, the sensitivity tests and maturity dates of the liabilities set out in the tables below do not include unit linked contracts.

Below is a sensitivity test for unit linked contracts and the effect of any change in yield on profit (loss).

Any change of 1% in the real yield on the investments according to unit linked contracts for policies issued up to 2004, with liabilities of NIS 22 billion in their respect as of December 31, 2014, affects variable management fees in the amount of NIS 33 million and fixed management fees in the amount of NIS 1.3 million. The effect of the change on policies issued from 2004 onwards is not material. For further information about variable management fees, see Note 29.

In non-profit sharing life insurance policies, the life insurance portfolio is mainly comprised of yield guaranteed policies, which are for the most part backed by designated bonds (HETZ), issued by the Bank of Israel throughout the entire lifetime of the policy. Therefore, the Company has financial coverage which overlaps the main financial liabilities, in terms of interest and linkage over the lifetime of the policies. As of December 31, 2014, designated bonds covered 67.95% of total insurance liabilities in life insurance in these programs (in December 2013, 67.04%). Therefore, changes in the capital market, the CPI, and exchange rates may have a material effect on the Group's operating results.

For the Company's remaining investments, in life insurance business, there is exposure to the interest rates which will be in force upon the refinancing of investments, which may have a shorter lifetime than the average lifetime of the insurance liabilities. For these products and for ongoing payment claims in long-term care insurance and in permanent health insurance, the calculation of insurance liability is based on the interest rate in the policy.

For information about risks in financial services, see Note 25.

3.2 Sensitivity tests relating to market risks for non-unit linked contracts

The tables below describe the sensitivity tests presenting the change in profit (loss) and comprehensive income (equity) for the financial assets, the financial liabilities, and the liabilities for insurance and investment contracts for the relevant risk variable as of each reporting date, assuming that all the other variables are fixed. For example, the change in interest assumes that all other parameters remain unchanged. These sensitivity tests do not include, as mentioned, the impact of unit linked contracts as described above. The changes in the variables are in relation to the carrying amount of the assets and liabilities. In addition, it was assumed that the changes do not reflect permanent impairment of assets stated at reduced cost or available-for-sale assets, therefore, in the sensitivity tests, impairment losses were not included for these assets. The sensitivity tests reflect direct impacts only, without secondary impacts.

It is noted that the sensitivities are not linear, hence larger or smaller changes in relation to the changes described below are not necessarily simple extrapolation of the impact of the changes.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.2 Sensitivity tests relating to market risks for non-unit linked contracts (continued)

December 31, 2014:

	Interest rates [1]		Investment in equity instruments [3]		Rate of change in the CPI		Change in exchange rate of foreign currency	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS thousands							
Profit (loss)	175,693	(301,433)	29,754	(29,754)	(30,607)	30,607	(17,634)	17,634
Comprehensive income (loss) (4)	40,008	(165,747)	138,652	(138,652)	(30,607)	30,607	27,019	(27,019)

December 31, 2013:

	Interest rates [1]		Investment in equity instruments [3]		Rate of change in the CPI		Change in exchange rate of foreign currency	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS thousands							
Profit (loss)	139,111	(229,889)	9,011	(9,011)	(25,090)	25,090	(25,143)	25,143
Comprehensive income (loss) (4)	16,313	(107,089)	102,764	(102,764)	(25,090)	25,090	20,471	(20,471)

December 31, 2012:

	Interest rates [1]		Investment in equity instruments [3]		Rate of change in the CPI		Rate of change in the exchange rate	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS thousands							
Profit (loss)	29,471	(14,239)	12,031	(12,031)	(26,070)	26,070	(43,851)	43,851
Comprehensive income (loss) (4)	(75,440)	90,673	91,667	(91,667)	(26,070)	26,070	(8,765)	8,765

(1) The analysis of sensitivity to interest changes refers to fixed interest instruments and variable interest instruments. The exposure is for the carrying amount of the instrument. The sensitivity tests did not take into account, out of the assets with direct interest risk, non-marketable debt assets, cash and cash equivalents, reinsurance assets, and non-marketable financial liabilities.

(2) The sensitivity analysis includes the effect on the insurance liabilities, including the effect of due diligence for guaranteed-return life insurance reserves, disability for payment, and long term care against the value of the portfolio in effect as described in Note 2H(1)(e) and Note 2H(3)(2).

(3) Investments in instruments that have no fixed cash flow, or the Company has no information about this cash flow (according to IFRS 7, this does not include investments in associates).

(4) The sensitivity analysis for comprehensive income (loss) also reflects the effect of profit (loss) for the period.

(5) In the sensitivity test to the CPI and to currency, non-monetary items were also taken into account.

Direct interest risk is the risk that a change in market interest will result in a change in the fair value or cash flows arising from the asset or liability. This risk refers to assets settled in cash. The addition of the word “direct” emphasizes the fact that the interest change can also effect other types of assets but not directly, such as the effect of the interest change on share rates.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.2 Sensitivity tests relating to market risks for non-unit linked contracts (continued)

Assets and liabilities according to exposure to interest risks:

	December 31, 2014			
	Non-unit linked	Unit linked	Debentures, ETFs, reverse certificates, complex certificates and deposit certificates	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Assets with a direct interest risk				
Marketable debt assets	5,503,979	15,209,782	-	20,713,761
Non-marketable debt assets:				
HETZ debentures	6,580,549	295,931	-	6,876,480
Other	3,989,922	4,091,081	-	8,081,003
Other financial investments	100,448	203,276	39,186,300	39,490,024
Cash and cash equivalents	677,461	2,651,399	-	3,328,860
Reinsurance assets	1,318,530	80,396	-	1,398,926
Total assets with a direct interest risk	18,170,889	22,531,865	39,186,300	79,889,054
Assets without a direct interest risk (*)	8,640,229	12,807,366	-	21,447,595
Total assets	26,811,118	35,339,231	39,186,300	101,336,649
Liabilities with a direct interest risk				
Financial liabilities	3,466,192	76,918	52,000	3,595,110
Liabilities for insurance contracts and investment contracts	18,381,210	35,149,671	-	53,530,881
Liability for debentures, ETFs, reverse certificates and complex certificates	-	-	38,404,175	38,404,175
Total liabilities with a direct interest risk	21,847,402	35,226,589	38,456,175	95,530,166
Liabilities without a direct interest risk (**)	1,724,005	153,336	-	1,877,341
Equity	3,929,142	-	-	3,929,142
Total equity and liabilities	27,500,549	35,379,925	38,456,175	101,336,649
Total assets less liabilities	3,239,711	(40,694)	730,125	3,929,142
Off-balance sheet risk - credit line	193,866	-	-	193,866

(*) Assets without a direct interest rate risk include shares, fixed assets and rental property, deferred acquisition costs and other assets and equity groups of financial assets (premiums receivable, current balances of insurance companies and other receivables) with an average duration of up to six months, therefore the interest risk is relatively low.

(**) Liabilities without a direct interest rate risk include tax reserves and credit and debit balances

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.2 Sensitivity tests relating to market risks for non-unit linked contracts (continued)

Assets and liabilities according to exposure to interest risks(continued):

	December 31, 2013(***)			
	Non-unit linked	Unit linked	Debentures, ETFs, reverse certificates, complex certificates and deposit certificates	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Assets with a direct interest risk				
Marketable debt assets	5,424,370	12,383,638	-	17,808,008
Non-marketable debt assets:				
HETZ debentures	6,233,161	274,339	-	6,507,500
Other	3,852,075	3,886,278	-	7,738,353
Other financial investments	96,815	231,252	35,643,244	35,971,311
Cash and cash equivalents	585,981	2,240,940	-	2,826,921
Reinsurance assets	1,279,744	84,665	-	1,364,409
Total assets with a direct interest risk	17,472,146	19,101,112	35,643,244	72,216,502
Assets without a direct interest risk (*)	7,917,977	11,941,950	-	19,859,927
Total assets	25,390,123	31,043,062	35,643,244	92,076,429
Liabilities with a direct interest risk				
Financial liabilities	3,260,134	43,982	61,000	3,365,116
Liabilities for insurance contracts and investment contracts	17,541,565	30,892,508	-	48,434,073
Liability for debentures, ETFs, reverse certificates and complex certificates	-	-	34,911,165	34,911,165
Total liabilities with a direct interest risk	20,801,699	30,936,490	34,972,165	86,710,354
Liabilities without a direct interest risk (**)	1,596,033	115,697	-	1,711,730
Equity	3,654,345	-	-	3,654,345
Total equity and liabilities	26,052,077	31,052,187	34,972,165	92,076,429
Total assets less liabilities	2,992,391	(9,125)	671,079	3,654,345
Off-balance sheet risk - credit line	68,346	-	-	68,346

(*) Assets without a direct interest rate risk include shares, property, plant and equipment and rental property, deferred acquisition costs and other assets and equity groups of financial assets (premiums receivable, current balances of insurance companies and other receivables) with an average duration of up to six months, therefore the interest risk is relatively low.

(**) Liabilities without a direct interest rate risk include tax reserves and credit and debit balances

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.2 Sensitivity tests relating to market risks for non-unit linked contracts (continued)

Assets and liabilities according to exposure to interest risks (continued):

	December 31, 2012			
	Non-unit linked	Unit linked	Debentures, exchange-traded funds, reverse certificates, complex certificates and deposit certificates	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Assets with a direct interest risk				
Marketable debt assets	5,277,927	9,591,028	-	14,868,955
Non-marketable debt assets:				
HETZ debentures	5,780,091	261,226	-	6,041,317
Other	3,004,460	3,599,945	-	6,604,405
Other financial investments	109,028	337,334	11,692,979	12,139,341
Cash and cash equivalents	965,632	1,700,297	14,367,000	17,032,929
Reinsurance assets	1,279,925	72,187	-	1,352,112
Total assets with a direct interest risk	16,417,063	15,562,017	26,059,979	58,039,059
Assets without a direct interest risk	7,314,291	10,024,764	-	17,339,055
Total assets	23,731,354	25,586,781	26,059,979	75,378,114
Liabilities with a direct interest risk				
Financial liabilities	3,408,737	77,850	66,000	3,552,587
Liabilities for insurance contracts and investment contracts	15,918,319	25,521,266	-	41,439,585
Liability for debentures, ETFs, reverse certificates and complex certificates	-	-	25,148,994	25,148,994
Provision for payment for the option to acquire an investee	86,007	-	-	86,007
Total liabilities with a direct interest risk	19,413,063	25,599,116	25,214,994	70,227,173
Liabilities without a direct interest risk	1,741,118	160,414	-	1,901,532
Equity	3,249,409	-	-	3,249,409
Total equity and liabilities	24,403,590	25,759,530	25,214,994	75,378,114
Total assets less liabilities	2,577,173	(172,749)	844,985	3,249,409
Off-balance sheet risk - credit line	19,450	-	-	19,450

*) Assets without a direct interest rate risk include shares, property, plant and equipment and rental property, deferred acquisition costs and other assets and equity groups of financial assets (premiums receivable, current balances of insurance companies and other receivables) with an average duration of up to six months, therefore the interest risk is relatively low.

**) Liabilities without a direct interest rate risk include tax reserves and credit and debit balances

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.3 Assets and liabilities by linkage basis*

	December 31, 2014								
	NIS unlinked	NIS CPI-linked	USD or USD-linked	EUR or EUR-linked	Foreign currency or foreign currency-linked	Non-financial and others	ETFs linked to indexes	Liabilities for unit linked contracts	Total
	NIS thousands								
Intangible assets	-	-	-	-	-	1,754,454	-	-	1,754,454
Deferred tax assets	-	-	-	-	-	7,906	-	-	7,906
Deferred acquisition costs	-	-	-	-	-	1,354,278	-	3,849	1,358,127
Property, plant and equipment	-	-	-	-	-	370,604	-	-	370,604
Investments in associates	54,346	13,539	-	-	6,170	508,764	-	-	582,819
Investment property for unit linked contracts	-	-	-	-	-	-	-	1,094,954	1,094,954
Other investment property	-	-	-	-	-	1,857,433	-	-	1,857,433
Reinsurance assets	65,567	1,188,831	64,132	-	-	-	-	80,396	1,398,926
Debtors and receivables	125,815	38,002	61,973	274	-	-	-	35,869	261,933
Credit for acquisition of securities	-	-	-	-	-	-	160,000	-	160,000
Current tax assets	-	-	-	-	-	42,083	-	-	42,083
Premiums collectible	406,830	135,971	20,085	-	-	-	-	33,958	596,844
Financial investments for holders of debentures, exchange-traded funds , reverse certificates, complex certificates and certificates of deposit	-	-	-	-	-	-	39,026,300	-	39,026,300
Financial investments for unit linked contracts	-	-	-	-	-	-	-	31,438,806	31,438,806
Other financial investments									
Marketable debt assets	1,133,998	4,079,417	144,972	41,891	103,701	-	-	-	5,503,979
Non-marketable debt assets	118,971	10,076,390	322,513	40,984	11,613	-	-	-	10,570,471
Shares	-	-	-	-	-	745,245	-	-	745,245
Others	119,839	79,551	-	82	738	1,036,695	-	-	1,236,905
Total other finance investments	1,372,808	14,235,358	467,485	82,957	116,052	1,781,940	-	-	18,056,600
Cash and cash equivalents for unit linked contracts	-	-	-	-	-	-	-	2,651,399	2,651,399
Other cash and cash equivalents	667,140	-	9,000	1,321	-	-	-	-	677,461
Total assets	2,692,506	15,611,701	622,675	84,552	122,222	7,677,462	39,186,300	35,339,231	101,336,649

(*) The information in the table is presented in accordance with accounting classification rules and does not necessarily reflect the actual exposure to foreign currency. For information about exposure to foreign currency, see the sensitivity table in section 3.2.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks(continued)

3.3 Assets and liabilities by linkage basis* (continued)

	December 31, 2014								
	NIS unlinked	NIS CPI-linked	USD or USD-linked	EUR or EUR-linked	Foreign currency or foreign currency-linked	Non-financial and others	ETFs linked to indexes	Liabilities for unit linked contracts	Total
	NIS thousands								
Total equity	-	-	-	-	-	3,929,142	-	-	3,929,142
Liabilities									
Liabilities for non-unit linked insurance contracts and investment contracts	805,238	17,482,596	93,376	-	-	-	-	-	18,381,210
Liabilities for unit linked insurance contracts and investment contracts	-	-	-	-	-	-	-	35,149,671	35,149,671
Liabilities for deferred taxes	-	-	-	-	-	425,226	-	-	425,226
Liabilities for employee benefits, net	113,254	-	-	-	-	-	-	-	113,254
Liabilities for current taxes	-	8,560	-	-	-	-	-	-	8,560
Creditors and payables	582,986	488,751	258,508	56	-	-	-	-	1,330,301
Liabilities for debentures, ETFs, reverse certificates and complex certificates	-	-	-	-	-	-	38,404,175	-	38,404,175
Financial liabilities	997,631	2,545,479	-	-	-	-	52,000	-	3,595,110
Total liabilities	2,499,109	20,525,386	351,884	56	-	425,226	38,456,175	35,149,671	97,407,507
Total shareholders' equity and liabilities	2,499,109	20,525,386	351,884	56	-	4,354,368	38,456,175	35,149,671	101,336,649
Total equity exposure	193,397	(4,913,684)	270,791	84,496	112,222	3,323,094	730,125	189,560	-
Exposure to base assets using derivative instruments in Delta terms	873,059	-	(685,873)	(112,766)	(74,420)	-	-	-	-
Total exposure	1,066,456	(4,913,684)	(415,082)	(28,270)	47,802	3,323,094	730,125	189,560	-

Most of the Company's insurance business is dominated in NIS and its exposure to exchange rate changes is not material. Any exposure to exchange rates is mainly due to exposure to the US dollar and the euro.

(*) The information in the table is presented in accordance with accounting classification rules and does not necessarily reflect the actual exposure to foreign currency. For information about exposure to foreign currency, see the sensitivity table in section 3.2.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued))

3.3 Assets and liabilities by linkage basis* (continued)

	December 31, 2013								
	NIS unlinked	NIS CPI-linked	USD or USD-linked	EUR or EUR-linked	Foreign currency or foreign currency-linked	Non-financial and others	ETFs linked to indexes	Liabilities for unit linked contracts	Total
	NIS thousands								
Intangible assets	-	-	-	-	-	1,702,838	-	-	1,702,838
Deferred tax assets	-	-	-	-	-	6,844	-	-	6,844
Deferred acquisition costs	-	-	-	-	-	1,212,154	-	4,548	1,216,702
Property, plant and equipment	-	-	-	-	-	376,954	-	-	376,954
Investments in associates	38,625	14,332	-	-	-	435,956	-	-	488,913
Investment property for unit linked contracts	-	-	-	-	-	-	-	1,005,774	1,005,774
Other investment property	-	-	-	-	-	1,725,908	-	-	1,725,908
Reinsurance assets	109,991	1,112,515	57,238	-	-	-	-	84,665	1,364,409
Debtors and receivables	125,581	53,658	96,372	350	-	-	-	36,201	312,162
Credit for acquisition of securities	-	-	-	-	-	-	165,000	-	165,000
Current tax assets	-	-	-	-	-	35,314	-	-	35,314
Premiums collectible	394,166	104,831	21,446	-	-	-	-	36,331	556,774
Financial investments for holders of debentures, exchange-traded funds , reverse certificates, complex certificates and certificates of deposit	-	-	-	-	-	-	35,478,244	-	35,478,244
Financial investments for unit linked contracts	-	-	-	-	-	-	-	27,634,603	27,634,603
Other financial investments									
Marketable debt assets	944,197	4,440,950	27,682	7,460	4,081	-	-	-	5,424,370
Non-marketable debt assets	20,699	9,861,413	173,883	15,897	13,344	-	-	-	10,085,236
Shares	-	-	-	-	-	646,193	-	-	646,193
Others	66,748	55,996	-	-	388	900,138	-	-	1,023,270
Total other finance investments	1,031,644	14,358,359	201,565	23,357	17,813	1,546,331	-	-	17,179,069
Financial investments for unit linked contracts	-	-	-	-	-	-	-	2,240,940	2,240,940
Other cash and cash equivalents	441,532	-	90,164	40,329	13,956	-	-	-	585,981
Total assets	2,141,539	15,643,695	466,785	64,036	31,769	7,042,299	35,643,244	31,043,062	92,076,429

(*) The information in the table is presented in accordance with accounting classification rules and does not necessarily reflect the actual exposure to foreign currency. For information about exposure to foreign currency, see the sensitivity table in section 3.2.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.3 Assets and liabilities by linkage basis*(continued)

	December 31, 2013								
	NIS unlinked	NIS CPI-linked	USD or USD-linked	EUR or EUR-linked	Foreign currency or foreign currency-linked	Non-financial and others	ETFs linked to indexes	Liabilities for unit linked contracts	Total
	NIS thousands								
Total equity	-	-	-	-	-	3,654,345	-	-	3,654,345
Liabilities									
Liabilities for non-unit linked insurance contracts and investment contracts	987,390	16,474,836	83,339	-	-	-	-	-	17,545,565
Liabilities for unit linked insurance contracts and investment contracts	-	-	-	-	-	-	-	30,892,508	30,892,508
Liabilities for deferred taxes	-	-	-	-	-	426,332	-	-	426,332
Liabilities for employee benefits, net	114,707	-	-	-	-	-	-	-	114,707
Liabilities for current taxes	-	12,318	-	-	-	-	-	-	12,318
Creditors and payables	609,269	398,249	199,777	78	-	-	-	-	1,207,373
Liabilities for debentures, ETFs, reverse certificates and complex certificates	-	-	-	-	-	-	34,911,165	-	34,911,165
Financial liabilities	650,817	2,600,299	-	-	-	-	61,000	-	3,312,116
Total liabilities	2,362,183	19,485,702	283,116	78	-	426,332	34,972,165	30,892,508	88,422,084
Total shareholders' equity and liabilities	2,362,183	19,485,702	283,116	78	-	4,080,677	34,972,165	30,892,508	92,076,429
Total equity exposure	(220,644)	(3,842,007)	183,669	63,958	31,769	2,961,622	671,079	150,554	-
Exposure to base assets using derivative instruments in Delta terms	652,598	-	(505,794)	(146,804)	-	-	-	-	-
Total exposure	431,954	(3,842,007)	(322,125)	(82,846)	31,769	2,961,622	671,079	150,554	-

Most of the Company's insurance business is dominated in NIS and its exposure to exchange rate changes is not material. Any exposure to exchange rates is mainly due to exposure to the US dollar and the euro.

(*) The information in the table is presented in accordance with accounting classification rules and does not reflect the actual exposure to foreign currency. For information about exposure to foreign currency, see the sensitivity table in section 3.2.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.3 Assets and liabilities by linkage basis* (continued)

	December 31, 2012								
	NIS unlinked	NIS CPI-linked	USD or USD-linked	EUR or EUR-linked	Foreign currency or foreign currency-linked	Non-financial and others	ETFs linked to indexes	Liabilities for unit linked contracts	Total
	NIS thousands								
Intangible assets	-	-	-	-	-	1,714,984	-	-	1,714,984
Deferred tax assets	-	-	-	-	-	36,835	-	-	36,835
Deferred acquisition costs	-	-	-	-	-	1,096,263	-	5,230	1,101,493
Property, plant and equipment	-	-	-	-	-	416,039	-	-	416,039
Investments in associates	54,978	3,933	-	-	94	406,049	-	-	465,054
Investment property for unit linked contracts	-	-	-	-	-	-	-	444,906	444,906
Other investment property	-	-	-	-	-	1,338,650	-	-	1,338,650
Reinsurance assets	145,107	1,071,808	63,010	-	-	-	-	72,187	1,352,112
Debtors and receivables	146,983	121,375	86,883	486	-	-	-	84,423	440,150
Credit for acquisition of securities	-	-	-	-	-	-	237,000	-	237,000
Current tax assets	-	-	-	-	-	40,680	-	-	40,680
Premiums collectible	390,843	106,200	26,064	-	-	-	-	48,734	571,841
Financial investments for holders of debentures, exchange-traded funds , reverse certificates, complex certificates and certificates of deposit	-	-	-	-	-	-	11,455,979	-	11,455,979
Financial investments for unit linked contracts	-	-	-	-	-	-	-	23,231,004	23,231,004
Other financial investments									
Marketable debt assets	1,153,204	4,079,920	22,835	8,056	13,912	-	-	-	5,277,927
Non-marketable debt assets	9,792	8,644,288	102,260	12,620	15,591	-	-	-	8,784,551
Shares	-	-	-	-	-	585,409	-	-	585,409
Others	57,662	31,042	794	17,814	-	743,259	-	-	850,571
Total other finance investments	1,220,658	12,755,250	125,889	38,490	29,503	1,328,668	-	-	15,498,458
Cash and cash equivalents pledged for holders of debentures, exchange-traded funds , reverse certificates, complex certificates and certificates of deposit	-	-	-	-	-	-	14,367,000	-	14,367,000
Financial investments for unit linked contracts	-	-	-	-	-	-	-	1,700,297	1,700,297
Other cash and cash equivalents	887,229	-	58,221	9,868	10,314	-	-	-	965,632
Total assets	2,845,798	14,058,566	360,067	48,844	39,911	6,378,168	26,059,979	25,586,781	75,378,114

(*) The information in the table is presented in accordance with accounting classification rules and does not necessarily reflect the actual exposure to foreign currency. For information about exposure to foreign currency, see the sensitivity table in section 3.2.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.3 Assets and liabilities by linkage basis* (continued)

	December 31, 2012								
	NIS unlinked	NIS CPI-linked	USD or USD-linked	EUR or EUR-linked	Foreign currency or foreign currency-linked	Non-financial and others	ETFs linked to indexes	Liabilities for unit linked contracts	Total
	NIS thousands								
Total equity	-	-	-	-	-	3,249,409	-	-	3,249,409
Liabilities									
Liabilities for non-unit linked insurance contracts and investment contracts	938,729	14,887,847	91,743	-	-	-	-	-	15,918,319
Liabilities for unit linked insurance contracts and investment contracts	-	-	-	-	-	-	-	25,521,266	25,521,266
Liabilities in respect of deferred taxes	-	-	-	-	-	376,160	-	-	376,160
Liabilities for employee benefits, net	119,178	-	-	-	-	-	-	-	119,178
Liabilities in respect of current taxes	-	15,486	-	-	-	-	-	-	15,486
Creditors and payables	630,017	559,260	201,380	51	-	-	-	-	1,390,708
Liabilities for debentures, ETFs, reverse certificates and complex certificates	-	-	-	-	-	-	25,148,994	-	25,148,994
Financial liabilities	864,514	2,577,073	37,000	8,000	-	-	66,000	-	3,552,587
Provision for payment for acquisition of an investee	-	86,007	-	-	-	-	-	-	86,007
Total liabilities	2,552,438	18,125,673	330,123	8,051	-	376,160	25,214,994	25,521,266	72,128,705
Total shareholders' equity and liabilities	2,552,438	18,125,673	330,123	8,051	-	3,625,569	25,214,994	25,521,266	75,378,114
Total equity exposure	293,360	(4,067,107)	29,944	40,793	39,911	2,752,599	844,985	65,515	-
Exposure to base assets using derivative instruments in Delta terms	772,555	-	(595,414)	(177,142)	-	-	-	-	-
Total exposure	1,065,915	(4,067,107)	(565,469)	(136,349)	39,911	2,752,599	844,985	65,515	-

Most of the Company's insurance business is dominated in NIS and its exposure to exchange rate changes is not material. Any exposure to exchange rates is mainly due to exposure to the US dollar and the euro.

(*) The information in the table is presented in accordance with accounting classification rules and does not reflect the actual exposure to foreign currency. For information about exposure to foreign currency, see the sensitivity table in section 3.2.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.4. Exposure to market branches in Israel for investments in shares:

	December 31, 2014					
	Traded on the Tel Aviv 100 Index	Traded on the Yeter Share Index	Non-marketable	Abroad	Total	% of total
	NIS thousands					
Market branch						
Industry	134,922	49,493	2,069	70,989	257,473	34.5%
Building and real estate	93,014	30,856	21,147	24,881	169,898	22.8%
Electricity and water	53,875	10,771	-	35,169	99,815	13.4%
Trade	1,698	4,584	-	663	6,945	0.9%
Communications and computer services	35,204	2,382	-	5,063	42,649	5.7%
Banks	71,072	2,619	2,571	-	76,262	10.2%
Financial services	19,293	358	-	37,136	56,787	7.6%
Other business services	21,512	231	13,673	-	35,416	4.8%
Total	430,590	101,294	39,460	173,901	745,245	100.0%

	December 31, 2013					
	Traded on the Tel Aviv 100 Index	Traded on the Yeter Share Index	Non-marketable	Abroad	Total	% of total
	NIS thousands					
Market branch						
Industry	114,099	32,736	1,568	82,459	230,862	35.7%
Building and real estate	51,942	37,083	17,049	2,790	108,864	16.8%
Electricity and water	66,484	10,962	-	11,861	89,307	13.8%
Trade	3,338	7,752	-	-	11,090	1.7%
Communications and computer services	39,604	-	-	7,578	47,182	7.3%
Banks	64,547	-	2,297	-	66,844	10.3%
Financial services	20,995	1,925	-	40,875	63,795	9.9%
Other business services	12,792	3,260	3,479	-	19,531	3.0%
Public services	-	3,132	-	-	3,132	0.5%
Other	-	135	5,451	-	5,586	1.0%
Total	373,801	96,985	29,844	145,563	646,193	100.00%

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

3. Market risks (continued)

3.4. Exposure to market branches in Israel for investments in shares: (CONTINUED)

	December 31, 2012					
	Traded on the Tel Aviv 100 Index	Traded on the Yeter Share Index	non-marketable	Abroad	Total	% of total
	NIS thousands					
Market branch						
Industry	121,268	29,266	9,332	101,648	261,514	44.7%
Building and real estate	47,924	12,191	17,631	3,073	80,819	13.8%
Electricity and water	48,372	12,416	-	10,051	70,839	12.1%
Trade	6,248	3,421	-	-	9,669	1.7%
Communications and computer services	37,922	3,876	-	1,536	43,334	7.4%
Banks	42,054	1,679	2,415	-	46,148	7.9%
Financial services	17,989	4,685	-	-	22,674	3.9%
Other business services	33,203	1,776	-	-	34,979	6.0%
Public services	-	5,569	6,201	-	11,770	2.0%
Other	-	3,663	-	-	3,663	0.5%
Total	354,980	78,542	35,579	116,308	585,409	100.00%

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

4. Liquidity risks

The inability to sell assets immediately or without impairing their value due to low marketability may lead to losses on disposal. The Company holds, among other things, non-marketable assets and assets with low marketability. These holdings include corporate bonds, loans, non-marketable shares, shares with low marketability and alternative investments. Marketability difficulties intensify during a crisis, when a deterioration in the market has a negative effect on the liquidity of assets.

The Phoenix Insurance is exposed to risks arising from uncertainty regarding the date the Company will be required to pay claims and other benefits to policyholders for the scope of finances that will be available at that date. However, a significant part of its insurance liabilities in the life insurance sector is not exposed to liquidity risk due to the nature of the insurance contracts as described below. It is noted, however, that an unexpected requirement to raise funds in a short time could require significant disposal of assets within a short time, at prices that do not necessarily reflect their market value.

Unit linked contracts in life assurance: In accordance with the conditions of the contracts, the policyholders are entitled to receive the value of the investments, and no more. Therefore, if the value of the investments falls for any reason, there will be a corresponding decrease in the level of the Company's liabilities.

23.5% of the life insurance portfolio is for non-unit linked contracts, however they guarantee n agreed yield. These contracts are mainly backed by designated bonds (Hetz life linked bonds) issued by the Bank of Israel. The Company may exercise these bonds when these policies are called for redemption.

The Company's liquidity risk arises, therefore, mainly from the assets balance that are not designated debentures and are not against unit linked contracts. These assets represent 59% only (NIS 59 billion) out of all the assets of the Company. Out of the above balance of assets, NIS 8 billion are marketable assets that can be sold immediately. NIS 39 billion are held against holders of benchmark certificates, exchange traded funds, reverse certificates, complex certificates and certificates of deposit.

According to the insurance regulations, The Phoenix Insurance is required to hold liquid assets amounting to at least 30% of the required capital.

Management of assets and liabilities

The Company manages its assets and liabilities in accordance with the requirements of the Control Law and its regulations and the instructions of the board of directors.
The tables below summarize the estimated maturity dates of the Company's non-discounted insurance and financial liabilities. As the amounts are not discounted, there is no correlation between them and the balance of the insurance and financial liabilities in the balance sheet.

1) The estimated maturity dates of the life assurance and health insurance liabilities are included in the tables as follows:

   Savings: contractual maturity dates, in other words, retirement age, without assumed cancellations, and assuming the savings will be withdrawn as a lump-sum and not as an annuity.

   Annuity for payment, disability income insurance for payment, and long term care for payment based on an actuarial estimate.

   Other – reported under "Without a defined maturity date".

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

4. Liquidity risks (continued)

Management of assets and liabilities (continued)

2) The estimated payment dates of gross general insurance liabilities are based on an actuarial estimate that assigns an estimated date to the total undiscounted liabilities according to claim payment experience.
Total liabilities include provisions for expected deviations and an unearned premium reserve less deferred acquisition costs. Surplus revenue over expenses is classified under the column "Without a defined repayment date".

Liabilities are exposed to reserve risks. The actuarial models are based on the assumption that the pattern of past behavior and claims will also continue in the future. The estimated flow is exposed to model risk and parameter risk, which include the risk that the amount paid to settle the Company's insurance liabilities will be different than expected.

3) The maturity dates of financial liabilities and liabilities for investment contracts were included on the basis of the contractual maturity dates. In contracts where the counterparty is entitled to choose the timing of the payment, the liability is included on the basis of the earliest date by which the Company may potentially be required to pay the liability.

4) The table for financial liabilities and liabilities for investment contracts presents an analysis of its financial liabilities, including liabilities for acquisition of an investee, classified according to the remaining maturity period of the contractual repayment date as of December 31, 2014. Derivative financial liabilities are included in the contractual maturity analysis essential for an understanding of the timing of the cash flows. The amounts presented in the table are undiscounted contractual cash flows. The Group has diverse sources for repaying the liabilities presented in the table.

Liabilities for life insurance and healthcare insurance contracts (*)

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years and up to 15 years	More than 15 years	Without a defined maturity date	Total
	NIS thousands						
December 31, 2014	2,269,583	5,011,733	2,672,630	1,183,931	984,014	1,345,393	13,467,285
December 31, 2013	2,130,236	4,685,164	2,796,579	1,293,039	1,163,469	1,028,250	13,096,737
December 31, 2012	1,905,063	4,179,161	3,000,820	1,324,151	1,310,437	866,509	12,586,141

*) Not including liabilities for unit linked contracts

Liabilities for general insurance contracts:

	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years	Without a defined maturity date	Total
	NIS thousands				
December 31, 2014	2,975,283	878,162	1,056,667	205,050	5,115,161
December 31, 2013	2,931,154	834,356	980,585	265,042	5,011,137
December 31, 2012	2,819,693	816,769	913,358	258,519	4,808,339

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

4. Liquidity risks (continued)

Financial liabilities and liabilities for investment contracts

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years and up to 15 years	More than 15 years	Total
		NIS thousands				
December 31, 2014						
Marketable debentures	147,361	546,743	301,900	-	-	996,004
Short-term credit from banks	60,000	-	-	-	-	60,000
Loans from banks	14,927	9,970	-	-	-	24,897
Subordinated debt certificates	76,746	794,730	1,316,387	-	-	2,187,863
Deposits from tenants	713,303	-	-	-	-	713,303
Derivatives	220,545	-	-	-	-	220,545
Total financial liabilities	1,232,882	1,351,443	1,618,287	-	-	4,202,612
Liabilities for investment contracts	1,503	267	-	693	-	2,463
Liabilities for unit linked investment contracts (*)	2,288,182	-	-	-	-	2,288,182

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years and up to 15 years	More than 15 years	Total
		NIS thousands				
December 31, 2013						
Marketable debentures	144,786	538,878	441,788	-	-	1,125,452
Short-term credit from banks	158,208	-	-	-	-	158,208
Loans from banks	31,750	73,804	19,000	-	-	124,554
Subordinated debt certificates	79,060	764,255	887,294	-	-	1,730,609
Deposits from tenants	684,815	-	-	-	-	684,815
Derivatives	107,087	-	-	-	-	107,087
Total financial liabilities	1,205,706	1,376,937	1,348,082	-	-	3,930,725
Liabilities for investment contracts	5,676	2,050	21	693	-	8,440
Liabilities for unit linked investment contracts (*)	1,144,940	-	-	-	-	1,144,940

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

4. Liquidity risks (continued)

Financial liabilities and liabilities for investment contracts(continued)

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years and up to 15 years	More than 15 years	Total
	NIS thousands					
December 31, 2012						
Marketable debentures	33,857	603,159	267,722	-	-	904,738
Short-term credit from banks	201,393	-	-	-	-	201,393
Loans from banks	40,198	89,304	36,063	-	-	165,564
Non-bank loans	19,125	-	-	-	-	19,125
Subordinated notes	254,754	610,344	1,102,888	-	-	1,967,986
Deposits from tenants	607,055	-	-	-	-	607,055
Derivatives	87,048	-	-	-	-	87,048
Liability for contingent consideration and provision for payment for the option to acquire an investee	158,699	67,520	-	-	-	226,219
Total financial liabilities	1,402,129	1,370,327	1,406,673	-	-	4,179,128
Liabilities for investment contracts	2,381	6,739	288	680	-	10,088
Liabilities for unit linked investment contracts (*)	462,484	-	-	-	-	462,484

(*) Liabilities up to one year include an amount of NIS 2,288,182 thousand (December 31, 2012, NIS 1,144,940 thousand) repayable on demand. These liabilities were classified as repayable up to one year, even though the actual repayment dates could be later.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks

The Group is exposed to risks arising from pricing policies and assessment of insurance liabilities. The insurance policies sold by the Company cover a range of risks, such as life expectancy, disease, natural disasters and theft. Pricing of policies and the assessment of insurance liabilities are based on past experience, assessment of the current legal situation, and the assessment of the change in other risk factors. Insurance risk, including:

Underwriting risks: the risk of using incorrect prices due to deficiencies in the underwriting process and due to the gap between the risk when pricing and establishing the premium and the actual occurrence so that the collected premiums are insufficient for covering future claims and expenses. The gaps may arise from accidental changes in business results and from changes in the cost of the average claim and/or the incidence of the claims as a result of various factors.

Reserve risks: The risk of an incorrect assessment of the insurance liabilities which might cause the actuarial reserves to be inadequate for covering all the liabilities and claims. The actuarial models according to which the Company assesses its insurance liabilities are based on the fact that the pattern of the behavior of past claims represents forward looking information. The Company's exposure is comprised of the following risks:

1) Model risk – the risk of choosing an incorrect model for pricing and/or assessing the insurance liabilities

2) Parameter risk – the risk of using incorrect parameters, including the risk that the amount paid for settling the Company's insurance liabilities or that the date of settlement of the insurance liabilities is different than expected

Catastrophe risk: the exposure to a single catastrophe such as natural disaster, war, terror, natural damages or earthquake that will result in significant damage. The material catastrophe to which the Company is exposed is an earthquake in Israel.

The amount of the expected maximum loss in 2015 in general insurance business in Israel, due to exposure to a single catastrophic event or aggregate damage for a particularly large event with maximum possible loss (MPL) of 2.1% is NIS 1,874 million gross and NIS 60 million in self retention.

In life insurance business, there is a capital requirement against damage for a particularly large event (catastrophe) at a rate of 0.17% of the amount of the risk for death and a reinsurer agreement covering catastrophe.

For further information about the various insurance branches for which exposure arises for insurance risk, see the description of insurance liabilities according to insurance risks in Note 3.

5.1. Insurance risk in life insurance and health insurance contracts

5.1.1. General

Following is a description of the various insurance products, methods, and the assumptions used to calculate their respective liabilities based on product type.

According to the Commissioner's directives, the insurance liabilities are calculated by an actuary pursuant to standard actuarial methods and consistently with the previous year. The liabilities are calculated according to the relevant coverage data, such as age and gender of policyholder, term of insurance, date of commencement of insurance, type of insurance, periodic premium and insurance amount. The provision is made gradually for policies with a unit linked savings component ("unit linked policies") only.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.1. Insurance risk in life insurance and health insurance contracts (continued)

5.1.2. Actuarial methods used to calculate the insurance liabilities

1) Adif and investment track insurance plans

Adif and investment track insurance plans consist of an identified savings component. The basic and main reserve is in the amount of the aggregate savings plus the yield according to the policy's terms as follows:

- Principal linked to an investment portfolio (unit linked contracts)
- Principal linked to the CPI plus a fixed guaranteed interest or credited by a guaranteed yield against adjusted assets (unit linked contracts)

For insurance components that are attached to these policies (such as occupational disability, death and long term care) the insurance liability is calculated separately as set out below.

2) Insurance plans such as endowment (traditional)

Endowment and similar insurance programs include a savings component in the event that the policyholder is still alive at the end of the term of a program with an insurance component of death risk during the period of the program. For these products, the insurance liability is calculated for each covered aspect as a discounting of the cash flows for the anticipated claims, including 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 assumption based on the claims experience, including the interest rates ("the 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 for unit linked traditional products based on the actual yield achieved less management fees.

3) Liabilities for annuities are calculated according to anticipated life expectancy on the basis of the updated mortality tables that are constructed in accordance with information published by the Ministry of Finance in the Commissioner's circular.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.1. Insurance risk in life insurance and health insurance contracts (continued)

5.1.2. Actuarial methods used to calculate the insurance liabilities (continued)

4) Liabilities for annuities paid for life for valid policies which have not yet reached the annuity realization stage, or the policyholder has not reached retirement age, are calculated according to the probability of annuity withdrawals and life expectancy, as well as according to the number of cancellations expected in the annuity portfolio up to the retirement date.

   The provision for supplementary reserve for annuities is made gradually, for policies with a unit linked savings component ("unit linked policies") only, in accordance with the Commissioner's regulations, taking into account the profits expected from the policies until the policyholders reach retirement age.

   The gradual provision is performed using the K discount factor, which is limited to the rate of the future income that is expected from the management fees arising from investments held against insurance reserves or from premium payments, net of the expenses that relate to the policy. The K factor is determined so as to provide an adequate gradual accrual of the reserve until the anticipated retirement date. The K factor in a unit linked policy is 0.85%, unchanged from last year.

   The supplementary reserve for annuity included in the Company's financial statements, amounts to NIS 776 million, NIS 571 million and NIS 438 million as of December 31, 2014, December 31, 2013 and December 31, 2012 respectively. The balance of the provisions recognized gradually in profit or loss, using the discounted K factors, until the policyholders reach retirement age, amount to NIS 870 million as of December 31, 2014. Alongside recognition of the provisions, investment revenue and other revenues over the period will be recognized in profit or loss, so that the Company believes that total revenue less the provision in profit or loss over the period is positive.

   The information about the supplementary reserve for annuities and the balance of the provisions that will be recognized in the future refer to funds accrued in policies up to the end of each of the reporting periods and do not include liability for additional future accrual.

5) Other life insurance plans include pure risk products (such as loss of occupational disability, death, diseases, disabilities etc.), are sold as independent policies or are attached to policies with a basic plan such as Adif, investment track or traditional. An actuarial liability is calculated for some of these plans. The calculation is according to the gross premium reserve method which includes all the premium components in the anticipated flow of receipts and deducts the liability cost and the anticipated expenses and commissions. Negative provisions were not offset by positive provisions. Some of the plans used the net reserve premium method, described above.

6) Liabilities for continuous claims in payment, in long term care and occupational disability insurance are calculated according to the duration of the anticipated payment.

7) Liabilities for outstanding claims in life assurance and health insurance are calculated on the basis of the experience of the Company.

8) Liabilities for claims incurred but not yet reported (IBNR) in life assurance and health insurance are calculated on the basis of the experience of the Company.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.1. Insurance risk in life insurance and health insurance contracts (continued)

5.1.2. Actuarial methods used to calculate the insurance liabilities (continued)

9) Insurance liabilities for collective insurance consist of an IBNR reserve (claims incurred but not yet reported), reserve for continuity and provision for future losses, if necessary.

10) For collective life, health and long-term care insurance, including dental and sick leave insurance, the actuarial liability is calculated on the basis of the experience of the individual collective.

5.1.3. Capitalization rate

For endowment and similar insurance programs(traditional) (see section 5.1.2(2) above). For pure risk products with fixed premium, the interest used for discounting is as follows:

- In insurance policies that are mainly backed by designated debentures, the Tariff Interest is at a rate of 3% to 5%;
- For unit linked products issued in 1991 onwards, the Tariff Interest is at a rate of 2.5%, linked. In accordance with the terms of the policy, changes in interest are carried to policyholders.
- In addition to use of the interest rate nominated in the designated bonds, where relevant, a risk-free interest is used, in addition to a liquidity premium for: liabilities for whole life annuities under policies in force (active or paid up) and for whole life annuities in payment where the insurance plan is mainly backed by designated bonds, and for liabilities under some of the long-term care products.
- A decrease in long-term interest could increase the insurance reserve for the free component (which is not backed by designated debentures) of policies where the savings component includes a guaranteed return that is higher than the discounted interest rate, due to the requirement to meet additional reserves in accordance with the liability adequacy test (LAT). See Note 2H(1)(e).
- See also section 5.1.8 below.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.1. Insurance risk in life insurance and health insurance contracts (continued)

5.1.4. Morbidity and mortality rates

A) The mortality rates used in the calculation of insurance liabilities for death of policyholders prior to attaining the age of retirement (meaning, excluding the mortality of policyholders who receive retirement annuities and those receiving monthly compensation for disability or long term care) are generally the same as the rates used to determine the tariff.

B) The liability for whole life annuity payments is based on updated mortality tables. Increase in the mortality rate assumption, due to increase in actual mortality rate to a level exceeding the existing assumption, will result in an increase of insurance liabilities for mortality of policyholders prior to attaining the age of retirement and decrease in liability for annuities payable for life.
It is noted that there has been a reverse trend of increase in the life expectancy and decrease in mortality rate in the last decades. The mortality assumption used in the calculation of the liability for annuity takes into account assumptions for future increase in life expectancy.

C) The morbidity rates relate to the prevalence of claims for mortality from serious diseases, occupational disability, long term care, operations and hospitalization and disability from accident. These rates are based on the Company's experience or researches of reinsurers. In areas of long term care and disability, the period for paying annuities is determined according to the company's experience or researches of reinsurers.
As the assumption regarding the morbidity rate increases, the insurance liability for morbidity rate from serious diseases, disability, long term care, operations and hospitalization will increase.
In 2014, morbidity assumptions were adjusted for some healthcare products, in accordance with the Company's updated experience. The effect of the adjustments on the reserve amounts to NIS 24 million before tax.

5.1.5. Pension rates

Life insurance policies, including savings component, were maintained for funds deposited until 2008 in two tracks: capital track and annuity track. In certain policies, the policyholder may select the track upon retirement. Since the insurance liability is different in each of these tracks, the company is required to determine the rate of policies in which the policyholder selects the pension track. This rate is based on the supervision guidelines with adjustment to the Company's experience. As from 2008, all plans are for pension.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.1. Insurance risk in life insurance and health insurance contracts (continued)

5.1.6. Cancellation rates

The cancellation rates affect the insurance liabilities for part of the healthcare insurances and the annuities paid for life during the period before beginning the payments. The cancellation of insurance contracts can also be due to the cancellation of policies initiated by the company 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 company's experience and they are based on the type of product, the life span of the product and sales trends.

5.1.7. Continuity rates

There are health insurances and collective long-term care insurances in which the policyholders are entitled to continue to be insured under the same conditions, even if the collective contract is not renewed. For this option of the policyholders, the company has a liability that is based on assumptions regarding the continuity rates of the collective insurances and the continuity rates of the contracts with the policyholders after the collective contract expires. If there is a higher probability that the collective contract will not be renewed, the insurance liability will also increase, since the insurance will continue under the previous conditions, without adjusting the underwriting to the change in the policyholders' state of health.

In March 2012, a circular was issued regarding preparation of a long-term care insurance plan, which means application of the continuity section in collective long term care policies. At the end of 2013, a new draft was published, revising the rules for continuity and deferring the effective date to June 2015. The Company has a large number of collectives with a long-term care component, which including continuity provisions for the transition from the collective to the individual. In addition, the transition to individual policies will affect the increase of the Company's individual long-term care portfolio.

5.1.8 Change in the rate of risk-free interest and illiquidity premium, and due diligence of reserves

The Company is assessing the adequacy of the life insurance and healthcare insurance reserves as described in Note 2H(1)(e) and Note 2H(3)(c). As a result of the assessment, and mainly in view of the decrease in the rate of risk-free interest and the resulting change in the illiquidity premium, an increase of NIS 44 million was recorded in life insurance liability (LAT) in 2014,and an increase of NIS 25 million in long-term care insurance liabilities (LAT) was recorded in 2014.
In addition, the change in the rate of risk-free interest and the illiquidity premium resulted in an increase of NIS 114 million in pension and annuity payments in 2014.

In 2013, the change in the rate of risk-free interest did not have a material effect on the increase in insurance liabilities.

Subsequent to the reporting date, interest rates continued to decline, which may lead to the need for further increase in liabilities for insurance contracts. This decrease is part of the macro economic effects and it is yet too early to estimate their overall effect on the financial results. See Note 43(1)

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.1. Insurance risk in life insurance and health insurance contracts (continued)

5.1.9. Sensitivity analysis in life and healthcare insurance

December 31, 2014:

	Cancellation rate (surrenders, settlements and reductions)		Morbidity rate		Mortality rate	
	10%	-10%	10%	-10%	10%	-10%
	NIS thousands					
Comprehensive income (loss)	17,156	(19,691)	(286,554)	69,211	159,554	(185,444)

December 31, 2013:

	Cancellation rate (surrenders, settlements and reductions)		Morbidity rate		Mortality rate	
	10%	-10%	10%	-10%	10%	-10%
	NIS thousands					
Comprehensive income (loss)	9,777	(11,668)	(190,125)	45,747	118,884	(94,327)

December 31, 2012:

	Cancellation rate (surrenders, settlements and reductions)		Morbidity rate		Mortality rate	
	10%	-10%	10%	-10%	10%	-10%
	NIS thousands					
Comprehensive income (loss)	15,147	(16,823)	(110,845)	39,748	79,063	(75,578)

5.2. Insurance risk in general insurance contracts

5.2.1. Summary of the main insurance branches in which the Company operations

The Company underwrites general insurance contracts, mainly in the compulsory motor insurance, liability, motor casco and property branches.

Compulsory motor insurance covers the policyholder and driver for any liability that they might incur, in accordance with the Road Accidents Victims Compensation Law, 1975, due to bodily injury to the driver, passengers or pedestrians injured by the vehicle. Compulsory motor insurance claims are long tail, meaning, it could be several years before the claim is settled.

Liability insurance is designed to cover the policyholders' liability for damage that he may cause to a third party. The main types of insurance are third party liability insurance, employer liability insurance and other liability insurances such as professional liability, product liability and director and officeholder liability. The time of filing the claims and settlement is affected by a number of factors such as the type of coverage, the policy terms and legislation and legal precedents. Liability insurance claims are generally long tail, meaning, it could be several years before the claim is settled.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.2. Insurance risk in general insurance contracts (continued)

5.2.1. Summary of the main insurance branches in which the Company operations (continued)

Policies that insure against motor vehicle damage and third party motor property damage grant the policyholder coverage for property damage. The coverage is generally limited to the value of the vehicle that was damaged. The premium for motor vehicle property insurance requires approval of the general policy by the Commissioner of Insurance and is an actuarial rate and partially differential (which is not uniform for all insured parties and is adjusted for risk). The premium is based on a number of parameters, those related to the vehicle of the policyholder (such as type of vehicle and year of manufacture), and those related to the nature of the policyholder (such as the age of the driver and claims history). Underwriting is partly through the actual tariff, and partly through a system of procedures which are intended to check the claims history of the policyholder including presentation of proof of "no-claims" from the previous insurer for the last three years, and proof of updated protection, which are integrated automatically when issuing the policies. In most cases, motor vehicle property insurance policies are issued for one year. In most cases, claims for these policies are made close to the time that the insurance incident occurs.

Property insurance provides policyholders with coverage for physical damage to their property.
The main risks covered by property insurance are risks of fire, explosion, break-in, earthquake and damage by natural forces. Property insurance sometimes includes coverage for loss of profits following physical damage to the property. Property insurance is an important part of residential, merchant, engineering, and cargo (maritime, land, air) insurance policies. In most cases, claims against these policies are settled close to the date of the insurance event.

5.2.2. Principles for calculating actuarial valuations in general insurance

5.2.2.1. General

a) Liabilities for general insurance contracts include the following main components:
   - Provision for unearned premium
   - Premium deficiency
   - Outstanding claims including indirect expenses for their settlement
   - Excess of income over expenses (aggregate)
   - Less deferred acquisition costs

   The provision for unearned premium, deferred acquisition costs, and excess of income over expenses is calculated independently of any assumptions and accordingly, is not exposed to the reserve risk. For the manner in which these provisions are calculated, see Note 2 regarding accounting principles.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.2. Insurance risk in general insurance contracts (continued)

5.2.2. Principles for calculating actuarial valuations in general insurance (continued)

5.2.2.1. General (continued)

b) According to the Commissioner's directives, the outstanding claims are calculated by an actuary, according to standard actuarial methods and consistently with the previous year. The selection of the appropriate actuarial method for each branch of insurance and for each year of occurrence/underwriting, is based on the compatibility of the method to the branch and sometimes there is a combination of methods. The valuations are primarily based on past experience of the development of claim payments and/or development of the amount of the payments and specific estimates. The valuations include assumptions regarding the average cost of claim, cost of handling the claims and frequency of the claims. Additional assumptions may address changes in interest rates, exchange rates and timing of payments. Payment of claims includes direct and indirect expenses of settlement claims less recoveries and deductible.

c) The use of actuarial methods that are based on the development of the claims is mainly adequate when there is stable and sufficient information regarding the payment of the claims and/or the specific valuations in order to estimate the total expected cost of claims. When the available information in handling the claims is insufficient, sometimes the actuary uses a computation which weighs the known estimate (in the company and/or the branch) such as LR with the actual development of the claims. Greater weight is given to the valuation based on experience as time passes and additional information is accumulated for the claims.

d) In addition, quality valuations and judgments are also taken into account as to the degree that past trends will not continue in the future. For example: due to a non-recurring event, internal changes such as change in the portfolio mix, underwriting policy and handling procedures of claims and for external factors such as legal ruling and legislation. If the above 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 estimates, as appropriate.

e) The actuarial assessment is based on statistical estimates that include a component of uncertainty. The statistical estimate is based on various assumptions, which may not necessarily be realized, therefore, the actual cost of claims could be higher or lower than the statistical estimate.

f) In several large claims with non-statistical profile, the reserve (gross and in retention) is determined on the basis of the opinion of the company's experts and in accordance with the recommendations of their legal advisors.

g) The reinsurers share of the outstanding claims is calculated according to the type of agreement (proportionate or unproportionate), actual claims experience and the premium that was transferred to the reinsurers

h) The evaluation of the outstanding claims for the Company's share of the pool in incoming transactions and joint insurance received from other insurance companies (leading insurers) was based on a calculation made by the pool or by the leading insurers or by the Company.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.2. Insurance risk in general insurance contracts (continued)

5.2.2. Principles for calculating actuarial valuations in general insurance (continued)

5.2.2.2. Actuarial methods in main insurance branches:

a) Motor property insurance branch

In the motor property branch, the liabilities are calculated on the basis of the development of claim payments and/or development of outstanding claims model (link ratio / chain ladder), with reference to the types of coverage, such as comprehensive, third party, types of vehicles, such as 4-ton and over 4-ton and types of damage, such as accident, theft and natural disasters.
For recent months of damage, which are not mature, use was also made in the averages method in determining the cost of claim per policy.

There are separate estimates of the claims department in the following cases:

- Old claims
- Claims for car theft and natural damages

The individual estimates take into account the deductibles should collect from costumer.
Subrogation and remnants are taken into consideration and the actuarial model takes into account the development of all the payments (positive and negative). In addition, a model was built to estimate the expected amount of subrogation, and appropriate provision for indirect expenses to settle claims was calculated.

b) Compulsory motor and liability insurance branches

In the motor property and liability branch, the liabilities are calculated on the basis of the development of payments and/or development of outstanding claims model (link ratio / chain ladder). For later underwriting years, the cost of claims is based on the LR rate and the payments development model and/or outstanding claims development model (Bornhuetter-Ferguson). The tail of the development is calculated on the basis of the Sherman model.

There are separate estimates of the claims department in the following cases:

- Old outstanding claims
- Large claims

The outstanding claims are estimated separately on the gross level and on the reinsurance level. The share of the reinsurer in excess contracts for the last three underwriting years is based on the distribution adjustment model for large claims, taking into account known claims for these years. In older underwriting years, the estimate is for actual claims.

Estimates for facultative reinsurance are made in a separate model (gross and in retention). The individual estimates include the deductibles should collect from costumer.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.2. Insurance risk in general insurance contracts (continued)

5.2.2. Principles for calculating actuarial valuations in general insurance (continued)

5.2.2.2. Actuarial methods in main insurance branches(continued):

b) Compulsory motor and liability insurance branches (continued)

Subrogation is taken into consideration and the actuarial model is based on the developments of all the payments (positive and negative). In addition, a provision was calculated for indirect expenses for settling claims.

The valuation of the outstanding claims for the Company's share of the pool in based on the calculation made by the Association of Insurance Companies in Israel.

c) Property and other branches

In the property and other branches, liabilities are calculated on the basis of the claim payments development and outstanding claims development (link ratio / chain ladder). For periods that are not mature, use was also made in the averages method in determining the cost of claim per policy.

There are separate estimates of the claims department in the following cases:

- Old claims
- Claims arising from natural disasters

The outstanding claims are estimated separately on the gross level and on the reinsurance level.

The share of the reinsurer in claims for excess is estimated according to the actual claims.

Estimates for facultative reinsurance are made in a separate model to claims in branches in which the share of the reinsurer is material. The individual estimates take into account the deductibles that should be collected from customer.

Subrogation is taken into consideration and the actuarial model takes into account the development of all the payments (positive and negative). In addition, a provision was calculated for indirect expenses for settling claims.

d) Branches in which actuarial assessment is not made

Sailing vessels, aircraft, other risks and incoming business include outstanding claims on the basis of a separate evaluation of each claim, according to the opinion of the attorneys and experts of The Phoenix who handle the claims, and according to the reports of ceding companies for incoming business, with the addition of IBNR if necessary.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.2. Insurance risk in general insurance contracts (continued)

5.2.2. Principles for calculating actuarial valuations in general insurance (continued)

5.2.2.3. Assumptions and essential models for determining insurance liabilities in general insurance:

Chain ladder/link ratio
These methods are based on the development of historical claims (such as development of payments and/or development of amount of payments, and valuations of the individual claims and development of the number of claims), in order to valuate the anticipated development of existing and future claims. The use of these methods are mainly suitable after a sufficient period since the event occurred or the policy is underwritten, when there is enough information from the existing claims in order to evaluate the total anticipated claims. The difference between the methods is due to the method for calculation of the average development (simple or weighted average). In branches with highly diverse claims, as well as the average development coefficient, the standard deviation of the development coefficients is calculated.

Bornhuetter-Ferguson (BF)

This method combines early estimates known in the company or branch, and an additional estimate based on the claims themselves. The early estimates utilize premiums and loss ratio for evaluating the total claims. The second estimate utilizes actual claims experience based on other methods (such as chain ladder). The combined claims valuation weighs the two estimates, while greater weight is given to the valuation based on the claims experience as time passes and additional information is accumulated for the claims. This method is mainly used when there is insufficient information.

The averages

At times, as in the Bornhuetter-Ferguson method, when the claims history in the last periods is insufficient, the historical average method is utilized. In this method, the predicted claims cost is determined based on the average cost of the claim per policy for earlier years and the number of policies in the later years. Another method for calculation is the multiplication of the cost of the historical claim for the policy and the number of policies in the relevant period.

Sherman model

This is a mathematic model used to adjust non-linear distribution with development coefficients calculated using chain latter/link ratio models. Through the distribution, it is possible to calculate the development coefficients for prior periods for which information is not available (development tail).

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.2. Insurance risk in general insurance contracts (continued)

5.2.2. Principles for calculating actuarial valuations in general insurance (continued)

5.2.2.4. Proposed changes in the calculation of insurance reserves in general insurance

In January 2015, the Commissioner published the following:

- A circular for calculation of insurance reserves in general insurance - update
- The Commissioner's position: Best practice for calculating insurance reserves in general insurance for financial reporting.
- Circular regarding an the actuarial valuation in general insurance (update of earlier circular)

Circular regarding calculation of insurance reserves in general insurance - update, eliminates the calculation of the reserve for excess income over expenditure as from the financial statements as of December 31, 2015.

Notwithstanding the aforesaid, an insurance company may cancel the calculation of the reserve for excess income over expenditure as from the financial statements as of December 31, 2014, provided that it also acts in accordance with the Commissioner's position - best practice for calculation of reserves in general insurance, for financial reporting and in accordance with the provisions in circular regarding the actuarial valuation in general insurance.

The Phoenix elected not to cancel the calculation of the reserve for excess income in the financial statements as of December 31, 2014.

In addition, as a complementary measure for the change, the Commissioner's Position was published, regarding the best practice for actuaries when calculating general insurance reserves for the financial statements to properly and adequately reflect the insurance liabilities. The Commissioner's Position includes the following:

a) Suitable reserve for coverage of the insurer’s obligation” means that it is fairly likely that the insurance obligation determined will be sufficient to cover the insurer’s obligation. For outstanding claims in compulsory motor insurance and liability branches, "fairly likely" means a probability of at least 75%. However, if there are limitations in the statistical analysis, the actuary may decide to use accepted actuarial principles. Examples of possible treatment for the limitations:
    - Random risk: assessment of several actuarial methods, and the use of judgment when determining the estimate for the results of the different methods.
    - Systemic risk: identification of material systemic influences (internal and external), and the use of judgment in their integration.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.2. Insurance risk in general insurance contracts (continued)

5.2.2. Principles for calculating actuarial valuations in general insurance (continued)

5.2.2.4. Proposed changes in the calculation of insurance reserves in general insurance (continued)

b) The appropriate discounted interest rate for testing caution is in accordance with the risk-free interest curve adjusted to illiquid liabilities. In addition, this test takes into account the revaluation of financial assets in the financial reports that are held against liabilities.

c) Grouping: to calculate the margins for uncertainty in statistical branches (as defined in the circular), each branch should be considered separately, however, the risks of each underwriting (or damage) year in the branch can be grouped. Nonstatistical branches can all be considered as a single set.

d) Determination of the level of insurance obligations for policies sold shortly before the reporting date and for risks subsequent to the reporting date:
The Company is reviewing the general effect of the cancellation of the surplus income reserve on the financial statements, together with the position of the Commissioner, which will come into effect on December 31, 2015.

5.2.2.5. The main assumptions taken into consideration in the actuarial valuation:

a) Outstanding claims in the compulsory motor insurance and liability branches were discounted at the lower of annual interest at a rate of 3% or a risk-free interest rate. The change in the rate of risk-free interest resulted in an increase of NIS 15 million in insurance liabilities in the motor insurance and liability branches in 2014. In 2013, the change in the rate of risk-free interest did not have a material effect on the insurance liabilities

b) An increment was included for the risk margin (standard deviation) in the base of the reserve in the compulsory motor insurance and liability branches.

c) When analyzing development of payments, the Company calculates the claims tail according to the Sherman model, to the extent required.

d) The basic assumption for each calculation method is that the historical behavior of the claims reflects the future behavior.

NOTE 40 – RISK MANAGEMENT (CONTINUED)

5. Insurance risks (continued)

5.2. Insurance risk in general insurance contracts (continued)

5.2.2. Principles for calculating actuarial valuations in general insurance (continued)

5.2.2.5. The main assumptions taken into consideration in the actuarial valuation: (continued)

e) In 2013, the provision for large claims in the third party branch was adjusted, due to the increase in the quantitative threshold for defining a claim as a large claim, and as a result, a decrease of NIS 10 million (net of tax) in actuarial liabilities was recorded. The change in the quantitative threshold is due to the fact that in prior years, statistics in this branch are not adequately significant, and there was concern that the actuarial valuation does not predict large claims with sufficient reliability. Moreover, this is a long-term branch, and the large claims in particular continue for many years. This concern grew following the Group's 2004 merger between The Phoenix Insurance and other insurance companies in the Group (Hadar, Dolev), which resulted in a significant change in the Company's portfolio in terms of size and business mix, since there were insufficient years of maturity on the Group level. Over the years, the claims matured and confidence in the model for the large claims increased. In addition, over the years, the number of large claims and their weight compared to the total portfolio increased, and it can be observed that the basic model has higher prediction reliability.

For further information and the disclosure provided at the request of the Capital Market division and Israel Securities Authority regarding the gains in the liability branches in 2013, see Note 18E(2) to the financial statements.

6. Credit risks

6.1. Debt assets by location

	December 31, 2014		
	Marketable *	Non-marketable	Total
	NIS thousands		
In Israel	5,314,666	10,339,851	15,654,517
Abroad	189,313	230,620	419,933
Total debt assets	5,503,979	10,570,471	16,074,450

	December 31, 2013		
	Marketable *	Non-marketable	Total
	NIS thousands		
In Israel	5,382,781	9,970,423	15,353,204
Abroad	41,589	114,813	156,402
Total debt assets	5,424,370	10,085,236	15,509,606

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.1. Debt assets by location (continued)

	December 31, 2012		
	Marketable *	Non-marketable	Total
	NIS thousands		
In Israel	5,232,324	8,694,161	13,926,485
Abroad	45,603	90,390	135,993
Total debt assets	5,277,927	8,784,551	14,062,478

(*) Marketable debt assets are mainly classified as available for sale and stated at fair value.

6.2. Assets by ratings

6.2.1 Debt assets

	Local rating (*)				
	December 31, 2014				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Debt assets in Israel					
Marketable debt assets					
Government bonds	3,064,126	-	-	-	3,064,126
Corporate debentures	984,025	989,579	254,976	21,960	2,250,540
Total marketable debt assets in Israel	4,048,151	989,579	254,976	21,960	5,314,666
Non-marketable debt assets					
Government bonds	6,580,548	-	-	-	6,580,548
Corporate debentures	280,558	1,509,234	21,847	10,687	1,822,326
Deposits in banks and institutions	614,585	-	-	-	614,585
Other debt assets according to securities:					
Mortgages	-	-	-	58,818	58,818
Loans on policies	111,347	-	-	-	111,347
Loans pledged by real estate	-	67,235	-	-	67,235
Other securities	461,706	402,266	12,867	114,351	991,190
Unsecured	4,617	65,320	-	23,865	93,802
Total non-marketable debt assets in Israel	8,053,361	2,044,055	34,714	207,721	10,339,851
Total debt assets in Israel	12,101,512	3,033,634	289,690	229,681	15,654,517
Of which – debt assets with internal rating	288,816	897,835	45,061	-	1,231,712

(*) Each rating includes all the ranges, for example: A includes A- to A+.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.2. Assets by ratings (continued)

6.2.1 Debt assets (continued)

	International rating (*)				
	December 31, 2014				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Debt assets abroad					
Government bonds	10,724	54,215	-	-	64,939
Corporate debentures	5,615	33,399	49,716	35,644	124,374
Total marketable debt assets abroad	16,339	87,614	49,716	35,644	189,313
Non-marketable debt assets					
Government bonds	216	-	-	-	216
Mortgages	-	-	7,495	-	7,495
Loans in other securities	-	94,575	-	143	94,718
Unsecured loans	-	-	-	128,191	128,191
Total non-marketable debt assets abroad	216	94,575	7,495	128,334	230,620
Total debt assets abroad	16,555	182,189	57,211	163,978	419,933
Of which – debt assets with internal rating	5,615	94,575	7,495	-	107,685

(*) Each rating includes all the ranges, for example: A includes A- to A+.

	Local rating (*)				
	December 31, 2013				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Debt assets in Israel					
Marketable debt assets					
Government bonds	3,380,072	-	-	-	3,380,072
Corporate debentures	833,200	977,604	171,931	19,974	2,002,709
Total marketable debt assets in Israel	4,213,272	977,604	171,931	19,974	5,382,781
Non-marketable debt assets					
Government bonds	6,233,161	-	-	-	6,233,161
Corporate debentures	302,723	1,469,986	23,260	-	1,795,969
Deposits in banks and institutions	691,842	-	-	-	691,842
Other debt assets according to securities:					
Mortgages	-	-	-	74,691	74,691
Loans on policies	112,975	-	-	-	112,975
Loans pledged by real estate	-	69,118	-	-	69,118
Other securities	480,155	304,516	5,792	89,244	879,707
Unsecured	18,802	4,443	69,608	20,107	112,960
Total non-marketable debt assets in Israel	7,839,658	1,848,063	98,660	184,042	9,970,423
Total debt assets in Israel	12,052,930	2,825,667	270,591	204,016	15,353,204
Of which – debt assets with internal rating	584,722	846,723	47,617	-	1,479,062

(*) Each rating includes all the ranges, for example: A includes A- to A+.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.2. Assets by ratings (continued)

6.2.1 Debt assets (continued)

	International rating (*)				
	December 31, 2013				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Debt assets abroad					
Government bonds	16,603	-	-	-	16,603
Corporate debentures	-	7,624	17,138	224	24,986
Total marketable debt assets abroad	16,603	7,624	17,138	224	41,589
Non-marketable debt assets					
Government bonds	204	-	-	-	204
Loans pledged by real estate	-	-	4,286	-	4,286
Loans in other securities	-	9,904	-	7,393	17,297
Unsecured loans	-	-	-	93,026	93,026
Total non-marketable debt assets abroad	204	9,904	4,286	100,419	114,813
Total debt assets abroad	16,807	17,528	21,424	100,643	156,402
Of which – debt assets with internal rating	-	9,904	4,286	-	14,190

(*) Each rating includes all the ranges, for example: A includes A- to A+.

	Local rating (*)				
	December 31, 2012				
	AA and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Debt assets in Israel					
Marketable debt assets					
Government bonds	3,442,868	-	-	-	3,442,868
Corporate bonds	828,480	810,355	144,924	5,697	1,789,456
Total marketable debt assets in Israel	4,271,348	810,355	144,924	5,697	5,232,324
Non-marketable debt assets					
Government bonds	5,780,091	-	-	-	5,780,091
Corporate bonds	323,051	724,067	36,279	3,949	1,087,346
Deposits in banks and institutions	759,396	206	-	-	759,602
Other debt assets according to securities:					
Mortgages	-	-	62,505	-	62,505
Loans on policies	106,159	-	-	-	106,159
Loans pledged by real estate	-	93,847	-	-	93,847
Other securities	324,077	282,898	35,589	-	642,564
Unsecured	18,802	241	143,004	-	162,047
Total non-marketable debt assets in Israel	7,311,576	1,101,259	277,377	3,949	8,694,161
Total debt assets in Israel	11,582,924	1,911,614	422,301	9,646	13,926,485
Of which – debt assets with internal rating	520,732	842,693	181,633	-	1,545,058

(*) Each rating includes all the ranges, for example: A includes A- to A+.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.2. Assets by ratings (continued)

6.2.1 Debt assets (continued)

	International rating (*)				
	December 31, 2012				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Debt assets abroad					
Government bonds	-	-	-	-	-
Corporate bonds	3,780	6,004	2,222	33,597	45,603
Total marketable debt assets abroad	3,780	6,004	2,222	33,597	45,603
Non-marketable debt assets					
Government bonds	215	-	-	-	215
Mortgages	-	-	-	-	-
Loans pledged by real estate	-	-	-	11,390	11,390
Loans in other securities	-	10,329	379	-	10,708
Unsecured loans	-	-	18,239	49,838	68,077
Total non-marketable debt assets abroad	215	10,329	18,618	61,228	90,390
Total debt assets abroad	3,995	16,333	20,840	94,825	135,993
Of which – debt assets with internal rating	1,618	10,329	20,840	-	32,787

(*) Each rating includes all the ranges, for example: A includes A- to A+.

6.2.2. Credit risks for other assets (in Israel)

	Local rating (*)				
	December 31, 2014				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Loans to affiliates (**)	-	-	-	197,613	197,613
Other receivables, other than balances from reinsurers	-	-	-	180,711	180,711
Deferred tax assets	-	-	-	7,906	7,906
Other financial investments	599,760	17,214	-	168,877	785,851
Cash and cash equivalents	677,461	-	-	-	677,461

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.2. Assets by ratings (continued)

6.2.2. Credit risks for other assets (in Israel) (continued)

	Local rating (*)				
	December 31, 2013				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Loans to affiliates (**)	-	-	-	182,147	182,147
Other receivables, other than balances from reinsurers	-	-	-	327,589	327,589
Deferred tax assets	-	-	-	6,844	6,844
Other financial investments	383,828	673	9,363	133,722	527,586
Cash and cash equivalents	585,981	-	-	-	585,981

	Local rating (*)				
	December 31, 2012				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Loans to affiliates (**)	-	-	-	182,004	182,004
Other receivables, other than balances from reinsurers	-	-	-	313,844	313,844
Deferred tax assets	-	-	-	36,835	36,835
Other financial investments	329,096	4,958	81,442	2,597	418,093
Cash and cash equivalents	965,632	-	-	-	965,632

(*) Each rating includes all the ranges, for example: A includes A- to A+.

(**) Included under investments in associates

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.2. Assets by ratings (continued)

6.2.3. Credit risks for off-balance sheet instruments (in Israel)

	Local rating (*)				
	December 31, 2014				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Unused credit facilities	-	-	-	193,866	193,866

	Local rating (*)				
	December 31, 2013				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Unused credit facilities	-	-	-	68,346	68,346

	Local rating (*)				
	December 31, 2012				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Unused credit facilities	19,450	-	-	-	19,450

(*) Each rating includes all the ranges, for example: A includes A- to A+.

6.2.4. Credit risks for other assets (in other countries)

	International rating (*)				
	December 31, 2014				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Other financial investments	17,143	104,704	10,194	319,013	451,054

	International rating (*)				
	December 31, 2013				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Other financial investments	158,335	69,795	100,144	167,410	495,684

	International rating (*)				
	December 31, 2012				
	A and above	A to BBB	Lower than BBB	Unrated	Total
	NIS thousands				
Other financial investments	276,073	635	67,917	87,853	432,478

(*) Each rating includes all the ranges, for example: A includes A- to A+.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.3. Additional information about credit risks

1) Internal rating model

The Phoenix developed and implemented a credit rating model for companies based on quantitative and qualitative elements:

Quantitative: A quantitative score is based on the rated company's financial statements and according to the financial ratios.

Qualitative: based on a subjective questionnaire containing questions about parameters, such as the nature of the owners and competition in the market.

In addition, the model distinguishes between different types of companies such as income-producing real estate, real estate projects and holding companies.

The model was approved by the Commissioner of Insurance. The internal ratings determined by the model are recognized for purposes of capital requirements.

2) The information about credit risks in this note does not include the assets for unit linked contracts, which are presented in a separate note.

3) For reinsurance receivable balances of NIS 1,398,926 thousand, see Notes 16 and 17.

4) For premium balances of NIS 596,844 thousand, see Note 11.

6.4 Exposure to branches for investments in marketable and non-marketable financial debt assets

	December 31, 2014		
	Balance sheet credit risk		Off-balance sheet risk
	NIS thousands	% of the total	NIS thousands
Market branch			
Industry	332,408	2.07%	-
Building and real estate	1,224,801	7.62%	-
Electricity and water	819,946	5.10%	119,265
Trade	53,803	0.33%	26,001
Communications and computer services	322,372	2.01%	-
Banks	2,442,487	15.19%	-
Financial services	110,619	0.69%	-
Other business services	499	-	-
Public services	683,430	4.25%	48,600
Other	590,063	3.67%	-
	6,580,428	40.93%	193,866
Government bonds	9,494,022	59.07%	-
Total	16,074,450	100.00%	193,866

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.4 Exposure to branches for investments in marketable and non-marketable financial debt assets (continued)

	December 31, 2013		
	Balance sheet credit risk		Off-balance sheet risk
	NIS thousands	% of the total	NIS thousands
Market branch			
Industry	171,918	1.17%	-
Building and real estate	1,089,608	7.40%	-
Electricity and water	613,893	4.17%	18,630
Trade	55,154	0.37%	49,716
Communications and computer services	214,148	1.46%	-
Banks	2,509,135	11.66%	-
Financial services	78,165	0.53%	-
Other business services	494	-	-
Public services	746,707	5.07%	-
Other	400,344	2.72%	-
	5,879,566	34.55%	68,346
Government bonds	9,630,040	65.45%	-
Total	15,509,606	100.00%	68,346

	December 31, 2012		
	Balance sheet credit risk		Off-balance sheet risk
	NIS thousands	% of the total	NIS thousands
Market branch			
Industry	124,844	0.89%	-
Building and real estate	1,026,241	7.30%	-
Electricity and water	521,478	3.71%	10,919
Trade	64,539	0.46%	8,531
Communications and computer services	246,274	1.75%	-
Banks	1,696,268	12.06%	-
Financial services	89,353	0.64%	-
Other business services	698	-	-
Public services	606,072	4.31%	-
Other	460,176	3.27%	-
	4,835,943	34.39%	19,450
Government bonds	9,226,535	65.61%	-
Total	14,062,478	100.00%	19,450

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.5 Reinsurance

The Phoenix Insurance insures some of its businesses with reinsurance, mainly through foreign reinsurers. However, reinsurance does not exempt the direct insurers of their liability towards the policyholders according to the insurance policies.

The Phoenix Insurance is exposed to risks due to uncertainty regarding the ability of the reinsurers to pay their share of the liabilities for insurance contracts (reinsurance assets) and their liabilities for claims paid. This exposure is managed by ongoing monitoring of the situation of the reinsurer in the global market and compliance with its financial obligations.

The Company is exposed to credit risk to a single reinsurer, due to the structure of the reinsurance market and the limited number of reinsurers with an adequate rating.

According to the directives of the Commissioner, the Company's board of directors determines, once a year, the maximum exposure for reinsurers, based on international rating. The Company manages these exposures by individual evaluation of each of the reinsurers. In addition, the Company's exposures are dispersed amount different reinsurers, generally reinsurers with high international rating.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.5 Reinsurance(continued)

6.5.1 Exposure to credit risks of reinsurers

December 31, 2014 (NIS thousands):

			Reinsurance assets						Debts in arrears	
Name of reinsurer	Total premium for reinsurers for 2014	Balance debt (credit) net (b)	Total in life insurance	Healthcare insurance	Assets insurance	Liabilities insurance	Reinsurer deposits	Total exposure	Between six months and one year	Over one year
Rating group										
AA and above										
Munich Reinsurance Co AG	54,551	(11,847)	22,096	69,747	29,651	11,696	83,565	37,778	-	-
Swiss Reinsurance Co	112,774	(11,027)	90,662	100,381	63,756	31,992	78,953	196,811	-	-
Kölnische Rückversicherungs	58,797	615	30,252	102,941	28	-	35,003	98,833	-	-
Others	103,619	(3,183)	2,264	11,225	61,272	87,738	18,640	140,676	98	-
AA or above	329,741	(25,442)	145,274	284,294	154,707	131,426	216,161	474,098	98	-
A	331,646	(992)	13,311	-	358,239	282,398	89,527	563,429	456	166
BBB	4,664	94	52	-	11,788	408	1,463	10,879	-	-
Lower than BBB or unrated	635	(3,345)	1,141	-	2,897	12,991	-	13,684	26	54
Total	666,686	(29,685)	159,778	284,294	527,631	427,223	307,151	1,062,090	580	220

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.5 Reinsurance(continued)

6.5.1 Exposure to credit risks of reinsurers

December 31, 2013 (NIS thousands):

			Reinsurance assets						Debts in arrears	
Name of reinsurer	Total premium for reinsurers for 2013	Balance debt (credit) net (b)	Total in life insurance	Healthcare insurance	Assets insurance	Liabilities insurance	Reinsurer deposits	Total exposure	Between six months and one year	Over one year
Rating group										
AA and above										
Munich Reinsurance Co AG	93,613	(8,886)	22,537	105,830	31,571	15,313	111,817	54,548	-	-
Swiss Reinsurance Co	95,865	(10,701)	92,514	84,242	52,878	35,618	77,806	176,745	-	-
Kölnische Rückversicherungs	63,983	11,491	30,100	95,309	47	1	34,048	102,900	-	-
Others	71,609	(3,287)	1,909	-	59,816	109,305	12,547	155,196	13	-
AA or above	325,070	(11,383)	147,060	285,381	144,312	160,237	236,218	489,389	13	-
A	306,024	(4,463)	13,481	-	287,989	275,127	68,514	503,620	345	600
BBB	18,931	3,113	-	-	31,611	1,169	6,971	28,922	-	-
Lower than BBB or unrated	(2)	(7,817)	795	-	461	16,786	-	10,225	152	786
Total	650,023	(20,550)	161,336	285,381	464,373	453,319	311,703	1,032,155	510	1,386

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.5 Reinsurance(continued)

6.5.1 Exposure to credit risks of reinsurers

December 31, 2012 (NIS thousands):

			Reinsurance assets						Debts in arrears	
Name of reinsurer	Total premium for reinsurers for 2012	Balance debt (credit) net (b)	Total in life insurance	Healthcare insurance	Assets insurance	Liabilities insurance	Reinsurer deposits	Total exposure	Between six months and one year	Over one year
Rating group										
AA and above										
Munich Reinsurance Co AG	130,405	(14,259)	22,655	197,780	25,707	75,314	140,721	166,475	-	-
Swiss Reinsurance Co	80,921	(16,758)	93,501	23,604	51,216	100,551	70,617	181,496	-	-
Kölnische Rückversicherungs-Gesellschaft AG	-	-	30,238	96,474	-	-	-	126,712	-	-
Others	121,657	1,602	1,475	-	42,672	41,741	41,254	46,235	20	86
:Total AA or above	332,983	(29,416)	147,869	317,858	119,595	217,606	252,593	520,919	20	86
A										
Lloyd's	55,821	(13,619)	-	-	21,046	103,663	97	110,993	-	-
Others	254,248	(8,065)	12,724	-	216,299	142,272	69,389	293,841	84	-
Total A	310,069	(21,684)	12,724	-	237,345	245,935	69,486	404,834	84	-
BBB	19,683	(188)	-	-	26,877	595	7,058	20,225	-	-
Lower than BBB or unrated	613	2,067	812	-	2,359	22,537	-	27,775	1,146	901
Total	663,348	(49,222)	161,405	317,858	386,176	486,673	329,137	973,753	1,251	987

NOTE 40 – RISK MANAGEMENT (CONTINUED)

6. Credit risks (continued)

6.5 Reinsurance(continued)

6.5.1 Exposure to credit risks of reinsurers

Remarks:

(a) The total exposure to reinsurers is as follows: net debit (credit) balance reinsurance assets, net of deposits and net of the amount of the credit notes received from the reinsurer to secure their liabilities, plus (less) the net current debit (credit) balance.

(b) After deducting a provision for doubtful debts in the amount of NIS 380 thousand The balance does not include balances of insurance companies for co-insurance.

(c) The total provisions for doubtful debts plus reduction of the reinsurers' share in outstanding claims and reserves amounts NIS 380 thousand, representing 0.0358% of the total exposure.

(d) The rating is determined mainly by S&P rating agency. When there is no S&P rating, the rating is determined by other rating agencies and converted as set out in the Investment Regulations.

(e) The total exposure of reinsurers to earthquake with a damage probability of 2.1% (MPL) is NIS 6,866 million, of which the share of the most significant reinsurer in this exposure is NIS 1,097 million.

(f) There are no other reinsurers other than those listed above for which exposure exceeds 10% of the total exposure of reinsurers or with a premium exceeding 10% of the total premiums for reinsurance in 2014.

(g) The unrated companies include reserves for outstanding claims through brokers up to and including 2003, with an exposure of NIS 10,212 thousand.

7. Regulation risks

The Group's activities are subject to broad regulatory requirements, including supervision of the management fees collected. Regulatory requirements and enforcement of regulations are becoming stricter. Non-compliance with regulatory requirements might result in a range of sanctions and damage to goodwill. Changes in regulation affect the Company's financial reporting, business activities and profitability.

Some of the Group companies operate in accordance with permits and licenses granted by the Commissioner of Insurance in accordance with the law. Non-compliance with the terms of the permits and licenses might result in sanctions or even cancellation of the licenses.

In addition, regulation in the insurance industry has a significant effect on the structure of products sold and the premiums collected for the different products. The provisions in law, guidelines and agreements relating to the structure of savings in Israel, mainly pension-related savings, including the tax implications, affect changes in the scope of operations in the branch and the changeability between the products, including options for movement. As a result, these regulations affect the life insurance and long-term savings portfolio of the companies. The Group's insurance agencies are subject to regulations, and any changes in these regulations may affect their business operations and profitability.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

7. Regulation risks(continued)

In addition to the regulation in the insurance and long-term saving branches, the Group is subject to regulatory requirements of securities laws and companies laws. Failure to comply with these laws could result in sanctions and impairment of goodwill.

Since the Group is controlled by Delek Group, affected by the Proper Conduct of Banking Business Regulations issued by the Supervisor of Banks in Israel. These regulations include, among other things, restrictions on the scope of the loans that Israeli banks can grant to "single borrower", and the six larges borrowers and the largest group of borrowers in the banking corporation (as these terms are defined in the aforesaid regulations).

The Phoenix Insurance is subject to capital adequacy requirements. Low equity (even if it complies with the capital adequacy requirements) may impair the Company's operations and its ability to insure new businesses. When implementing Solvency II, insurance companies may be required to complement additional capital. For further information, see section 2.5 above.

8. Financial investments for unit linked contracts

8.1. Investments by linkage base *

	December 31, 2014						
	NIS unlinked	NIS linked to the CPI	USD or linked to the USD	EUR or linked to the EUR	Foreign currency or foreign currency linked	Non-finance and other Items	Total
	NIS thousands						
Cash and cash equivalents	2,325,916	-	289,108	26,492	9,883	-	2,651,399
Marketable assets	7,535,476	6,812,937	600,550	107,373	416,790	8,797,104	24,270,230
Non-marketable assets	368,782	3,657,677	479,327	57,727	86,237	3,767,852	8,417,602
Total assets	10,230,174	10,470,614	1,368,985	191,592	512,910	12,564,956	35,339,231

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

8. Financial investments for unit linked contracts (continued)

8.1. Investments by linkage base *(continued)

	December 31, 2013						
	NIS unlinked	NIS linked to the CPI	USD or linked to the USD	EUR or linked to the EUR	Foreign currency or foreign currency linked	Non-finance and other Items	Total
	NIS thousands						
Cash and cash equivalents	1,965,233	-	239,477	29,475	6,755	-	2,240,940
Marketable assets	4,998,942	7,088,709	312,564	5,006	149,302	8,712,481	21,267,004
Non-marketable assets	277,001	3,863,765	268,852	20,238	37,521	3,067,741	7,535,118
Total assets	7,241,176	10,952,474	820,893	54,719	193,578	11,780,222	31,043,062

	December 31, 2012						
	NIS unlinked	NIS linked to the CPI	USD or linked to the USD	EUR or linked to the EUR	Foreign currency or foreign currency linked	Non-finance and other Items	Total
	NIS thousands						
Cash and cash equivalents	1,093,711	-	548,986	57,484	117	-	1,700,297
Marketable assets	5,462,422	4,285,857	19,121	371	64,010	7,688,912	17,520,693
Non-marketable assets	214,412	3,662,014	202,980	31,367	44,375	2,210,643	6,365,791
Total assets	6,770,545	7,947,871	771,087	89,222	108,502	9,899,555	25,586,781

(*) The information in the table is presented in accordance with accounting classification rules and does not reflect the actual exposure to foreign currency.

8.2. Credit risk for assets in Israel

	Local rating (*)				
	December 31, 2014				
	AA and above	A to BBB	Lower than BBB	Unrated	Total (**)
	NIS thousands				
Debt assets in Israel					
Government bonds	10,547,379	-	-	-	10,547,379
Other debt assets - marketable	1,906,612	1,810,722	467,894	52,791	4,238,019
Other debt assets - non-marketable	1,711,151	1,929,937	68,162	205,964	3,915,214
Total debt assets in Israel	14,165,142	3,740,659	536,056	258,755	18,700,612
Of which – debt assets with internal rating	456,778	1,547,528	103,442	-	2,107,748

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

8. Financial investments for unit linked contracts (continued)

8.2. Credit risk for assets in Israel (continued)

	Local rating (*)				
	December 31, 2013				
	AA and above	A to BBB	Lower than BBB	Unrated	Total (**)
	NIS thousands				
Debt assets in Israel					
Government bonds	8,810,216	-	-	-	8,810,216
Other debt assets - marketable	1,314,263	1,855,944	349,103	10,177	3,529,487
Other debt assets - non-marketable	1,701,796	1,924,483	78,740	170,910	3,875,929
Total debt assets in Israel	11,826,275	3,780,427	427,843	181,087	16,215,632
Of which – debt assets with internal rating	820,948	1,601,064	56,591	-	2,478,603

	Local rating (*)				
	December 31, 2012				
	AA and above	A to BBB	Lower than BBB	Unrated	Total (**)
	NIS thousands				
Debt assets in Israel					
Government bonds	6,657,760	-	-	-	6,657,760
Other debt assets - marketable	1,140,957	1,810,353	215,187	9,553	3,176,050
Other debt assets - non-marketable	1,595,330	1,874,794	106,082	-	3,576,206
Total debt assets in Israel	9,394,047	3,685,147	321,269	9,553	13,410,016
Of which – debt assets with internal rating	732,168	1,388,714	69,286	-	2,190,168

(*) The sources for the rating in Israel are Maalot and Midroog rating companies. The data of Midroog were transferred to rating symbols according to accepted conversion coefficients.

(**) The carrying amount approximates the maximum credit risk. Accordingly, the total column presents maximum credit risk.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

8. Financial investments for unit linked contracts (continued)

8.3. Credit risk for foreign assets

	International rating (*)				
	December 31, 2014				
	AA- and above	BBB+	Lower than BBB	Unrated	Total(**)
	NIS thousands				
Total foreign debt assets	90,173	369,580	128,428	308,001	896,182
Of which – assets rated internally	17,841	157,993	17,875	-	193,709

	International rating (*)				
	December 31, 2013				
	AA- and above	BBB+	Lower than BBB	Unrated	Total(**)
	NIS thousands				
Total foreign debt assets	151,215	12,448	24,810	140,150	328,623
Of which – assets rated internally	2,460	-	8,653	-	11,113

	International rating (*)				
	December 31, 2012				
	AA- and above	BBB+	Lower than BBB	Unrated	Total (**)
	NIS thousands				
Total foreign debt assets	16	737	1,803	39,627	42,183
Of which – assets rated internally	16	-	561	-	577

(*) Sources for international rating are rating agencies approved by the Commissioner, S&P, Moody's, and Fitch.

(**) The carrying amount approximates the maximum credit risk. Accordingly, the total column presents maximum credit risk.

9. For information about the composition of the assets and liabilities of special purpose companies, see Note 25.

10. Sensitivity tests for SPCs

SPCs use the VaR method for sensitivity analysis. VaR is a standard index for estimating exposure to changes in market risks. The VaR is the amount that reflects the maximum potential loss in value of positions due to changes in market factors over a defined time and on a defined significance level. The Company uses a historical simulation model for one day at a significance level of 95%. This means that if, for example, the VaR is NIS 1 million, then in accordance with the model, with a probability of 95%, the portfolio will not absorb a loss greater than NIS 1 million in the next trading day, In other words, there is a chance of 1 to 20 (5%) that the portfolio will present results that are lower than the reported VaR.

Notes to the Consolidated Financial Statements

NOTE 40 – RISK MANAGEMENT (CONTINUED)

10. Sensitivity tests for SPCs (continued)

VaR results of Excellence for the reporting period: There was a distinction between the VaR arising from the investments portfolio held by the Group (nostro), the net exposure arising from SPCs for ETF and deposit operations, and SPCs for structured bonds, which were calculated according to a weekly measurement with set intervals, in 2014 (NIS thousands):

	Shares and debentures (nostro)	ETFs and deposit and structured products
	December 31, 2014	
	NIS thousands	
VaR	240	340
	Year ended December 31, 2014	
Average VaR	170	310
Maximum VaR	240	520
Minimum VaR	110	130
Number of times the actual loss rate was higher than the VaR (backtest) out of 223 observations	3	17

	Shares and debentures (nostro)	ETFs and deposit and structured products
	December 31, 2013	
	NIS thousands	
VaR	210	340
	Year ended December 31, 2013	
Average VaR	120	250
Maximum VaR	210	70
Minimum VaR	80	140
Number of times the actual loss rate was higher than the VaR (Backtest)	-	24

	Shares and debentures (nostro)	ETFs and deposit and structured products
	December 31, 2012	
	NIS thousands	
VaR	570	190
	Year ended December 31, 2012	
Average VaR	600	260
Maximum VaR	1,250	480
Minimum VaR	230	140
Number of times the actual loss rate was higher than the VaR (Backtest)	-	3

Notes to the Consolidated Financial Statements

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

A. The Company's major interested parties

Delek Group Ltd. ("Delek Group") is the controlling shareholder in the Group.

Mayer Cars and Trucks Co. Ltd. ("the Mayer Group") is an interested party in the Group.

In the ordinary course of business, under regular commercial terms, the Company and its investees carry out transactions with Delek Group, such as insurances and purchase of fuel. As these transactions are negligible transactions, in accordance with the procedures adopted by the Company, as set out in Section 41(A)(6)(a) of the Securities Law (Annual Financial Statements), 2010, they are not described in these reports.

B. Benefits for key managers (including directors)

The CEO and senior managers in the Group are entitled, in addition to their salary, to non-monetary benefits, such as the use of a company car and health insurance. In addition, the Group contributes to defined post-employment benefit plans and defined contribution plans.

Senior managers also participate in option plans for the Company's shares. See Note 36 - Share Based Payments.

On November 9, 2014, the general meeting of the Company's shareholders approved the revised compensation policy for the Company's officers (based in part on the Companies Law (Amendment 20), 2012 and the circular for compensation policy in institutional entities of April 2014 ("the Compensation Circular"), which sets out guidelines for the compensation policy for officers, key functionaries, and other employees in financial institutions. For information about the compensation policy for officers, senior employees, investment employees and Company employees, including the obligation for indemnity and insurance, and the options plan for employees and officers, see section 1.3.3 of the Description of the Company's Business.

1. Benefits for employment of key managers, including:

	Year ended December 31					
	2014		2013		2012	
	No. of people	Amount	No of people	Amount	No. of people	Amount
		NIS thousands		NIS thousands		NIS thousands
Short-term benefits	13	25,826	13	29,119	13	18,273
Post-employment benefits	13	1,420	13	1,373	13	1,144
Other long-term benefits	4	796	3	92	3	54
Share-based payments (see Note 36)	12	6,005	13	3,669	4	3,875
		34,047		34,253		23,346

Notes to the Consolidated Financial Statements

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

B. Benefits for key managers (including directors)

2. Benefits for directors who are not employed by the Company:

	Year ended December 31					
	2014		2013		2012	
	No. of people	Amount	No of people	Amount	No. of people	Amount
		NIS thousands		NIS thousands		NIS thousands
Remuneration of non-employee directors (*)	8	3,703	8	7,873	8	4,593

(*) These amounts include management fee expenses and share-based payments for the chairman of the Company's board of directors (Dr. Moshe Bareket), who terminated his service as chairman of the Company's board of directors on October 10, 2014. For further information about the agreement with Dr. Moshe Bareket, see the immediate report of The Phoenix Holdings on March 29, 2012, ref. 2012-01-087303. For information about the share-based payments, see Note 36.

3. The Company participates in directors and officers insurance (for the Company and Group companies)

	Year ended December 31		
	NIS thousands		
	2014	2013	2012
D&O insurance	1,076	1,089	1,082

4. CEO's employment agreement

In March 2009, the Company's Board of Directors approved the appointment of Eyal Lapidot as CEO of the Company and CEO of "The Phoenix Insurance Company. At that date, the Company's Board of Directors approved (after receiving the approval and recommendation of the Company's audit committee on the same day) the Company's employment agreement with Eyal Lapidot (the employment conditions also apply for The Phoenix Insurance Company Ltd.) ("the Agreement" or "the Employment Contract"). The employment contract came into effect on June 1, 2009, and is valid for five years, meaning until March 31, 2014 ("the Employment Period").

For further information, see also Note36 to the financial statements and the immediate reports published by The Phoenix Holdings on March 22, 2009 (ref. 2009-01-062865), July 23, 2009 (ref. 2009-01-178092), August 3, 2009 (ref. 2009-01-184824) and August 31, 2009 (ref. 2009-01-2162).,

On December 4, 2013, the Company's Board of Directors approved an amendment to the Agreement (the general meeting of The Phoenix Holdings approved the amendment to the Agreement on January 13, 2014), whereby, as from January 1, 2013, Eyal Lapidot is entitled to an additional annual fixed amount of NIS 1.352 million, linked to the CPI, with the base CPI being September 2013. The CEO will not be entitled to any social contributions for the additional fixed amount.

In addition, an amendment to the annual bonus mechanism was approved, replacing the current mechanism in the Agreement with the mechanism set out in the compensation policy for the Company's officers that was in effect on the approval date.
For information about the amendment to the Agreement, see the immediate report The Phoenix Holdings on December 8, 2013, ref. 2013-01-091960. The Agreement and the amendment are referred to hereinafter as "Amended Agreement". For information about the Company's compensation policy that was in effect at the approval date of the amendment, see the immediate report of The Phoenix Holdings of August 29, 2013, ref. 2013-01-132687.

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

B. Benefits for key managers (including directors) (continued)

4. CEO's employment agreement(continued)

On October 2, 2014, the Company's Board of Directors approved the renewal of the validity of an amendment to Eyal Lapidot's employment agreement, and the extension of the validity from April 1, 2014 until December 31, 2017 (inclusive) ("The Revised Employment Agreement") (on November 9, 2014, the Revised Employment Agreement was also approved by the general meeting of the Phoenix Holdings).
Key points in the employment terms of the CEO, as formulated by the Company:
Notice and adjustment period: The Company and the CEO may, at any time and for whatever reason, terminate the employment agreement with six (6) months' advance written notice to the other party ("the Notice Period"). If the Company informs the CEO of termination of his employment agreement, the Company may waive the CEO's work in the Notice Period, in full or in part, however it will be required to pay the CEO his full salary, including bonuses (if approved in the future) and social contributions, and to continue to provide him with all the payments, rights, and benefits, and this period will be considered as an employment period for all purposes.

Notwithstanding the above, the Company may terminate the employment agreement immediately and without severance pay in some cases, including in the event of a conviction under certain conditions, breach of fiduciary duty towards the Company. and damage to the Company ("the Immediate Release"). On termination of the CEO's employment in the Company, for any reason, except in circumstances of Immediate Release, the CEO will be entitled to an adjustment period of six (6) consecutive months from the end of the Notice Period until actual utilization of his accrued leave, which will not require the CEO to perform any work for the Company ("the Adjustment Period"). In the Adjustment Period, the CEO will receive a full salary from the Company, including the payments, contributions, benefits, and rights to which he is entitled under the Employment Agreement. The Adjustment Period will be considered as a cooling-off period ("the Cooling Off Period"). If the CEO waives his right to receive his full salary and the rights to which he is entitled in the Adjustment Period, the Cooling Off period will be cancelled. The employer-employee relationship between the Company and the CEO will terminate at the end of the cumulative period of the Notice Period, the Adjustment Period, and period of actual utilization of accrued leave. ("the Severance Date").
Salary: The CEO will receive a gross monthly salary of NIS 120,000 ("the Total Salary"). The Total Salary will be adjusted to reflect increases in the CPI every month, with the base CPI being the CPI for November 2008. The Total Salary, as adjusted from time to time, is the fixed salary that was agreed on as a basis for contributions to social conditions, including the study fund. As of the reporting date, the Total Salary amounts to NIS 136 thousand.

Additional fixed component (cash): In addition to the Total Salary, the CEO will be entitled to additional fixed annual amount of NIS 1.1 million, which will be adjusted to reflect increases in the CPI, with the base CPI being the CPI for April 2014 ("the Additional Fixed Amount"). If the CEO's entitlement period to the Additional Fixed Amount is for part of the year, it will be calculated proportionately. The CEO is not entitled to any social contributions for the Additional Fixed Amount, but will be entitled to its payment until the Severance Date as described above.

Incidentals: The CEO is entitled to social contributions, incidentals, and reimbursement of expenses, including expenses for entertainment, travel (including abroad), car, telephone and other communications (including grossing up of the full value of use), and per diem and meals. The Company will provide a company car to the CEO (equivalent to level 7) for his use. All expenses related to its maintenance and use will be covered by the Company, including grossing up of its value in use. The CEO is also entitled to leave and convalescence, and to sick days, which are not redeemable. In addition, the CEO is entitled to any welfare benefits to which the Company's employees are entitled, including, but not limited to, contributions to a study fund, pension plan, disability insurance, healthcare insurance, and an annual medical checkup.

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

B. Benefits for key managers (including directors) (continued)

4. CEO's employment agreement(continued)

The CEO is entitled to be included in a professional liability insurance arrangement that the Company will purchase, and to letters of indemnity and exemption from liability under terms that are generally accepted for senior officers in the Company. As at the reporting date, in accordance with the compensation policy, the CEO is entitled to be included in a professional liability insurance arrangement that the Company will purchase for directors and officers. If there is transfer of control in the Company, the CEO will be entitled to a runoff insurance policy from the Company until the end of the period of limitation for the period he serves as an officer of the Company.

Remuneration - variable component: The employment terms do not include variable remuneration.

For further information about the Revised Employment Agreement and the process for its approval, and about the compensation policy of The Phoenix Holdings, see the Immediate Report of The Phoenix Holdings of October 2, 2014 (ref. 2014-01-169806).

5. Officer indemnity and insurance agreements

5.1 Insurance

In November 2011, the general meeting authorized the Company's CEO to enter into an agreement, from time to time, with an authorized insurer for directors and officers liability insurance, in the Company, its subsidiaries and related companies. In accordance with the resolution, the Company's CEO is authorized to extend and/or renew and/or replace the insurance policy with liability limits of up to USD 75 million per case and period, USD 15 million for legal expenses (in Israel) and an annual premium of up to USD 550 thousand and a deductible of up to USD 0.5 million, and other terms as may be acceptable and adjusted to the requirements of the Company and its officers when extending or renewing the insurance policy, provided the Company's audit committee and board of directors confirm that the policy for the subsequent period meets the terms set out above and that there is no material change in the terms of the policy compared to the existing policy at that date, and that the policy was conducted under market conditions.

In November 2014, the Company's general meeting approved the Company's compensation policy, which determines that the directors, officers, and other central functionaries will be entitled to be included in a professional liability insurance arrangement that the Company will purchase, and subject to the approvals required by law. The cover limit will not exceed USD 100 million and the annual premium will not exceed USD 750 thousand, with a deductible of up to USD 1 million.

The Company's future agreements for directors and officers liability insurance will be for a number of insurance periods, provided that the aggregate of all insurance periods does not exceed three years from the approval date of the resolution by the general meeting of the Company.
The directors and officers whose liability is covered by the policy include also directors and officers who serve as officers in the Company's controlling shareholder and/or the controlling shareholder has a personal interest in granting them insurance cover and/or they are relatives of the Company's controlling shareholders.

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

B. Benefits for key managers (including directors) (continued)

5. Officer indemnity and insurance agreements (continued)

5.2 Indemnification

On January 7, 2007, the general meeting of the Company approved a letter of undertaking to indemnify and insure directors serving in the Company and/or directors who will serve in the Company from time to time, including directors who are or were controlling shareholders, their relatives or any entity with which the controlling shareholder has a personal interest in engaging with them. The general meeting of the Company also approved a letter of undertaking to indemnify and insure directors who served in the Company in the past.

On January 29, 2007, the board of directors of the Company approved letters of undertaking to indemnify officers in the Company (who are not directors), in accordance with section 260 of the Companies Law, 1999, and in accordance with the Company's articles of association. The maximum aggregate amount of indemnity that the Company will pay any officer, in addition to any amount received from the insurance company, for the insurance policy under which Company insured its officers, is 25% of the Company's equity in the most recent financial statements published prior to actual exercise of the indemnity. It is noted that in the past, the Company's board of directors resolved to indemnify the Company's officers, other than directors, for their activities as officers in the Company ("the Old Letter of Indemnity"). Accordingly, some officers who served in the past are covered by the Old Letter of Indemnity. In accordance with the Old Letter of Indemnity, the insurance amount for the insurance policy under which the Company insured its officers is USD 50 million per indemnification event, and no more than USD 200 million as a maximum amount of indemnity. At various dates, between 2008 and 2010, the general meeting approved letters of undertaking to indemnify and insure certain directors. The letter of undertaking to indemnify and insure has the same content as the content in the letter of undertaking to indemnify and insure that was granted to the other directors.

On November 9, 2014, the Company's general meeting approved the revised employment terms of Eyal Lapidot, CEO of the Company. Under Eyal Lapidot's terms of employment, the CEO is entitled to be included in a professional liability insurance arrangement that the Company will purchase, and to letters of indemnity and exemption from liability under terms that are generally accepted for senior officers in the Company. As of the reporting date, in accordance with the compensation policy, the CEO is entitled to be included in a professional liability insurance arrangement that the Company will purchase for directors and officers. If there is transfer of control in the Company, the CEO will be entitled to a runoff insurance policy from the Company until the end of the period of limitation for the period he serves as an officer of the Company.

On November 14, 2011, the general meeting of the Company approved amended letters of indemnity (which amended the letters of indemnity of 2007) for directors in the Company, its subsidiaries and related companies, for officers serving in them on behalf of the Company or on behalf of its subsidiaries, as may be from time to time, including those who are related to the controlling shareholder. The amended letters of indemnity include adjustments to amendments to the Companies Law and advance undertaking to indemnify for payment to a victim of a breach or due to expenses incurred by the officer for an enforcement proceeding under Chapters H3 (Imposing Monetary Sanctions by the Securities Authority), H4 (Imposing Administrative Enforcement Measures by the Administrative Enforcement Committee), or J1 (Arrangement to Avoid Proceedings or Terminate Proceedings, Contingent on Terms), of the Securities Law, 1968, including reasonable litigation expenses, including attorney fees.

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

B. Benefits for key managers (including directors) (continued)

5. Officer indemnity and insurance agreements (continued)

5.2 Indemnification (continued)

In November 2014, the Company's general meeting approved the Company's compensation policy, which determines that the directors, officers, and other central functionaries will be entitled to letters of indemnity, subject to the provisions of the law, amounting to up to 25% of the Company's equity, in the format approved by the general meeting on November 14, 2011.

On January 13, 2014, the general meeting resolved to approve the grant of exemption to all the Company's directors, as were from time to time, except for the Company's directors serving as officers and/or as service providers for the controlling shareholder in the Company and/or when the controlling shareholder has a personal interest in exempting them from their liability towards the Company for damage due to duty of care towards it.

For further information, see the Company's report dated December 8, 2013, ref. 2013-01-091960 and the Company's report dated January 14, 2014, ref. 2014-01-015346 on the results of the meeting.

In November 2014, the general meeting approved the Company's compensation policy, which determines that the directors, officers, and other central functionaries will be entitled to an exemption in advance in accordance with the Companies Law and subject to the format that will be approved by the general meeting.

It is clarified that the aforesaid does not derogate from the Company's ability to grant letters of indemnity and/or exemption to employees who are not central functionaries, at its discretion and subject to the Law.

For further information about the Company's compensation policy as approved by the general meeting in November 2014, see the Company's report of October 2, 2014, ref. 2014-01-169806.

For further information about the expenses recognized for directors and officers insurance, see section 3 above.

C. Balances with related and interested parties

Some of the Company's financial and insurance operations are carried out with related parties and interested parties in the ordinary course of business and under market conditions, and are subject to the approvals required in the Company's articles of association.

In August 2008, the Amendment to the Securities Law (Periodic and Immediate Reports), 1970 came into effect ("the Reporting Regulations"). The amendment expands, inter alia, part of the reporting obligations applicable to public companies with respect to transactions with a controlling shareholder or transactions with others person in whom the controlling shareholder has a personal interest ("Controlling Shareholder Transactions"), and also transactions which are not irregular transactions, as the term is defined in the Companies Law, other than transactions that are reported as negligible transactions in the most recent financial statements.

On November 27, 2008, the Company's board of directors resolved to adopt the negligibility limit as set out in the Reporting Regulations for Controlling Shareholder Transactions.

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

C. Balances with related and interested parties (continued)

The Company's board of directors determined that a Controlling Shareholder Transaction will be considered to be a negligible transaction if it complies with all the following conditions:

- It is not an irregular transaction (as defined in the Companies Law).
- The effect on the relevant parameter (as set out below) is less than one percent (1%).
- For a transaction or agreement that complies with the test for negligibility, the relevant parameters will be assessed on the basis of the Company's consolidated financial statements prior to the event, as follows:

A. Asset ratio: the volume of assets attributed to the event (acquired or sold assets), divided by the total assets

B. Liabilities ratio: the liabilities attributed to the event divided by the total liabilities

C. Equity ratio: the increase or decrease in equity divided by the total equity

D. Premium ratio: the premiums attributed to the event divided by the average total annual premium for the relevant segment (life insurance and long-term savings, healthcare insurance, general insurance), based on the last 12 quarters for which reviewed or audited financial statements were published

E. Service revenue ratio: revenue attributed to the event divided by the average annual revenue for the last three years that are not from premiums, based on the last 12 quarters for which audited or reviewed financial statements were published

F. Service expense ratio: the expenses attributed to the event divided by the average annual administrative and general expenses, based on the last 12 quarters for which audited or reviewed financial statements were published

G. Profit ratio: the profits or losses attributed to the event divided by the average annual comprehensive income or loss for the period (including capital funds changes) in the last three years, based on the last 12 quarters for which reviewed or audited reports were published.

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

C. Balances with related and interested parties (continued)

- Without derogating from the need to evaluate each event whose negligibility is being assessed, which of the above parameters are relevant, the following parameters will be considered as relevant to the transactions described below:

  A. Acquisition of an asset: asset ratio

  B. Sale of an asset: profit ratio, asset ratio

  C. Acquisition or sale of insurance or reinsurance: premium ratio

  D. Receipt of services (including leasing, vehicle and Dalkan automatic fueling services): expenses for services ratio

  E. Services rendered (other than insurance services, and including insurance brokerage services, underwriting, transaction financing, and various financing services): service revenue ratio

- The transaction is also qualitatively negligible.

When assessing the quality of the event, the following aspects will also be assessed:

1. Risks or material risks involved in the event. The risks involved in the event will be examined to determine whether and to what extent they are risk factors to which the Company is exposed.

2. The event may affect the Company's compliance with the significant regulatory or contractual requirements.

   In assessing the negligibility of an event expected to occur in the future, it is necessary to assess the likelihood of the event's occurrence, and the risks entailed therein, and these should be found to not exceed the risks that the Company typically assumes in its ordinary course of business.

   In December 2013, the Company's audit committee and board of directors approved the amendment to the Company's regulations for transactions with interested parties in the Company, as part of the internal compliance plan. In this context, the audit committee and board of directors confirmed that the transactions that were confirmed as negligible in respect of Regulation 41(A)(6)(a) of the Securities Regulations (Annual Financial Statements), 2010, are also negligible transactions regarding the Company in respect of section 117(2A) of the Companies Law, 1999.

   Under this decision, in accordance with section 117(1A) of the Companies Law, the audit committee confirmed that the transactions listed in the appendixes to the regulation are not extraordinary transactions, on normal commercial terms (such as insurance, provident fund and/or pension fund management services), and were approved subject to their compliance with all the cumulative conditions set out in the regulation.

Notes to the Consolidated Financial Statements

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

C. Balances with related and interested parties (continued)

December 31, 2014:

	Remark	Delek Group	Mayer Group	Associates	Interested party and other related parties
		NIS thousands			
Financial investments for unit linked contracts	(2)	275,715	-	-	3,332
Financial investments for ETFs		388,922	-	-	44,389
Other financial investments	(1-2)				
Debt assets		48,192	-	8,838	233
Shares		36,055	-	-	2,197
Other		69,773	-	-	-
Debtors and receivables		-	-	198	14,785
Premiums collectible		6,840	906	289	62
Creditors and payables		632	40	-	9,135
Highest debt balance in the year					
Financial investments for unit linked contracts		188,148	-	-	-
Financial investments for ETFs		104,627	-	-	-
Debt assets		50,386	-	12,889	257

Notes to the Consolidated Financial Statements

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

C. Balances with related and interested parties (continued)

December 31, 2013

	Remark	Delek Group	Mayer Group	Associates	Interested party and other related parties
		NIS thousands			
Financial investments for unit linked contracts	(2)	326,960	-	-	2,796
Financial investments for holders of exchange traded funds		421,176	-	-	46,870
Other financial investments	(1-2)				
Debt assets		44,901	-	12,736	152
Shares		18,015	-	-	-
Other		62,467	-	-	-
Debtors and receivables		-	-	188	31,882
Premiums collectible		3,306	676	374	70
Creditors and payables		589	33	-	15,867
Highest debt balance in the year					
Financial investments for unit linked contracts		173,020	-	-	-
Financial investments for ETFs		87,774	-	-	-
Debt assets		102,736	-	13,787	250

Notes to the Consolidated Financial Statements

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

C. Balances with related and interested parties (continued)

December 31, 2012

	Remark	Delek Group	Mayer Group	Associates	Interested party and other related parties
		NIS thousands			
Financial investments for unit linked contracts	(2)	344,138	-	-	17,300
Financial investments for holders of exchange traded funds		250,278	-	-	24,861
Other financial investments	(1-2)				
Debt assets		77,409	-	6,941	250
Shares		5,117	-	-	-
Other		92,251	-	-	-
Debtors and receivables		-	-	107	5,073
Premiums collectible		3,666	564	299	79
Creditors and payables		-	73	-	5,313
Highest debt balance in the year					
Financial investments for unit linked contracts		184,804	-	-	-
Financial investments for ETFs		62,355	-	-	-
Debt assets		84,411	-	4,674	479

1. Includes loans provided to officers amounting to NIS 233 thousand, NIS 152 thousand and NIS 250 thousand as of December 31, 2014, December 31, 2013 and December 31, 2012 respectively. These loans bear fixed unlinked interest at a rate of 4.31%, 4.31% and 5.47% in 2014, 2013 and 2012, respectively.

   As of December 31, 2014, December 31, 2013 and December 31 2012, the Company did not provide any loans to directors.

Notes to the Consolidated Financial Statements

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

C. Balances with related and interested parties (continued)

2. Acquisition of a bank loan by the Company and Delek Belron

On July 3, 2008, an acquisition transaction was completed in which The Phoenix Insurance and Delek Belron International Ltd. (a company controlled by the Company's controlling shareholder), ("Delek Belron") acquired three portions of loans from an international bank ("the Loans" and "the Bank", respectively), in a total amount of EUR 80.07 million, which were provided to three different borrowers and backed by 30 profitable real estate properties in Germany and Switzerland. The loans were acquired through a foreign special purpose company, whose share capital and voting rights are held by The Phoenix Insurance and Delek Belron in equal parts ("the Foreign Subsidiary"). The Phoenix Insurance and Delek Belron signed a cooperation agreement that defines the rights of the parties in the Foreign Subsidiary and the cooperation between them for the loans. The Foreign Subsidiary paid a total consideration of EUR 58 million for the loan acquisition transaction. The share of The Phoenix Insurance in financing to the Foreign Subsidiary for the loan acquisition agreement amounted to EUR 29 million. As of December 31, 2014, the Company's share in the Loans, after a provision for doubtful debts, amounted to NIS 26,812 thousand (of which, NIS 17,875 thousand is recognized under unit linked liabilities).

D. Transactions with interested and related parties

Year ended December 31, 2014

	Delek Group	Mayer Group	Associates	Interested party and other related parties
Gross premiums	37,054	32,452	1,670	2,617
Income from management fees from pension and provident funds	-	-	-	312,414
Gains (losses) from debt assets and finance income	9,058	-	684	8
Payments for insurance contracts	16,630	6,880	196	75
Commission expenses	-	-	20,683	-
General and administrative expenses	7,600	7,455	-	37,853

Notes to the Consolidated Financial Statements

NOTE 41 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (CONTINUED)

D. Transactions with interested and related parties(continued)

Year ended December 31, 2013

	Delek Group	Mayer Group	Associates	Interested party and other related parties
Gross premiums	30,153	31,169	1,720	2,236
Income from management fees from pension and provident funds	-	-	-	292,897
Gains (losses) from debt assets and finance income	27,156	-	6,968	-
Payments for insurance contracts	9,062	7,492	107	533
Commission expenses	-	-	19,544	-
General and administrative expenses	7,105	4,808	-	42,126

Year ended December 31, 2012

	Delek Group	Mayer Group	Associates	Interested party and other related parties
Gross premiums	18,561	28,879	3,658	2,207
Income from management fees from pension and provident funds	-	-	-	305,478
Gains (losses) from debt assets and finance income	31,555	-	377	-
Payments for insurance contracts	5,427	8,149	1,663	102
Commission expenses	-	-	19,775	-
General and administrative expenses	7,086	3,804	-	27,939

NOTE 42 – CONTINGENT LIABILITIES AND AGREEMENTS

A. Class actions: applications for certification of claims as class actions and claims certified as class actions

In recent years, there has been a significant increase in the scope of motions for certification of class action suits against the Company and/or its subsidiaries and the number of claims certified as class actions. This is part of the general increase in motions for certification of class action suits in general, including against companies operating in the same sector as the Company and/or its subsidiaries, mainly due to the Class Actions Law, 2006. This significantly increases the potential exposure of the Company and/or its subsidiaries to losses if the class actions against the Company and/or the subsidiaries are accepted.

Motions for certification of class actions are filed in accordance with the Class Actions Law, 2006 ("the Class Actions Law"). The procedure for motions for certification of class actions is divided into two main stages: The first stage is the hearing of the motion for certification of a class action ("the motion for certification" or the "certification stage", respectively). If the motion for certification is summarily dismissed, the hearing stage on the level of the class action is concluded. A ruling in the certification stage may be appealed at the court of appeal. In the second stage, if the motion for certification is accepted, the class action will be heard ("the certification stage of a class action"). The ruling at the certification stage of a class action can be appealed at the court of appeal. The Class Actions Law includes specific arrangements for settlements, in the approval stage and in the certification stage of a class action, and arrangements for withdrawal of the plaintiff from the motion for certification or from the class action.

In respect of the motions for certification of a class action suit (including claims that were certified as class actions and the certification is being appealed) as described in sections 1-28 below, management believes, based, inter alia, on the opinion of its legal counsel, that it is more likely than not that the statements of defense of Company and/or subsidiaries will be accepted and the motion for certification of a class action suit is more likely than not to be rejected, a provision was not included in the financial statements, except for motions for certification of class actions where the Company and / or subsidiaries are willing to settle. Provisions were included in the financial statements to cover the exposure estimated by the Company and/or the subsidiaries for motions for certification as class action lawsuits in which it is more likely than not that the statement of defense of the Company and/or its subsidiaries will be dismissed, or where there is a willingness to compromise, as the case may be.

Management believes, based, inter alia, on the opinion of its legal counsel, that the financial statements include adequate provisions to cover the exposure estimated by the Company and/or its subsidiaries, or a provision in the amount of the settlement that the Company and/or its subsidiaries is willing to reach, as the case may be.

A significant part of the motions to certify claims as class actions was filed against the subsidiaries for various matters related to insurance contracts and for the ordinary course of the subsidiaries' business. The subsidiaries have insurance reserves for these claims.

The likelihood of the motions for certification as a class action, which are described in section 29 below, cannot be assessed at this preliminary stage, therefore the financial statements do not include a provision for these claims.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits:

1. On June 19, 2000, a claim was filed against Discount Mortgage Bank Ltd. ("the Bank") and against The Phoenix Israel Insurance Company Ltd. (“The Phoenix Insurance”) (together: "the Defendants"), together with a motion for certification of a class action ("the motion for certification"), at the Tel Aviv-Jaffa District Court.

   The plaintiffs obtained from the Bank loans for the purpose of purchasing residential apartments secured by a mortgage, and in the context of this loan the Bank required them to purchase homeowners insurance policies for their apartments from The Phoenix Insurance. According to the plaintiffs, the initial insurance established for their apartments was higher than the proper insurable value of the apartments, and in December 1993 and December 1994, the insurance amounts for their apartments were increased, with no justification and on no reasonable grounds. Therefore, the plaintiffs claim they have paid excessive insurance premiums over the years. The plaintiffs estimated the amount of the class action (as of June 2000) at NIS 105 million.

   The remedies sought by the plaintiffs include submission of all the relevant information in order to respond to the plaintiffs' damage; compensation of the group members for the damages described in the claim; alternatively, declaratory relief that the defendants collected excessive premiums from the group members, and therefore they are entitled to reimbursement of the excessive moneys that were paid, according to the alleged principles of calculation in the claim; alternatively, declaration of the group's right to reimbursement of 20% of the insurance premium paid for the period as from December 1993, 38% for the period as from December 1994, and 15% for group members who took out a mortgage subsequent to December 1993, and prior to December 1994.

   The group that plaintiffs seek to represent is any person who took and/or paid a mortgage to Discount Bank and was insured through the Phoenix Insurance, at any time, provided that the repayment period of the payments or part thereof applied in the period to which the claim relates, meaning December 1993 and up to the date that the motion for certification was filed, whether the mortgage was taken to acquire an asset that serves as an apartment or as a real estate asset that is not an apartment.

   In September 2000, the bank and The Phoenix Insurance filed responses.

   In December 2000, the district court decided to stay the proceedings against the Bank only, claiming that there is an earlier class action against the Bank, which refers to similar issues raised in the claim. Following this ruling, an order was granted for the stay of proceedings against Phoenix Insurance.

   The claim was transferred to the Central District Court. In October 2007, the court requested that counsel for the plaintiffs review the ruling in the earlier class action against the Bank before preparing the claim for a hearing.

   On May 12, 2012, the District Court in Tel Aviv approved a settlement for the class action (and for another class action), for which a stay of proceedings was given, according to which the class action was certified and the settlement was given the validity of a judgment, for all the members of the relevant group and for the issues settled in the settlement. At this stage, the plaintiffs have not made an announcement in view of the aforesaid, and discussions have not yet resumed.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

2. On October 19, 2004, a claim was filed against Hadar Insurance Company Ltd., whose businesses were merged with the businesses of The Phoenix Insurance ("The Phoenix Insurance"), together with a motion for certification as a class action ("the motion for certification"), at the Tel Aviv-Jaffa District Court.

   The grounds for the claim refer to payment of insurance benefits in cases of total loss, in which the policyholders do not receive the full amount of insurance benefits due to them, which, they contend, correspond to the full list price of the car, but instead, The Phoenix Insurance deducts various amounts for "special variables" associated with the vehicle price list, which may have an effect on the value of the vehicle.

   The plaintiffs argue that by not providing disclosure to the policyholders when quoting the price of the insurance policy or when entering into the insurance contract, the policyholders were misled and the provisions of the Commissioner of Insurance were breached, in particular those in insurance circular 2000/12 ("the Commissioner's Circular").

   The group that the plaintiffs sought to represent is any person and/or other legal entity that purchased insurance and/or an insurance contract from the insurance company, over seven years or alternatively the three years preceding the date of the motion for certification, for a private and/or commercial and/or motorized vehicle, for any insurance period, and an insurance event occurred in the insurance period where the vehicle was declared a total loss, and for that insurance event, an insurance and/or financial liability of the insurance company was established and the insurance company did not pay that person and/or legal entity the full insurance benefits and/or the full value of the vehicle at the time of the insurance event and/or did not replace the vehicle with a similar vehicle.

   The plaintiffs estimate that the class action suit amounts to NIS 41.2 million.

   The Phoenix Insurance filed its response to the motion for certification.

   On January 14, 2010, the district court ruling accepted the motion for certification of a class action suit ("the certification ruling").

   In the certification ruling, the court ordered that the class action group includes holders of private vehicle insurance policies (property damage and third-party property damage) acquired from the defendant, effective from January 1, 2001, and in the insurance period, an insurance event occurred which caused damage defined as a "total loss" to the insured vehicle, or the insurance company referred to the damage as a "total loss". The court ruled that the group will be defined at the date the motion for certification was filed, meaning October 19, 2004. The court set the identity of the representing plaintiff leading the group to be Mr. Ben Ami and ruled that the class action was certified on the grounds of misleading information or non-disclosure.

   The Supreme Court denied the motion for leave to appeal filed against the Certification Ruling, and ruled that the allegations of The Phoenix Insurance will be held for appeal (to the extent filed) of the ruling in the claim.

   On October 5, 2010, the parties filed a motion (with consent) with the District Court to approve the settlement. The Court dismissed this motion.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

2. (continued):

On April 30, 2012, the Commissioner of Insurance published a draft decision concerning "systematic return for violation of Insurance Circular 2000/12", including in the matter of this procedure.

On February 7, 2013, the Attorney General announced that the Commissioner of Insurance had decided not to order systematic return for violation of the Commissioner's Circular.

Following this announcement, the parties consented to mediation (including the Attorney General).

On April 13, 2014 a motion was filed with the District Court for approval of the settlement between the parties, following prolonged mediation proceedings before the Honorable Former Chief Justice, M. Shemgar, in which the Attorney General took part. The highlights of the settlement agreement accepted by the Attorney General included monetary compensation for each of the members of the group, as defined in the settlement. Under the settlement, The Phoenix Insurance will pay an amount of NIS 6 million which will be shared pari-passu among the members of the group according to the specific rate of deduction made for each member of the group.

If each member of the group, whose particulars are known to the parties, respond to the inquiry addressed to them, then each member of the group will receive approximately 85% of the real value of the specific deductions from the insurance proceeds for the specific insurance event due to special variables. This rate could increase if not all the members of the group, as aforesaid, respond to the query, or decrease if it becomes apparent that there are additional members to the foregoing group.

In addition, under the settlement agreement, The Phoenix Insurance will pay compensation to the plaintiffs and will pay their attorney fees.

If any funds remain that is not shared to members of the group as defined in the settlement, the funds will be given as a donation through the Round-up Organization.

On April 29, 2014, the District Court approved the settlement agreement and ordered publication of notices and gave orders as required under the settlement agreement. The Court further ordered that if the conditions are established for handing a ruling, the parties will file appropriate application.

3. On April 25, 2006, a claim was filed against The Phoenix Insurance and against other insurance companies ("the defendants"), together with a motion for certification of a class action ("the motion for certification"), at the Tel Aviv-Jaffa District Court.

The plaintiffs contend that the defendants collect monthly premiums for disability insurance, including in the last three months of the insurance period, even though if there is an insurance event in this period, the policyholders will not be entitled to insurance benefits, due to the three-month waiting period, in which only if the policyholder still has work disability, the insurance company will start to pay insurance benefits from this date onwards.

Consequently, the plaintiffs contend that if the insurance period ends after the three-month waiting period (for example, if during that period the policyholder turns 65), a situation will be created where the policyholder will not be eligible for insurance benefits, even though they paid the insurance premium in the waiting period ("the non-coverage period").

The group that the plaintiffs seek to represent includes any person insured by the defendants for work disability, including the non-coverage period for which premiums are paid, which are valid or their validity ended in the seven years prior to filing the motion for certification.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

3. (continued):

The damage claimed by the plaintiffs is for the insurance premiums paid for the non-coverage period. According to an expert opinion obtained by the plaintiffs, the preliminary estimate of the damage for 1998-2004 for all the defendants is NIS 47.6 million, and the estimated damage attributed to The Phoenix is approximately NIS 8.1 million.

The remedies sought by the plaintiffs include an injunction requiring The Phoenix Insurance to stop collecting insurance premiums for the non-coverage period; to require the Phoenix Insurance to return to the group the entire insurance fees actually collected for the non-coverage period plus linkage differences and interest, as set out in section 28(C) of the Insurance Contract Law, 1981, from the collection date until the date of actual refund or alternatively, plus linkage differences and interest by law; to rule on compensation for the plaintiffs and to award court fees to the plaintiffs' counsel.

The Phoenix Insurance filed its response to the motion for certification. On February 3, 2009, the court accepted the motion for certification and certified the claim against all the defendants as a class action ("the certification ruling").

In the certification ruling, the court ordered, inter alia, that the class action group is defined as "any eligible person insured by the respondents who paid (or for the mandatory injunctions - who will pay) premiums for the non-coverage period". The grounds of the claim are violation of sections 38 and 39 of the Control of Financial Services Law (Insurance), 1981 ("the Control Law"); misleading information under section 55 in the Control; breach of contract and misleading information under contract laws; breach of statutory duty; breach of duty to act in good faith under section 39 of the Contracts Law; determination that there is a discriminatory stipulation in a standard contract; unjust enrichment and that the remedy sought is to refund all the insurance premiums that were actually collected from the group members for the non-coverage period, plus linkage differences and interest as set out in section 28(C) of the Insurance Contract Law, from the collection date through to the actual refund date, and to order the defendants to refrain from collecting insurance premiums for the non-coverage period.

On April 7, 2009, the court accepted the defendant's motion to delay the investigation of the class action until the ruling on the motion for leave to appeal the certification ruling.

On April 26, 2009, The Phoenix Insurance filed a motion for leave to appeal the certification ruling at the Supreme Court. The plaintiffs filed their response to the motion for leave to appeal.

On January 21, 2013, the Supreme Court heard the motion to appeal. On April 11, 2013, the Supreme Court handed down judgment for the motion for leave to appeal, accepting the appeal, by ordering another hearing of the motion for certification as a class action at the District Court, in order to rule on the following issues: whether payment in the last three months of the policy is for services that the policyholders will never be entitled to receive or whether this means distribution of payments based on actuarial calculations, whether the defendant insurance companies violated the duty of disclosure, and whether, in the view of the prima facie factual foundation, the statute of limitations applies in the circumstances of this case In accordance with the District Court ruling in the pre-trial hearings held in September 2013 and January 2014, The Phoenix Insurance filed an affidavit of discovery of documents and a supplementary affidavit. On August 5, 2014, the plaintiffs filed a petition with the Court for a court appointed expert and alternatively, to involve the Commissioner of Insurance in the proceedings ("Petition for Court Appointed Expert")

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

3. (continued):

On October 17, 2014 the plaintiffs filed a petition for further leave to file an expert opinion on their behalf (instead of an expert appointed by the Court). On February 15, 2015, the defendants filed an expert opinion on their behalf. At this stage the plaintiffs were required to file notice concerning continuation of proceedings which was filed on March 5, 2015 and included their petition to file closing statements based on the material before the Court. On March 22, 2015 the defendants gave notice that they agree to waive questioning of the parties subject to having an opportunity to question the plaintiffs' expert and to retain the right to file another expert opinion on their behalf following the foregoing questioning. On March 24, 2015 the plaintiff filed objection to the defendant's request. On March 25, 2015 the Court scheduled a pre-trial hearing for April 21, 2015 when a ruling will be handed for how the proceedings in the case will continue.

4. On December 19, 2006 a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification"), at the Tel Aviv-Jaffa District Court.

The lawsuit refers to the Disability from Accidents Appendix, which is attached, at the request of the policyholder, to the life insurance policy ("the Appendix").

This appendix contains a table listing the monetary compensation to be paid out of the full insurance amount in respect of various forms of bodily damage, such as the loss of a leg or an arm. The plaintiffs claim that the insurance company pays compensation based on the percentage of the disability that was determined for the damaged organ, thus limiting its liability under the policy.

The plaintiff claims, on his behalf and on behalf of the group, that he is entitled to receive appropriate compensation out of the full insurance amount denominated in the policy, according to the disability grade set or to be set.

The group that the plaintiff wishes to represent is any person who is insured or is a beneficiary, or was insured or was a beneficiary, in policies in which The Phoenix Insurance provides coverage for disability resulting from an accident, who is entitled or was entitled to compensation for this insurance, when the policies indicate that the compensation is an appropriate percentage of the full amount of the insurance stated in the policy, according to the disability rate that was determined or that will be determined, and despite this, compensation was paid according to a disability rate that was lower than that determined, and the payment was made in the last seven years. The group will also include policyholders and beneficiaries under policies issued by insurance companies other than The Phoenix Insurance, which as a result of mergers or other transactions by The Phoenix Insurance, provided or provides insurance coverage in their respect. The remedy requested by the plaintiff is to charge The Phoenix Insurance for the difference between the amount of the compensation due under the policy, according to the plaintiff, and the actual compensation paid, for the entire group.

The plaintiff does not have information that allows calculation of the total damage for the entire group.

On January 11, 2009, subsequent to the hearing and written summations, the district court ruled to certify the claim as a class action suit.

After managing the case in the District Court, including filing of affidavits, written summaries, and completion of oral arguments, on February 27, 2014, the District Court handed down judgment on the class action, ordering restitution to the class members, as defined below, of the difference between the insurance compensation paid to them and the insurance compensation due to them, as a multiplication of the partial and permanent disability that was set for them as the maximum insurance amount in the policy.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

4. (continued):

The court defined the class as the group of policyholders who purchased an accident disability policy from The Phoenix Insurance, and when the motion for certification was filed, three years had not passed since the occurrence of the insured event, meaning, since the accident, and who received insurance compensation that is not equivalent to the multiplication of the partial and permanent disability in the maximum insurance amount, including any policyholders with cause that was established up to the judgment, even if they received insurance benefits by virtue of the decision of the Commissioner of Insurance, and even if they signed a waiver or a settlement agreement, provided the settlement agreement does not explicitly refer to this claim, while waiving the policyholder's right to receive the insurance compensation notwithstanding the judgment, as set out above “the Class”).

However, pursuant to the judgment, policyholders whose case was resolved in a peremptory court ruling and policyholders who signed the settlement agreement or a waiver referring explicitly to this claim, without reserving the policyholder's right to receive the difference in insurance compensation in accordance with the judgment handed down for the claim, are not included in the Class.

The court further ruled that The Phoenix Insurance is entitled to offset amounts owed to each Class member, as set out above, for any undisputed debt.

The court appointed an officer to review the eligibility of the Class members and payment of the compensation due to them. The court also ordered payment of compensation to the plaintiff and legal fees to the plaintiff's counsel in amounts that are insignificant to The Phoenix Insurance.

The plaintiff's attorney filed a motion to correct alleged errors in the judgment, mainly: to charge the defendants for interest and linkage differences for their payments to the Class members, to charge the defendants for VAT on payments of attorney's fees and compensation and to charge attorney's fees at the higher rate (10%) for Class members who have not yet received insurance compensation, even if they are payable by virtue of the Commissioner of Insurance's decision.

On April 7, 2014 the court ruled that linkage and interest differentials are to be added to the payment, that the legal fees set include VAT and that there was no reason for amending the ruling in this regard, and that the policyholders eligible for relief under the ruling should be distinguished from the policyholders eligible for relief only under the ruling of the Commissioner, with regard to whom the reduced attorney's fees (3% including VAT) will apply.

On May 1, 2014, the plaintiffs filed appeal of the district court judgment with the High Court of Justice with respect to the ruling pertaining to the period of limitation, denial of special interest relief, rewarding the plaintiffs compensation and their attorneys' fees. The hearing of the appeal is set for October 26, 2015.

In addition, following negotiations with the Commissioner of Insurance, on August 29, 2013, the Commissioner of Insurance issued a draft decision on "payment of insurance compensation in accident disability insurance policies" ("the Draft Decision"), whereby the Phoenix Insurance will pay insurance compensation to the policyholders who are entitled to the difference in insurance compensation according to the calculation method of the Commissioner, pursuant to the decision of May 17, 2006, in the matter of Menora Insurance Company Ltd. The Phoenix Insurance filed and presented to the Commissioner of Insurance its response and reference to the Draft Decision. On May 1, 2014, the Commissioner of Insurance announced that, due to the ruling of the district court, he sees that there is no place for his further handling of the "cryptic coefficient" issue mentioned in the draft judgment.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

5. On January 3, 2008, a claim was filed against The Phoenix Insurance and four other insurance companies ("the defendants") together with a motion for certification as a class action ("the motion for certification") at the Tel Aviv-Jaffa District Court. The claim refers to the “sub-annual” payment factor, which is payment collected in life insurance policies, when the premium is fixed at an annual sum and is actually paid in a number of installments ("sub-annual payment").

   The plaintiffs argue that the Defendants collect sub-annual payment at an amount exceeding the allowed rate, and this is done in several ways, as contended by the plaintiff: collection of sub-annual payments in respect of management fees, collection of Sub-Annual Payments at a rate exceeding the allowed rate in accordance with the circulars of the Commissioner of Insurance, collection of sub-annual payments in respect of the savings element in life insurance policies and collection of sub-annual payments in respect of policies that are not life-insurance policies.

   The group that plaintiffs seek to represent is anyone who engaged with the defendants in an insurance contract and who was charged sub-annual payments in circumstances or in an amount that exceeds the maximum. The remedies requested by the plaintiffs include refund of all amounts that the Defendants unlawfully collected, and an injunction instructing the defendants to change the manner of their operations regarding the issues that are described in the claim.

   The plaintiffs estimate that the amount claimed from all the Defendants is NIS 2.3 billion, of which the amount claimed from The Phoenix Insurance is NIS 284 million (before the amended motion for certification by the plaintiff as described below, the amount claimed from The Phoenix Insurance was NIS 384.5 million).

   The Phoenix Insurance has responded to the motion. On February 1, 2010, the Court approved a settlement to strike out the claim and motion that The Phoenix Insurance collected sub-annual rates exceeding the rate set out in the Commissioner's circulars also for policies issued prior to 1992, and the plaintiffs filed an amended claim and motion, accordingly. The Phoenix Insurance responded to the motion for certification and the plaintiffs responded to the response of The Phoenix Insurance. The Phoenix Insurance has the right to respond to the plaintiff's response, and it responded accordingly.

   The Commissioner of Insurance submitted his position on the case in accordance with the court order, the plaintiffs responded to this position and the defendants responded to the plaintiffs' response. In a hearing held on February 20, 2014, the Court ordered the plaintiffs to announce, within 30 days, how they intend to continue with the procedure. In a hearing held on April 8, 2014, the plaintiffs announced that they wished to continue proceedings on the motion for certification and the case was set for written summation.

   The plaintiffs filed their summations. The Phoenix Insurance is required to submit its and the plaintiffs have right to submit closing statements in reply. A hearing was set for May 12, 2015 to hear complementing oral arguments.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

6. On July 30, 2008, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification") at the Tel Aviv-Jaffa District Court.

   The claim refers to the allegation that The Phoenix Insurance does not compensate its policyholders for protective measures installed in cars in cases of total loss, absolute total loss and partial loss.

   The plaintiff estimates the damage for the group as NIS 27.8 million.

   The group that the plaintiffs seek to represent is any person who, as from April 1, 2004, received compensation from The Phoenix Insurance for damage to a private or commercial vehicle up to 4 tons, including for total loss or theft, when insured by The Phoenix Insurance, with motor insurance in accordance with Part A of the Addendum to the Control of Insurance Business Regulations (Terms of an Insurance Contract for a Private Vehicle),1986, in full or in part, and did not receive all and/or partial insurance compensation for loss or damage caused to the protection measures installed in the vehicle at the demand of The Phoenix Insurance.

   The Phoenix Insurance has responded to the motion.

   The District Court transferred the claim to a joint hearing with seven other claims filed against other insurance companies, with a similar allegation to the allegation in the above claim.

   In July 2011, the Attorney General announced his participation in the case, and explained his position regarding the application of section 1 of the standard policy for insuring a private vehicle (section 1 of the Addendum to the Control of Insurance Business Regulations (Contract Conditions for Insurance of a Private Vehicle), 1986), without stating his position on the actual proceedings.

   On July 2, 2012, a settlement agreement was signed for the claim and six other claims filed on the same matter against six other insurance companies ("the settlement agreement").

   In accordance with the settlement agreement, without admitting to any contention and/or liability, the Phoenix Insurance was required to pay the group defined in the settlement agreement, 50% of the price of the theft protection system that was installed and/or that is in the private vehicle of the policyholder in accordance with the Company's requirements in the policy that was in effect on the date the insurance event occurred, less annual depreciation of 33%. The Phoenix Insurance undertook to contact the policyholders in writing and to announce the settlement agreement in the newspapers. The Phoenix Insurance further undertook to pay a minimum amount of NIS 1 million, so that if the total amount paid by The Phoenix Insurance to the group members under the Settlement Agreement falls below this minimum amount, The Phoenix Insurance will make a further distribution to the group members who applied, up to a limit of 100% of the cost of the relevant protection.

   If the total amount of the moneys paid by The Phoenix Insurance to the group members, subsequent to this second distribution, is less than the minimum amount, The Phoenix Insurance will donate the difference between the amount paid to the group members and the minimum amount, to the Krembo Wings Association, a national youth movement for children with special needs. In addition, The Phoenix Insurance was required to pay the plaintiff's counsel fees amounting to NIS 139 thousand (including VAT) and paid the plaintiff compensation of NIS 30 thousand.

   The court appointed an auditor to review the settlement agreement. The auditor submitted his opinion on December 4, 2013. The Attorney General submitted his position and the parties submitted their responses to his position. During June and July 2014, another two insurance companies announced that they were joining the settlement agreement.

   On December 22, 2014, a judgment was handed by the court according to which the settlement arrangement was approved subject to the defendants' consent to amendments required by the court in its judgment.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

6. (continued):

The amendments refer, inter alia, to the calculation of the rate to be refunded, the manner by which the refund will be executed, a mechanism for informing the members of the group, a mechanism for future settlement and a mechanism for allocating the remaining funds.

The Court ordered all the defendants to respond within 30 days if they are willing to accepted the amendments set out in its judgment and ruled that if the defendants accept the amendments, and after and subject to the auditor's calculations, a judgment will be handed approving the settlement arrangement or instructions will be given regarding further proceedings on the case, and also clarified that the settlement arrangements will be approved only with respect to the defendants who accept the amendments in full.

On January 19, 2015, the parties submitted a joint motion for a hearing to be held before the court in regard to the court's ruling of December 22, 2014. On January 21, 2015, the court accepted the motion and set a hearing for February 11, 2015.

At the same time the defendants filed a request to extend the deadline for filing leave to appeal the court judgment. The request was approved in a ruling by the Registrar of the Supreme Court on January 25, 2015.

On February 11, 2015, a hearing was held at the District Court, during which the Court handed down a few clarifications concerning the settlement agreement. It was also decided that within three weeks the Attorney General will give his opinion regarding several amendments to the settlement agreement, after which the Court will hand down its ruling on how and under which terms the settlement agreement will be amended with respect to those issues that require the Attorney General's position after receiving an extension for the Attorney General to submit his position by March 25, 2015.

For the sake of caution, a joint petition was filed at the Supreme Court on March 5, 2015 forextending the deadline for submitting leave to appeal until April 21, 2015. The Supreme Court approved this petition.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

7. On April 5, 2009, a motion for certification as a class action suit was filed against Standard and Poor's Maalot Ltd. (“Maalot”), World Currencies Ltd. “World Currencies”), and officers in Excellence Investments Group Ltd. ("Excellence Group" or "Excellence", respectively), Bank Leumi Le Israel Trust Company Ltd. and against Excellence, in respect of the prospectus issued by World Currencies for the public placement of debentures backed by notes issued by Lehman Brothers Bankhaus AG ("Lehman").

   The plaintiff claims that Excellence, World Currencies and officers in the Excellence Group breached various obligations towards the debenture holders, including by not informing them of Lehman’s link to the debentures and Excellence’s dependence and ability to repay from the notes issued by Lehman, in a way that investors relied only on the rating of the debentures by Maalot. It is further claimed that Excellence did not report that the collapse of Lehman Germany could possibly affect the repayment of the debentures and reduce the value of the debentures, that the Excellence failed to inform the investors in real time of the implications of the economic crisis on the full and timely repayment of the debentures and that Excellence was negligent when including the opinion of Maalot in the prospectus.

   The plaintiff is one of the debenture holders and he is seeking to file the claim in his name and on behalf of all the debenture holders at the date Lehman collapsed. The plaintiff estimates that the class action suit amounts to NIS 84.5 million.

   At this stage, the hearings of the motion for certification have been suspended until a decision is made regarding the motion for certification as a class action submitted in the matter of Keshet as set out in section 8 below.

8. On May 27, 2009, a motion for certification of a class action was filed against Keshet Debentures Ltd. (a subsidiary of Excellence Ltd., hereinafter: "Keshet") and its directors, against Express Finances Ltd. (which to the best of the knowledge of Excellence holds 50%) of the issued share capital of Keshet), against Excellence Nessuah Underwriting (1993) (a subsidiary, hereinafter: "Underwriting") which holds the remaining 50% of the issued capital of Keshet and against Excellence Investments Ltd. ("Excellence") (jointly: "the defendants"), with respect to the prospectus issued by Keshet for the public placement of debentures backed by notes issued by Lehman Brothers Bankhaus AG ("Lehman Germany"). The liability of Lehman Germany was guaranteed by Lehman Brothers Holdings Inc. ("Lehman USA"). Lehman Germany and Lehman USA will be referred to hereunder as “the Lehman Group”.

   On June 23, 2009, another motion for certification as a class action suit was filed against Maalot, Bank Leumi Le Israel Trust Company Ltd. and against Keshet, Excellence Underwriting and officers in Excellence and Expert Finances Ltd. "the defendants"), with respect to the prospectus issued by Keshet for the public placement of debentures backed by notes issued by Lehman Brothers Bankhaus AG (“Lehman Germany”).

   The plaintiffs of the two motions set out above claim that the defendants breached various obligations towards the debenture holders, including by allegedly disregarding several material events relating to the main risk for repayment of the notes, and which indicated the financial deterioration of the Lehman Group. The plaintiffs claim that the defendants should have informed the investors of the negative developments in the Lehman Group, and that the numerous dramatic events allegedly issued about the Lehman Group was not met by any response or disclosure by the defendants. The alleged failure to disclose and the false representations misled the investors in the debentures and was the cause of the damage to the members of the group in the claim.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

8. (continued):

The plaintiffs contend that the behavior of the defendants was faulty and that the defendants could have prevented the damage or substantially reduced it and did not do so.

The plaintiffs further contend that in June 2008, the defendants who are the controlling shareholders in the Company, changed the service agreement with Keshet, such that the defendants were able to withdraw all the funds from Keshet, that the funds that were withdrawn from Keshet could have been used to purchase deposits insurance, that the defendants did not take steps to insure deposits in respect of the funds invested in Lehman Germany, even though, allegedly, the fiduciary duty and duty of care towards the investors requires insuring such deposits, and that the defendants did not take steps to replace the backing bank and included the opinion of Maalot in the prospectus.

The plaintiffs are debenture holders and they are seeking to file the claim in their name and on behalf of all the debenture holders at the date Lehman Bank collapsed. The first plaintiff of May 27, 2009 estimates that the class action suit amounts to NIS 286 million and the second plaintiff of June 23, 2009 estimates that the class action suit amounts to NIS 220 million.

Following the request of the defendants, these claims were combined and the amount of the claim was adjusted to NIS 286 million.

The motion for certification was scheduled for written summations. The plaintiffs filed their summations on January 22, 2014 and the defendants are required to file their summations at varying dates, and on March 11, 2015 the plaintiffs filed their closing statements.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

9. On July 15, 2009, a motion for certification of a class action suit was filed in the Tel Aviv district court against Excellence Nessuah Investments Management Ltd. ("Excellence Investment Management") (a subsidiary of Excellence Investments Ltd.) and against Epsilon Investment House Ltd. ("the claim"). The plaintiffs estimate that the amount of the Claim is NIS 27 million.

   The claim was filed by several plaintiffs who contend, among other things, to be the heirs of a customer whose investment portfolio was managed by Excellence Investment Management until November 2007 and/or who had power of attorney for her account during the portfolio management period.

   The main allegations against Excellence Investment Management are that during the management period of the customer's portfolio, Excellence Investment Management collected fees from the customer that exceeded those due to the bank for transactions in her account, while receiving some of these fees from the banks as "commission refunds". The plaintiffs claim that these commission refunds were made through improper disclosure to the customer and were in violation of the provisions of various laws. On November 4, 2010, the settlement agreement between Epsilon and the plaintiffs was approved and it was given the validity of a judgment. On April 4, 2011 the Court certified the claim as a class action on the basis of two grounds: breach of statutory duty and unjust enrichment. The other allegations and grounds in the motion were dismissed.

   On December 9, 2013, the District Court accepted the class action on the grounds of unjust enrichment, and dismissed the grounds for breach of statutory duty, and ordered Excellence Investment Management to reimburse all the fees that it received to all the members of the group represented in the class action. Excellence Investment Management filed an appeal by right at the Supreme Court against the judgment of the District Court, alongside a motion to postpone implementation of the judgment in all matters relating to reimbursement of funds to the group members. On February 5, 2014, the Supreme Court ordered temporary stay of the judgment, until another decision is made after receiving the plaintiffs' position. On March 13, 2014, The Phoenix Insurance informed the district court of the Supreme Court ruling.

   On March 23, 2014, the Supreme Court ordered a stay of execution of the ruling until a ruling is handed on the appeal, against bank guarantee in the amount of NIS 5.8 million. Excellence Investments Management deposited the guarantee on April 8, 2014.

   A hearing of the appeal and counter appeal was set for July 9, 2015. Pursuant to the ruling of May 1, 2014, Excellence Investment Management submitted a summary of its arguments on the appeal on October 20, 2014 and the representative plaintiffs submitted summaries of their arguments on the appeal and counter-appeal on February 3, 2015. Excellence Investments Management has right of leave to respond to the appeal and counter appeal arguments of the representative plaintiffs by April 19, 2015.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

10. On February 24, 2010, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification") at the Central District Court.

    The plaintiff contends that The Phoenix Insurance was not permitted to collect from its life assurance policyholders any amount for the premium component called the policy factor or other management fees without the explicit consent of the policyholder, according to the insurance agreement (the policy) between the policyholder and The Phoenix Insurance, even although collection of the policy factor was explicitly permitted by the circulars of the Commissioner of Insurance and the policyholder also knew that he is charged for the policy factor from the annual reports sent to him (as of 2003).

    The plaintiff also claims that collecting the policy factor without his explicit consent caused him further harm in the amount of the returns that he did not receive, as The Phoenix Insurance should have invested the amount collected for the policy factor in the capital market.

    The plaintiff claims that collection of the policy factor without anchoring it in the insurance agreement is grounds for a claim of breach of contract, breach of fiduciary duty of the insurer towards the policyholders, misleading of customers in the contractual and pre-contractual stage, breach of duty of good faith, unjust enrichment and breach of statutory duty (according to the Control of Financial Services Law (Insurance), 1981.

    The remedies sought by the plaintiff are return of the amounts collected by The Phoenix Insurance for the policy factor and a mandatory injunction ordering The Phoenix Insurance to cease collecting the policy factor.

    The group that the plaintiff seeks to represent is any person who is or was insured by The Phoenix Insurance and who was charged any amount as “other management fees and/or policy factor".

    The plaintiff estimates that the general damage caused to the entire group is NIS 445 million.

    The Phoenix Insurance has responded to the motion.

    On April 12, 2011, the court certified the claim as a class action ("the certification ruling").

    In the ruling, the Court ordered to define the group as anyone who holds or held a life insurance policy from The Phoenix Insurance from February 24, 2003 through to February 24, 2010, and who was charged any amount as "other management fees" or "a policy factor", without there being an explicit condition for this payment in the policy. The grounds for the claim are unlawful collection of "a policy factor" or "other management fees"; and the requested remedy is reimbursement and compensation.

    On September 5, 2011, The Phoenix Insurance filed a motion to appeal the ruling at the Supreme Court ("the motion to appeal"). The plaintiff filed his response to the motion to appeal. On February 7, 2012, a hearing was held at the Supreme Court, with the participation of the Commissioner of Insurance, at the request of the Supreme Court.

    On September 4, 2012, the Supreme Court handed down a ruling on the motion to appeal, which reversed the certification ruling.

    In the ruling, the Supreme Court established that the certification ruling would be reversed and that the hearing of the motion for certification would return to the district court to deliberate the following question defined by the Supreme Court: "When determining whether to accept the motion for certification, the implication of deducting "the policy factor" from this (the savings component) or from that (the risk component) should be referred to". The Supreme Court ordered the district court to consider whether to bring evidence to examine this question.

Notes to the Consolidated Financial Statements

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

10. (continued):

    Following the ruling of the Supreme Court, the hearing of the motion for certification was returned to the district court. In a pretrial hearing held on December 17, 2012, the Attorney General announced that he intends to participate in the case and to present his position and the court approved this. The Attorney General submitted his position and the plaintiff and The Phoenix Insurance submitted their responses to his position. In a preliminary hearing, on July 29, 2014, the Attorney General was given the option of announcing, within 21 days, whether the motion for certification affects the stability of the company. On October 2, 2014, the Attorney General announced that this matter does not raise concerns of stability at this time and that he does not consider his involvement in the proceedings at this stage necessary.

    On January 20, 2015, the parties announced that they wished to waive investigations. The parties are waiting for an update regarding emerging settlement arrangements in corresponding cases before this court. The case has been scheduled for an internal hearing on June 11, 2015.

11. On April 11, 2010, a claim was filed against The Phoenix Insurance and against other insurance companies ("the defendants"), by the Israel Consumer Council ("the plaintiff") ("the motion for certification") at the Central District Court. The plaintiff contends that the defendants, inter alia, breach their duties by failing to take steps to locate persons who have rights to moneys that were deposited in insurance policies, do not inform them of this and do not take steps to return the unclaimed funds that they hold. Moreover, the Plaintiff contends that the Defendants do not apply to the Population Registry, do not submit reports to the Administrator General, do not manage these moneys separately from other moneys and do not transfer the moneys to the Administrator General when their transfer is required.

    Due to these omissions, the holders of the rights do not receive their moneys and the defendants collect excessive management fees from their moneys. Moreover, the plaintiff contends that the defendants are unjustly enriching themselves from the revenues generated by the unclaimed moneys.

    The group that the plaintiff seeks to represent is all the holders of rights in assets held by the defendants, or are under their responsibility or control, who the defendants allegedly did not notify that they own the assets held by the defendants, as their duties require them to do.

    The plaintiff did not estimate the number of members in the group or the amount of the claim.

    The remedies sought by the plaintiff include ordering the defendants to take the steps as prescribed in the directives of the Commissioner of Insurance, ordering the defendants to transfer the unclaimed funds to the Administrator General, ordering the defendants to compensate the members of the group and to return the moneys and to return the commissions and management fees collected for these moneys and to appoint a receiver or another functionary to enforce the Court’s orders, as the Court deems fit.

    The Phoenix Insurance filed its response to the motion for certification. The Attorney General submitted his position following the Court's request.

    The parties informed the Court that they agreed to mediation. The parties are currently conducting mediation proceedings. The case has been scheduled for an internal hearing on April 10, 2015.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

12. On April 14, 2010, a claim was filed against The Phoenix Insurance and other insurance companies ("the defendants") together with a motion for certification as a class action ("the motion for certification") at the Central District Court.

    The motion for certification is about the conduct of the insurance companies when collecting the final premium or premiums from a policyholder at the end of the insurance term, whether the policy is canceled by the policyholder or due to an insurance event (“the termination of the insurance”).

    According to the plaintiffs, insurance is usually terminated after the insurance premium has been collected for the month in which the insurance was terminated, as this premium is collected in advance at the beginning of the month. Although the policyholder is entitled to a refund for the proportionate part of the month, the defendants do not return the proportionate part of the premium to the policyholders. Moreover, the plaintiffs contend that when the premium is returned, whether by refunding money or by offsetting future premiums, it is returned in nominal values.

    The plaintiffs estimate the total damage to the members of the group at NIS 225.2 million, in nominal values. This calculation relates to a period of ten years only. The remedy requested in this claim is a refund of the excess premiums collected in contravention of the law and/or returned in contravention of the law and/or the unpaid revaluation differences for each group member.

    The Phoenix Insurance filed its response to the motion for certification and a preliminary hearing was held.
    Evidentiary hearings were held in the case and the parties filed their summations.

    On August 7, 2014, the Court ordered the statements of arguments in the case to be sent to the Commissioner of Insurance for his position, before ruling on the motion for certification. Further to the request for clarification submitted by the plaintiffs, the court clarified in its ruling of August 11, 2014, that the Commissioner's position was required for the purpose of assessing the possible implications of approval of the motion on the defendants and that, the Commissioner's position on the arguments of the defendants is also required in regard to the matter of pricing of the premium.

    On November 5, 2014, the Commissioner of Insurance submitted his position to the Court. The defendants filed their response to this position, together with a complementary opinion of an actuary. The defendants requested that this opinion be removed from the court case, the respondents submitted their response to this request and on January 1, 2015 the plaintiffs filed their rebuttal to the respondents.

    The parties are waiting for the court's ruling on the motion for certification.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

13. On June 1, 2011, a claim was filed against The Phoenix Insurance and against other insurance companies ("the defendants"), together with a motion for certification of a class action ("the motion for certification") at the Central District Court.

    According to the plaintiffs, the defendants pay the insurance benefits, which are foreclosed at the request of a third party, upon expiry of the foreclosure, at nominal values and without any revaluation, or in some cases, with linkage differences only.

    The plaintiffs estimate that the claim against all the defendants amounts to NIS 350 million. According to the expert opinion attached to the claim, the amount of the claim against The Phoenix Insurance is NIS 56 million.

    On December 12, 2012, the District Court certified the motion for certification and approved the filing of a class action suit against The Phoenix Insurance (and against the other defendants in the motion for certification) ("the certification ruling").

    According to the certification ruling, the group members are defined as any eligible person (meaning, policyholders and injured persons) who received insurance benefits from the Defendants after June 1, 2008, whose right to payment was delayed due to foreclosure of the asset, or receivership orders or any rights of third parties, provided the yields from the moneys in the delayed period for the foreclosure were not transferred in full to the eligible party. The grounds of the claim are the right of the group members to receive linkage differences and interest, which represent the benefits produced by the defendants in the delay period due to the foreclosure. The remedy claimed is payment of linkage differences and interest to the group members at a rate representing the benefit to the defendants during the delay due to the foreclosure. The plaintiffs filed a revised statement of claim. The parties are in the process of arbitration, and the arbitrator appointed a reviewer. In November 2014, the plaintiffs announced the termination of the arbitration process. Pursuant to the Court's rulings and understandings reached with the plaintiffs' counsel, the deadline for filing a statement of defense for the class action was extended to March 18, 2015, and a further agreed petition was filed to extend it until March 31, 2015. The pre-trial hearing was set for April 15, 2015.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

14. On May 22, 2012, a claim was filed against The Phoenix Insurance, five other insurance companies and an insurance agency ("the defendants"), together with a motion for certification of a class action ("the motion for certification") at the Jerusalem District Court.

    The plaintiffs contend that the defendants refuse to insure people with disabilities (or alternatively, establish impossible terms of the policies) under individual insurances, such as healthcare, travel, pension, personal accident, life, long term care and disability insurance, and by doing so, impair the rights of the group members (as defined below) to equality and dignity. The plaintiffs further contend that when refusing to insure them, the defendants do not rely on relevant information about the insurance applicant and do not examine the facts of each applicant as an individual request. By failing to do so, the defendants withhold from the group members (defined below) due process required for any person seeking to purchase life insurance in one of the individual insurances.

    The plaintiffs further contend that the respondents act towards the group members as if they were one individual and not as individuals and therefore harm their dignity and their right to equality.

    The group that plaintiffs wish to represent includes all applicants for insurance with the defendants, who the defendants refused to insure under one of the individual insurances listed above, due to an illness or disability of the member (“the first group"), as well as people with disabilities who did not apply or will not apply to the defendants for insurance, knowing that the defendants will not agree to insure them due to their disability as described in the claim ("the second group"). The first group and the second group will be referred to jointly hereunder as “the group”).

    The total compensation sought by the plaintiffs for the first group is estimated at NIS 934 million, based on following:

    Compensation for head of damage for damage to dignity and feelings, NIS 225 million; for head of damage for damage to equality and autonomy, NIS 269 million; and for head of damage for pecuniary damages without proof of damage, NIS 440 million. Declaratory relief is also requested and an injunction as described below.

    The remedies sought by the plaintiffs for the whole group (the first group and the second group) are, inter alia, to declare that the defendants violated the laws and regulations set out in the claim; to order the defendants to cease discrimination against the group and to establish clear procedures for individual, specific and equal handling, without discrimination against people with disabilities; to order the defendants to present an organized procedure for all matters relating to refusal to provide insurance to a person with disabilities; to determine compensation for members of the group; to grant retroactive coverage to group members who will be eligible to be insured after an equal underwriting procedure; to charge the defendants for expenses, compensation to the plaintiffs and legal fees for the attorneys who represent the plaintiffs.

    The Phoenix Insurance filed its response to the motion for certification. Several preliminary hearings were held on the case. Following arbitration proceedings between the parties, the court scheduled a hearing to be held before it on December 31, 2014 with the presence of the arbitrator. In this hearing, it was decided that the parties will continue arbitration, with a retired judge joining as another arbitrator.

Notes to the Consolidated Financial Statements

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

15. On August 6, 2012, a claim was filed against The Phoenix Insurance and against other insurance companies ("the defendants"), together with a motion for certification of a class action ("the motion for certification") at the Central District Court.

    This claim refers to management fees collected by the defendants from the premium in life insurance policies combined with savings that were issued from the beginning of 2004, for self-employed and for employees, and therefore are recognized as provident funds by law and called "insurance funds", as well as those for individuals, called "individual policies" ("the policies").

    The plaintiffs contend that the collection of management fees by the defendants as a percentage of the premium paid by the policyholders ("management fees from the premium") are allegedly collected in contravention of the law and any such collection is invalid and these management fees should be returned to the policyholders. The plaintiffs further contend that the maximum management fees than can be charged are 1% of the value of the investment portfolio and that any management fees that exceed this percentage should be returned to policyholders in accordance with the Control of Financial Services Regulations (Insurance) (Terms of an Insurance Contract), 1981. The plaintiffs also contend that the Commissioner of Insurance had the authority to approve management fees of up to 2% of the value of the investment portfolio in specific cases, and that the Commissioner had exceeded his authority when permitting a sweeping charge of 2%.

    Alternatively, the plaintiffs contend that in any case, even if collection of management fees from the premium is permitted and even if it is sweepingly permitted to collect the full 2% from the value of the investment portfolio, they claim that the defendants collect management fees from the premium in relation to the total premium paid by the policyholder, including the management fees themselves, and management fees are collected from the premium also in respect of payments of risk premiums that are not intended for savings, therefore the excess premium should be returned to the policyholders.

    The group that the plaintiffs seek to represent is anyone who is or was insured by one or more of the defendants in a life insurance policy that is combined with savings, issued from the beginning of 2004, including a risk policy that was presented as a policy combined with savings, for active policies as well as for settled or redeemed policies.

    The plaintiffs estimate that the damage amounts to a total nominal par amount of NIS 570 million (for collecting management fees from premiums) or alternatively, to NIS 65 million (for collecting management fees in respect of management fees) and alternatively, NIS 132 million (for collecting management fees with respect to risk coverage) and all in accordance with the claims of the plaintiffs.

    The plaintiffs estimated that the damage is distributed among the defendants according to share in the sector, as defined in Table D7 of the report published by the Commissioner of Insurance for 2004 to 2007, which states that the share of The Phoenix Insurance is 16%. Accordingly, the amount of the claim against The Phoenix Insurance is NIS 91 million (for collection of management fees from the premium), or alternatively, NIS 10.5 million (for collection of management fees in respect of management fees), and alternatively, NIS 21 million (for collection of management fees in respect of risk cover), in accordance with the allegations of the plaintiffs.

    The remedies sought in this claim include refund of the excessive management fees that were collected from each of the group members; an injunction ordering the defendants to change the manner of their actions regarding collection of management fees with the policies described above; compensation for the plaintiffs and legal fees, and to charge the defendants for court expenses.

    The Phoenix Insurance filed its response to the motion for certification. In a pre-trial hearing held on May 18, 2014, the court directed the plaintiffs to examine their factual claims with the defendants and to inform the court of their position regarding continuation of the proceedings, by December 1, 2014.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

15. (continued):

On December 1, 2014, the plaintiffs announced that after reviewing the information that was presented to them, they were satisfied with regard to a certain issue, however not with regard to all the issues in their claim and that under such circumstances, the plaintiffs wish to continue proceedings and a more detailed notice on this matter will be submitted later.

On December 21, 2014, the plaintiffs submitted a detailed notice and leave to file a complementary rebuttal to the responses of the defendants, with attached two expert opinions on their behalf. In their notice, the plaintiffs note that after reviewing the documents and information presented to them, they were satisfied with regard to the claim that the price for risk coverage in the policies subsequent to 2004 was not higher than the price for risk coverage in the policies marketed until 2004, and with regard to the rest of their claims, the plaintiffs announced that their position has not changed and that they wish to continue proceedings with regard to them.

In a pre-trial hearing held on February 8, 2015, the court ordered the parties to send to the Commissioner of Insurance copies of the statements of arguments, notices and minutes on the case, and the Commission of Insurance will give his position regarding the claims raised by the plaintiffs in the motion for certification by March 15, 2015.

The parties may submit their responses to this position up to two weeks after it is submitted. The Commissioner of Insurance's position was filed. A preliminary hearing was set for May 11, 2015.

16. On January 13, 2013, a claim was filed against The Phoenix Insurance and the Israeli Motor Vehicle Insurance Pool ("the pool") and against 13 other insurance companies (jointly below: ("the defendants") at the Central District Court, together with a motion for certification of a class action “the claim”).

The claim refers to excessive collection in compulsory motor insurance and return of an amount out of the premium collected by the pool for compulsory motor insurance, without providing any insurance cover for the amount that was collected.

The plaintiff notes that the compulsory insurance certificate issued by the pool states that "the insurance starts on the date of the bank stamp, but not before April 1, 2014..." According to the plaintiff, when the policyholder pays the full premium recorded on the compulsory insurance certificate after the date specified therein (in this case, the compulsory insurance certificate was paid on April 7, 2008 and not by April 1, 2008), the defendant charges a premium for the period between the date on the certificate (April 1, 2008) and the payment date at the bank (April 7, 2008), without providing any insurance coverage for this period. The plaintiff claims that this compulsory insurance is residual insurance organized by the pool for any user of motor vehicle insurance who could not purchase a policy directly from another insurer, and this residual insurance is provided through co-insurance of all insurance companies that provide compulsory insurance in Israel.

The group that the plaintiff seeks to represent is the group of all policyholders holding a compulsory motor insurance policy of the defendants (and alternatively only, and for due caution, as a group insured by the pool only), who paid the premium late, meaning, after the date stated in the insurance certificate that was issued to them, in the seven years prior to filing the claim (“the group”).

The plaintiff estimates the total damage to members of the group with regard to all the defendants at NIS 36.8 million, and of that amount, a total of NIS 2.7 million refers to the pool only. These amounts, plus interest and linkage differentials by law from the middle of 2008 onwards, reach NIS 45.1 million and NIS 3.3 million, respectively.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

16. (continued):

According to the plaintiff, the size of the group for all the defendants could reach 430 thousand policyholders (assuming that each policyholder owns no more than one vehicle), and for the pool only, 21.1 thousand policyholders.

The remedies sought by the plaintiff are, inter alia, to determine that the date from which the pool was entitled to collect a premium from the plaintiff and/or the date from which the other defendants were entitled to collect their proportionate share in the premium, is the actual date on which the plaintiff pays the premium to the bank, and not from period stated in the compulsory insurance certificate; to order the defendants to provide all relevant information to estimate the number of members in the group and estimate the amount of the class action; to order the defendants to pay the amount of the claim and to declare that the defendants refund to all the group members the amount of the premium that was unlawfully collected, plus interest and linkage differences; to award compensation to the plaintiff and the plaintiff's counsel and to order the defendants to pay all of the plaintiff's legal expenses.

The Phoenix Insurance filed its response to the motion for certification.

The plaintiff filed a motion to amend the motion for certification, whereby a representative plaintiff was added against some of the defendants, including in relation to The Phoenix Insurance. In the motion to amend, the plaintiff estimates the total damage for members of the group with regard to all the defendants at NIS 21 million, and of that amount, a total of NIS 2.7 million refers to the Pool only. These amounts, plus interest and linkage differentials by law from the middle of 2008 onwards, reach NIS 27 million and NIS 3.4 million, respectively. The Phoenix Insurance has filed its response to this motion to amend.

On March 25, 2014, the court permitted the plaintiff to amend the motion for certification by adding representative plaintiffs who have grounds for a personal claim against the defendants including against The Phoenix Insurance.

In addition, on March 10, 2014, another claim was filed against The Phoenix Insurance and three other insurance companies (below together with The Phoenix Insurance: "the defendants") together with a motion for certification as a class action ("the motion for certification") at the Central District Court (jointly hereinafter "the claim"), which refers to similar, if not identical, issues as those in the class action noted above.

According to the plaintiffs, this claim refers to unlawful overcharging of the premium for compulsory motor insurance when paying the premium for compulsory insurance after the date stated on the insurance certificate as the date on which the insurance begins. The plaintiffs contend that when, for any reason, policyholders postpone payment of the premium (even by one day), they pay the full insurance premium for the period purchased, while they do not receive insurance cover for the days between the date stated on the certificate as the date insurance begins and the date of actual payment.

The group that the plaintiffs seek to represent in this claim is customers of the defendants that purchased compulsory insurance as from January 13, 2006 and paid the amount stated on the insurance certificate after the date stated on the certificate as the date insurance begins (“the Class”).

The plaintiffs in this claim estimate that the total cumulative damage with regard to all the plaintiffs together amounts to NIS 20 million in terms of the principal (with the addition of interest and linkage differences from the middle of the period up to February 2014, this amounts to NIS 24 million). Of this amount, estimated damage of NIS 6.6 million is attributable to The Phoenix Insurance.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

16. (continued):

The main remedies sought by the plaintiffs in this claim are to order the defendants to refund the amounts allegedly collected from the Group members in contravention of the law; to issue a forward looking permanent injunction ordering the defendants to act in one of the following manners: to add the following text to all insurance certificates issued by the defendants: "this insurance expires on the date specified in this certificate at midnight or X days after the date this certificate was stamped by the bank at midnight, whichever is later", or, alternatively, when compulsory insurance is paid after the date specified on the certificate as the date insurance begins, the expiration date of the insurance will be moved forward or alternatively, when compulsory insurance is paid after the date specified in the certificate as the date insurance begins, the policyholder will be automatically refunded the proportionate financial value for the days when there was no insurance cover; to determine compensation for the representative plaintiffs and legal fees for their counsel.

The court approved the plaintiffs' motion to transfer this case to be heard before the Honorable Judge Grosskopf, who heard the earlier class action suit on the foregoing date.

In a hearing held on April 30, 2014, the court joined the two claims and ordered, inter alia, that the plaintiffs will be the plaintiffs that appear in both claims and that at the present time, the revised motion for certification filed on February 16, 2014 in the earlier claim will be the motion heard in the joint proceedings and the dates will be as scheduled in the hearing on the earlier claim.

Consequently, the Phoenix Insurance's revised statement of response and the response of the plaintiffs to this statement of response were filed with the court and on November 16, 2014, a further pre-trial hearing was held. On February 8, 2015, a pre-trial hearing was held with the participation of representatives from the office of the Commissioner of Insurance and their counsel from the Tel Aviv District Attorney's office, pursuant to the rulings of the court of November 16, 2014 and January 29, 2015. On February 15, 2015 the defendants announced, without prejudice to their arguments, that they do not intend holding an evidentiary hearing on the case. The case was scheduled for filing of summations, including the Commissioner of Insurance's reference to the summations of the parties and the responses of the parties to the Commissioner's reference. The case was scheduled for internal reminder for July 15, 2015.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

17. On October 24, 2012, a claim was filed against The Phoenix Insurance and Femi Premium Ltd. ("Femi Premium") (jointly hereinafter: "the defendants"), together with a motion for certification of a class action "the motion for certification") at the Tel Aviv-Jaffa District Court.

    The plaintiff contends that the defendants indemnify holders of their healthcare insurance policies at their historical nominal value, without linking these amounts to the CPI.

    According to the plaintiff, this refers to two different linkage periods: one until the occurrence of the insurance event and the second from the occurrence of the insurance event until actual payment to the policyholder, and the defendants allegedly do not link the insurance amounts in both periods.

    The group that the plaintiff seeks to represent is anyone who received insurance compensation in healthcare insurance in one or both of the following cases: (A) The amount of insurance was not linked to the base CPI; (B) The insurance compensation was not linked to the CPI from the date of the insurance event, and the policyholder holds healthcare insurance issued by The Phoenix Insurance and/or his matters were handled by Femi Premium.

    The plaintiff's rough and preliminary estimate of the amount of the class action, for The Phoenix Insurance is NIS 4.3 million, nominal per year, or NIS 30.1 million for seven years, and for Femi Premium, NIS 43 million.

    The remedies sought by the plaintiff include, inter alia, refund of linkage differences and/or individual compensation to the group members or any other way the court deems appropriate to compensate the public and members of the group; declaratory relief that the defendants acted in contravention of the law; and an injunction ordering the defendants to comply with the provisions of the law from now onwards; and to order the defendants to pay the plaintiff's expenses, including legal fees plus VAT.

    The Phoenix Insurance has yet to file its response to the motion for certification. The parties held negotiations and on January 1, 2015 a motion for approval of a settlement and a settlement agreement signed by the parties were filed with the court.

    Under the settlement arrangement, anyone who received insurance compensation/refunds from The Phoenix Insurance for healthcare insurance in one or both of the following cases, will be entitled to compensation: (a) if the amount of the insurance was not linked to the CPI; (b) if the insurance compensation was not linked to the CPI, and that person holds a healthcare insurance policy and/or rider issued by The Phoenix Insurance, in the three years preceding the filing of the claim and through to approval of the claim by the court ("Eligible Group").

    The Phoenix Insurance will pay personal compensation to the Eligible Group in a total amount of NIS 1.4 million by way of a public announcement, within 60 days from the date the announcement of the approval of the settlement arrangement was published. The balance of the funds not paid as personal compensation will be donated to various charities, as set out in the settlement agreement. The Phoenix Insurance will also bear the costs of compensation to the plaintiff and legal fees to the plaintiff's counsel. The validity of the settlement is contingent on receiving the approval of the court.

    On January 5, 2015, the court handed a ruling ordering, inter alia, publication of the motion for approval of the settlement for objections and ordering that the announcement together with a copy of the motion for approval of the settlement and the motion for certification be sent to the Attorney General, supervisor for consumer protection, Commissioner of Insurance and the Courts Administration. An announcement was issued in the press as required. An internal hearing was scheduled for April 1, 2015.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

18. On December 6, 2012, a claim was filed against The Phoenix Insurance and six other insurance companies ("the defendants"), together with a motion for certification of a class action ("the motion for certification") at the Central District Court.

    According to the claim, the reform in the vehicle licensing branch, which came into effect in 2007, amended the Transportation Regulations, 1961, and the classification of recreational vehicles - jeeps and minivans ("the vehicles") was changed from a commercial vehicle to a private vehicle. According to the plaintiffs, notwithstanding the above amendment, for the purpose of comprehensive, third party and compulsory insurance, the defendants chose to continue to define the vehicles as commercial vehicles, contrary to the regulations that require the same classification of a vehicle for insurance purposes as in the transportation regulations. The plaintiffs further claim that vehicles manufactured after the reform came into effect, meaning from 2008, are insured as private vehicles, creating a baseless and discriminatory distinction.

    According to the plaintiffs, since defendants classify the Vehicles as commercial vehicles, even though the Ministry of Transportation classified the vehicles as private vehicles, the defendants allegedly charge premiums that are higher than the premiums for private vehicles.

    The group that plaintiffs seek to represent includes all customers of the defendants who entered into an insurance contract with the defendants for compulsory and/or property insurance, as from January 9, 2007, who hold and/or held a vehicle license at the relevant dates for the claim, which states the classification M-1, and who were charged an insurance premium based on the assumption that the vehicle is a commercial vehicle and not a private vehicle (“the group”).

    The plaintiffs estimate the total damage to the group members in respect of all the defendants, for compulsory insurance and property insurance, at NIS 550 million. The plaintiffs estimate the total damage to the group members in respect of the Phoenix Insurance, for compulsory insurance, at NIS 52 million.

    The remedies sought by the plaintiffs include, inter alia, to order each of the defendants to provide complete and accurate information as from January 9, 2007 for insurance premiums paid by owners of vehicles classified as M-1 in the license, including the cost of insurance, classification of vehicle by the defendants when providing the insurance and the effect of this classification on the premium that was paid for the insurance policy; to declare that all amounts collected by the defendants for insurance policies which classify private vehicles as commercial vehicles were collected unlawfully; to order the defendants refund the excessive amounts that were collected, plus interest and linkage differences by law; and to award compensation to the plaintiffs and the attorney's fees to the plaintiffs' counsel.

    It is noted that the plaintiffs themselves claim that the defendants act in accordance with the directives of the Commissioner of Insurance, however they believe that the Commissioner should have ordered the insurance companies to act in accordance with the definitions established by the Ministry of Transport in the Transportation Regulations.

    The Phoenix Insurance filed its response to the motion for certification. In February and March 2014, evidentiary hearings were held, and the court ordered to plaintiffs to announce whether they plan to continue the proceedings. On July 8, 2014, the plaintiffs announced their intention to continue proceedings. Pursuant to the announcement of the plaintiffs, the case was scheduled for filing of summations. The Phoenix Insurance is required to file its summations by May 8, 2015.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

19. On March 24, 2013, a claim and motion for certification as a class action was filed against The Employee Benefit Experts, Benefit Ltd. ("Benefit", or "the defendant"), a subsidiary of the Phoenix Insurance Agencies 1989 Ltd., a subsidiary of The Phoenix Insurance ("the motion for certification") at the Tel Aviv District Labor Court.

    The claim was also filed against Israel Discount Bank Ltd., Mercantile Discount Bank Ltd. and Discount Mortgage Bank Ltd. ("Discount Bank").

    The plaintiff contends that the defendant provides professional consultation and services to groups of retirees from different places of work in Israel, in accordance with voluntary retirement plans, while participating in construction of the plans with the employer, while undertaking towards the employer to persuade the employees to accept the employer's proposal and retire according to them. According to the plaintiff, the defendant's services are aimed to "numb" the retiring employees and to influence them to accept the severance pay and retirement compensation as calculated by Discount Bank.

    The group that the plaintiff seeks to represent includes permanent employees of Discount Bank, who retired under the terms of voluntary retirement and whose salaries included the following salary components: health insurance, refund of medical expenses, Odef Hayav study fund and a compensation limit, in full or in part, which are fixed components for payment of severance under section 13 of the Severance Pay Law, 1963, and voluntary retirement compensation at a rate of 175% of the severance pay, including the heirs of retiring employees (“the group”).

    The defendant also requested that the group members include employees who retired in the period prior to the seven years before certification as a class action.

    The plaintiff believes that the financial scope of this claim for the entire group is NIS 40 million.

    The remedy requested by the plaintiff from the defendant includes compensation for all group members who received advice from the defendant regarding exercise of the retirement terms offered to them by Discount Bank, for the damage they incurred due to their reliance on the advice given to them by the defendant, which allegedly was negligent and/or misleading advice, being one-sided in favor of Discount Bank and contrary to their rights, and payment of fees and court costs.

    The plaintiff also requests that the defendant bears any charges imposed on Discount Bank jointly and severally and bears the full responsibility, as imposed on any member of the group for participating in causing the damage.

    Benefit has filed its response to the motion for certification. On October 27, 2013, a pretrial hearing of the motion for certification was held for the threshold claims of the defendants, and the plaintiff was granted an extension to complete his pleadings, to which the defendants shall have a right to respond. The plaintiff filed a motion to amend the claim and the defendants filed their response to this motion. On July 15, 2014, the court ruled that the plaintiff's motion to revise the statement of claim is denied, while adopting the defendants' claims and ordered that the plaintiff to complement his arguments in writing to include reference to the threshold claims raised by the defendants, by August 31, 2014, and that the defendants will have the right to respond to such complementary argument. The court further ordered that after receiving the arguments of the parties, a ruling will be handed on the motion for certification of the claim as a class action. The parties completed their arguments and at the present are waiting for the court's ruling.

Notes to the Consolidated Financial Statements

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

20. On May 12, 2013, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification") at the Tel Aviv-Jaffa District Court.

    The claim refers to non-payment of interest and linkage differences by law for payment of insurance compensation. The plaintiff claims that the insurance company is required to pay interest and linkage for insurance compensation as from the date of the insurance event until actual payment. Alternatively, the plaintiff claims, the insurance company is required to pay interest as from 30 days after the filing date of the claim until the date of actual payment of insurance compensation to the policyholder.

    According to the plaintiff, the Phoenix Insurance does not pay interest at all, not from the date of the insurance event nor as from 30 days after the filing date of the claim, and does not pay statutory linkage differences.

    The group that the plaintiff seeks to represent is anyone who received, during the seven years prior to filing this claim and/or who will receive, up to the judgment in this claim, insurance compensation from The Phoenix Insurance, insurance, without the addition of statutory interest for the insurance compensation ("the first group"), and anyone who received, during the seven years prior to filing this claim and/or who will receive, up to the judgment in this claim, insurance compensation from The Phoenix Insurance, insurance, without the addition of statutory linkage differences for the insurance compensation (“the second group”).

    The damage estimated by the plaintiff in respect of the members of the first group for the unpaid interest, at a conservative calculation based on ordinary, unlinked interest, amounts to NIS 44 million per year and NIS 308 million cumulatively over 7 years (if the court rules that the interest should be calculated from the date of the insurance event) and the NIS18 million per year and NIS 126 million over seven years (if the Court rules that the interest should be calculated as from 30 days after filing the claim against the insurance company). Interest and linkage differences for the unpaid interest debt of The Phoenix Insurance should be added to these amounts, from the date of actual payment of the insurance compensation and until the date that The Phoenix Insurance pays the interest and linkage differences as required by law. The damage estimated by the plaintiff in respect of the members of the second group, is NIS 42 million per year and NIS 294 million over seven years.

    Interest and linkage differences for the unpaid linkage difference debt of The Phoenix Insurance should be added to these amounts, from the date of actual payment of the insurance compensation and until the date that The Phoenix Insurance pays the interest and linkage differences as required by law.

    The remedies sought by the plaintiffs include an injunction requiring The Phoenix Insurance to stop collecting insurance premiums for the non-coverage period; to require the Phoenix Insurance to return to the group the entire insurance fees actually collected for the non-coverage period plus linkage differences and interest, as set out in section 1 of the Interest and Linkage Law, 1961 ("the Interest and Linkage Law") and based on the interest rate in accordance with the Interest and Linkage Law or in accordance with the interest rate established in the policy (whichever is higher), for the period commencing from the date of the insurance event until the date of actual payment of the insurance compensation or alternatively, for the period commencing 30 days from filing of the insurance claim and until the actual payment date of the insurance compensation; to require The Phoenix Insurance to pay interest and linkage differences in accordance with the provisions of sections 28 and 56 of the Insurance Contract Law; to require The Phoenix Insurance to pay interest and linkage differences for the deficient payment to members of both groups, as from the payment date of deficient insurance compensation to a policyholder and until the date that The Phoenix pays interest and linkage differences as required by law.
    Alternatively, if it is determined that the compensation to the group members is not practical, it is requested that the court orders compensation to the public as it deems fit; to award special compensation to the plaintiff and attorney's fees to the plaintiff's counsel fees.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

The Phoenix Insurance filed its response to the motion for certification. On February, 22, 2015, a pretrial hearing was held for the case. The case was set for written summations. The Phoenix Insurance is required to file its summations by June 1, 2015.

The plaintiff filed a motion to join the hearing with three motions for certification that were filed against three other insurance companies regarding the same matter. In the Court's ruling of February 22, 2015, the motion was approved and hearing of the three proceedings was consolidated.

21. On October 15, 2013, a claim was filed against The Phoenix Insurance and three other insurance companies (below together with the Phoenix Insurance: "the defendants"), together with a motion for certification of a class action ("the motion for certification"), at the Central-Lod District Court (jointly hereinafter: “the claim”). The claim refers to the defendants' conduct regarding premium adjustments during the term of the policy. The defendants determine the dates of premium adjustments due to the change in the policyholder's age earlier than when the insurance premium should have been adjusted and determine a base index for the policy which is not the index of the correct month, but rather the index of an earlier month (often several months earlier).

    The plaintiffs contend that the defendants adjust, in contravention of the law, the insurance premium due to change of the policyholders' age on the first day of the month and not on the exact date of the month in which the insurance plan was scheduled to begin.

    The plaintiffs further contend that the defendants determine, in contravention of the law, the base index for the policy as the first day of the month in which the policyholder applied for the insurance policy and not when the insurance plan was actually received, so that the premium is linked to a lower base index than required.

    The group that the plaintiffs seek to represent is anyone who joined an insurance policy of one or more of the defendants, with a premium adjustment date that was earlier than the date the premium should have been adjusted and/or with a base index that was lower than it should have been (mainly life and healthcare insurance, including annuity for payment, disability and long-term care) (“the group”).

    The plaintiffs estimate that the damage to the entire Group amounts to NIS 399 million (comprising of NIS 147 million in damages for early premium adjustment and NIS 252 million in damages for attribution of an incorrect index).

    According to the plaintiffs, the damage is distributed among the defendants pro rata to their share in the branch, as defined in Table D-7 of the report published by the Commissioner of Insurance for 2004 to 2007, meaning that the plaintiffs estimate the damage of The Phoenix Insurance as NIS 64 million (16%).

    The main remedies requested by the plaintiffs include refund by the defendants of the surplus premiums that were unlawfully collected to each Group member and an injunction ordering the defendants to change the manner of their operations.

    The Phoenix Insurance filed its response to the motion for certification. The pretrial hearing was set for April 1, 2015.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

22. On January 8, 2014, a claim was filed against The Phoenix Insurance and two other insurance companies (hereinafter jointly with The Phoenix Insurance: "the defendants"), together with a motion for certification of a class action ("the motion for certification") at the Tel Aviv-Jaffa District Court ("the claim").

    According to the plaintiffs, the defendants overcharge for comprehensive car insurance.

    The plaintiffs allege that the defendants sell insurance according to a higher value than the actual value of a car, as weighted by them in an insurance event, meaning total loss, in different situations, including when the vehicle was purchased by the policyholder from a rental or leasing company.

    According to the plaintiffs, when selling a comprehensive insurance policy, the defendants charge the policyholders excessive amounts due to calculation of a higher value for the vehicle, even though they know in advance that in an insurance event, the value of the vehicle will be reduced for "special variables" or "special components" whereby the "real value" of the insured car is significantly lower.

    The group that the plaintiffs seek to represent is any policyholder who purchased comprehensive insurance from the Defendants for vehicles with special variables according to the policy, and the insurance policy states that in a total loss insurance event, a certain percentage will be deducted from the value of the vehicle, without reducing the insurance premium accordingly, in the last seven years ("the group").

    To estimate the general damage and based on the information available to the plaintiffs, the plaintiffs estimate the damage to the entire group at NIS 200 million, according to the size of the defendants and the number of policyholders based on information on the defendants' websites. The damage claimed is since 2006, seven years back.

    The main remedies sought by the plaintiffs are to refund all the excess premiums collected from policyholders in contravention of the law, together with statutory interest, to provide declaratory relief whereby the defendants are not permitted to charge a premium according to the value of a vehicle that does not include the deduction of the "special component" from the value of the vehicle, and an injunction prohibiting the defendants from continuing to charge excessive premiums.

    The Phoenix Insurance filed its response to the motion for certification. The plaintiffs filed their rebuttal to the responses to the motion for certification on December 2, 2014. The pretrial hearing was set for April 21, 2015.

23. On June 23, 2014, a claim was filed against The Phoenix Insurance and two other insurance companies (hereinafter jointly with the Phoenix Insurance: "the defendants"), together with a motion for certification of a class action ("the motion for certification") at the Jerusalem District Court (jointly hereinafter: "the claim").

    According to the plaintiffs, the grounds for the claim are the defendants alleged collection of higher premiums in life insurance policies they issue with respect to mortgage insurance purchased by policyholders from them.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

The plaintiffs contend that the surplus premiums are due to mismatch of amount insured to the amount of loan balance decreasing every month and as a result, the plaintiffs and members of the group, as defined below, are forced to pay the defendants higher monthly premiums than those they would have to pay if the insurance amount was equivalent to the amount of the mortgage recorded at that time in the books of the lending bank.

The group that the plaintiffs seek to represent is "all the customers of the defendants who were insured by one or more defendant in seven years for filing of the claim, and who purchased from them a life insurance policy for the purpose of insuring a mortgage loan taken from one of the mortgage banks in Israel, and as a result of the decision and considerations of the defendant, the insurance amount they were required to pay, was higher than the balance of the loan to the bank and therefore, the policyholders overpaid for the life insurance on the mortgage that they took ("the group").

The plaintiffs estimate the total damages for all the members of the group, to be NIS 1.18 billion, and of this amount, the damages attributed to policyholders of the Phoenix Insurance are NIS 339.5 million.

The main remedies that the plaintiffs seek are, inter alia, refund to the members of the group of the premium differences between the premium that they should have paid according to the correct balances of the loan to the lending banks and the actual premium that they paid according to the insurance amount with the defendants, with the addition of compensation for distress caused to them; to change the way the defendants work so that the defendants will proactively calculate the insurance amount and the premiums arising from it, based on the accurate figures of the mortgage loan every month and no less than once every six months, and particularly in accordance with the interest rates, linkage terms and relative track breakdown of the loan per policyholder; to provide the policyholders with detailed information regarding the method for calculating the insurance amount and premium, and to explain to the policyholder the option of informing the defendants every month or at least once every six months regarding the balance of the loan to the banks, in cases where accurate figures cannot be used and as a result forcing the defendants to use various estimates; to charge the defendants for expenses, compensation to the plaintiffs and legal fees for their attorneys.

On January 6, 2015, the defendants filed their responses to the motion for certification. The plaintiffs are required to file their rebuttal to the defendants' responses to the motion for certification by April 1, 2015. A preliminary hearing was set for April 22, 2015.

24. On July 8, 2014, a claim was filed against The Phoenix Insurance and the St. George's Orthodox Council and the Municipality of Ramla (hereunder, jointly with the Phoenix Insurance: "the defendants"), together with a motion for certification of a class action ("the motion for certification") at the Central District Court (jointly hereinafter" "the claim").

According to the plaintiff, this claim refers to alleged discrimination against many school pupils in Israel in general and of the plaintiff in particular, as the defendants, either jointly or severally, acted contrary to the directives of the Director General of Ministry of Education when instead of insuring them under a under a minimum binding policy of the Company for maintenance support, they insured the pupils under a general personal accidents policy that does not provide cover for a pupil's confinement at home and/or hospital.

The plaintiff argues that the defendants, whether jointly and severally, collected the full premium due to them by law, and in the occurrence of the insurance event the Phoenix Insurance deprived and deprives all its policyholders of their rights by not paying them the full compensation they are entitled to.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

The group that the plaintiff seeks to represent consists of any pupil who learned at St. George's Orthodox Council, every eligible pupil who learned at a school within the Ramla municipal area and every pupil who learned and has not yet reached the age of 21 and/or three years have not passed since the entitling event and who was insured with The Phoenix Insurance under a personal accident policy and who suffered temporary disability resulting in absence from the school for a minimum of 21 days, and who did not receive any compensation for those days (“the group”).

The plaintiff estimates the total damage for all the members of the group, at minimal assessment, to be approximately NIS 60 million.

The main remedies sought by the plaintiff are, among other things, refund and compensation for each member of the group for the payment difference subtracted and/or denied them; to issue an injunction against the defendants ordering them to provide the plaintiff with all the information and/or a copy of the documents requested for clarifying and quantifying the claimed damages; to set the plaintiff's legal fees and to grant the plaintiff special compensation.

On February 23, 2015 The Phoenix Insurance and the Council filed their responses to the motion for certification. The Municipality of Ramla notified the Court that it is holding negotiations with the defendant and consequently received a deferral for filing its response until the end of March 2015. The pretrial hearing was set for May 25, 2015.

25. On July 13, 2014, a claim was filed against The Phoenix Pension and Gemel Ltd. ("the Phoenix Pension") and four other pension fund management companies (hereinafter together with Phoenix Pension: "the defendants"), together with a motion for certification of a class action ("the Motion for Certification"), at the Central-Lod District Court (jointly hereinafter: “the claim”).

    Plaintiff 1 is an association that serves as an umbrella organization for all associations for the elderly in Israel and Plaintiff 2 is an association that acts on behalf of the elderly within the Kiryat Malachi municipal area and throughout Israel.

    According to the plaintiffs, the claim refers to the defendants raising management fees payable by pensioners on the accrued balance to the maximum permitted management fees, from the date on which they become pensioners, while these pensioners are unable to transfer their accrued balance to other pension funds. Consequently, the claim argues, the defendants are using their contractual right under the provisions of pension fund articles of association, contrary (allegedly) to the essence of the agreement between the parties while exploiting (allegedly) the plight of the pensioners.

    The group that the plaintiffs seek to represent is anyone who is insured under a new comprehensive pension fund belonging to one of the defendants and is eligible to receive a pension and/or will be eligible for a pension in the future (“the group”). The plaintiffs estimated the number of members of the group who have reached pension age of all the defendants together to be approximately 17,000. The claim does not include an estimate of the number of group members who will reach pension age in the future.

    The plaintiffs estimate, based on an actuarial opinion attached to the claim, the damages claimed for the members of the group for the management fees collected unlawfully from the current pensioners to be NIS 48 million with regard to all the defendants (at the very least and without quantifying, at this stage, all remedies).

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

The main remedies sought by the plaintiffs are, among other things (1) to refund to the current pensioners the excess management fees collected and/or that will be collected from them so that the amount refunded to each pensioner will be the equivalent and cumulative amount collected and/or that will be collected from their accounts, in excess of the rate paid by the pensioner prior to retirement; and alternatively, to refund to the pension fund account all the management fees collected from the pensioners and to distribute the funds unlawfully collected from the pensioners, in a just and fair manner, among all the members of the pension; (2) to prohibit the defendants from raising the management fees with regard to each policyholder shortly before their retirement; (3) to order that the current terms set out in the bylaws of the defendants, permitting them to raise management fees from time to time, is (allegedly) a discriminatory term in a uniform contract, and to order it to be rescinded or revised to remove the alleged discrimination; (4) to order the defendants to provide the plaintiffs various documents, as set out in the actual motion; (5) to order special compensation for the plaintiffs and payment of the representatives' attorney fees.

The Phoenix Pension filed its response to the motion for certification on January 4, 2015. The defendants may submit a rebuttal to the response by May 15, 2015. The pre-trial hearing was set for June 30, 2015.

26. On September 2, 2014 a claim was filed against The Phoenix Insurance and Super-Pharm Israel Ltd., Pelephone Communications Ltd. and Mekdan Management and Maintenance (hereunder jointly with the Phoenix Insurance "the defendants"), together with a motion for certification of a class action ("the motion for certification") at the Tel Aviv-Jaffa District Court (“the claim”).

    According to the plaintiff, the claim refers to payment charged for parking in the "Phoenix House Parking Lot" known as "the Rose Parking Lot" in contravention to the provisions of section 4(B) of the Disabled Parking Law, 1993 ("the Disabled Parking Law") that stipulates that at a place where there is no other accessible entry, disabled persons may not be charged for parking.

    The group that the plaintiff seeks to represent is any disabled persons as defined in section 5 of the Equal Opportunities for People with Disabilities Law, 1998 namely, persons with permanent or temporary physical, emotional of mental, including cognitive, disability and who has limited functional ability and/or any holder of a disability card and/or disabled parking tag, whether a round or triangular tag, and who makes use of the parking services at the Phoenix House parking lot in Givatayim, and who has been required to pay for the parking, as of the date section 4 of the Disabled Parking Law was legislated until a ruling is handed in the claim in question (“the group”).

    The plaintiffs estimate that the total damages for all the group members is NIS 57 million, for a period of seven years.

    The main remedies sought by the plaintiffs are, among other things, to declare that in the foregoing case the behavior of Mekdan Management and Maintenance by unlawfully charging payment is in violation of its duty under the law towards the plaintiff and/or members of the Class and/or is unlawful enrichment at their expense and/or negligence and/or severe damage to their autonomy causing them non-monetary damages; to order Mekdan Management and Maintenance to announce and display the announcement visibly and clearly at the entrance to and at the exit from the parking lot, stating that members of the group and any other disabled person may park there free of charge; to order the defendants to pay the plaintiff and other members of the group compensation with respect to their conduct and/or their oversight in the amount of the damages; to order the defendants to pay the plaintiff compensation and the plaintiff's attorney's fees.

    The Phoenix Insurance is required to file its response to the motion for certification by February 17, 2015. The pretrial hearing was set for April 13, 2015.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

27. On September 08, 2014, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification") at the Tel Aviv-Jaffa District Court (“the claim”).

    According to the plaintiffs, the issue of this claim is that where the amount of dental treatment does not reach the maximum amount set in its collective policy for dental insurance, The Phoenix Insurance rounds the amount downwards, allegedly indemnifying its policyholders in amounts rounded down only. Thus, The Phoenix Insurance avoids paying its policyholders these tens of agurot when the amounts are always rounded down.

    The group that the plaintiffs seek to represent is, all holders of The Phoenix Insurance collective dental care policy who was underpaid for the insurance compensation due to them because The Phoenix Insurance chose to deduct tens of agurot from the amount it was supposed to refund them, according to the provisions of the policy (“the group”).

    The plaintiffs estimate the total damages for all the members of the group, to be NIS 2.6 million, and with the addition of linkage differentials and interest (for half the period) is NIS 2.9 million.

    The remedies sought by the plaintiffs are, inter alia, to order The Phoenix Insurance to refund to the members of the group in full the amounts that have not yet been refunded to them and all with the addition of due interest and linkage; to order The Phoenix Insurance to cease its unlawful practice; to prescribe a control mechanism for monitoring actual refunds and that will ensure that the compensation paid by The Phoenix Insurance is the amount actually paid by the policyholder; to order The Phoenix Insurance to compensate the plaintiffs and to pay their attorney fees.

    The Phoenix Insurance is required to file its response to the motion for certification by April 15, 2015. A hearing has not yet been scheduled.

28. In February 2014, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification") at the Haifa District Court (“the claim”).

    According to the plaintiff, the claim refers to The Phoenix Insurance providing in its officers insurance policies that the pension coefficient (monthly pension amount per NIS 10,000 accrued in the policy over the years), according to which, when female policyholders reach retirement age, they would receive lower annuities than male policyholders due to the longer life expectancy of women and yet on the other hand, The Phoenix Insurance collected and continues to collect from insured women risk premiums identical to those it charges men, notwithstanding the fact that the women's mortality rates are much lower than those of men.

    The group that the plaintiff seeks to represent is all women insured by The Phoenix Insurance in the type of policies as those in question in the Claim, who are salaried employees and for whom the duty to pay insurance falls on the policyholder and her employer (“the group”).

    The plaintiffs estimate that the total damages for all the group members is NIS 44.5 million with respect to over collecting from active female policyholders (over seven years), and with addition of 25% with respect to policyholders who have already cashed in or deceased policyholders, the total damages of the group is estimated by the plaintiff as NIS 55 million (over seven years).

    The remedies sought by the plaintiff are, inter alia to order the discrimination revoked, to order The Phoenix Insurance to refund to the members of the group, all the rights they are entitled to due to the discrimination; to order The Phoenix Insurance to compensate the plaintiff and to pay her attorney fees.

Notes to the Consolidated Financial Statements

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

A. Class actions: applications for certification of claims as class actions and claims certified as class actions (continued)

Motions for certification as class action suits (continued):

Together with filing of the motion for certification, the plaintiff filed a motion to transfer hearing of the claim to the Jerusalem District Court. The Phoenix Insurance filed its response to this motion and on November 5, 2014, the President of the National Court rejected the motion to transfer the hearing.

The Phoenix Insurance submitted its response to the motion for certification by April 22, 2015. No date has been set for the hearing.

29. On December 31, 2014 a claim was filed against Excellence Mutual Funds Ltd. and Excellence Nessuah Mutual Fund Management Ltd. (hereunder jointly "Excellence"), wholly owned subsidiaries of Excellence Investments Ltd., and against 13 other bodies, including 7 bodies that serve as trust fund managers and 6 that serve as trustees for trust funds (hereunder jointly ("the defendants"), together with a motion to certify as a class action, with the Tel Aviv District Court (Department of Economic Affairs).

    According to the plaintiff , the claim deals with violation of fiduciary duty, duty of care and other duties prescribed by law with respect to billing and collecting allegedly high brokerage commissions in the mutual funds managed and/or supervised by the defendants until December 27, 2011.

    The total amount of the claim is NIS 220 million, of which an amount of NIS 32.51 million is attributed to Excellence.

B. Closed claims

1. On February 25, 2013, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification") at the Kfar Saba Magistrates Court.

    The plaintiffs claim that The Phoenix Insurance did not pay them the cost of the cognitive rights (which constitute compulsory payments under the law, such as convalescence pay, annual leave pay, pension contributions, annual visa fee and annual corporation fee) of the foreign caregiver under the service track in Meuhedet Zahav collective long-term care policies.

    The group that the plaintiffs seek to represent are all holders of The Phoenix Insurance long-term care policies, over the three years prior to the claim, and up to the end of the omissions and/or acts of The Phoenix Insurance “the Class”).

    The plaintiffs estimate that the total damage to the group members is NIS 2.1 million (the plaintiffs claim that there are at least 250 members in the group and that the damage to each member of the group amounts to NIS 8,539).

    The remedies sought by the plaintiff include, inter alia, to order compensation for each group member; to order the defendant to provide the plaintiffs with information for accurate examination and identification of the scope of the group and a more accurate evaluation of the total compensation claimed; and to rule compensation for the plaintiffs and payment of their legal fees.

    On January 9, 2014, the court approved the withdrawal of the plaintiffs from the motion for certification as a class action, dismissed the plaintiffs' personal claim, and struck out the motion for approval.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

B. Closed claims (continued)

2. On February 14, 2013, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification") at the Tel Aviv-Jaffa District Labor Court.

   According to the plaintiff, The Phoenix Insurance acts in contravention of the law regarding the release of compensation funds (annuity) by the employer, in cases of severance other than by dismissal.

   The plaintiff filed the claim on behalf of all policyholders of The Phoenix Insurance, who left or will leave their place of employment other than by dismissal, and who were entitled (in the seven years prior to the date the claim was filed and up to the ruling on this case) or will be entitled to severance pay as set out in section 26 of the Severance Pay Law, 1963, which The Phoenix Insurance transferred or will transfer to the employer in contravention of the law and the directives of the Commissioner (“the group”).

   The plaintiff estimated the total damage of the group members at NIS 70 million (NIS 4,000 multiplied by 17,588 members).

   The remedies sought by the plaintiffs include, inter alia, declaratory relief in respect of the conduct of The Phoenix Insurance; an injunction, including an injunction ordering The Phoenix Insurance to return to the compensation fund of the plaintiff and the group members all payments transferred to the employer, together with the total deduction at source, and plus interest and linkage differences from the release date, and the yields that the compensation moneys would have produced in an actuarial calculation; to order payment of compensation to all the group members; and to order special compensation to the plaintiff and fees to the plaintiff's attorney.

   The Phoenix Insurance filed its response to the motion for certification.

   On February 4, 2014 the Court approved the withdrawal arrangement between the parties, whereby the plaintiff will withdraw from the motion for certification and The Phoenix Insurance will implement adjustments and clarifications in its regulations.

   The plaintiff's attorney filed an appeal with the National Labor Court with regard to the matter of his fees only. The Phoenix Insurance has left the matter to the Court's discretion. A hearing on the appeal was held on July 15, 2014, after which the parties filed summations. On September 1, 2014, a ruling has handed rejecting the appeal, leaving the ruling of the District Court in place.

3. On April 07, 2011, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification"), at the Tel Aviv-Jaffa District Court.

   The plaintiff contends that The Phoenix Insurance prevents and/or delays transfer of moneys under insurance policies to policyholders and/or beneficiaries and/or third parties in liability insurance, and to members of the provident funds, pension funds and savings plans offered by the defendant, by directing its customers and/or third parties to lift invalid attachments that remained registered in the defendant's register in contravention of the law.

   The group that the plaintiff seeks to represent is any person who was entitled, over the seven years preceding the date the claim was filed, to insurance compensation and/or moneys that were set aside for or related to any type of insurance policy from The Phoenix Insurance and for which The Phoenix Insurance delays and/or delayed their payment, claiming that it has an attachment order as a third party in the name of that person, while that person had no insurance contract with The Phoenix Insurance or any legally attachable property that is held by The Phoenix Insurance, at the date the attachment orders are listed in the register of The Phoenix Insurance and/or within three months after this date or at another date set in the attachment order and/or when the attachment is invalid for any reason.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

B. Closed claims (continued)

The plaintiff estimates that the general damage caused to the entire group is NIS 5.8 billion.

The remedies sought by the plaintiff include to order The Phoenix Insurance to refrain from delaying the transfer of funds to the group members, for attachments that are not legally valid, which are still registered in the defendant's registers; to order The Phoenix Insurance to inform those that are about to enter into an agreement with it in an insurance contract and/or third parties that submit claims by virtue of liability insurance, that it was sent attachment orders in their name and that by virtue of these orders, it cannot fulfill its liabilities under the law and/or the agreement and to pay them the moneys, and to order The Phoenix Insurance to compensate the group members, and to refund their moneys that are delayed in contravention of the law, plus linkage differences and interest by law, and special interest, in accordance with section 28(A) of the Insurance Contract Law, 1981 and to return the gains that The Phoenix Insurance produced and/or the commission and management fees that it collected for these moneys. The Phoenix Insurance filed its response to the motion for certification. The plaintiff has filed its rebuttal to this response.

At the recommendation of the Court, the parties conducted mediation proceedings.

On July 24, the Court approved the settlement arrangement reached by the parties that includes, among other things, an outline for handling the expired foreclosures and the plaintiff's motion to withdraw the motion for certification. The Court also ordered the dismissal of the Motion for Certification and rejection of the personal claim, without requiring publication or attempt to locate alternative applicants. In addition, the Court held that The Phoenix Insurance will pay compensation and legal fees to the plaintiff and its attorneys.

4. On August 31, 2009, a motion for certification of a class action suit in the amount of NIS 82 million was filed in the Tel Aviv District Court against Excellence Nessuah Provident and Pension Ltd. ("Excellence Provident").

   The plaintiff (a member of a provident fund managed by Excellence Provident) contends that Excellence Provident was negligent and/or acted in bad faith when setting the investment in shares at more than 50% in five share-based provident funds that it manages. The plaintiff further contends that Excellence Provident was negligent in its selection of the shares for investing the provident funds.

   The plaintiff further claims that management fees should not have been collected from members of the funds that year.

   On April 29, 2012, the court ruled to dismiss the motion for certification of the class action. The court also ordered the plaintiff to pay Excellence Provident court expenses amounting to NIS 15 thousand and attorney's fees amounting to NIS 90 thousand.

   On June 13, 2013, the plaintiff appealed the judgment of the Tel Aviv District Court at the Supreme Court, separately and for the amount of the expenses ruled against the appellant. The parties filed summations. In an appeal hearing held on July 2, 2014, the appellant agreed to dismissal of the appeal without expenses. Excellence Provident agreed, ex gratia, to refund to the appellant an amount of NIS 15 thousand for the expenses awarded to it by the District Court, and the judgment provided for this.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

B. Closed claims (continued)

5. On July 05, 2011, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the motion for certification") at the Central District Court.

   Claims and motions for certification as class actions were also filed for the same matter in separate proceedings against other insurance companies.

   The claim refers to alleged overcharging, in contravention of the law, of credit fees by The Phoenix Insurance from its policyholders, while breaching the provisions of the law and misleading the policyholders.

   The group that the plaintiffs sought to represent is all the policyholders and/or beneficiaries insured by The Phoenix Insurance in general insurance policies, and who paid The Phoenix Insurance excess credit fees and/or collection fees and/or arrangement fees, in contravention of the law and/or with deviation from the interest rates presented to the policyholders, as from May 1, 1984

   The plaintiffs estimated that the class action suit amounts to NIS 393 million.

   The remedies sought by the plaintiffs are, inter alia, to order The Phoenix Insurance to return to the plaintiffs, and to any plaintiff included in the class action group, the moneys that were allegedly collected in contravention of the law, plus linkage differences and interest by law, and plus special interest as set out in the Insurance Contract Law, from the date of each payment through to the date the amounts were actually returned; to award compensation for the group or the public, for the yields on the surplus moneys allegedly collected; to order The Phoenix Insurance to immediately stop overcharging the policyholders for credit fees and/or arrangement fees and/or addition to the policy issued from the date of the petition onwards, and to stop collecting credit fees and/or arrangement fees and/or collection fees for any existing policy or addition to an existing policy for which the excess credit fees were calculated.

   The Phoenix Insurance filed its response to the motion for certification. The parties held arbitration proceedings which resulted in a settlement agreement.

   On March 5, 2014, a motion was filed with the court to approve the settlement agreement between the parties, whereby The Phoenix Insurance will grant members of the public eligible for "direct insurance" and "other insurance", as defined in the settlement agreement, a financial benefit totaling NIS 5.8 million (the total amount of the benefit), by way of a special discount at an agreed percentage of the credit fees payable by each eligible member under the settlement agreement, for a policy from The Phoenix Insurance, a percentage of 48% of the credit fees for "personal insurance", and 10% for "other insurance."

   In addition, in accordance with the settlement agreement, The Phoenix undertakes that the credit fees will be collected from the policyholders in personal insurance branches and will be calculated in a way that will ensure that the credit fees will not exceed the permitted rate under the Supervision Regulations or exceed the rate set out in the policy, whichever is lower. In addition, under the settlement agreement, The Phoenix Insurance will pay compensation to the plaintiffs and will pay their attorney fees. On July 24, 2014, the Central-Lod District Court approved the settlement agreement signed between the parties and prescribed provisions for its execution.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

B. Closed claims (continued)

6. On July 25, 2012, Excellence Investments Ltd. ("Excellence") received a claim and motion for certification as a class action filed at the district court against Excellence Nessuah Provident and Pension Fund Ltd. ("Excellence Provident") and against the Management Company of Technical and Engineers Professional Study Fund Ltd.

   The applicants claim that Excellence Provident and the other defendants charged the members of certain provident funds managed by Excellence Provident, for collective life insurance, without their written consent, and charged the members a premium. The amount of the claim is estimated at NIS 20 million for both defendants.

   It is noted that on March 3, 2010, the applicants filed a claim and motion for certification as a class action on the same grounds as the grounds in an earlier motion ("the Earlier Motion"), requesting the following remedies: (A) To require the defendants to refrain from providing life insurance to members who did not provide written consent (B) To require the defendants to contact the relevant members and receive their written consent for life insurance

   The Earlier Motion and claim were dismissed by the court on December 2, 2010 following a motion by the parties and after a notice of withdrawal by the applicants.

   Part of the claim period refers to a date when the relevant provident funds were owned by Mizrahi Bank Ltd. Excellence and Mizrahi Bank have an indemnification arrangement in respect of the claim relating to the period.

   Following negotiations between the parties, a motion was filed on March 24, 2014 to approve a settlement arrangement and in accordance with the provisions of the Regulations, announcements were published on March 30, 2014 in Haaretz and Calcalist newspapers with regard to the filing of the motion to approve the settlement arrangement. At the order of the Court and pursuant to the Regulations, on March 26, 2014 documents relating to the motion to approve the settlement were sent to the Attorney General, Courts Administration and the Commissioner of Insurance The Attorney General submitted his position on June 23, 2014, according to which he does not find it necessary to oppose the approval of the settlement arrangement and leaves the decision to the discretion of the Court. On July 1, 2014, the parties filed application for a ruling of approval of the settlement arrangement.

   On August 26, 2014, a ruling was handed approving the settlement arrangement, with regard to the Company, as is, with the Court ordering that the applicant's attorney fees will be paid in two stages, whereby the second half of the attorney's fees will only be paid subject to the approval of the Court and after filing with the Court an affidavit of a competent person in the Company, confirming that the full settled amount has been paid to the relevant members. Such affidavit is yet to be filed with the Court. Under the provisions of the ruling, in accordance with the provisions of the Regulations, on September 8, 2014, announcements were published in Haaretz and Calcalist newspapers with regard to the approval of the settlement.

   In December 2014, the Company paid the settlement amount in full, by way of granting pro rata exemption of management fees collected from the relevant members of the fund in question. In addition, pursuant to the provisions of the ruling, on January 22, 2015, the Company filed an affidavit regarding the full payment of the settlement amount to the foregoing relevant members and in a ruling held on the same date, namely January 22, 2015, the Court approved the payment of the balance of the applicant's attorney fees. Shortly thereafter, the subsidiary paid the additional amount to the applicant's counsel, and the case was closed.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

B. Closed claims (continued)

7. On January 03, 2008, a claim was filed against The Phoenix Insurance and against other insurance companies ("the defendants") together with a motion for certification as a class action ("the motion for certification") at the Tel Aviv-Jaffa District Court.

   The plaintiffs contend that the Defendants collected management fees in profit-participating life insurance policies in contravention of the provisions of Regulation 6A to the Insurance Businesses Control Regulations (Terms in Insurance Contracts), 1981 (“The Control Regulations”) and contrary to the instructions of the Insurance Commissioner.

   As contended, the defendants acted in contravention of the law in two aspects (or at least in one of them):

   A. They collected regular monthly management fees exceeding 0.05% until 2004 (inclusive), apart from 2002.

   B. They collected the variable fees monthly and not at the end of the year, thus allegedly depriving the policyholders of the proceeds for the variable management fees, collected throughout the year.

   The lawsuit against Phoenix Insurance refers only to the second argument set out above.

   The group that the plaintiffs seek to represent any person who is or was insured by one or more of the defendants, under a combined profit-participating life assurance policy type, issued between 1992 and 2003 (inclusive).

   The total damage incurred as argued by the entire group was estimated by the plaintiffs at a nominal amount of about NIS 244 million of which the plaintiffs attribute NIS 40 million to The Phoenix Insurance.

   The remedies sought by the plaintiffs include ordering the reimbursement of the excess management fees that were allegedly collected unlawfully, or the reimbursement of the monthly proceeds allegedly lost by each member of the group. The plaintiffs also move for a mandatory injunction that will instruct the plaintiffs to change their mode of operation.

   The Phoenix Insurance filed its response to the motion for certification.

   On August 10, 2011, the other defendant insurance companies filed their response to the motion for certification (after the plaintiffs withdrew by consent the motion for certification against two of the companies).

   In a pre-trial hearing held on September 18, 2011, the court recommended that the parties reach a settlement to close the case.

   On June 30, 2013, a motion to approve the settlement agreement and the settlement agreement in the class action was filed at the Court. The settlement agreement establishes a mechanism for reimbursing class members holding the policies of The Phoenix Insurance listed in the settlement, and for which The Phoenix Insurance collected variable management fees, in the relevant period beginning on January 3, 2001 and ending on January 1, 2006 (when The Phoenix Insurance, at its own initiative, changed the mechanism for collecting variable management fees).

   In accordance with the settlement, reimbursement will be 53% of the difference between the calculation method claimed by the plaintiffs in the motion for certification and the method used by The Phoenix Insurance until it changed the collection mechanism.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

B. Closed claims (continued)

Legal fees and compensation to the applicant of the motion for certification will also be paid in a total amount of 15%, and it was proposed that half of this amount will be at the expense of the class. The reimbursed amounts are subject to the review of the officer appointed under the settlement agreement and to a minimum amount undertaken by Phoenix Insurance.

On August 12, 2013, the parties submitted a revised settlement agreement for the approval of the Court, in view of the comments regarding the settlement agreement and its wording in a hearing held on July 15, 2013. On September 1, 2013, the Court ordered publication of the settlement agreement and appointed an officer to review the settlement.

On August 3, 2014, the auditor filed his opinion with the court.

On October 20, 2014, the Attorney General filed an objection to the settlement agreement. On November 9, 2014, The Phoenix Insurance submitted its response to the position of the Attorney General.

In the hearing held on November 23, 2014, several aspects of the settlement were heard. At the end of the hearing, it was agreed that a revised settlement arrangement would be submitted together with a motion to approve the revised settlement based on the revisions and changes agreed upon in the hearing. On December 8, 2014, the revised settlement agreement was filed together with foregoing motion to approve the revised settlement.

In accordance with the settlement arrangement, the reimbursed amount of The Phoenix Insurance to the class members (as defined in the settlement) is NIS 7.8 million (this amount was assessed by an assessor appointed by the Court, and it includes linkage and interest differences as of May 1, 2013, in accordance with the settlement, and linkage and interest differences will be added to this amount from that date until the actual payment date). In addition, The Phoenix Insurance will cover legal fees and compensation for the applicant of the motion for certification as a class action.

C. Legal proceedings

Below is a description of legal and other proceedings against the Company and/or the subsidiaries. A provision was not included in the financial statements for proceedings that management believes, based in part on legal opinion, are more likely than not that the Company's statement of defense will be accepted and the proceeding will be dismissed. In cases where it is more likely than not that all or part of the Company's defense will be dismissed, a provision was included in the financial statements to cover the exposure estimated by the Company and/or by the subsidiaries. Management believes that, based, inter alia, on the opinion of its legal counsel, the provisions made in the financial statements to cover the exposure estimated by the Company and/or its subsidiaries are appropriate.

1. The Phoenix Insurance and Carmel Insurance Agency ("the Agency") are in arbitration based on four issues, the main one being payment of fees and compensation for sales of insurance policies in the past. At the same time, there is a debt of the Agency to The Phoenix Insurance, for an unpaid loan. The Phoenix Insurance intends to offset this debt from any amount that may be ruled in favor of the Agency.

   The proceedings for all the issues amount to NIS 41.3 million. The parties delayed the arbitration proceedings and referred the dispute to mediation. The mediation is currently underway.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

C. Legal proceedings (continued)

2. On August 31, 2010, a claim was filed against Excellence Tzmicha Securities and Investments Ltd. (a subsidiary of Excellence Investments Ltd.), Gil Zvi Deutsch, Aaron Biram, and Excellence Nessuah Financial Products Ltd. ("Excellence Products"), in the amount of NIS 15 million at the Tel Aviv District Court, by Jacob Harpaz and Alpha Bull Ltd.

   Until 2008, the plaintiff served as CEO of Excellence Products, and until 2007, he was a shareholder of Excellence Products, a subsidiary of Excellence.

   In his claim, the plaintiff contends that the defendants "persuaded" him to sell his shares in Excellence Products for an amount that was lower than their value. The claim alleges, inter alia, breach of contract, and lack of good faith in negotiations and in fulfilling a contract. On October 15, 2013, the plaintiffs filed their affidavits of evidence in chief and an expert opinion. On May 26, 2014 the defendants filed their affidavits of evidence in chief and on June 9, 2014 they filed an expert opinion. Furthermore, three dates were set for the parties' evidentiary hearings in March and April 2015. The parties filed a motion for two additional dates to be scheduled for evidentiary hearings of the parties, but a ruling on this motion is yet to be handed.

   The Court did permit the plaintiffs to revise their statement of claim by reducing the amount of the claim and accordingly the defendants filed a motion to revise their statement of claim by reducing the amount of the claim to an amount of NIS 10 million. The defendants announced that they retain all their arguments on the matter.

3. On March 31, 2011, Excellence Zmicha Securities and Investments Ltd. and Excellence Nessuah Financial Products Ltd. were served with a summary judgment in the amount of NIS 3.1 million plus interest and linkage differences, filed by Alpha Bull Ltd. (the plaintiff in section 2 above). The plaintiff claims that the defendants should pay the amount of the claim , which constitutes one third of the amount set aside by the parties in accordance with the share sale agreement between the parties . On July 23, 2011 leave to file a defense was filed on behalf of the defendants.

   On April 3, 2013, these cases were heard and the court ruled to combine both cases and continue joint proceedings.

   On January 15, 2013, the plaintiffs filed their affidavits of evidence in chief and an expert opinion. On May 26, 2014 the defendants filed their affidavits of evidence in chief and on June 9, 2014 they filed an expert opinion. Furthermore, three dates were set for the parties' evidentiary hearings in March and April 2015. The parties filed a motion for two additional dates to be scheduled for evidentiary hearings of the parties, but a ruling on this motion is yet to be handed.

4. The shareholders of Reit Management, who also serve as officers in Reit 1 Ltd., filed a claim with Excellence Investments Ltd. ("Excellence") for retroactive payment from Reit Management, amounting to NIS 18 million for salary differences, management fees and other costs that they contend are due to them.

   Excellence believes that these demands have no basis in the agreements between the parties, and the method of their calculation and amounts is unclear. Accordingly, Excellence notified them that it informed them that it dismisses their claims in full. During the fourth quarter of 2014, the parties transferred their dispute for arbitration before an agreed arbitrator. The plaintiffs filed their statement of claim in the arbitration proceeding. The statement of defense in the arbitration proceedings was filed on April 9, 2014.

   The parties filed affidavits of evidence in chief and on July 27, 2014 a mediation hearing was held to hear the plaintiffs' evidence. Evidentiary hearings for hearing the defendants' evidence were held on October 30, 2014 and November 3, 2014, and on February 1, 2015 the plaintiffs filed their summations. The defendants are yet to file their summations.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

C. Legal proceedings (continued)

5. On February 5, 2014, a derivative claim was filed at the Tel Aviv District Court (Economic Division) against the Phoenix Insurance (“the defendant” and “the claim”).

   The claim was also filed against Clalit Health Services (Ottoman Society) ("Clalit") and against four other insurance companies (together with the defendant: (“the defendants”). Together with the Claim, the plaintiff filed a motion for certification of a derivative claim against the defendants ("the Motion for Certification on the matter of Clalit").

   On March 24, 2014, a derivative claim was filed with the Tel Aviv District Court Economic Division against the Phoenix Insurance and against Maccabi Healthcare Services (Ottoman Society) ("Maccabi") Together with the claim, the plaintiff filed a motion for certification of a derivative claim against the Defendants ("motion for certification on the matter of Maccabi"; hereunder jointly "the motions for certification").

   The claims refer to the failure of Clalit and Maccabi ("the HMOs") to exhaust and exercise their right of participation by law towards the insurance companies for expenses incurred as part of the additional healthcare service plans (the healthcare basket).

   According to the plaintiff, right of the HMOs to participate against the insurance companies is due to overlapping liabilities between the healthcare basket and commercial healthcare insurance policies sold by insurance companies, and arises from a general principle with wide application of the law, common to all branches of liability laws, and by virtue of the provisions of section 56 of the Contracts Law (General Part), 1973, section 59 of the Insurance Contract Law, 1981 and enrichment laws. The plaintiffs contend that a member of an Ottoman Society is entitled to file derivative action in its name, as a shareholder is entitled to file derivative action in the name of the company. The plaintiffs further claim that they first applied to the HMOs, but that their applications were denied and that their claims and proceedings are to the benefit of the HMOs.

   The remedy claimed is to order each of the defendants to pay the HMOs at least half of the payments they incurred to cover their expenses in the healthcare basket plans, both for the surgery and selection of the surgeon in Israel, and for medical consultation, in the seven years before the claim was filed, in cases when the policyholders of the HMOs have commercial healthcare insurance for these components.

   Under the motion for certification in the matter of Clalit, the damage claimed against all the insurance companies is estimated at USD 1 billion plus interest and linkage differences. Under the motion for certification in the matter of Maccabi, the damage claimed against all the insurance companies is estimated at USD 800 million plus interest and linkage differences.

   On April 1, 2014, the plaintiff filed a petition to consolidate the claims under the motion for certification in the matter of Maccabi with the motion for certification in the matter of Clalit. On April 9, 2014, pursuant to the court's ruling, the defendants filed their responses to the petition to consolidate, according to which they have no objection to the requested consolidation of claims. On April 29, 2014, a ruling was handed ordering the consolidation of the cases before the Honorable Judge Kabub.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

C. Legal proceedings (continued)

On August 17, 2014, the plaintiffs filed for leave to revise the motion for certification as a class action and the defendants filed their responses to this motion. On October 28, 2014 the Court permitted the leave to revise ("Ruling on Leave to Revise"). Pursuant to the leave to revise and the ruling therein, the motions for certification in the matter of Clalit and of Maccabi were consolidated and filed as one consolidated document, new grounds were added to the motion for certification with regard to the right of participation available to the HMOs for surgeries carried out by them as part of the basic basket, due to overlapping liabilities in the policies of the defendant insurance companies, and an expert opinion was attached to the motion for certification that refers to the appropriate participation rate of the defendant insurance companies in the expenses of the HMOs in the healthcare basket plans. The amounts claimed were also updated with respect to surgeries carried out as part of the basic basket and with respect to the overlapping items in the healthcare basket plans and the commercial insurances (surgeries and medical consultation). With respect to Clalit, the defendants estimate that the damages claimed against all the defendant insurance companies amount to NIS 3.5 billion; and with respect to Maccabi, the defendants estimate that the damages claimed against all the defendant insurance companies amount to NIS 1.7 billion.

Pursuant to the ruling in the leave to revise, it was decided that each of the defendants would bear plaintiff expenses of NIS 5,000 (and jointly NIS 10,000) to be divided equally among the defendants.

On November 24, 2014 the plaintiffs filed the revised motion that includes the amendments requested in the leave to revise and which were approved, as aforesaid. The Company is required to file its response to the motion for certification of the claim as a class action by February 19, 2015. The claim was scheduled for a pre-trial hearing on April 30, 2015 and for evidentiary hearing on July 14, 2015.

6. On September 29, 2014 originating motion proceedings were opened with the Tel Aviv District Court (Economic Department) against Excellence Mutual Funds Ltd. ("Excellence") and others, under which A.Y Spector Ltd. ("Spector") petitioned the Court to order that Excellence's vote, by virtue of its holdings in its managed funds, against approval of a bonus earmarked for Spector, which is controlled by Mr. Yehiel Spector, the indirect controlling shareholder of Spectronix Ltd., be counted in the general meeting of the shareholders of Spectronix on July 22, 2014. It claims, against Excellence, among other things, that arbitrary voting against approval of the bonus constitutes an act contrary to the duty of justice prescribed in section 193(A)(2) of the Companies Law. The originating motion is for declaratory relief and does not include monetary relief. On January 14, 2015 the Securities Authority filed a response in the proceedings under which it notes that, after reviewing the originating motion and the responses of the respondents to the originating motion, it does not deem fit to file a response on its behalf in the proceeding. On January 21, 2015, the applicant in the proceeding filed a rebuttal to the responses of the respondents, under which it reiterated its position as presented in the primary proceedings and the it rejects the respondents' arguments in their responses. A pre-trial hearing was held on February 17, 2015 and an evidentiary was scheduled for July 13, 2015.

7. The Company and/or its subsidiaries are party to other legal proceedings and non-insurance claims, filed by customers, former customers, agents and various third parties, in amounts that are not material, in a total aggregate amount of NIS 45.8 million. The grounds for the claim against the Company and/or the subsidiaries in the proceedings are different.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

D. Other proceedings

1. In August 2013, a ruling in principle was issued ("the ruling") regarding the increase of management fees without notice. In accordance with the Ruling, a number of management companies did not inform their members of their intent to increase management fees as required in legislation. In the Ruling, the Commissioner ordered the provident fund management companies to refund to the members who were not informed of the increase in management fees in accordance with the statutory arrangement, the management fees that were overcharged for the period starting on January 1, 2006 and ending on December 31, 2009 ("the refund period").

   The Ruling includes specific provisions regarding the conduct and management of the management companies with regard to the implementation of this Ruling, including the dates and manner for executing the refund and the preparation of a working schedule for executing the refund provisions In December 2014, an amendment to the Ruling was issued, postponing the date for execution of the refund by 8 months.

   The effect of the Ruling will apply to the pension and provident sectors (excluding pension funds and centralized portfolios and provident funds). The institutional organizations in the group have prepared a working schedule in accordance with the provisions of the Ruling and at this time they are acting to execute the refund to all the relevant members, where some of the relevant members have already received the refunded moneys.

   The financial statements of the managed companies include provision with regard to the Ruling, based on the information known to the Company as of the date of this report.

2. The Phoenix Insurance and the Commissioner are discussing a draft ruling that refers to, one-time deposits by policyholders received subsequent to 1991, in yield-guaranteed policies ("the policies"). In accordance with the draft, The Phoenix Insurance is required to take certain steps in relation to policyholders whose actual yield on one-time deposits, which carried the yields of the profit-sharing portfolio, was equal to or exceeded the guaranteed yield in the policies, and certain steps in relation to policyholders whose actual yield on one-time deposits was lower than the guaranteed yield. Accordingly, at this stage, in view of the discussions with the Commissioner regarding the wording of the draft and since the final wording is unknown, The Phoenix Insurance is unable to assess the implications and extent of its effect on The Phoenix Insurance, if it is published.

3. In November 2013, the Tel Aviv District Attorney (Taxation and Economics) ("the District Attorney") filed an indictment against two insurance agents, who had a business relationship with The Phoenix Insurance, and against The Phoenix Insurance, the former CFO, the legal counsel, and a division manager in the Phoenix Insurance for various offenses under the Penal Law, 1977. The indictment refers to the period between five to eight years ago, and is mainly about the tax liability of insurance agents: the District Attorney claims that The Phoenix Insurance should have deducted tax at source for this liability.

   The Company and its organs deny the offenses attributed to them and believe that they will be acquitted of the charges against them. On September 17, 2014, the prosecution stage in the case opened and evidentiary hearings were tentatively scheduled until the end of September 2015.

   For further information see the Company's report of November 25, 2013, ref. 2013-01-202041, the Company's report of March 27, 2014 ref. 2014-01-027861 and Note 22C(2) to the 2014 annual financial statements with regard to the disputed tax assessments for 2007-2009 against The Phoenix Insurance.

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

D. Other proceedings (continued)

4. From time to time, complaints are filed against the Group, including complaints to the Commissioner of the Capital Market, Insurance and Savings Division of the Ministry of Finance ("the Commissioner"), for rights of policyholders according to insurance policies and/or the law.

   These complaints are handled routinely by the Group's public complaints department. The Commissioner's decisions on such complaints are sometimes given as across the board decisions relating to a group of policyholders.

   In the context of the Commissioner's applications to the Group following complaints, requests are made from time to time for information about the Group's handling of the insurance policies in the past and/or a request to refund moneys to groups of policyholders and/or other instructions. The Commissioner also has the authority to impose financial sanctions, based on the information that was submitted or that will be submitted to him following his application.

   In addition to the motions for certification of class actions filed against the Group and the legal and other proceedings, there is a general exposure which cannot be estimated and/or quantified, due, inter alia, to the complexity of the services provided by the Group to its policyholders. The complexity of these services includes a potential for interpretation and other claims arising from differences in information between the Group and the third parties to the insurance contracts that refer to a wide range of commercial and regulatory conditions.

   This exposure is reflected in the Group's pension savings and long-term insurance operations. In these areas, the policies are managed over the years in which there are changes in policies, regulations and legal trends, including court rulings. These changes are made by EDP systems that undergo frequent changes and adaptations. The complexity of these changes and application of change with respect to many years, creates increased operating exposure.

   In addition, receipt of a new interpretation to insurance policies and long term pension products may, at times, affect the Group's future profitability with respect to the existing portfolio, in addition to the exposure involved in the demands to compensate customers for past activities. It is impossible to anticipate the types of claims that will arise in this area, and the exposure arising from these and other claims in respect of the insurance contracts, through the procedural mechanism set out in the Class Actions Law.

   In addition, the Commissioner of Insurance is taking steps to outline principles for insurance plans, and in this context, on July 10, 2013, a document was posed with a list of guidelines for insurance plans, whose aim was to direct the insurer while preparing an insurance plan which will not include any depriving conditions and will be clear and simple, including a list of unacceptable practices that are presumed to be discriminatory and should not be included in an insurance plan and acceptable practices that should be included in insurance plans. It is not possible to foresee whether and to what extent the insurers are exposed to claims regarding the interpretation in insurance plans, and the appropriate application of the principles and practices, which might arise, inter alia, through hearing mechanisms set out in the Class Actions Law.

   In addition, long-term savings products are characterized by a long life span and high complexity, especially in view of the various legislative arrangements for product management and taxation, attribution of deposits, investment management, the policyholder's employment status, and deposit payments. As part of regulatory changes and legal directions, in December 2011, Circular 2011-9-10 was issued for institutional entities referring to improvement of information about members rights in institutional entities. This circular was replaced with Circular 2012-9-16.

   The circular sets out the measures required by the financial institution regarding the information listed in the holdings interface as part of a uniform structure for transferring information in the savings and pension market, and requires the institutional entity to improve the holdings interface so that the information included in the holdings interface will be complete and continuous, to the extent that there is any such information throughout the savings period.

Notes to the Consolidated Financial Statements

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

D. Other proceedings(continued)

For members who joined prior to 1997, information should be improved at least as from 1997, when for provident funds that are not insurance funds or pension paying annuity funds, information about deposits, transfers and withdrawals that were carried out at least as from January 1, 2005 onwards, will be improved. The circular includes graded provisions for implementation in the period from December 31, 2012 to June 30, 2016.

The Group's financial institutions regularly addresses improvement of policyholder rights, in accordance with gaps that arise from time to time, has completed the gap survey required by the circular, and the execution of actual improvement has started, in accordance with an organized complementary work plan according to the schedule set out in the circular.

At this stage, the financial institutions are unable to assess and quantify the extent and costs of all the improvement procedures and their implications.

The financial institutions have made certain provisions as necessary after completion of the gap analysis, however at this stage, it is unable to fully assess whether further provisions are required in respect of the processes for improving information about members' rights that are required in the circular.

Summary table

The table below presents a summary of the amounts claimed in contingent motions for certification as class actions, claims approved as class actions and other material claims against the Company and/or subsidiaries, as noted by the plaintiffs in the statements of claim they filed. It is clarified that the amount claimed is not necessarily quantification of the estimated amount of exposure by the Company and/or subsidiaries, as these are estimates by the plaintiffs whose cases will be deliberated in the legal proceedings. It is further clarified that the table below does not included proceedings that have been concluded, including proceedings which have been concluded after approval of a settlement.

Class	Number of claims	Amount claimed (NIS thousands)
Claims certified as class actions:		
Amount attributable to the Company	4	132,772
Claims attributable to several companies without attribution of a specific amount to the Company	-	-
The amount of the claim was not noted	1	-
Contingent motions for certification of class actions:		
Amount attributable to the Company	12	2,025,249
Claims attributable to several companies without attribution of a specific amount to the Company	11	2,066,765
The amount of the claim was not noted	1	-
Other material claims		
Amount attributable to the Company	4	72,441
Claims attributable to several companies without attribution of a specific amount to the Company	1	5,232,000
The amount of the claim was not noted	-	-
Other claims	17	45,839

Notes to the Consolidated Financial Statements

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

D. Other proceedings (continued)

The amount of the total provision of class actions, legal proceedings and others, filed against the Company and /or its subsidiaries, as described above, amounts to NIS 98,041 thousand (December 31, 2013, NIS 92,966 thousand).

E. Guarantees and liens provided

1. The Phoenix Insurance provided a guarantee to members of The Phoenix Pitzuim Merkazit and members of The Phoenix Tagmulim and Pitzuim, such that the amounts that will be refunded to them will not fall below the amounts deposited by them in the funds. The value of the assets of these funds as of the reporting date greatly exceeds the amounts guaranteed by The Phoenix Insurance.

2. As collateral for repayment of the consideration that the SPCs issuing Excellence's ETFs and deposit certificates undertook to pay the certificate holders, these companies placed a current first lien on all the bank accounts in which the net consideration of the issuance was deposited and/or in which the base asset and financial instruments were deposited as collateral for holders of the ETFs. The deposits that will be used to cover the companies' activities in options and/or financial instruments were pledged in favor of the trustee in a second lien.

3. As collateral for repayment of the principal, interest and linkage differences that the SPCs issuing Excellence's structured instruments undertook to pay to the debenture holders, and to secure full and accurate fulfillment of all its other obligations under the terms of the debenture and deed of trust, these companies placed a fixed first lien on all its rights in the non-marketable debentures that were issued for them and a first floating lien on their rights in the bank accounts in which the consideration of the issuance and proceeds received from the non-marketable debentures were deposited. The pledged non-marketable debentures were deposited with a trustee.

F. Agreements

1. The Phoenix Insurance has agreements for the acquisition of investment property as of December 31, 2014 amounting to NIS 32 million, of which NIS 21 million is for unit linked contracts (as at December 31, 2013 the Company's foregoing agreements amounted to NIS 10 million, of which NIS 7 million is for unit linked contracts).

2. The Group has agreements for payment of rent and maintenance fees for offices (not including VAT) as follows:

Year	NIS thousands
2015	20,212
2016	16,618
2017	14,840
2018	13,372
2019 onwards	52,547
	117,589

(*) Part of the rent is linked to the dollar rate and part is linked to the CPI. The above amounts do not include future changes in the CPI and/or foreign currency on the amount of the agreements.

3. The Phoenix Insurance has obligations for future investments in venture capital and investment funds amounting to NIS 618 million at December 31, 2014, of which NIS 497 million is for unit linked contracts (as of December 31, 2013, NIS 445 million, of which NIS 375 million is for unit linked contracts).

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

4. In December 2012, an operating agreement was signed between Leumi Capital Market Services Ltd. ("Leumi") and The Phoenix Pension and Provident Fund Ltd., a subsidiary, signed an operating agreement. In accordance with the agreement, Leumi will provide The Phoenix Pension and Provident Fund operating services for the members' accounts in pension funds that it manages (other than for the pension fund and study fund under personal management), in return for monthly operating fees ("the operating agreement").

   The Operating Agreement with the Leumi replaced the operating agreement with Mizrahi Bank Ltd., which ended at the end of 2012.

5. In March 2012, The Phoenix Pension and Provident Funds Ltd., a subsidiary, signed an operating agreement with Citibank NA (Citibank N.A.) (hereinafter: "Citibank"), according to which, Citibank will provide The Phoenix Pension and Provident operating services for the members' accounts in the pension fund and study fund under personal management that it manages in consideration for monthly operating fees at a graded rate based on the scope of the members' assets.

   In September 2014, Phoenix Pension and Provident Ltd. signed an endorsement of rights and obligations agreement with Citibank, under which all Citibank's rights and obligations under the foregoing operating agreement were transferred and endorsed to DSS Consulting and Services Ltd. It is noted that since the provident funds managed by The Phoenix Pension and Provident Ltd. began personal management activities, DSS Consulting and Services Ltd. acts as a subcontractor of Citibank regarding everything connected to providing operating services to the Company and consequently, endorsement of the agreement as aforesaid, has had no effect of the operating services provided under the agreement.

6. On June 27, 2013, a secondary insurance agreement was signed between The Phoenix Insurance Company Ltd. ("The Phoenix Insurance"), a subsidiary and The Phoenix Pension and Provident Ltd. ("The Phoenix Pension and Provident"), a subsidiary of The Phoenix Insurance, as part of adding and operating the insurance tracks in the complementary pension fund, due to the amendment in the fund bylaws. The agreement was approved by the Capital Market, Insurance and Savings division on December 31, 2013. Under the foregoing agreement, The Phoenix Insurance provides The Phoenix Pension and Provident insurance for the general pension fund under its management. The insurance cover provided is for survivors insurance and work disability insurance.

7. A subsidiary that is a member of the TASE clearing house ("the clearing house") is responsible, together with the other clearing house members for any loss caused due to non-payment of any amount that the clearing house member owes and has not paid, or securities that a clearing house member should have transferred and did not transfer. The responsibility of each clearing house member is at the rate of the financial turnover of that TASE member compared to the financial turnover of the operations of all clearing house members on the TASE in the twelve months preceding the month in which the event occurred.

   In 2002, the board of directors of the TASE resolved to establish a clearing house risk fund to secure the Company's liabilities to the clearing house. The share of each fund member will be determined according to its proportionate share on the TASE based on the average daily clearing house turnover. Accordingly, the subsidiary deposited its share, amounting to NIS 8 million as of December 31, 2014 and NIS 6 million as of December 31, 2013, in the TASE risk account.

8. A subsidiary of Excellence signed a number of agreements to manage member accounts in provident funds with a number of banks ("Operators"). The agreements were signed for varying periods and for varying management fees. As part of the merging of funds and consolidation of the Operators in the provident funds as set out in the regulatory provisions, as of January 1, 2014 all operating services are received from a single operator.

Notes to the Consolidated Financial Statements

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

9. A subsidiary of Excellence has an agreement with FMR Computers and Software Ltd., whereby the subsidiary receives software development services, computer-assisted data processing, including generation of reports, and computer processing based on information received directly from the TASE. The validity of the agreement is extended from time to time. As of the date of the report, the subsidiary has an agreement with FMR in effect until June 2015. In January 2015, the agreement was extended until June 2017.

10. For information about agreements for investments in investees and agreements of investees with others, see Note 7.

Notes to the Consolidated Financial Statements

NOTE 42 – CHANGES IN CONTINGENT LIABILITIES AND AGREEMENTS (CONTINUED)

G. Leases

1. Leases for which the Group is a lessee in an operating leases

The Group has lease agreements for vehicles. The leases are for an average of three years, without an option to extend the contract. Minimum lease fees that are payable for operating lease contracts that cannot be canceled as of December 31 are as follows:

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Up to 1 year	7,964	5,294	6,342
1-5 years	8,869	3,948	4,428
	16,833	9,242	10,770

2. Leases in which the Company is the lessor

The Company leases a number of commercial buildings (investment property) to external institutions. The lease agreements are for variable periods that cannot be canceled, with rental fees linked to the CPI. Renewal of the leases at the end of their term is subject to the consent of the Company and the lessors.

Minimum lease fees that are receivable for lease contracts that cannot be canceled:

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Up to 1 year	124,688	110,340	58,502
1-5 years	442,698	315,309	205,987
More than 5 years	544,505	297,742	199,863
	1,111,891	723,391	464,302

NOTE 43 – SUBSEQUENT EVENTS

1. Subsequent to the date of the financial statements, interest rates continued to decline, which may lead to the need for further increase in liabilities for insurance contracts in the coming periods. Conversely, these interest rate changes could have a positive effect on the value of the Group's financial assets, that could reduce the foregoing effect.
   The decrease in interest rates is part of the macro economic effects and it is yet too early to estimate their overall effect of the financial results.

2. On January 27, 2015, an unbinding memorandum of understanding was signed between the Company, Delek Group, and a foreign company that also engages in insurance abroad ("the Buyer"). Under the memorandum, criteria were set out for reaching a binding agreement for selling the controlling interest in the Company (42% - 52.3% of the Company's share capital ("the Sold Stock").

   Under the memorandum of understanding, the overall consideration for the Sold Stock will be based on the Company's equity at September 30, 2014, with added adjustments. It is noted that, the memorandum of understanding is not binding, other than the obligation of exclusivity for a limited period agreed on by the parties. The transaction is subject to due diligence, successful completion of negotiations between the parties and the signing of a binding agreement. The binding agreement will be subject to obtaining all the regulatory approvals required by law.

3. In February 2015, The Phoenix Capital Raising, a sub-subsidiary of the Company, announced its decision to examine the option of issuing two new series of debentures to the public that will be recognized as capital in The Phoenix Insurance Co. Ltd. ("The Phoenix Insurance"), and the proceeds therefrom will be listed for trading on the TASE. The foregoing debentures will be issued under an exchange tender offer to holders of debt certificates (Series A) ("the Debt Certificates") issued by The Phoenix Capital Raising, such that it will purchase the Debt Certificates in return for a package containing debentures from both series. The issue will be carried out under the shelf prospectus issued by The Phoenix Capital Raising on May 29, 2013 ("the Shelf Prospectus").

   Publication of the shelf offering memorandum and execution of the issue (if it will be executed), are subject to obtaining the duly required approvals. As of reporting date, the Securities Authority decided to extend the Shelf Prospectus by a further 12 months until May 29, 2016. The date of the foregoing issue, the terms of the securities to be offered to the public, the scope of the issue and the exchange ratio in the tender offer, are yet to be set. The foregoing does not in any way obligate The Phoenix Capital Raising to execute the debenture issue as aforesaid and it is in no way a public offering or an offering to acquire The Phoenix Capital Raising securities.

4. In March 2015, Midroog announced ratification of the financial robustness of The Phoenix Insurance at Aa1, the rating for subordinated debt certificates A and B at Aa2, and the rating for Debentures (Series B and C) at Aa3, with stable outlook.

   Midroog further announced that it would rate the debentures to be issued by The Phoenix Capital Raising, if they are issued (see section 3 above) at Aa2 rating for hybrid tier 3 capital and Aa3 for hybrid tier 2 capital.

5. On January 18, 2015, Maalot ratified the ratings of the Company (+ilA) and of The Phoenix Insurance (+ilAA), retaining the stable rating outlook.

6. On January 27, 2015, Orly Kronman Dagan, legal counsel and Company secretary, gave notice of resignation from the Company. As of reporting date, the date of termination of her term of office has not yet been set.

7. For information regarding class actions filed subsequent to the reporting date, see Note 42 above.

Building a better working world

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Translation from Hebrew into English of the financial statements of The Phoenix Holdings Ltd.
December 31, 2014 and June 30, 2015

We wish to report that we are proficient in Hebrew and in English and in our opinion, the attached translation of the audited financial statements of The Phoenix Holdings Ltd. as at 31 December 2014 and the reviewed financial statement as as at 30 June 2015 are properly conducted.

Kost Forer GAbbay & Kasierer

Tel-Aviv, Israel
September 21, 2015

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Auditor's review report to the shareholders of The Phoenix Holdings Ltd.

Introduction

We have reviewed the accompanying financial information of The Phoenix Holdings Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of June 30, 2015 and the related condensed consolidated statements of profit and loss, comprehensive income, changes in equity, and cash flows for the six and three months then ended. The company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements established by the Commissioner of Insurance in accordance with the Control of Financial Services (Insurance) Law, 1981 and they are responsible for preparation of the interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation which consolidates insurance companies. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial statements of consolidated companies, the consolidated assets of which represent approximately 1.3% of the total consolidated assets as of June 30, 2015, and the consolidated revenue of which represents approximately 0.4% and 1.5% of the total consolidated revenue for the six and three months then ended, respectively. In addition, we did not review the condensed interim financial information of equity-accounted investees, the investment in which amounted to NIS 286,003 thousand as of June 30, 2015, and the Group's share in their profits (losses) amounted to NIS 11,336 thousand and NIS (9,261) thousand for the six and three months then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose reports were provided to us, and our conclusion, insofar as it relates to the financial information for those companies, is based on the review reports prepared by the other auditors.

Review scope

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Prepared by Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, mainly with the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Additionally, based on our review and the review reports prepared by other auditors, nothing has come to our attention that causes us to believe that this accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation which consolidates insurance companies.

Without qualifying our conclusion, we draw attention to Note 6 to the financial statements, regarding the exposure to contingent liabilities.

Tel Aviv
August 30, 2015

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Condensed Consolidated Interim Statement of Financial Position

	June 30, 2015	June 30, 2014	December 31, 2014
	Unaudited		Audited
	NIS thousands		
Intangible assets	**1,742,944**	**1,706,442**	**1,754,454**
Deferred tax assets	**9,013**	**53,991**	**7,906**
Deferred acquisition costs	**1,433,552**	**1,316,116**	**1,358,127**
Property, plant and equipment	**366,733**	**374,161**	**370,604**
Investments in investees	**566,895**	**506,875**	**582,819**
Investment property for unit linked contracts	**1,036,448**	**1,033,778**	**1,094,954**
Other investment property	**1,876,291**	**1,739,738**	**1,857,433**
Reinsurance assets	**1,315,952**	**1,372,452**	**1,398,926**
Credit for acquisition of securities	**202,000**	**149,000**	**160,000**
Current tax assets	**101,501**	**87,759**	**42,083**
Other receivables	**308,624**	**327,474**	**261,933**
Premiums collectible	**670,312**	**703,950**	**596,844**
Financial investments for unit linked contracts	**32,294,399**	**29,581,276**	**31,438,806**
Assets for holders of debentures, ETFs, reverse certificates, complex certificates, certificates of deposit, and structured bonds	**33,728,025**	**36,718,441**	**39,026,300**
Other financial investments			
Marketable debt assets	**5,952,438**	**5,350,878**	**5,503,979**
Non-marketable debt assets	**10,991,927**	**10,097,153**	**10,570,471**
Shares	**922,105**	**698,000**	**745,245**
Others	**1,013,221**	**1,148,615**	**1,236,905**
Total other financial investments	**18,879,691**	**17,294,646**	**18,056,600**
Cash and cash equivalents for unit linked contracts	**4,406,432**	**2,739,073**	**2,651,399**
Other cash and cash equivalents	**574,711**	**794,277**	**677,461**
Total assets	**99,513,523**	**96,499,449**	**101,336,649**
Total assets for unit linked contracts	**37,897,787**	**33,541,546**	**35,339,231**

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

Condensed Consolidated Interim Statement of Financial Position

	June 30, 2015	June 30, 2014	December 31, 2014
	Unaudited		Audited
	NIS thousands		
Capital			
Share capital	**304,258**	**304,258**	**304,258**
Premium and capital reserves on shares	**667,842**	**667,842**	**667,842**
Treasury shares	**(37,302)**	**(36,486)**	**(36,637)**
Capital reserves	**185,542**	**260,631**	**200,709**
Capital surplus	**2,702,440**	**2,596,211**	**2,668,873**
Total equity attributable to Company shareholders	**3,822,780**	**3,792,456**	**3,805,045**
Non-controlling interests	**119,122**	**108,054**	**124,097**
Total equity	**3,941,902**	**3,900,510**	**3,929,142**
Liabilities			
Liabilities for non- unit linked insurance contracts and investment contracts	**19,134,111**	**18,170,114**	**18,381,210**
Liabilities for unit linked insurance contracts and investment contracts	**38,174,644**	**33,303,264**	**35,149,671**
Liabilities for deferred taxes	**380,998**	**480,679**	**425,226**
Liabilities for employee benefits, net	**122,494**	**124,022**	**113,254**
Liability for current taxes	**8,868**	**8,074**	**8,560**
Other payables	**1,168,718**	**1,155,819**	**1,330,301**
Liabilities for debentures, ETFs, reverse certificates and complex certificates, certificates of deposit, and structured debentures	**33,034,873**	**36,160,871**	**38,404,175**
Financial liabilities	**3,546,915**	**3,196,096**	**3,595,110**
Total liabilities	**95,571,621**	**92,598,939**	**97,407,507**
Total shareholders' equity and liabilities	**99,513,523**	**96,499,449**	**101,336,649**

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

Asi Bartfeld Chairman of the Board	Eyal Lapidot CEO	Omer Ziv Deputy CEO and CFO

Financial Statements approved on August 30, 2015

Condensed Consolidated Interim Statements of Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2015	2014	2015	2014	2014
	Unaudited				Audited
	NIS thousands				
Premiums earned, gross	4,035,661	3,901,515	2,064,788	2,002,049	7,698,273
Premiums earned by reinsurers	322,480	304,003	152,742	155,047	644,363
Premiums earned in retention	3,713,181	3,597,512	1,912,046	1,847,002	7,053,910
Investment income (losses), net, and finance income	1,633,605	1,601,499	(14,589)	620,863	2,774,430
Management fees	523,906	457,659	135,883	192,094	857,811
Revenue from commissions	146,270	121,925	78,962	64,799	259,231
Income from other financial services	100,849	94,001	52,760	53,376	202,822
Other revenue	19,086	18,060	9,531	8,437	41,949
Total revenue	6,136,897	5,890,656	2,174,593	2,786,571	11,190,153
Payments and changes in liabilities for insurance contracts and investment contracts, gross	4,995,254	4,505,920	1,434,945	2,136,289	8,397,290
Share of reinsurers in payments and changes in liabilities for insurance contracts	204,510	158,320	107,083	65,878	450,734
Payments and changes in liabilities for insurance contracts and investment contracts in retention	4,790,744	4,347,600	1,327,862	2,070,411	7,946,556
Commissions, marketing expenses, and other acquisition costs	715,365	626,712	368,606	328,327	1,313,780
General and administrative expenses	554,575	517,745	279,195	255,111	1,030,271
Other expenses	16,848	13,247	6,745	3,482	36,056
Finance expenses	48,001	50,294	58,461	40,534	126,560
Total expenses	6,125,533	5,555,598	2,040,869	2,697,865	10,453,223
Share in earnings (losses) of investees treated under the equity method	18,352	20,547	(4,685)	(4,904)	45,933
Income before taxes on income	29,716	355,605	129,039	83,802	782,863
Taxes on income	(11,091)	111,372	46,782	30,061	251,678
Profit	40,807	244,233	82,257	53,741	531,185
Attributable to:					
Company shareholders	32,630	234,019	77,127	48,034	504,480
Non-controlling interests	8,177	10,214	5,130	5,707	26,705
Profit	40,807	244,233	82,257	53,741	531,185
Earnings per share attributable to shareholders (in NIS):					
Basic earnings per share					
Earnings per ordinary share of NIS 1 par value (NIS)	0.13	0.95	0.31	0.20	2.05
Diluted earnings per share					
Earnings per ordinary share of NIS 1 par value (NIS)	0.13	0.95	0.31	0.20	2.05

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

Condensed Consolidated Interim Statements of Comprehensive Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2015	2014	2015	2014	2014
	Unaudited				Audited
	NIS thousands				
Profit	**40,807**	**244,233**	**82,257**	**53,741**	**531,185**
Other comprehensive loss					
Amounts classified or reclassified to profit or loss under specific conditions					
Net change in the fair value of financial assets available for sale recognized in capital reserves	**84,470**	**127,863**	**(180,524)**	**(18,939)**	**105,593**
Net change in the fair value of financial assets available for sale transfered to the statement of income	**(141,946)**	**(141,744)**	**(58,511)**	**(55,494)**	**(285,574)**
Impairment of financial assets available for sale transferred to the statement of income	**34,628**	**10,058**	**27,863**	**8,126**	**70,593**
Adjustments arising from translation of financial statements of foreign operations	**(2,851)**	**(800)**	**(4,222)**	**(1,370)**	**6,402**
Tax effect	**7,928**	**779**	**77,805**	**24,654**	**40,057**
Total components of other comprehensive loss, net, subsequently reclassified to profit or loss:	**(17,771)**	**(3,844)**	**(137,589)**	**(43,023)**	**(62,929)**
Amounts not subsequently reclassified to profit or loss					
Actuarial gain for defined benefit plans	**1,500**	**1,136**	**2,591**	**1,136**	**3,697**
Tax effect	**(563)**	**(301)**	**(974)**	**(301)**	**(1,260)**
Total components of other comprehensive income, net, not subsequently reclassified to profit or loss:	**937**	**835**	**1,617**	**835**	**2,437**
Total other comprehensive loss, net	**(16,834)**	**(3,009)**	**(135,972)**	**(42,188)**	**(60,492)**
Total comprehensive income (loss) for the period	**23,973**	**241,224**	**(53,715)**	**11,553**	**470,693**
Attributable to:					
Company shareholders	**15,898**	**231,010**	**(58,743)**	**5,846**	**443,971**
Non-controlling interests	**8,075**	**10,214**	**5,028**	**5,707**	**26,722**
Comprehensive income (loss)	**23,973**	**241,224**	**(53,715)**	**11,553**	**470,693**

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to Company shareholders										
	Share capital	Premium and capital reserves on shares	Treasury shares	Retained earnings	Capital reserve for transactions with non-controlling interests	Capital reserve for share-based payment	Reserve from translation differences	Capital reserve for available for sale assets	Total	Non-controlling interests	Total equity
	NIS thousands										
Balance as of January 1, 2015 (audited)	304,258	667,842	(36,637)	2,668,873	(4,804)	37,753	2,611	165,149	3,805,045	124,097	3,929,142
Profit	-	-	-	32,630	-	-	-	-	32,630	8,177	40,807
Other comprehensive income (loss)	-	-	-	937	-	-	(2,851)	(14,818)	(16,732)	(102)	(16,834)
Total comprehensive income (loss)	-	-	-	33,567	-	-	(2,851)	(14,818)	15,898	8,075	23,973
Share-based payment	-	-	-	-	-	2,502	-	-	2,502	-	2,502
Dividend paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(13,050)	(13,050)
Acquisition of treasury shares	-	-	(785)	-	-	-	-	-	(785)	-	(785)
Reissuance of treasury shares	-	-	120	-	-	-	-	-	120	-	120
Balance as of June 30, 2015 (unaudited)	304,258	667,842	(37,302)	2,702,440	(4,804)	40,255	(240)	150,331	3,822,780	119,122	3,941,902

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to Company shareholders										
	Share capital	Premium and capital reserves on shares	Treasury shares	Retained earnings	Capital reserve for transactions with non-controlling interests	Capital reserve for share-based payment	Reserve from translation differences	Capital reserve for available for sale assets	Total	Non-controlling interests	Total equity
	NIS thousands										
Balance as of January 1, 2014 (audited)	304,216	667,268	(31,848)	2,361,357	(4,804)	30,627	(3,791)	234,480	3,557,505	96,840	3,654,345
Net income	-	-	-	234,019	-	-	-	-	234,019	10,214	244,233
Other comprehensive loss	-	-	-	835	-	-	(800)	(3,044)	(3,009)	-	(3,009)
Total comprehensive income (loss)	-	-	-	234,854	-	-	(800)	(3,044)	231,010	10,214	241,224
Share-based payment	-	-	-	-	-	8,579	-	-	8,579	-	8,579
Exercise of employee options	42	574	-	-	-	(616)	-	-	-	-	-
Acquisition of treasury shares	-	-	(4,638)	-	-	-	-	-	(4,638)	-	(4,638)
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	1,000	1,000
Balance as of June 30, 2014 (unaudited)	304,258	667,842	(36,486)	2,596,211	(4,804)	38,590	(4,591)	231,436	3,792,456	108,054	3,900,510

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to Company shareholders										
	Share capital	Premium and capital reserves on shares	Treasury shares	Retained earnings	Capital reserve for transactions with non-controlling interests	Capital reserve for share-based payment	Reserve from translation differences	Capital reserve for available for sale assets	Total	Non-controlling interests	Total equity
	NIS thousands										
Balance as of April 1, 2015 (unaudited)	304,258	667,842	(37,422)	2,623,696	(4,804)	38,997	3,982	283,596	3,880,145	123,143	4,003,288
Profit	-	-	-	77,127	-	-	-	-	77,127	5,130	82,257
Other comprehensive income (loss)	-	-	-	1,617	-	-	(4,222)	(133,265)	(135,870)	(102)	(135,972)
Total comprehensive income (loss)	-	-	-	78,744	-	-	(4,222)	(133,265)	(58,743)	5,028	(53,715)
Share-based payment	-	-	-	-	-	1,258	-	-	1,258	-	1,258
Reissuance of treasury shares	-	-	120	-	-	-	-	-	120	-	120
Dividend paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(9,049)	(9,049)
Balance as of June 30, 2015 (unaudited)	304,258	667,842	(37,302)	2,702,440	(4,804)	40,255	(240)	150,331	3,822,780	119,122	3,941,902

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to Company shareholders										
	Share capital	Premium and capital reserves on shares	Treasury shares	Retained earnings	Capital reserve for transactions with non-controlling interests	Capital reserve for share-based payment	Reserve from translation differences	Capital reserve for available for sale assets	Total	Non-controlling interests	Total equity
	NIS thousands										
Balance as of April 1, 2014 (unaudited)	304,216	667,268	(32,492)	2,547,342	(4,804)	36,301	(3,221)	273,089	3,787,699	102,347	3,890,046
Net income	-	-	-	48,034	-	-	-	-	48,034	5,707	53,741
Other comprehensive income (loss)	-	-	-	835	-	-	(1,370)	(41,653)	(42,188)	-	(42,188)
Total comprehensive income (loss)	-	-	-	48,869	-	-	(1,370)	(41,653)	5,846	5,707	11,553
Share-based payment	-	-	-	-	-	2,905	-	-	2,905	-	2,905
Exercise of employee options	42	574	-	-	-	(616)	-	-	-	-	-
Acquisition of treasury shares	-	-	(3,994)	-	-	-	-	-	(3,994)	-	(3,994)
Balance as of June 30, 2014 (unaudited)	304,258	667,842	(36,486)	2,596,211	(4,804)	38,590	(4,591)	231,436	3,792,456	108,054	3,900,510

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to Company shareholders										
	Share capital	Premium and capital reserves on shares	Treasury shares	Retained earnings	Capital reserve for transactions with non-controlling interests	Capital reserve for share-based payment	Reserve from translation differences	Capital reserve for available for sale assets	Total	Non-controlling interests	Total equity
	NIS thousands										
Balance as of January 1, 2014 (audited)	304,216	667,268	(31,848)	2,361,357	(4,804)	30,627	(3,791)	234,480	3,557,505	96,840	3,654,345
Net income	-	-	-	504,480	-	-	-	-	504,480	26,705	531,185
Other comprehensive income (loss)	-	-	-	2,420	-	-	6,402	(69,331)	(60,509)	17	(60,492)
Total comprehensive income (loss)	-	-	-	506,900	-	-	6,402	(69,331)	443,971	26,722	470,693
Share-based payment	-	-	-	-	-	7,742	-	-	7,742	-	7,742
Dividends	-	-	-	(199,384)	-	-	-	-	(199,384)	-	(199,384)
Exercise of employee options	42	574	-	-	-	(616)	-	-	-	-	-
Dividend paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(465)	(465)
Acquisition of treasury shares	-	-	(4,789)	-	-	-	-	-	(4,789)	-	(4,789)
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	1,000	1,000
Balance as of December 31, 2014 (audited)	304,258	667,842	(36,637)	2,668,873	(4,804)	37,753	2,611	165,149	3,805,045	124,097	3,929,142

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

Condensed Consolidated Interim Statements of Cash Flows

	Appendix	Six months ended June 30		Three months ended June 30		Year ended December 31
		2015	2014	2015	2014	2014
		Unaudited		Unaudited		Audited
		NIS thousands				
Cash flows from operating activities						
Profit		40,807	244,233	82,257	53,741	531,185
Adjustments to reconcile cash flows from operating activities:	(a)	1,745,882	774,714	1,182,547	535,395	110,977
Net cash from operating activities		1,786,689	1,018,947	1,264,804	589,136	642,162
Cash flow for investment activities						
Acquisition of property, plant and equipment		(15,329)	(16,833)	(8,540)	(8,781)	(32,306)
Proceeds from disposal of property, plant and equipment		-	10	-	-	552
Investment in associates		(6,853)	(4,432)	-	944	(58,543)
Dividend from associate		38,411	7,348	3,891	3,410	18,317
Receipt of a loan from an associate		509	473	256	255	1,048
Repayment of a loan from an associate		(200)	(1,185)	-	(750)	(1,876)
Acquisition and capitalization of costs of intangible assets		(85,074)	(89,248)	(42,026)	(44,994)	(208,312)
Net cash used for investment activities		(68,536)	(103,867)	(46,419)	(49,916)	(281,120)
Cash flows from (for) financing activities						
Dividend paid to shareholders		-	-	-	-	(199,384)
Acquisition of Company shares		(785)	(4,638)	-	(3,994)	(4,789)
Issue of shares to holders of non-controlling interests in a subsidiary		-	1,000	-	-	1,000
Reissue of Company shares by subsidiaries		120	-	120	-	-
Financial liabilities received		126,000	125,413	-	72,691	159,286
Financial liabilities discharged		(178,155)	(330,426)	(83,930)	(194,945)	(204,137)
Issue of debentures (less issue expenses)		-	-	-	-	394,786
Dividend paid to non-controlling interests in subsidiary		(13,050)	-	(9,049)	-	(465)
Payment of contingent liability for a put option to a minority		-	-	-	-	(5,400)
Net cash from (used in) finance activities		(65,870)	(208,651)	(92,859)	(126,248)	140,897
Increase in cash and cash equivalents		1,652,283	706,429	1,125,526	412,972	501,939
Cash and cash equivalents at the beginning of the period:	(c)	3,328,860	2,826,921	3,855,617	3,120,378	2,826,921
Balance of cash and cash equivalents at the end of the period	(c)	4,981,143	3,533,350	4,981,143	3,533,350	3,328,860

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

Condensed Consolidated Interim Statements of Cash Flows

		Six months ended June 30		Three months ended June 30		Year ended December 31
		2015	2014	2015	2014	2014
		Unaudited		Unaudited		Audited
		NIS thousands				
(A)	Adjustments required to present cash flows from ordinary activities:					
	Items not involving cash flows					
	Net losses (profits) from financial investments for unit linked insurance contracts and investment contracts	(1,157,429)	(1,072,314)	383,623	(292,662)	(1,864,764)
	Change in the fair value of investment property for unit linked contracts	(141)	-	-	-	(14,487)
	Net loss (income) of other financial investments:					
	Marketable debt assets	91,642	8,598	183,931	56,033	(100,498)
	Non-marketable debt assets	(34,193)	(55,828)	(106,245)	(71,689)	160,812
	Shares	(88,924)	(33,008)	13,884	15,561	21,320
	Others	(72,898)	(43,969)	(47,169)	(29,101)	(13,530)
	Amortization and depreciation	123,258	105,989	61,142	52,460	220,527
	Loss from disposal of property, plant and equipment	11	137	11	134	43
	Loss from impairment of other investment property	5,900	5,900	(13,165)	(2,505)	(81,712)
	Provision for impairment of property, plant and equipment	239	133	125	(29)	106
	Change in financial liabilities	5,815	34,719	64,325	60,161	(61,845)
	Income tax expenses (revenue)	(11,091)	111,372	46,782	30,061	251,678
	Company's share in earnings of associates, net	(18,352)	(20,547)	4,685	4,904	(45,933)
	Salary expenses for share-based payments	2,502	8,579	1,258	2,905	7,742
	Changes in other balance sheet items, net:					
	Change in liabilities for non- unit linked insurance contracts	752,901	624,549	61,840	286,767	835,645
	Change in liabilities for unit linked contracts	3,024,973	2,410,756	973,045	1,023,027	4,257,163
	Change in liabilities for debentures, ETFs, reverse certificates and complex certificates, certificates of deposit, and structured debentures	(5,369,302)	1,434,706	(2,156,471)	641,275	3,492,010
	Change in assets for holders of debentures, ETFs, reverse certificates, complex certificates, certificates of deposit, and structured bonds	5,301,195	(1,332,809)	2,144,733	(592,387)	(3,548,056)
	Change in deferred acquisition costs	(75,425)	(99,414)	(13,780)	(27,990)	(141,425)
	Change in reinsurance assets	82,974	(8,043)	51,840	21,230	(34,517)
	Change in liabilities for employee benefits, net	10,177	10,150	441	2,837	770
	Change in receivables and premiums receivable	(120,159)	(56,488)	119,915	83,852	10,159
	Change in other payables	(174,083)	(196,668)	(57,577)	(24,249)	98,355
	Change in credit for acquisition of securities	(42,000)	16,000	41,000	104,000	5,000
	Revaluation of loans - associates	(441)	(418)	(343)	(333)	(318)
	Financial investments and investment property for unit linked insurance contracts and investment contracts					
	Acquisition of property	(24,141)	(28,004)	(17,429)	(3,517)	(74,694)
	Proceeds from sale of real estate	82,788	-	-	-	-
	Acquisitions of financial investments, net	301,836	(874,359)	62,910	(668,328)	(1,939,439)
	Financial investments and other investment property					
	Acquisitions of financial investments, net	(741,566)	4,807	(534,707)	(45,079)	(1,055,006)
	Acquisition of property	(60,239)	(19,730)	(51,332)	(5,627)	(49,813)
	Proceeds from sale of real estate	35,481	-	-	-	-
	Cash paid and received in the period for:					
	Taxes paid	(85,782)	(190,184)	(34,706)	(116,347)	(254,931)
	Taxes received	356	30,102	(19)	30,031	30,615
	Total cash flows from ordinary activities	1,745,882	774,714	1,182,547	535,395	110,977

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

Condensed Consolidated Interim Statements of Cash Flows

		Six months ended June 30		Three months ended June 30		Year ended December 31
		2015	2014	2015	2014	2014
		Unaudited		Unaudited		Audited
		NIS thousands				
(B)	Cash and cash equivalents					
	Cash and cash equivalents at the beginning of the period:					
	Cash and cash equivalents	677,461	585,981	581,944	532,122	585,981
	Cash and cash equivalents for unit linked contracts	2,651,399	2,240,940	3,273,673	2,588,256	2,240,940
		3,328,860	2,826,921	3,855,617	3,120,378	2,826,921
	Cash and cash equivalents at the end of the period					
	Cash and cash equivalents	574,711	794,277	574,711	794,277	677,461
	Cash and cash equivalents for unit linked contracts	4,406,432	2,739,073	4,406,432	2,739,073	2,651,399
		4,981,143	3,533,350	4,981,143	3,533,350	3,328,860
(C)	Amounts included in ordinary activities					
	Interest paid	6,556	9,838	3,331	5,409	173,658
	Interest received	291,682	393,143	151,105	215,257	829,903
	Dividends received	12,226	16,368	8,035	10,445	29,597

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

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 1 - GENERAL

A. The Phoenix Holdings Ltd. ("the Company") is an Israeli resident company incorporated in Israel. The official address of the Company is 53 Derech Hashalom, Givatayim, Israel. The Company's consolidated interim financial statements as of June 30, 2015 and for the six and three months then ended have been prepared in condensed format ("the Condensed Consolidated Interim Financial Statements"). These financial statements should be read together with the Company's annual financial statements as of December 31, 2014 for the year then ended, and their accompanying notes ("the Annual Financial Statements").

B. Definitions

The Company	-	The Phoenix Holdings Ltd.
The Phoenix Insurance	-	Phoenix Insurance Company Ltd., a wholly owned subsidiary
Excellence	-	Excellence Investments Ltd., a subsidiary of Phoenix Investments Ltd., a wholly owned subsidiary of the Company
The Phoenix Pension	-	The Phoenix Pension and Provident Funds Ltd., a wholly owned subsidiary of The Phoenix Insurance.
The Phoenix Capital Raising	-	The Phoenix Capital Raising (2009) Ltd., a wholly owned subsidiary of The Phoenix Insurance

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the Consolidated Interim Financial Statements

The Consolidated Interim Financial Statements have been prepared in accordance with generally accepted accounting principles for the preparation of interim financial statements as prescribed in IAS 34, Interim Financial Reporting and in accordance with the disclosure requirements established by the Commissioner of Insurance in accordance with the Control of Financial Services (Insurance) Law, 1981. In addition, these reports were prepared in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to an insurance subsidiary.

The significant accounting policies and calculation methods applied in the preparation of these consolidated interim financial statements are consistent with those applied in the preparation of the consolidated Annual Financial Statements.

B. Proposed changes in the calculation of insurance reserves in general insurance

In February 2013, the Control of Financial Services Regulations (Insurance) (Calculation of Insurance Reserves in General Insurance), 2013 ("the New Regulations") were issued and a circular that was updated in January 2015 (jointly: "the Amendment"), regarding an update of the legal provisions for calculation of insurance reserves in general insurance.

The Amendment supersedes the Control of Insurance Business Regulations (Methods of Calculating Provisions for Future Claims in General Insurance), 1984, which will be replaced by the New Regulations. The main change that will apply when the Amendment comes into force is cancellation, as from the financial statements as of December 31, 2015, of the surplus income over expenses reserve ("the Reserve"). The Reserve is currently calculated for three years, in long-tail general insurance branches (mainly compulsory motor insurance), for which an actuarial valuation has been prepared.

In addition, as a complementary measure for the change, the Commissioner's position was published in January 2015, regarding the best practice for actuaries when calculating general insurance reserves for the financial statements to adequately reflect the insurance liabilities. The Commissioner's position includes the following:

1. "Caution" means that, for a reserve calculated by an actuary, it is fairly likely that the insurance obligation determined will be sufficient to cover the insurer's obligation. For outstanding claims in compulsory motor insurance and liability branches, "fairly likely" means a probability of at least 75%.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

B. Proposed changes in the calculation of insurance reserves in general insurance (contd.)

2. Reference to the discounted cash flow rate.

3. Grouping: for the sake of caution in non-grouped branches (as defined in the circular - statistical branches), each branch should be considered separately, however, the risks of each underwriting (or damage) year in the branch can be grouped. Grouped branches (that are nonstatistical) may all be considered as a single set.

4. Determination of the level of insurance obligations for policies sold shortly before the balance sheet date and for unexpired risks.

The Company is reviewing the general effect of the amendment on the financial statements, together with the Commissioner's position. At this stage, the effect cannot be assessed, since initial implementation of the Commissioner's position will be in December 2015 and requires lengthy preparations.

C. Use of estimates and judgments

The preparation of interim statements in conformity with IAS 34 and in accordance with the Control Law and the regulations issued thereunder, the Commissioner's directives, and the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these are relevant, requires the Company to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management's judgment when applying the Group's accounting policy and the principal assumptions underlying the assessments that involve uncertainty, are consistent with those used in the preparation of the Annual Financial Statements. For information about changes in the main estimates and assumptions used to calculate insurance reserves, see Note 7(1).

D. Changes in the CPI and the USD exchange rates

	CPI		Representative exchange rate of USD
	Known CPI	CPI for	
	%	%	%
Six months ended:			
June 30, 2015	(0.5)	(0.2)	(3.086)
June 30, 2014	(0.2)	-	(0.951)
Three months ended			
June 30, 2015	1.12	1.11	(5.302)
June 30, 2014	0.49	0.49	(1.405)
Year ended December 31, 2014	(0.1)	(0.2)	12.0

E. Disclosure of new IFRSs in the period prior to their adoption

IFRS 15, Revenues from Contracts with Customers

On July 22, 2015, the IASB approved the postponement of mandatory initial application of IFRS 15, Revenues from Contracts with Customers. Accordingly, application of IFRS 15 will be mandatory for annual periods starting from January 1, 2018. Early application is permitted.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS

The Company operates in the following operating segments:

1. Life insurance and long-term savings

The life insurance and long-term savings segment includes life insurance, related coverage and pension and provident funds management. The segment includes long-term savings (through various types of insurance policies, pension funds, and provident funds) and insurance coverage for various risks such as death, disability and work disability. According to the Commissioner's directives, the long-term savings segment is divided into life insurance, pension funds, and provident funds.

2. Healthcare insurance

The healthcare insurance segment concentrates all of the Group's healthcare insurance business. The segment includes long-term care insurance, medical expense insurance, operations and transplants, dental insurance, overseas travel and foreign workers.

3. General insurance

The general insurance segment includes the liability and property insurance businesses. According to the Commissioner of Insurance's directives, the general insurance segment in Israel is divided into compulsory motor insurance, motor property insurance, other property insurance, and other liability insurance:

- Compulsory motor insurance
  The compulsory motor insurance branch focuses on coverage, the acquisition of which 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.

- Motor property insurance
  The motor property insurance segment focuses on property damage coverage for the insured vehicle and property damages caused by the insured vehicle to third parties.

- Other liability insurance
  Liability insurance is designed to cover the policyholder's liabilities for damage caused to any third party. These segments include third party liability, employers' liability, professional liability, and product warranties.

- Property and other branches
  These are the remaining property sectors, other than motor property insurance or liabilities, and include other insurance sectors.

4. Financial services

The financial services segment includes the results of the subsidiary Excellence Investments Ltd., except for provident funds and pension funds, which are part of the life insurance and long-term savings segment. The segment includes investment management services, including mutual funds, ETFS, structured products, brokerage services, underwriting services, market-making in various securities, and other services.

5. Others segment

This segment includes operating segments, the scope of which do not meet the quantitative criterion for reporting (mainly operations of the arrangement agencies, other consolidated insurance agencies and the operations of other subsidiaries engaging in various matters).

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

A. Reportable segment

	Six months ended June 30, 2015							
	Life insurance and long-term savings (*)	Healthcare insurance	General insurance(**)	Financial services	Other	Not attributable to operating segments	Adjustments and offsets	Total
	Unaudited							
	NIS thousands							
Premiums earned, gross	2,043,129	816,494	1,176,038	-	-	-	-	4,035,661
Premiums earned by reinsurers	19,558	62,318	240,604	-	-	-	-	322,480
Premiums earned in retention	2,023,571	754,176	935,434	-	-	-	-	3,713,181
Investment income (losses), net, and finance income	1,421,316	50,416	66,334	3,000	18,181	76,632	(2,274)	1,633,605
Management fees	442,733	-	-	80,000	26,530	1,513	(26,870)	523,906
Revenue from commissions	8,401	10,688	47,146	-	117,306	-	(37,271)(1)	146,270
Revenue from financial services	-	-	-	100,849	-	-	-	100,849
Other revenue	171	-	-	-	19,415	30	(530)	19,086
Total revenue	3,896,192	815,280	1,048,914	183,849	181,432	78,175	(66,945)	6,136,897
Increase in insurance liabilities and payments for insurance contracts	3,405,415	800,353	789,486	-	-	-	-	4,995,254
Less - reinsurance	(27)	62,448	142,089	-	-	-	-	204,510
	3,405,442	737,905	647,397	-	-	-	-	4,790,744
Commissions and other acquisition costs	303,283	176,586	237,035	34,000	2,217	-	(37,756)	715,365
General and administrative expenses	236,475	52,109	59,410	101,000	108,124	26,588	(29,131)	554,575
Other expenses	11,125	-	-	780	4,943	-	-	16,848
Finance expenses	(807)	-	(2,534)	1,000	3,907	47,826	(1,391)	48,001
Total expenses	3,955,518	966,600	941,308	136,780	119,191	74,414	(68,278)	6,125,533
Company's share of net expenses of investees	351	-	1,788	2,000	14,213	-	-	18,352
Income (loss) before taxes on income	(58,975)	(151,320)	109,394	49,069	76,454	3,761	1,333	29,716
Other comprehensive income (loss) before taxes on income	(5,895)	(5,825)	(6,921)	(1,000)	(604)	(3,954)	-	(24,199)
Total comprehensive income (loss) before taxes on income	(64,870)	(157,145)	102,473	48,069	75,850	(193)	1,333	5,517
	June 30, 2015							
	Unaudited							
	NIS thousands							
Gross liabilities for unit linked insurance contracts and investment contracts	37,729,800	444,844	-	-	-	-	-	38,174,644
Gross liabilities for non- unit linked insurance contracts and investment contracts	11,829,639	1,880,545	5,423,927	-	-	-	-	19,134,111

(*) See section B below for further information about life insurance and long-term savings.
(**) See section C below for further information about general insurance.
(1) Due to revenue from fees from agencies owned by the Group, mainly from operations in life insurance and long-term savings.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

A. Reportable segment (contd.)

	Six months ended June 30, 2014							
	Life insurance and long-term savings (*)	Healthcare insurance	General insurance (**)	Financial services	Other	Not attributable to operating segments	Adjustments and offsets	Total
	Unaudited							
	NIS thousands							
Premiums earned, gross	2,038,304	746,790	1,116,421	-	-	-	-	3,901,515
Premiums earned by reinsurers	30,600	57,038	216,365	-	-	-	-	304,003
Premiums earned in retention	2,007,704	689,752	900,056	-	-	-	-	3,597,512
Investment income (losses), net, and finance income	1,353,555	46,196	113,880	-	19,292	69,879	(1,303)	1,601,499
Management fees	380,755	-	-	76,000	26,764	1,498	(27,358)	457,659
Revenue from commissions	6,817	11,153	21,246	-	114,243	-	(31,534)(1)	121,925
Revenue from financial services	-	-	-	94,001	-	-	-	94,001
Other revenue	-	-	-	-	18,606	-	(546)	18,060
Total revenue	3,748,831	747,101	1,035,182	170,001	178,905	71,377	(60,741)	5,890,656
Increase in insurance liabilities and payments for insurance contracts	3,270,120	577,418	658,382	-	-	-	-	4,505,920
Less - reinsurance	16,996	67,793	73,531	-	-	-	-	158,320
	3,253,124	509,625	584,851	-	-	-	-	4,347,600
Commissions and other acquisition costs	258,434	142,941	225,315	29,000	1,424	-	(30,402)	626,712
General and administrative expenses	225,560	46,070	60,346	87,000	108,308	20,290	(29,829)	517,745
Other expenses	6,317	-	-	1,181	5,749	-	-	13,247
Finance expenses (income)	439	-	383	2,000	1,772	45,929	(229)	50,294
Total expenses	3,743,874	698,636	870,895	119,181	117,253	66,219	(60,460)	5,555,598
Company's share of net expenses of investees	6,267	-	790	1,000	12,490	-	-	20,547
Income (loss) before taxes on income	11,224	48,465	165,077	51,820	74,142	5,158	(281)	355,605
Other comprehensive income (loss) before taxes on income	2,940	(298)	(7,286)	-	(698)	1,855	-	(3,487)
Total comprehensive income (loss) before taxes on income	14,164	48,167	157,791	51,820	73,444	7,013	(281)	352,118
	June 30, 2014							
	Unaudited							
	NIS thousands							
Gross liabilities for unit linked insurance contracts and investment contracts	32,946,522	356,742	-	-	-	-	-	33,303,264
Gross liabilities for non- unit linked insurance contracts and investment contracts	11,338,136	1,516,382	5,315,596	-	-	-	-	18,170,114

(*) See section B below for further information about life insurance and long-term savings.
(**) See section C below for further information about general insurance.
(1) Due to revenue from fees from agencies owned by the Group, mainly from operations in life insurance and long-term savings.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

A. Reportable segment (contd.)

	Three months ended June 30, 2015							
	Life insurance and long-term savings (*)	Healthcare insurance	General insurance (**)	Financial services	Other	Not attributable to operating segments	Adjustments and offsets	Total
	Unaudited							
	NIS thousands							
Premiums earned, gross	1,059,298	412,875	592,615	-	-	-	-	2,064,788
Premiums earned by reinsurers	4,321	30,217	118,204	-	-	-	-	152,742
Premiums earned in retention	1,054,977	382,658	474,411	-	-	-	-	1,912,046
Investment income, net, and finance income	(157,244)	21,853	46,513	1,000	21,858	51,989	(558)	(14,589)
Management fees	95,214	-	-	40,000	13,623	752	(13,706)	135,883
Revenue from commissions	3,848	5,004	26,815	-	59,022	-	(15,727)(1)	78,962
Revenue from financial services	-	-	-	52,760	-	-	-	52,760
Other revenue	-	-	-	-	9,780	-	(249)	9,531
Total revenue	996,795	409,515	547,739	93,760	104,283	52,741	(30,240)	2,174,593
Increase in insurance liabilities and payments for insurance contracts	754,175	282,995	397,775	-	-	-	-	1,434,945
Less - reinsurance	(3,878)	35,892	75,069	-	-	-	-	107,083
	758,053	247,103	322,706	-	-	-	-	1,327,862
Commissions and other acquisition costs	147,455	92,094	125,859	18,000	1,065	-	(15,867)	368,606
General and administrative expenses	118,970	26,546	31,004	48,000	54,459	15,033	(14,817)	279,195
Other expenses	3,951	-	-	390	2,404	-	-	6,745
Finance expenses (income)	1,796	-	(5,744)	1,000	13,374	48,155	(120)	58,461
Total expenses	1,030,225	365,743	473,825	67,390	71,302	63,188	(30,804)	2,040,869
Company's share of net expenses of investees	4,365	-	1,040	1,000	(11,090)	-	-	(4,685)
Income (loss) before taxes on income	(29,065)	43,772	74,954	27,370	21,891	(10,447)	564	129,039
Other comprehensive income (loss) before taxes on income	(52,392)	(22,912)	(69,812)	(1,000)	(93)	(66,594)	-	(212,803)
Total comprehensive income (loss) before taxes on income	(81,457)	20,860	5,142	26,370	21,798	(77,041)	564	(83,764)
	June 30, 2015							
	Unaudited							
	NIS thousands							
Gross liabilities for unit linked insurance contracts and investment contracts	37,729,800	444,844	-	-	-	-	-	38,174,644
Gross liabilities for non- unit linked insurance contracts and investment contracts	11,829,639	1,880,545	5,423,927	-	-	-	-	19,134,111

(*) See section B below for further information about life insurance and long-term savings.
(**) See section C below for further information about general insurance.
(1) Due to revenue from fees from agencies owned by the Group, mainly from operations in life insurance and long-term savings.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

A. Reportable segment (contd.)

	Three months ended June 30, 2014							
	Life insurance and long-term savings (*)	Healthcare insurance	General insurance (**)	Financial services	Other	Not attributable to operating segments	Adjustments and offsets	Total
	Unaudited							
	NIS thousands							
Premiums earned, gross	1,058,316	376,442	567,291	-	-	-	-	2,002,049
Premiums earned by reinsurers	15,148	27,815	112,084	-	-	-	-	155,047
Premiums earned in retention	1,043,168	348,627	455,207	-	-	-	-	1,847,002
Investment income (losses), net, and finance income	479,324	22,303	59,240	-	11,875	48,956	(835)	620,863
Management fees	152,615	-	-	39,000	14,867	750	(15,138)	192,094
Revenue from commissions	3,091	6,274	11,620	-	58,290	-	(14,476)(1)	64,799
Revenue from financial services	-	-	-	53,376	-	-	-	53,376
Other revenue	-	-	-	-	8,697	-	(260)	8,437
Total revenue	1,678,198	377,204	526,067	92,376	93,729	49,706	(30,709)	2,786,571
Increase in insurance liabilities and payments for insurance contracts	1,532,980	297,426	305,883	-	-	-	-	2,136,289
Less - reinsurance	9,093	42,762	14,023	-	-	-	-	65,878
	1,523,887	254,664	291,860	-	-	-	-	2,070,411
Commissions and other acquisition costs	129,479	77,638	117,893	16,000	965	-	(13,648)	328,327
General and administrative expenses	115,212	23,319	27,908	42,000	55,458	7,574	(16,360)	255,111
Other expenses	412	-	-	353	2,717	-	-	3,482
Finance expenses (income)	1,376	-	(460)	1,000	5,061	33,857	(300)	40,534
Total expenses	1,770,366	355,621	437,201	59,353	64,201	41,431	(30,308)	2,697,865
Company's share of net expenses of investees	4,079	-	425	-	(9,408)	-	-	(4,904)
Income (loss) before taxes on income	(88,089)	21,583	89,291	33,023	20,120	8,275	(401)	83,802
Other comprehensive loss before taxes on income	(16,588)	(6,126)	(25,213)	-	(393)	(18,221)	-	(66,541)
Total comprehensive income (loss) before taxes on income	(104,677)	15,457	64,078	33,023	19,727	(9,946)	(401)	17,261
	June 30, 2014							
	Unaudited							
	NIS thousands							
Gross liabilities for unit linked insurance contracts and investment contracts	32,946,522	356,742	-	-	-	-	-	33,303,264
Gross liabilities for non- unit linked insurance contracts and investment contracts	11,338,136	1,516,382	5,315,596	-	-	-	-	18,170,114

(*) See section B below for further information about life insurance and long-term savings.
(**) See section C below for further information about general insurance.
(1) Due to revenue from fees from agencies owned by the Group, mainly from operations in life insurance and long-term savings.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

A. Reportable segment (contd.)

	Year ended December 31, 2014							
	Life insurance and long-term savings (*)	Healthcare insurance	General insurance (**)	Financial services	Other	Not attributable to operating segments	Adjustments and offsets	Total
	Audited							
	NIS thousands							
Premiums earned, gross	3,867,151	1,554,729	2,276,393	-	-	-	-	7,698,273
Premiums earned by reinsurers	62,620	131,412	450,331	-	-	-	-	644,363
Premiums earned in retention	3,804,531	1,423,317	1,826,062	-	-	-	-	7,053,910
Investment income (losses), net, and finance income	2,294,145	74,565	195,470	4,000	120,478	88,413	(2,641)	2,774,430
Management fees	701,711	-	-	154,000	52,447	3,003	(53,350)	857,811
Revenue from commissions	18,821	22,642	64,507	-	234,743	-	(81,482)(1)	259,231
Revenue from financial and other services	-	-	-	202,822	-	-	-	202,822
Other revenue	-	-	-	-	43,010	-	(1,061)	41,949
Total revenue	6,819,208	1,520,524	2,086,039	360,822	450,678	91,416	(138,534)	11,190,153
Increase in insurance liabilities and payments for insurance contracts	5,761,088	1,205,497	1,430,705	-	-	-	-	8,397,290
Less - reinsurance	32,293	137,517	280,924	-	-	-	-	450,734
	5,728,795	1,067,980	1,149,781	-	-	-	-	7,946,556
Commissions and other acquisition costs	545,936	313,182	465,655	63,000	3,728	-	(77,721)	1,313,780
General and administrative expenses	439,399	89,054	122,964	177,000	219,729	40,418	(58,293)	1,030,271
Other expenses	22,069	-	-	1,886	11,787	314	-	36,056
Finance expenses (income)	1,272	-	15,379	3,000	5,378	101,989	(458)	126,560
Total expenses	6,737,471	1,470,216	1,753,779	244,886	240,622	142,721	(136,472)	10,453,223
Company's share of net expenses of investees	22,170	-	7,819	3,000	12,944	-	-	45,933
Income (loss) before taxes on income	103,907	50,308	340,079	118,936	223,000	(51,305)	(2,062)	782,863
Other comprehensive loss before taxes on income	(5,351)	(8,936)	(54,066)	-	(1,107)	(29,829)	-	(99,289)
Total comprehensive income (loss) before taxes on income	98,556	41,372	286,013	118,936	221,893	(81,134)	(2,062)	683,574
	December 31, 2014							
	Audited							
	NIS thousands							
Gross liabilities for unit linked insurance contracts and investment contracts	34,773,513	376,158	-	-	-	-	-	35,149,671
Gross liabilities for non- unit linked insurance contracts and investment contracts	11,488,372	1,620,428	5,272,410	-	-	-	-	18,381,210

(*) See section B below for further information about life insurance and long-term savings.
(**) See section C below for further information about general insurance.
(1) Due to revenue from fees from agencies owned by the Group, mainly from operations in life insurance and long-term savings.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

B. Additional information about the life insurance and long-term savings segment

	Six months ended June 30, 2015			
	Life insurance	Provident fund management	Pension fund management	Total
	Unaudited			
	NIS thousands			
Premiums earned, gross	2,043,129	-	-	2,043,129
Premiums earned by reinsurers	19,558	-	-	19,558
Premiums earned in retention	2,023,571	-	-	2,023,571
Income from investments, net	1,419,779	154	1,383	1,421,316
Management fees	276,826	98,670	67,237	442,733
Revenue from commissions	8,401	-	-	8,401
Other revenue	171	-	-	171
Total revenue	3,728,748	98,824	68,620	3,896,192
Payments and changes in liabilities for insurance contracts and investment contracts, gross	3,405,415	-	-	3,405,415
Share of reinsurers in payments and changes in liabilities for insurance contracts	(27)	-	-	(27)
Payments and changes in liabilities for insurance contracts and investment contracts in retention	3,405,442	-	-	3,405,442
Commissions, marketing expenses, and other acquisition costs	240,233	22,197	40,853	303,283
General and administrative expenses	155,353	58,374	22,748	236,475
Other expenses	4,484	6,453	188	11,125
Finance income	(807)	-	-	(807)
Total expenses	3,804,705	87,024	63,789	3,955,518
Company's share of net expenses of investees	351	-	-	351
Income (loss) before taxes on income	(75,606)	11,800	4,831	(58,975)
Other comprehensive loss before taxes on income	(5,895)	-	-	(5,895)
Total other comprehensive income (loss) for the period before taxes on income	(81,501)	11,800	4,831	(64,870)

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

B. Additional information about the life insurance and long-term savings segment (contd.)

	Six months ended June 30, 2014			
	Life insurance	Provident fund management	Pension fund management	Total
	Unaudited			
	NIS thousands			
Premiums earned, gross	2,038,304	-	-	2,038,304
Premiums earned by reinsurers	30,600	-	-	30,600
Premiums earned in retention	2,007,704	-	-	2,007,704
Income from investments, net	1,352,192	152	1,211	1,353,555
Management fees	228,532	95,725	56,498	380,755
Revenue from commissions	6,817	-	-	6,817
Total revenue	3,595,245	95,877	57,709	3,748,831
Payments and changes in liabilities for insurance contracts and investment contracts, gross	3,270,120	-	-	3,270,120
Share of reinsurers in payments and changes in liabilities for insurance contracts	16,996	-	-	16,996
Payments and changes in liabilities for insurance contracts and investment contracts in retention	3,253,124	-	-	3,253,124
Commissions, marketing expenses, and other acquisition costs	205,431	18,465	34,538	258,434
General and administrative expenses	146,478	60,755	18,327	225,560
Other expenses	924	5,201	192	6,317
Finance expenses	439	-	-	439
Total expenses	3,606,396	84,421	53,057	3,743,874
Company's share of net expenses of investees	6,267	-	-	6,267
Income (loss) before taxes on income	(4,884)	11,456	4,652	11,224
Other comprehensive income before taxes on income	2,940	-	-	2,940
Total other comprehensive income (loss) for the period before taxes on income	(1,944)	11,456	4,652	14,164

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

B. Additional information about the life insurance and long-term savings segment (contd.)

	Three months ended June 30, 2015			
	Life insurance	Provident fund management	Pension fund management	Total
	Unaudited			
	NIS thousands			
Premiums earned, gross	1,059,298	-	-	1,059,298
Premiums earned by reinsurers	4,321	-	-	4,321
Premiums earned in retention	1,054,977	-	-	1,054,977
Income from investments, net	(156,646)	(37)	(561)	(157,244)
Management fees	13,285	47,358	34,571	95,214
Revenue from commissions	3,848	-	-	3,848
Total revenue	915,464	47,321	34,010	996,795
Payments and changes in liabilities for insurance contracts and investment contracts, gross	754,175	-	-	754,175
Share of reinsurers in payments and changes in liabilities for insurance contracts	(3,878)	-	-	(3,878)
Payments and changes in liabilities for insurance contracts and investment contracts in retention	758,053	-	-	758,053
Commissions, marketing expenses, and other acquisition costs	116,108	10,544	20,803	147,455
General and administrative expenses	77,698	28,664	12,608	118,970
Other expenses	386	3,471	94	3,951
Finance expenses	1,796	-	-	1,796
Total expenses	954,041	42,679	33,505	1,030,225
Company's share of net expenses of investees	4,365	-	-	4,365
Income (loss) before taxes on income	(34,212)	4,642	505	(29,065)
Other comprehensive loss before taxes on income	(52,392)	-	-	(52,392)
Total other comprehensive income (loss) for the period before taxes on income	(86,604)	4,642	505	(81,457)

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

B. Additional information about the life insurance and long-term savings segment (contd.)

	Three months ended June 30, 2014			
	Life insurance	Provident fund management	Pension fund management	Total
	Unaudited			
	NIS thousands			
Premiums earned, gross	1,058,316	-	-	1,058,316
Premiums earned by reinsurers	15,148	-	-	15,148
Premiums earned in retention	1,043,168	-	-	1,043,168
Income from investments, net	478,879	51	394	479,324
Management fees	75,864	46,932	29,819	152,615
Revenue from commissions	3,091	-	-	3,091
Total revenue	1,601,002	46,983	30,213	1,678,198
Payments and changes in liabilities for insurance contracts and investment contracts, gross	1,532,980	-	-	1,532,980
Share of reinsurers in payments and changes in liabilities for insurance contracts	9,093	-	-	9,093
Payments and changes in liabilities for insurance contracts and investment contracts in retention	1,523,887	-	-	1,523,887
Commissions, marketing expenses, and other acquisition costs	102,376	9,289	17,814	129,479
General and administrative expenses	73,227	32,712	9,273	115,212
Other expenses (income), net	(1,785)	2,101	96	412
Finance expenses	1,376	-	-	1,376
Total expenses	1,699,081	44,102	27,183	1,770,366
Company's share of net expenses of investees	4,079	-	-	4,079
Income (loss) before taxes on income	(94,000)	2,881	3,030	(88,089)
Other comprehensive loss before taxes on income	(16,588)	-	-	(16,588)
Total comprehensive income (loss) before taxes on income	(110,588)	2,881	3,030	(104,677)

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

B. Additional information about the life insurance and long-term savings segment (contd.)

	Year ended December 31, 2014			
	Life insurance	Provident fund management	Pension fund management	Total
	Audited			
	NIS thousands			
Premiums earned, gross	3,867,151	-	-	3,867,151
Premiums earned by reinsurers	62,620	-	-	62,620
Premiums earned in retention	3,804,531	-	-	3,804,531
Income from investments, net	2,292,106	146	1,893	2,294,145
Management fees	389,297	189,688	122,726	701,711
Revenue from commissions	18,821	-	-	18,821
Total revenue	6,504,755	189,834	124,619	6,819,208
Payments and changes in liabilities for insurance contracts and investment contracts, gross	5,761,088	-	-	5,761,088
Share of reinsurers in payments and changes in liabilities for insurance contracts	32,293	-	-	32,293
Payments and changes in liabilities for insurance contracts and investment contracts in retention	5,728,795	-	-	5,728,795
Commissions, marketing expenses, and other acquisition costs	431,596	38,676	75,664	545,936
General and administrative expenses	286,489	113,806	39,104	439,399
Other expenses	2,291	19,402	376	22,069
Finance expenses	1,272	-	-	1,272
Total expenses	6,450,443	171,884	115,144	6,737,471
Company's share of net expenses of investees	22,170	-	-	22,170
Income before taxes on income	76,482	17,950	9,475	103,907
Other comprehensive loss before taxes on income	(5,351)	-	-	(5,351)
Total other comprehensive income for the period before taxes on income	71,131	17,950	9,475	98,556

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

C. Additional information about the general insurance segment

	Six months ended June 30, 2015				
	Compulsory motor	Motor property	Property insurance and others (*)	Other liability insurance (**)	Total
	Unaudited				
	NIS thousands				
Gross premiums	261,007	459,155	358,097	207,317	1,285,576
Premiums, reinsurance	4,808	-	196,101	43,649	244,558
Premiums, retention	256,199	459,155	161,996	163,668	1,041,018
Change in unearned premium balance, in retention	33,264	39,948	11,577	20,795	105,584
Premiums earned in retention	222,935	419,207	150,419	142,873	935,434
Investment income, net, and finance income	34,044	7,941	3,271	21,078	66,334
Revenue from commissions	-	-	40,243	6,903	47,146
Total revenue	256,979	427,148	193,933	170,854	1,048,914
Payments and change in liabilities for insurance contracts, gross	175,176	308,071	176,542	129,697	789,486
Share of reinsurers in payments and changes in liabilities for insurance contracts	(754)	(4)	118,334	24,513	142,089
Payments and change in liabilities for insurance contracts in retention	175,930	308,075	58,208	105,184	647,397
Commissions, marketing expenses, and other acquisition costs	21,984	97,881	77,528	39,642	237,035
General and administrative expenses	12,395	21,546	15,703	9,766	59,410
Finance income	(1,477)	-	(142)	(915)	(2,534)
Total expenses	208,832	427,502	151,297	153,677	941,308
Company's share of net expenses of investees	922	206	89	571	1,788
Income (loss) before taxes on income	49,069	(148)	42,725	17,748	109,394
Other comprehensive loss before taxes on income	(3,570)	(798)	(343)	(2,210)	(6,921)
Total comprehensive income (loss) before taxes on income	45,499	(946)	42,382	15,538	102,473
Liabilities for insurance contracts as of June 30, 2015	2,304,556	612,823	716,668	1,789,880	5,423,927
Liabilities for insurance contracts in retention as of June 30, 2015	2,262,912	612,844	231,440	1,418,664	4,525,860

(*) Property insurance and others include mainly information from comprehensive homeowners' insurance, comprehensive business insurance, and property loss, the operations of which account for 78% of the premiums in these branches.

(**) Other liability branches include mainly information from third-party branches, employers and professional insurance, the operations of which account for 86% of the premiums in these branches.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

C. Additional information about the general insurance segment (contd.)

	Six months ended June 30, 2014				
	Compulsory motor	Motor property	Property insurance and others (*)	Other liability insurance (**)	Total
	Unaudited				
	NIS thousands				
Gross premiums	246,587	444,629	371,938	198,778	1,261,932
Premiums, reinsurance	4,509	-	212,126	38,001	254,636
Premiums, retention	242,078	444,629	159,812	160,777	1,007,296
Change in unearned premium balance, in retention	35,853	39,233	8,917	23,237	107,240
Premiums earned in retention	206,225	405,396	150,895	137,540	900,056
Investment income, net, and finance income	57,393	13,783	5,947	36,757	113,880
Revenue from commissions	-	-	18,940	2,306	21,246
Total revenue	263,618	419,179	175,782	176,603	1,035,182
Payments and change in liabilities for insurance contracts, gross	171,451	281,451	125,769	79,711	658,382
Share of reinsurers in payments and changes in liabilities for insurance contracts	(1,221)	36	85,988	(11,272)	73,531
Payments and change in liabilities for insurance contracts in retention	172,672	281,415	39,781	90,983	584,851
Commissions, marketing expenses, and other acquisition costs	20,638	93,067	74,361	37,249	225,315
General and administrative expenses	12,088	21,579	17,013	9,666	60,346
Finance expenses	220	-	23	140	383
Total expenses	205,618	396,061	131,178	138,038	870,895
Company's share of net expenses of investees	398	96	41	255	790
Income before taxes on income	58,398	23,214	44,645	38,820	165,077
Other comprehensive loss before taxes on income	(3,670)	(885)	(380)	(2,351)	(7,286)
Total other comprehensive income for the period before taxes on income	54,728	22,329	44,265	36,469	157,791
Liabilities for insurance contracts as of June 30, 2014	2,215,118	616,861	740,725	1,742,892	5,315,596
Liabilities for insurance contracts in retention as of June 30, 2014	2,163,921	616,891	223,304	1,386,934	4,391,050

(*) Property insurance and others include mainly information from comprehensive homeowners' insurance, comprehensive business insurance, and property loss, the operations of which account for 77% of the premiums in these branches.

(**) Other liability branches include mainly information from third-party branches, employers and professional insurance, the operations of which account for 87% of the premiums in these branches.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

C. Additional information about the general insurance segment (contd.)

	Three months ended June 30, 2015				
	Compulsory motor	Motor property	Property insurance and others (*)	Other liability insurance (**)	Total
	Unaudited				
	NIS thousands				
Gross premiums	103,456	193,954	146,528	80,442	524,380
Premiums, reinsurance	2,335	-	82,593	19,070	103,998
Premiums, retention	101,121	193,954	63,935	61,372	420,382
Change in unearned premium balance, in retention	(12,067)	(18,082)	(10,452)	(13,428)	(54,029)
Premiums earned in retention	113,188	212,036	74,387	74,800	474,411
Investment income, net, and finance income	23,634	5,991	2,286	14,602	46,513
Revenue from commissions	-	-	22,044	4,771	26,815
Total revenue	136,822	218,027	98,717	94,173	547,739
Payments and change in liabilities for insurance contracts, gross	84,616	157,653	99,679	55,827	397,775
Share of reinsurers in payments and changes in liabilities for insurance contracts	(1,294)	2	72,220	4,141	75,069
Payments and change in liabilities for insurance contracts in retention	85,910	157,651	27,459	51,686	322,706
Commissions, marketing expenses, and other acquisition costs	12,897	52,313	40,466	20,183	125,859
General and administrative expenses	6,442	11,503	8,190	4,869	31,004
Finance income	(3,347)	-	(319)	(2,078)	(5,744)
Total expenses	101,902	221,467	75,796	74,660	473,825
Company's share of net expenses of investees	537	118	53	332	1,040
Income (loss) before taxes on income	35,457	(3,322)	22,974	19,845	74,954
Other comprehensive loss before taxes on income	(35,904)	(8,183)	(3,402)	(22,323)	(69,812)
Total comprehensive income (loss) before taxes on income	(447)	(11,505)	19,572	(2,478)	5,142
Liabilities for insurance contracts as of June 30, 2015	2,304,556	612,823	716,668	1,789,880	5,423,927
Liabilities for insurance contracts in retention as of June 30, 2015	2,262,912	612,844	231,440	1,418,664	4,525,860

(*) Property insurance and others include mainly information from comprehensive homeowners' insurance, comprehensive business insurance, and property loss, the operations of which account for 76% of the premiums in these branches.

(**) Other liability branches include mainly information from third-party branches, employers and professional insurance, the operations of which account for 85% of the premiums in these branches.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

C. Additional information about the general insurance segment (contd.)

	Three months ended June 30, 2014				
	Compulsory motor	Motor property	Property insurance and others (*)	Other liability insurance (**)	Total
	Unaudited				
	NIS thousands				
Gross premiums	100,495	194,581	154,903	78,088	528,067
Premiums, reinsurance	2,191	-	92,515	21,170	115,876
Premiums, retention	98,304	194,581	62,388	56,918	412,191
Change in unearned premium balance, in retention	(7,000)	(9,970)	(11,373)	(14,673)	(43,016)
Premiums earned in retention	105,304	204,551	73,761	71,591	455,207
Investment income, net, and finance income	29,858	7,274	3,097	19,011	59,240
Revenue from commissions	-	-	10,772	848	11,620
Total revenue	135,162	211,825	87,630	91,450	526,067
Payments and change in liabilities for insurance contracts, gross	86,549	143,466	48,707	27,161	305,883
Share of reinsurers in payments and changes in liabilities for insurance contracts	(446)	21	29,391	(14,943)	14,023
Payments and change in liabilities for insurance contracts in retention	86,995	143,445	19,316	42,104	291,860
Commissions, marketing expenses, and other acquisition costs	11,653	49,007	38,150	19,083	117,893
General and administrative expenses	5,500	10,361	7,782	4,265	27,908
Finance income	(262)	-	(27)	(171)	(460)
Total expenses	103,886	202,813	65,221	65,281	437,201
Company's share of net expenses of investees	214	52	22	137	425
Income before taxes on income	31,490	9,064	22,431	26,306	89,291
Other comprehensive loss before taxes on income	(12,685)	(3,054)	(1,313)	(8,161)	(25,213)
Total other comprehensive income for the period before taxes on income	18,805	6,010	21,118	18,145	64,078
Liabilities for insurance contracts as of June 30, 2014	2,215,118	616,861	740,725	1,742,892	5,315,596
Liabilities for insurance contracts in retention as of June 30, 2014	2,163,921	616,891	223,304	1,386,934	4,391,050

(*) Property insurance and others include mainly information from comprehensive homeowners' insurance, comprehensive business insurance, and property loss, the operations of which account for 78% of the premiums in these branches.

(**) Other liability branches include mainly information from third-party branches, employers and professional insurance, the operations of which account for 86% of the premiums in these branches.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 3 – OPERATING SEGMENTS (CONTD.)

C. Additional information about the general insurance segment (contd.)

	Year ended December 31, 2014				
	Compulsory motor	Motor property	Property insurance and others (*)	Other liability insurance (**)	Total
	Audited				
	NIS thousands				
Gross premiums	448,256	832,154	669,296	380,512	2,330,218
Premiums, reinsurance	8,916	-	371,367	91,409	471,692
Premiums, retention	439,340	832,154	297,929	289,103	1,858,526
Change in unearned premium balance, in retention	14,283	9,170	1,282	7,729	32,464
Premiums earned in retention	425,057	822,984	296,647	281,374	1,826,062
Investment income, net, and finance income	99,898	21,061	11,062	63,449	195,470
Revenue from commissions	-	-	61,852	2,655	64,507
Total revenue	524,955	844,045	369,561	347,478	2,086,039
Payments and change in liabilities for insurance contracts, gross	318,885	563,481	365,516	182,823	1,430,705
Share of reinsurers in payments and changes in liabilities for insurance contracts	(5,409)	233	269,357	16,743	280,924
Payments and change in liabilities for insurance contracts in retention	324,294	563,248	96,159	166,080	1,149,781
Commissions, marketing expenses, and other acquisition costs	44,722	194,181	152,523	74,229	465,655
General and administrative expenses	24,182	45,202	33,314	20,266	122,964
Finance expenses	8,809	-	975	5,595	15,379
Total expenses	402,007	802,631	282,971	266,170	1,753,779
Company's share of net expenses of investees	3,955	914	438	2,512	7,819
Income before taxes on income	126,903	42,328	87,028	83,820	340,079
Other comprehensive loss before taxes on income	(27,348)	(6,323)	(3,027)	(17,368)	(54,066)
Total other comprehensive income for the period before taxes on income	99,555	36,005	84,001	66,452	286,013
Liabilities in respect of insurance contracts as of December 31, 2014	2,214,280	566,117	744,374	1,747,639	5,272,410
Liabilities for insurance contracts in retention as of December 31, 2014	2,171,019	566,143	216,717	1,363,677	4,317,556

(*) Property insurance and others include mainly information from comprehensive homeowners' insurance, comprehensive business insurance, and property loss, the operations of which account for 75% of the premiums in these branches.

(**) Other liability branches include mainly information from third-party branches, employers and professional insurance, the operations of which account for 88% of the premiums in these branches.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS

A. Assets for unit linked contracts

1. Assets held against insurance contracts and investment contracts at fair value through profit and loss:

	June 30		December 31
	2015	2014	2014
	Unaudited		Audited
	NIS thousands		
Investment property	1,036,448	1,033,778	1,094,954
Financial investments:			
Marketable debt assets	14,503,134	13,633,105	15,209,782
Non-marketable debt assets	4,687,484	4,180,229	4,387,012
Shares	7,590,329	6,443,444	6,664,480
Other financial investments	5,513,452	5,324,498	5,177,532
Total other finance investments	32,294,399	29,581,276	31,438,806
Cash and cash equivalents	4,406,432	2,739,073	2,651,399
Other	160,508	187,419	154,072
Total assets for unit linked contracts	37,897,787	33,541,546	35,339,231

2. Fair value hierarchy of financial assets

The following table presents an analysis of assets held against insurance contracts and investment contracts at fair value through profit and loss. The hierarchy is as follows:

Level 1: quoted prices (unadjusted) in active markets for identical instruments
Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
Level 3: inputs that are not based on observable market data (unobservable inputs)

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

As of June 30, 2015, the Company holds financial instruments measured at fair value classified as follows:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousands			
Financial investments:				
Marketable debt assets	14,503,134	-	-	14,503,134
Non-marketable debt assets	-	4,537,640	149,844	4,687,484
Shares	7,528,200	-	62,129	7,590,329
Others	2,560,811	983,572	1,969,069	5,513,452
Total	24,592,145	5,521,212	2,181,042	32,294,399

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

A. Assets for unit linked contracts (contd.)

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousands			
Financial investments:				
Marketable debt assets	13,633,105	-	-	13,633,105
Non-marketable debt assets	-	4,080,856	99,373	4,180,229
Shares	6,405,470	-	37,974	6,443,444
Others	3,058,523	588,143	1,677,832	5,324,498
Total	23,097,098	4,668,999	1,815,179	29,581,276

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	Audited			
	NIS thousands			
Financial investments:				
Marketable debt assets	15,209,782	-	-	15,209,782
Non-marketable debt assets	-	4,299,184	87,828	4,387,012
Shares	6,601,609	-	62,871	6,664,480
Others	2,413,164	800,279	1,964,089	5,177,532
Total	24,224,555	5,099,463	2,114,788	31,438,806

Assets measured at fair value, Level 3

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Unaudited				
	NIS thousands				
Balance as of January 1, 2015	-	87,828	62,871	1,964,089	2,114,788
Total profit (losses) recognized in profit or loss (*)	-	(3,558)	(742)	107,351	103,051
Purchases	-	68,358	-	119,336	187,694
Interest and dividend proceeds	-	(1,510)	-	(128,357)	(129,867)
Redemptions/sales	-	(1,274)	-	(93,350)	(94,624)
Balance as of June 30, 2015	-	149,844	62,129	1,969,069	2,181,042
(*) Of which:					
Total unrealized profits (losses) for the period recognized in profit or loss for assets held as of June 30, 2015	-	(3,462)	(742)	108,763	104,559

In the six months ended June 30, 2015, there were no material transfers between Level 1 and Level 2.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

A. Assets for unit linked contracts (contd.)

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Unaudited				
	NIS thousands				
Balance as of January 1, 2014	-	89,121	83,467	1,584,068	1,756,656
Total profit recognized in the statement of income (*)	-	10,363	6,960	121,229	138,552
Purchases	-	9,844	-	113,025	122,869
Interest and dividend proceeds	-	(2,998)	(503)	(62,699)	(66,200)
Redemptions/sales	-	(6,957)	(51,950)	(77,791)	(136,698)
Balance as of June 30, 2014	-	99,373	37,974	1,677,832	1,815,179
(*) Of which:					
Total unrealized profits (losses) for the period recognized in profit or loss for assets held as of June 30, 2014	-	10,693	(28)	120,066	130,731

In the six months ended June 30, 2014, there were no material transfers between Level 1 and Level 2.

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Unaudited				
	NIS thousands				
Balance as of April 1, 2015	-	82,354	60,961	1,967,710	2,111,025
Total profit (losses) recognized in profit or loss (*)	-	(379)	1,168	20,136	20,925
Purchases	-	68,358	-	55,284	123,642
Interest and dividend proceeds	-	(206)	-	(46,043)	(46,249)
Redemptions/sales	-	(283)	-	(28,018)	(28,301)
Balance as of June 30, 2015	-	149,844	62,129	1,969,069	2,181,042
(*) Of which:					
Total unrealized profits (losses) for the period recognized in profit or loss for assets held as of June 30, 2015	-	(374)	1,168	21,449	22,243

In the three months ended March 30, 2015, there were no material transfers between Level 1 and Level 2.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

A. Assets for unit linked contracts (contd.)

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Unaudited				
	NIS thousands				
Balance as of April 1, 2014	-	95,771	83,967	1,658,465	1,838,203
Total profit recognized in the statement of income (*)	-	9,853	6,271	59,846	75,970
Purchases	-	15	-	41,412	41,427
Interest and dividend proceeds	-	(1,551)	(314)	(34,347)	(36,212)
Redemptions/sales	-	(4,715)	(51,950)	(47,544)	(104,209)
Balance as of June 30, 2014	-	99,373	37,974	1,677,832	1,815,179
(*) Of which:					
Total unrealized profits (losses) for the period recognized in profit or loss for assets held as of June 30, 2014	-	10,183	(717)	60,971	70,437

In the three months ended March 30, 2014, there were no material transfers between Level 1 and Level 2.

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Audited				
	NIS thousands				
Balance as of January 1, 2014	-	89,121	83,467	1,584,068	1,756,656
Total profit recognized in the statement of income (*)	-	3,855	31,825	387,917	423,597
Purchases	-	12,626	-	307,756	320,382
Interest and dividend proceeds	-	(4,614)	(503)	(155,488)	(160,605)
Redemptions/sales	-	(11,913)	(51,918)	(160,164)	(223,995)
Transfer from level 3	-	(1,247)	-	-	(1,247)
Balance as of December 31, 2014	-	87,828	62,871	1,964,089	2,114,788
(*) Of which:					
Total unrealized profits for the period recognized in profit or loss for assets held as of December 31, 2014	-	3,840	24,598	385,784	414,222

In the year ended December 31, 2014, there were no material transfers between Level 1 and Level 2.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

B. Other financial investments

1. Non-marketable debt assets

Composition:

	June 30, 2015	
	Carrying amount	Fair value
	Unaudited	
	NIS thousands	
Government bonds		
Presented as loans and receivables		
Designated debentures (*)	6,705,237	8,732,307
Other non-convertible debt assets:		
Presented as loans and receivables, except for bank deposits	3,417,908	4,063,821
Bank deposits	868,782	991,580
Total other non-convertible debt assets	4,286,690	5,055,401
Total non-marketable debt assets	10,991,927	13,787,708
Impairment recognized in profit or loss (cumulative)	86,465	

(*) Fair value based on the contractual repayment date

	June 30, 2014	
	Carrying amount	Fair value
	Unaudited	
	NIS thousands	
Government bonds:		
Presented as loans and receivables		
Designated debentures (*)	6,374,314	8,279,026
Other debentures	208	538
Total government bonds	6,374,522	8,279,564
Other non-convertible debt assets:		
Presented as loans and receivables, except for bank deposits	2,994,181	3,883,336
Bank deposits	728,450	873,167
Total other non-convertible debt assets	3,722,631	4,756,503
Total non-marketable debt assets	10,097,153	13,036,067
Impairment recognized in profit or loss (cumulative)	106,570	

(*) Fair value based on the contractual repayment date

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

B. Other financial investments (contd.)

	December 31, 2014	
	Carrying amount	Fair value
	Audited	
	NIS thousands	
Government bonds:		
Presented as loans and receivables		
Designated debentures (*)	6,580,549	8,536,728
Other debentures	216	672
Total government bonds	6,580,765	8,537,400
Other non-convertible debt assets		
Presented as loans and receivables, except for bank deposits	3,228,121	4,001,002
Bank deposits	761,585	895,496
Total other non-convertible debt assets	3,989,706	4,896,498
Total non-marketable debt assets	10,570,471	13,433,898
Impairment recognized in profit or loss (cumulative)	88,126	

(*) Fair value based on the contractual repayment date

2. Fair value hierarchy of financial assets

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousands			
Marketable debt assets	5,952,438	-	-	5,952,438
Shares	881,980	-	40,125	922,105
Others	642,539	50,231	320,451	1,013,221
Total	7,476,957	50,231	360,576	7,887,764

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousands			
Marketable debt assets	5,350,878	-	-	5,350,878
Shares	669,750	-	28,250	698,000
Others	852,630	30,354	265,631	1,148,615
Total	6,873,258	30,354	293,881	7,197,493

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

B. Other financial investments (contd.)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	Audited			
	NIS thousands			
Marketable debt assets	5,503,979	-	-	5,503,979
Shares	705,785	-	39,460	745,245
Others	914,858	20,343	301,704	1,236,905
Total	7,124,622	20,343	341,164	7,486,129

Assets measured at fair value, Level 3

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss and available for sale financial assets				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Unaudited				
	NIS thousands				
Balance as of January 1, 2015	-	-	39,460	301,704	341,164
Total profit (losses) recognized in:					
Profit or loss (*)	-	-	(476)	12,382	11,906
Other comprehensive income	-	-	1,141	(3,873)	(2,732)
Purchases	-	-	-	33,545	33,545
Interest and dividend proceeds	-	-	-	(13,617)	(13,617)
Redemptions/sales	-	-	-	(9,690)	(9,690)
Balance as of June 30, 2015	-	-	40,125	320,451	360,576
(*) Of which:					
Total unrealized profits (losses) for the period recognized in profit or loss for assets held as of June 30, 2015	-	-	(476)	12,745	12,269

In the six months ended June 30, 2015, there were no material transfers between Level 1 and Level 2.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

B. Other financial investments (contd.)

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss and available for sale financial assets				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Unaudited				
	NIS thousands				
Balance as of January 1, 2014	-	-	29,845	243,768	273,613
Total profit (losses) recognized in:					
Profit or loss (*)	-	-	(24)	14,380	14,356
Other comprehensive income	-	-	(1,571)	6,207	4,636
Purchases	-	-	-	14,633	14,633
Interest and dividend proceeds	-	-	-	(6,083)	(6,083)
Redemptions/sales	-	-	-	(7,274)	(7,274)
Balance as of June 30, 2014	-	-	28,250	265,631	293,881
(*) Of which:					
Total unrealized profits (losses) for the period recognized in profit or loss for assets held as of June 30, 2014	-	-	(24)	16,959	16,935

In the six months ended June 30, 2014, there were no material transfers between Level 1 and Level 2.

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss and available for sale financial assets				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Unaudited				
	NIS thousands				
Balance as of April 1, 2015	-	-	39,551	308,286	347,837
Total profit (losses) recognized in:					
Profit or loss (*)	-	-	574	7,251	7,825
Other comprehensive income	-	-	-	(6,065)	(6,065)
Purchases	-	-	-	20,561	20,561
Interest and dividend proceeds	-	-	-	(5,091)	(5,091)
Redemptions/sales	-	-	-	(4,491)	(4,491)
Balance as of June 30, 2015	-	-	40,125	320,451	360,576
(*) Of which:					
Total unrealized profits for the period recognized in profit or loss for assets held as of June 30, 2015	-	-	574	7,548	8,122

In the three months ended March 30, 2015, there were no material transfers between Level 1 and Level 2.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

B. Other financial investments (contd.)

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss and available for sale financial assets				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Unaudited				
	NIS thousands				
Balance as of April 1, 2014	-	-	28,521	254,375	282,896
Total profit (losses) recognized in:					
Profit or loss (*)	-	-	(41)	5,814	5,773
Other comprehensive income	-	-	(230)	2,305	2,075
Purchases	-	-	-	9,869	9,869
Interest and dividend proceeds	-	-	-	(3,222)	(3,222)
Redemptions/sales	-	-	-	(3,510)	(3,510)
Balance as of June 30, 2014	-	-	28,250	265,631	293,881
(*) Of which:					
Total unrealized profits (losses) for the period recognized in profit or loss for assets held as of June 30, 2014	-	-	(41)	9,138	9,097

In the three months ended March 30, 2014, there were no material transfers between Level 1 and Level 2.

	Fair value at the reporting date				
	Financial assets at fair value through profit or loss and available for sale financial assets				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Audited				
	NIS thousands				
Balance as of January 1, 2014	-	-	29,845	243,768	273,613
Total profit (losses) recognized in:					
Profit or loss (*)	-	-	3,607	38,717	42,324
Other comprehensive income	-	-	6,155	20,588	26,743
Purchases	-	-	-	28,256	28,256
Interest and dividend proceeds	-	-	(147)	(14,905)	(15,052)
Redemptions/sales	-	-	-	(14,720)	(14,720)
Balance as of December 31, 2014	-	-	39,460	301,704	341,164
(*) Of which:					
Total unrealized profits for the period recognized in profit or loss for assets held as of December 31, 2014	-	-	3,607	30,483	34,090

In the year ended December 31, 2014, there were no material transfers between Level 1 and Level 2.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

C. Financial liabilities

1. Financial liabilities

	June 30, 2015	
	Carrying amount	Fair value
	Unaudited	
	NIS thousands	
Financial liabilities measured at reduced cost:		
Loans from banks	17,922	17,922
Short-term credit from banks	108,310	108,310
Debentures	755,972	839,415
Subordinated notes (*)	1,717,211	1,828,677
Deposits from tenants	710,919	710,919
Other	81,558	81,558
Financial liabilities measured at amortized cost:	3,391,892	3,586,801
Financial liabilities at fair value through profit or loss		
Liability for short sale of marketable securities	41,000	41,000
Other	114,023	114,023
	155,023	155,023
Total financial liabilities	3,546,915	3,741,824
(*) Of which subordinated notes comprising subordinated and hybrid tier 2 capital and hybrid tier 3 capital	1,648,877	1,755,908

	June 30, 2014	
	Carrying amount	Fair value
	Unaudited	
	NIS thousands	
Financial liabilities measured at reduced cost:		
Loans from banks	32,848	32,848
Short-term credit from banks	103,006	103,006
Debentures	852,673	915,147
Subordinated notes (*)	1,325,501	1,490,970
Deposits from tenants	700,424	700,424
Other	53,976	53,976
Financial liabilities measured at amortized cost:	3,068,428	3,296,371
Financial liabilities at fair value through profit or loss		
Liability for short sale of marketable securities	92,000	92,000
Other	35,668	35,668
	127,668	127,668
Total financial liabilities	3,196,096	3,424,039
(*) Of which subordinated notes comprising subordinated and hybrid tier 2 capital	1,318,447	1,482,177

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

C. Financial liabilities (Contd.)

	December 31, 2014	
	Carrying amount	Fair value
	Audited	
	NIS thousands	
Financial liabilities measured at reduced cost:		
Loans from banks	24,897	24,897
Short-term credit from banks	60,000	60,000
Debentures	848,482	944,965
Subordinated notes (*)	1,718,845	1,882,962
Deposits from tenants	713,303	713,303
Other	75,777	75,777
	3,441,304	3,701,904
Financial liabilities at fair value through profit or loss		
Liability for short sale of marketable securities	52,000	52,000
Other	101,806	101,806
	153,806	153,806
Total financial liabilities	3,595,110	3,855,710
(*) Of which subordinated notes comprising subordinated and hybrid tier 2 capital and hybrid tier 3 capital	1,534,247	1,680,737

2. Fair value hierarchy of financial liabilities

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousands			
Liabilities for short sale of marketable securities	41,000	-	-	41,000
Other	-	107,811	6,212	114,023
Financial liabilities measured at fair value	41,000	107,811	6,212	155,023

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousands			
Liabilities for short sale of marketable securities	92,000		-	92,000
Other	-	28,363	7,305	35,668
Financial liabilities measured at fair value	92,000	28,363	7,305	127,668

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	Audited			
	NIS thousands			
Liabilities for short sale of marketable securities	52,000	-	-	52,000
Other	-	96,684	5,122	101,806
Financial liabilities measured at fair value	52,000	96,684	5,122	153,806

NOTE 4 - FINANCIAL INSTRUMENTS (CONTD.)

C. Financial liabilities (Contd.)

3. Valuation technique

The fair value of investments actively traded on institutional financial markets is determined by market prices on the reporting date. For investments where there is no active market, fair value is determined as follows:

A) Non-marketable debt assets

The fair value of non-marketable debt assets measured at fair value through profit or loss, and the fair value of non-marketable financial debt assets for which information is provided for disclosure purposes only, are determined by discounting estimated future cash flows. The discount rates are mainly based on the returns of government bonds and margins of corporate debentures as reported on the TASE. The price quotations and interest rates used for discounting are determined by the company that won the tender issued by the Ministry of Finance, for the installation and operation of a database that provides price quotations and interest rates for financial institutions.

In this regard and further to Note 13G to the Annual Financial Statements, it is noted that in accordance with a letter issued by the Ministry of Finance in September 2014, the company that operates the database is expected to implement an updated model in the schedules, which will be announced separately. At this stage, the Company is unable to assess the effect of the expected update in the methodology for the fair value of non-marketable debt assets, nor whether there will be any effect.

B) Non-marketable shares

The DCF model was used to measure the fair value of the investment in non-marketable shares. The estimate requires management to make certain assumptions about the model information, including projected cash flows, discount rates, credit risk, and volatility. The probabilities for the estimates can be reliably measured and management uses them to determine and assess the fair value of those investments in non-marketable shares.

C) Derivatives

The Company has transactions in derivative financial instruments with several parties, mainly financial institutions. Derivatives evaluated using evaluation models with observable market data are mainly interest rate swap contracts and forward contracts on foreign exchange. The most frequent assessment techniques that are used include forward prices and swap models used to calculate present value. The models integrate several data, including the credit rating of the parties to the financial transaction, the spot exchange rate, rate of forward contracts, and interest curves. All derivative contracts are fully backed against cash, therefore there is no counterparty credit risk and non-performance risk of the Company itself.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 5 – EQUITY AND CAPITAL REQUIREMENTS

Capital management and capital requirements

1. Management's policy is to maintain a strong capital base in order to preserve the ability of the Company to continue operating in variable market conditions and to generate profits for its shareholders while maintaining financial stability.
   The Phoenix Insurance, Excellence Group and other institutions consolidated in its financial statements are subject to the capital requirements determined by the Commissioner of Insurance.
2. The information about capital requirements should be read together with the information in Note 7(5) to the Annual Financial Statements.
3. The information below about the required and existing equity of The Phoenix Insurance is in accordance with Control of Financial Services Regulations (Insurance) (Minimum Equity Required of an Insurer), 1998 and its provisions ("the Capital Regulations") and the Commissioner's directives.

	June 30 2015 Unaudited	December 31 2014 Audited
	NIS thousands	
Amount required according to the Regulations and guidelines of the Commissioner (A)	3,179,679	3,017,615
The existing amount is calculated according to the Capital Regulations:		
Tier 1 capital	2,475,898	2,714,947
Hybrid tier 2 capital (see section 7 below)	1,124,285	777,324
Subordinated tier 2 capital (see section 7 below) (B)	129,624	362,136
Total subordinated capital	1,253,909	1,139,460
Hybrid tier 3 capital	394,968	394,787
	1,648,877	1,534,247
Total existing capital according to the Capital Regulations	4,124,775	4,249,194
Excess (*)	945,096	1,231,579
Capital transactions subsequent to the reporting date		
Dividend paid	-	(200,000)
Excess taking into account events subsequent to the reporting date	945,096	1,031,579
(*) Distributions of dividend from excess capital in insurance companies are also subject to solvency requirements and the rules of the Investment Regulations, in addition to the general requirements in the Companies Law.		
In this matter, the amount of the investment in investees, against which it is mandatory to place excess capital under the Commissioner's guidelines, therefore constituting non-distributable excess	566,291	542,633
(A) Amount required including capital requirements for:		
for activities in general insurance/required tier I capital	498,349	484,337
Long-term care insurance	70,368	64,907
Exceptional risks in life insurance	335,791	316,952
Deferred acquisition costs in life insurance and healthcare insurance	1,027,161	989,174
Requirements for guaranteed return plans	27	54
Unrecognized assets as defined in the Capital Regulations	24,293	26,159
Investment in consolidated insurance companies and managing companies	52,572	49,265
Investment assets and other assets	797,695	720,821
Catastrophe risks in general insurance	129,470	131,473
Operating risks	243,953	234,473
Total amount required under the Commissioner's regulations and guidelines	3,179,679	3,017,615

(B) Subordinated notes issued before December 31, 2009

NOTE 5 – EQUITY AND CAPITAL REQUIREMENTS (CONTD.)

Capital management and requirements (contd.)

4. Solvency II

   In November 2014, the Commissioner published a letter to managers of insurance companies ("the Letter") regarding an outline for implementation of a solvency regime based on Solvency II. In the Letter, the Commissioner states that the European parliament voted to adopt the directive in Europe at the beginning of 2016 and timetables for implementation of the final directives were established. As from 2016, before the new regime comes into effect, the intention is to apply quarterly reporting according to the new layout, parallel to reporting the capital requirements in accordance with existing regulations, and insurance companies will be required to comply with the new capital requirements as from the 2016 financial statements. As part of the preparation for implementation of the model, the Ministry of Finance instructs insurance companies to perform calibration tests for the model.

   In April 2015, the Commissioner issued a guideline for implementation of IQIS4 based on December 31, 2014 information. This guideline includes a number of material changes compared to IQIS2, the main ones being stricter capital requirements for debt instruments in Israel, and as a result, stricter margin and concentration scenarios, and a change in shares, interest, cancellations, longevity, illiquidity premium, and risk margin scenarios. In addition, the Commissioner's letter attached to the guidelines states that to remove all doubt and to prevent uncertainty in the preparation process, it is emphasized that the study reflects the Commissioner's decision regarding the adjustments required for the Israeli market and they will be reflected in the new guidelines. In advance of the application of IQIS5 for December 31, 2015 information, the Commissioner will continue to monitor developments in the European guidelines, if any, and will discuss the adjustments required in Israel.

   On July 19, 2015, the Commissioner published transitional guidelines for implementing a solvency regime based on Solvency II, which will be reflected in the guidelines that will replace the current capital regulations. In accordance with these guidelines, the date for completing the measures for compliance with the capital requirements arising from the guideline will be December 31, 2018. In addition, the transitional guidelines allow distribution of some of the capital requirements for shares purchased before the guideline became binding, over seven years.
   As of the publication date of the balance sheet, the Company is still processing, reviewing and studying the results of IQIS4. The results ostensibly reflect that in the absence of adequate preparation, and taking into account the transitional guidelines, the capital deficit may reached hundreds of millions under the solvency regime, most of which can be covered, among other methods, by issuing tier 2 and tier 3 capital in accordance with the current restrictions. It is noted that the deficit is mainly due to the low interest rate and the stricter scenarios that determine the capital requirements.

   As aforesaid, calculation of the economic capital and capital requirements under the solvency regime is a function of the structure and mix of the assets and liabilities of the insurance company. Accordingly, it is possible that The Phoenix will implement measures such as: expansion of the capital base including raising tier 2 and tier 3 capital, change in the mix or hedging of investment assets in nostro portfolios, hedging of insurance liabilities including purchase of reinsurance, management decisions such as selling an insurance portfolio, reducing discounts, and increasing fees.
   It is noted that the surplus capital within Solvency II is highly sensitive to changes in market variables, therefore these results are exposed to frequent changes and high volatility, mainly due to changes in interest rates.

5. The Phoenix Insurance undertook to complement, at any time, the equity of The Phoenix Pension to the amount determined in the Income Tax Regulations (Regulations for Approval and Management of Provident Funds), 1964. This undertaking will be valid as long as The Phoenix Insurance controls The Phoenix Pension, directly or indirectly.

6. Other subsidiaries in the Group require minimum equity in accordance with the Control of Financial Services Regulations (Provident Funds) (Minimum Equity Required of a Management Company of a Provident Fund or Pension Fund), 2012, and the guidelines of the Commissioner of the Capital Market and the Israel Securities Authority, and/or the bylaws of the TASE. As of June 30, 2015, all the subsidiaries are in compliance with these requirements.

7. For information about the exchange of subordinated tier 2 capital with hybrid tier 2 capital under an exchange tender offer, completed by The Phoenix Capital Raising, see Note7 (7) below.

NOTE 6 – CONTINGENT LIABILITIES

A. Class actions: applications for certification of claims as class actions and claims certified as class actions

In recent years, there has been a significant increase in the scope of motions for certification of class action suits against the Company and/or its subsidiaries and the number of claims certified as class actions. This is part of the general increase in motions for certification of class action suits in general, including against companies operating in the same sector as the Company and/or its subsidiaries, mainly due to the Class Actions Law, 2006. This significantly increases the potential exposure of the Company and/or its subsidiaries to losses if the class actions against the Company and/or the subsidiaries are accepted.

Motions for certification of class actions are filed in accordance with the Class Actions Law, 2006 ("the Class Actions Law"). The procedure for motions for certification of class actions is divided into two main stages: The first stage is the hearing of the motion for certification of a class action ("the Motion for Certification" or the "Certification Stage", respectively). If the Motion for Certification is summarily dismissed, the hearing stage on the level of the class action is concluded. A ruling in the Certification Stage may be appealed at the court of appeal. In the second stage, if the Motion for Certification is accepted, the class action will be heard (" the Certification Stage of a Class Action"). The ruling at the Certification Stage of a Class Action can be appealed at the court of appeal. The Class Actions Law includes specific arrangements for settlements, in the approval stage and in the Certification Stage of a Class Action, and arrangements for withdrawal of the plaintiff from the Motion for Certification or from the class action.
Filing class actions in Israel does not involve payment of a fee based on the amount of the claim, therefore, the amounts of the claims may be significantly higher than the actual scope of exposure for the claim.

In respect of the motions for certification of a class action suit (including claims that were certified as class actions and the certification is being appealed) as described in sections 1-22 and 25 below, management believes, based partially, on the opinion of its legal counsel, that it is more likely than not that the statements of defense of the Company and/or its subsidiaries will be accepted and the motion for certification of a class action suit is more likely than not to be rejected, a provision was not included in the financial statements, except for motions for certification of class actions where the Company and / or subsidiaries are willing to settle. Provisions were included in the financial statements to cover the exposure estimated by the Company and/or the subsidiaries for motions for certification as class action lawsuits in which it is more likely than not that the statement of defense of the Company and/or its subsidiaries will be dismissed, or where there is a willingness to settle, as the case may be.
Management believes, based partially on the opinion of its legal counsel, that the financial statements include adequate provisions to cover the exposure estimated by the Company and/or its subsidiaries, or a provision in the amount of the settlement that the Company and/or its subsidiaries is willing to reach, as the case may be.

A significant part of the motions to certify claims as class actions was filed against the Company and/or the subsidiaries for various matters related to insurance contracts and for the ordinary course of the business of the Company and/or the subsidiaries. The Company and/or the subsidiaries have insurance reserves for these claims.
The chances of the motions for certification as a class action, which are described in sections 23, 24, 26, and 27 below, cannot be assessed at this preliminary stage, therefore the financial statements do not include a provision for these claims.

<u>Motions for certification as class action suits:</u>

1. On April 25, 2006, a claim was filed against The Phoenix Insurance and against other insurance companies ("the Defendants"), together with a motion for certification of a class action ("the Motion for Certification"), at the Tel Aviv-Jaffa District Court.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The plaintiffs contend that the Defendants collect monthly premiums for disability insurance, including in the last three months of the insurance period, even though if there is an insurance event in this period, the policyholders will not be entitled to insurance benefits, due to the three-month waiting period, in which only if the policyholder still has work disability, the insurance company will start to pay insurance benefits from this date onwards.
Consequently, the plaintiffs contend that if the insurance period ends after the three-month waiting period (for example, if during that period the policyholder turns 65), a situation will be created where the policyholder will not be eligible for insurance benefits, even though they paid the insurance premium in the waiting period ("the Non-Coverage Period").
The group that the plaintiffs seek to represent includes any person insured by the Defendants for work disability, including the Non-Coverage Period for which premiums are paid, which are valid or their validity ended in the seven years prior to filing the motion for certification.
The damage claimed by the plaintiffs is for the insurance premiums paid for the Non-Coverage Period. According to an expert opinion obtained by the plaintiffs, the preliminary estimate of the damage for 1998-2004 for all the defendants is NIS 47.6 million, and the estimated damage attributed to The Phoenix is approximately NIS 8.1 million.

The remedies sought by the plaintiffs include an injunction requiring The Phoenix Insurance to stop collecting insurance premiums for the Non-Coverage Period; to require the Phoenix Insurance to return to the group the entire insurance fees actually collected for the Non-coverage Period plus linkage differences and interest, as set out in section 28(C) of the Insurance Contract Law, 1981, from the collection date until the date of actual refund or alternatively, plus linkage differences and interest by law; to rule on compensation for the plaintiffs and to award court fees to the plaintiffs' counsel.

The Phoenix Insurance filed its response to the motion for certification. On February 3, 2009, the court accepted the Motion for Certification and certified the claim against all the Defendants as a class action ("the Certification Ruling").
In the Certification Ruling, the court ordered, inter alia, that the class action group is defined as "any eligible person insured by the respondents who paid (or for the mandatory injunctions - who will pay) premiums for the Non-coverage Period". The grounds of the claim are violation of sections 38 and 39 of the Control of Financial Services Law (Insurance), 1981 ("the Control Law"); misleading information under section 55 in the Control Law; breach of contract and misleading information under contract laws; breach of statutory duty; breach of duty to act in good faith under section 39 of the Contracts Law; determination that there is a discriminatory stipulation in a standard contract; unjust enrichment and that the remedy sought is to refund all the insurance premiums that were actually collected from the group members for the Non-coverage Period, plus linkage differences and interest as set out in section 28(C) of the Insurance Contract Law, from the collection date through to the actual refund date, and to order the Defendants to refrain from collecting insurance premiums for the Non-coverage Period.
On April 7, 2009, the court accepted the Defendant's motion to delay the investigation of the class action until the ruling on the motion for leave to appeal the Certification Ruling.
On April 26, 2009, The Phoenix Insurance filed a motion for leave to appeal the Certification Ruling at the Supreme Court. The plaintiffs filed their response to the motion for leave to appeal.
On January 21, 2013, the Supreme Court heard the motion to appeal. On April 11, 2013, the Supreme Court handed down judgment for the motion for leave to appeal, accepting the appeal, by ordering another hearing of the motion for certification as a class action at the District Court, in order to rule on the following issues: whether payment in the last three months of the policy is for services that the policyholders will never be entitled to receive or whether this means distribution of payments based on actuarial calculations, whether the defendant insurance companies violated the duty of disclosure, and whether, in the view of the prima facie factual foundation, the statute of limitations applies in the circumstances of this case In accordance with the District Court ruling in the pretrial hearings held in September 2013 and January 2014, The Phoenix Insurance filed an affidavit of discovery of documents and a supplementary affidavit.
On February 15, 2015, the plaintiffs filed the expert opinion on their behalf. On July 2, 2015, a supplementary affidavit was filed on behalf of the defendants, among others things, with respect to the above opinion. The plaintiff has the right to file a response opinion on his behalf and the case was scheduled for a hearing on December 29, 2015, during which the parties' actuaries will be questioned on their opinions.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

2. On December 19, 2006 a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the Motion for Certification"), at the Tel Aviv-Jaffa District Court.
The lawsuit refers to the Disability from Accidents Appendix, which is attached, at the request of the policyholder, to the life insurance policy ("the Appendix").
The Appendix contains a table listing the monetary compensation to be paid out of the full insurance amount in respect of various forms of bodily damage, such as the loss of a leg or an arm. The plaintiffs claim that the insurance company pays compensation based on the percentage of the disability that was determined for the damaged organ, thus limiting its liability under the policy.
The plaintiff claims, on his behalf and on behalf of the group, that he is entitled to receive appropriate compensation out of the full insurance amount denominated in the policy, according to the disability grade set or to be set.

   The group that the plaintiff wishes to represent is any person who is insured or is a beneficiary, or was insured or was a beneficiary, in policies in which The Phoenix Insurance provides coverage for disability resulting from an accident, who is entitled or was entitled to compensation for this insurance, when the policies indicate that the compensation is an appropriate percentage of the full amount of the insurance stated in the policy, according to the disability rate that was determined or that will be determined, and despite this, compensation was paid according to a disability rate that was lower than that determined, and the payment was made in the last seven years. The group will also include policyholders and beneficiaries under policies issued by insurance companies other than The Phoenix Insurance, which as a result of mergers or other transactions by The Phoenix Insurance, provided or provide insurance coverage in their respect. The remedy requested by the plaintiff is to charge The Phoenix Insurance for the difference between the amount of the compensation due under the policy, according to the plaintiff, and the actual compensation paid, for the entire group.
   The plaintiff does not have information that allows calculation of the total damage for the entire group.

   On January 11, 2009, subsequent to the hearing and written summations, the district court ruled to certify the claim as a class action suit.
   After managing the case in the District Court, including filing of affidavits, written summaries, and completion of oral arguments, on February 27, 2014, the District Court handed down judgment on the class action, ordering restitution to the class members, as defined below, of the difference between the insurance compensation paid to them and the insurance compensation due to them, as a multiplication of the partial and permanent disability that was set for them as the maximum insurance amount in the policy.

   The court defined the class as the group of policyholders who purchased an accident disability policy from The Phoenix Insurance, and when the motion for certification was filed, three years had not passed since the occurrence of the insured event, meaning, since the accident, and who received insurance compensation that is not equivalent to the multiplication of the partial and permanent disability in the maximum insurance amount, including any policyholders with cause that was established up to the judgment, even if they received insurance benefits by virtue of the decision of the Commissioner of Insurance, and even if they signed a waiver or a settlement agreement, provided the settlement agreement does not explicitly refer to this claim, while waiving the policyholder's right to receive the insurance compensation notwithstanding the judgment, as set out above ("the Class").
   However, pursuant to the judgment, policyholders whose case was resolved in a peremptory court ruling and policyholders who signed the settlement agreement or a waiver referring explicitly to this claim, without reserving the policyholder's right to receive the difference in insurance compensation in accordance with the judgment handed down for the claim, are not included in the Class.
   The court further ruled that The Phoenix Insurance is entitled to offset amounts owed to each Class member, as set out above, for any undisputed debt.

   The court appointed an officer to review the eligibility of the Class members and payment of the compensation due to them. The court also ordered payment of compensation to the plaintiff and legal fees to the plaintiff's counsel in amounts that are insignificant to The Phoenix Insurance.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The plaintiff's attorney filed a motion to correct alleged errors in the judgment, mainly: to charge the defendants for interest and linkage differences for their payments to the Class members, to charge the defendants for VAT on payments of attorney's fees and compensation and to charge attorney's fees at the higher rate (10%) for Class members who have not yet received insurance compensation, even if they are payable by virtue of the Commissioner of Insurance's decision.

On April 7, 2014, the court ruled that linkage and interest differentials are to be added to the payment, that the legal fees set include VAT and that there was no reason for amending the ruling in this regard, and that the policyholders eligible for relief under the ruling should be distinguished from the policyholders eligible for relief only under the ruling of the Commissioner, with regard to whom the reduced attorney's fees (3% including VAT) will apply.

On May 1, 2014, the plaintiffs appealed the district court judgment with the Supreme Court Justice with respect to the ruling pertaining to the period of limitation, denial of special interest relief, rewarding the plaintiffs compensation, and their attorneys' fees. The hearing of the appeal is scheduled for October 26, 2015.

In addition, following negotiations with the Commissioner of Insurance, on August 29, 2013, the Commissioner of Insurance issued a draft decision on "payment of insurance compensation in accident disability insurance policies" ("the Draft Decision"), whereby the Phoenix Insurance will pay insurance compensation to the policyholders who are entitled to the difference in insurance compensation according to the calculation method of the Commissioner, pursuant to the decision of May 17, 2006, in the matter of Menora Insurance Company Ltd. The Phoenix Insurance filed and presented to the Commissioner of Insurance its response and reference to the Draft Decision. On May 1, 2014, the Commissioner of Insurance announced that, due to the ruling of the district court, he sees that there is no place for his further handling of the "cryptic coefficient" issue mentioned in the Draft judgment.

3. On January 3, 2008, a claim was filed against The Phoenix Insurance and four other insurance companies ("the Defendants") together with a motion for certification as a class action ("the Motion for Certification") at the Tel Aviv-Jaffa District Court. The claim refers to the sub-annual payment factor, which is payment collected in life insurance policies, when the premium is fixed at an annual sum and is actually paid in a number of installments ("Sub-Annual Payment"). The plaintiff argues that the Defendants collect Sub-Annual Payment at an amount exceeding the allowed rate, and this is done in several ways, as contended by the plaintiff: collection of Sub-Annual Payment for management fees, collection of Sub-Annual Payment at a rate exceeding the permitted rate in the circulars of the Commissioner of Insurance, collection of Sub-Annual Payment for the savings element in life insurance policies and collection of Sub-Annual Payment for policies that are not life-insurance policies.

   The group that plaintiffs seek to represent is anyone who engaged with the Defendants in an insurance contract and who was charged Sub-Annual Payments in circumstances or in an amount that exceeds the maximum. The remedies requested by the plaintiffs include refund of all amounts that the Defendants unlawfully collected, and an injunction instructing the Defendants to change the manner of their operations regarding the issues that are described in the claim.

   The plaintiffs estimate that the amount claimed from all the Defendants is NIS 2.3 billion, of which the amount claimed from The Phoenix Insurance is NIS 284 million (before the amended motion for certification by the plaintiff as described below, the amount claimed from The Phoenix Insurance was NIS 384.5 million).

   The Phoenix Insurance has responded to the motion. On February 1, 2010, the court approved a settlement to strike out the claim and motion that The Phoenix Insurance collected sub-annual rates exceeding the rate set out in the Commissioner's circulars also for policies issued prior to 1992, and the plaintiffs filed an amended claim and motion, accordingly. The Phoenix Insurance responded to the motion for certification and the plaintiffs responded to the response of The Phoenix Insurance. The Phoenix Insurance has the right to respond to the plaintiff's response, and it responded accordingly.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The Commissioner of Insurance submitted his position on the case in accordance with the court order, the plaintiffs responded to this position and the defendants responded to the plaintiffs' response. In a hearing held on February 20, 2014, the court ordered the plaintiffs to announce, within 30 days, how they intend to continue with the procedure. In a hearing held on April 8, 2014, the plaintiffs announced that they wished to continue proceedings on the motion for certification and the case was set for written summation.

The plaintiffs, Phoenix Insurance, and the other defendants filed their summations. On May 12, 2015, a hearing was held to complete the oral argument. The case was scheduled for a hearing on September 21, 2015. The parties are waiting for a decision on the motion for certification.

4. On July 30, 2008, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the Motion for Certification") at the Tel Aviv-Jaffa District Court.
The claim refers to the allegation that The Phoenix Insurance does not compensate its policyholders for protective measures installed in cars in cases of total loss, absolute total loss and partial loss.

   The plaintiff estimates the damage for the group as NIS 27.8 million.
   The group that the plaintiffs seek to represent is any person who, as from April 1, 2004, received compensation from The Phoenix Insurance for damage to a private or commercial vehicle up to 4 tons, including for total loss or theft, when insured by The Phoenix Insurance, with motor insurance in accordance with Part A of the Addendum to the Control of Insurance Business Regulations (Terms of an Insurance Contract for a Private Vehicle), 1986, in full or in part, and did not receive all and/or partial insurance compensation for loss or damage caused to the protection measures installed in the vehicle at the demand of The Phoenix Insurance.
   The Phoenix Insurance has responded to the motion.
   The District Court transfered the claim to a consolidated hearing with seven other claims filed against other insurance companies, with a similar allegation to the allegation in the above claim.
   In July 2011, the Attorney General announced his participation in the case, and explained his position regarding the application of section 1 of the standard policy for insuring a private vehicle (section 1 of the Addendum to the Control of Insurance Business Regulations (Contract Conditions for Insurance of a Private Vehicle), 1986), without stating his position on the actual proceedings.
   On July 2, 2012, a settlement agreement was signed for the claim and six other claims filed on the same matter against six other insurance companies ("the Settlement Agreement").

   In accordance with the Settlement Agreement, without admitting to any contention and/or liability, The Phoenix Insurance was required to pay the group defined in the Settlement Agreement, 50% of the price of the theft protection system that was installed and/or that is in the private vehicle of the policyholder in accordance with the Company's requirements in the policy that was in effect on the date the insurance event occurred, less annual depreciation of 33%. The Phoenix Insurance undertook to contact the policyholders in writing and to announce the settlement agreement in the newspapers.

   The Phoenix Insurance further undertook to pay a minimum amount of NIS 1 million, so that if the total amount paid by The Phoenix Insurance to the group members under the Settlement Agreement falls below this minimum amount, The Phoenix Insurance will make a further distribution to the group members who applied, up to a limit of 100% of the cost of the relevant protection.

   If the total amount of the moneys paid by The Phoenix Insurance to the group members, subsequent to this second distribution, is less than the minimum amount, The Phoenix Insurance will donate the difference between the amount paid to the group members and the minimum amount, to the Krembo Wings Association, a national youth movement for children with special needs.
   In addition, The Phoenix Insurance was required to pay the plaintiff's counsel fees amounting to NIS 139 thousand (including VAT) and paid the plaintiff compensation of NIS 30 thousand.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The court appointed an auditor to review the settlement agreement. The auditor submitted his opinion on December 4, 2013. The Attorney General submitted his position and the parties submitted their responses to his position. In June and July 2014, another two insurance companies announced that they were joining the settlement agreement.

On December 22, 2014, a judgment was handed by the court according to which the settlement arrangement was approved subject to the defendants' consent to amendments required by the court in its judgment.

The amendments refer, among other things, to the calculation of the rate to be refunded, the minimum amount for payment, how the refund will be executed, a mechanism for informing the members of the group, a mechanism for future settlement, and a mechanism for allocating the remaining funds.

The Court ordered all the defendants to respond within 30 days if they are willing to accepted the amendments set out in its judgment and ruled that if the defendants accept the amendments, and after and subject to the auditor's calculations, a judgment will be handed approving the settlement arrangement or instructions will be given regarding further proceedings on the case, and also clarified that the settlement arrangements will be approved only with respect to the defendants who accept the amendments in full.

On January 19, 2015, the parties submitted a consolidated motion for a hearing to be held before the court in regard to the court's ruling of December 22, 2014. On January 21, 2015, the court accepted the motion and set a hearing for February 11, 2015.

At the same time, the defendants filed a request to extend the deadline for filing leave to appeal the court judgment. The request was approved in a ruling by the Registrar of the Supreme Court on January 25, 2015.

On February 11, 2015, a hearing was held at the District Court, during which the Court handed down a few clarifications concerning the settlement agreement. It was also decided that within three weeks, the Attorney General will give his opinion regarding several amendments to the settlement agreement, after which the Court will hand down its ruling on how and under which terms the settlement agreement will be amended with respect to those issues that require the Attorney General's position.
For the sake of caution, on March 5, 2015, a joint petition was filed at the Supreme Court to extend the deadline for filing a motion for leave to appeal until April 21, 2015 The Supreme Court approved this petition.

On April 20, 2015, the position of Attorney General (the Commissioner of Insurance) was submitted. Accordingly, the defendants filed another request to extend the deadline for filing a motion for leave to appeal the court's ruling until June 5, 2015, if necessary. The Supreme Court approved this petition.

Furthermore, in view of the position of the Commissioner of Insurance, the parties were required to file a notice with the court, describing whether, in view of the Commissioner's position, the continuation of the examination may be transferred to a reviewer. On May 3, 2015, the parties informed the court that they do not object to transferring continuation of the examination to a reviewer. The court accepted the parties' notice and on May 4, 2015, the court ordered the parties to inform the court on the progress of the examination and/or its result. The parties submitted the materials to the reviewer and are taking steps to advance the examination process, in accordance with the Court's decision, such that the settlement agreement will include all the group members by the date of its approval by the court.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

5. On April 5, 2009, a motion for certification as a class action suit was filed against Standard and Poor's Maalot Ltd. (“Maalot”), World Currencies Ltd. “World Currencies”), and officers in Excellence Investments Group Ltd. ("Excellence Group" or "Excellence", respectively), Bank Leumi Le Israel Trust Company Ltd. and against Excellence, in respect of the prospectus issued by World Currencies for the public placement of debentures backed by notes issued by Lehman Brothers Bankhaus AG ("Lehman").

   The plaintiff claims that Excellence, World Currencies and officers in the Excellence Group breached various obligations towards the debenture holders, including by not informing them of Lehman’s link to the debentures and Excellence’s dependence and ability to repay from the notes issued by Lehman, in a way that investors relied only on the rating of the debentures by Maalot. It is further claimed that Excellence did not report that the collapse of Lehman Germany could possibly affect the repayment of the debentures and reduce the value of the debentures, that the Excellence failed to inform the investors in real time of the implications of the economic crisis on the full and timely repayment of the debentures and that Excellence was negligent when including the opinion of Maalot in the prospectus.
   The plaintiff is one of the debenture holders and he is seeking to file the claim in his name and on behalf of all holders of debenture at the date Lehman collapsed. The plaintiff estimates that the class action suit amounts to NIS 84.5 million.

   At this stage, the hearings of the motion for certification have been suspended until a decision is made regarding the motion for certification as a class action submitted in the matter of Keshet as set out in section 6 below.
   The parties have recently started negotiations for a joint settlement for the motion for certification in this case and for the case regarding Keshet described in section 6 below.

6. On May 27, 2009, a motion for certification of a class action was filed against Keshet Debentures Ltd. (a subsidiary of Excellence Ltd., "Keshet") and its directors, against Express Finances Ltd. (which to the best of the knowledge of Excellence holds 50%) of the issued share capital of Keshet), against Excellence Nessuah Underwriting (1993) (a subsidiary, "Underwriting") which holds the remaining 50% of the issued capital of Keshet and against Excellence Investments Ltd. ("Excellence") (jointly: "the Defendants"), with respect to the prospectus issued by Keshet for the public placement of debentures backed by notes issued by Lehman Brothers Bankhaus AG ("Lehman Germany"). The liability of Lehman Germany was guaranteed by Lehman Brothers Holdings Inc. ("Lehman USA"). Lehman Germany and Lehman USA will be referred to below as “the Lehman Group”.

   On June 23, 2009, another motion for certification as a class action suit was filed against Maalot, Bank Leumi Le Israel Trust Company Ltd. and against Keshet, Excellence Underwriting and officers in Excellence and Expert Finances Ltd. "the Defendants"), with respect to the prospectus issued by Keshet for the public placement of debentures backed by notes issued by Lehman Brothers Bankhaus AG (“Lehman Germany”).
   The plaintiffs of the two motions set out above claim that the defendants breached various obligations towards the debenture holders, including by allegedly disregarding several material events relating to the main risk for repayment of the notes, and which indicated the financial deterioration of the Lehman Group.

   The plaintiffs claim that the defendants should have informed the investors of the negative developments in the Lehman Group, and that the numerous dramatic events allegedly issued about the Lehman Group were not met by any response or disclosure by the defendants. The alleged failure to disclose and the false representations misled the investors in the debentures and was the cause of the damage to the members of the group in the claim.
   The plaintiffs contend that the behavior of the defendants was faulty and that the defendants could have prevented the damage or substantially reduced it and did not do so.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The plaintiffs further contend that in June 2008, the defendants who are the controlling shareholders in the Company, changed the service agreement with Keshet, such that the defendants were able to withdraw all the funds from Keshet, that the funds that were withdrawn from Keshet could have been used to purchase deposits insurance, that the defendants did not take steps to insure deposits in respect of the funds invested in Lehman Germany, even though, allegedly, the fiduciary duty and duty of care towards the investors requires insuring such deposits, and that the defendants did not take steps to replace the backing bank and included the opinion of Maalot in the prospectus.
The plaintiffs are debenture holders and they are seeking to file the claim in their name and on behalf of all the debenture holders at the date Lehman Bank collapsed. The first plaintiff of May 27, 2009 estimates that the class action suit amounts to NIS 286 million and the second plaintiff of June 23, 2009 estimates that the class action suit amounts to NIS 220 million.
Following the request of the defendants, these claims were combined and the amount of the claim was adjusted to NIS 286 million.
The motion for certification was scheduled for written summations. The plaintiffs filed their summations on January 22, 2014 and the defendants are required to file their summations at varying dates. The plaintiffs filed their response summations on March 18, 2015. The ruling on the motion for certification of the case as a class action is still pending.
The parties have recently started negotiations for a joint settlement for the motion for certification described in section 5 above and for this case. It is clarified that until an agreement is reached, notice will not be submitted to the court, therefore in principle, the ruling can be handed down at any time, thereby ending the settlement negotiations.

7. On February 24, 2010, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the Motion for Certification") at the Central District Court.
The plaintiff contends that The Phoenix Insurance was not permitted to collect from its life assurance policyholders any amount for the premium component called the policy factor or other management fees without the explicit consent of the policyholder, according to the insurance agreement (the policy) between the policyholder and The Phoenix Insurance, even although collection of the policy factor was explicitly permitted by the circulars of the Commissioner of Insurance and the policyholder also knew that he is charged for the policy factor from the annual reports sent to him (as of 2003).

The plaintiff also claims that collecting the policy factor without his explicit consent caused him further harm in the amount of the returns that he did not receive, as The Phoenix Insurance should have invested the amount collected for the policy factor in the capital market.
The plaintiff claims that collection of the policy factor without anchoring it in the insurance agreement is grounds for a claim of breach of contract, breach of fiduciary duty of the insurer towards the policyholders, misleading of customers in the contractual and pre-contractual stage, breach of duty of good faith, unjust enrichment and breach of statutory duty (according to the Control of Financial Services Law (Insurance), 1981.
The remedies sought by the plaintiff are return of the amounts collected by The Phoenix Insurance for the policy factor and a mandatory injunction ordering The Phoenix Insurance to cease collecting the policy factor.
The group that the plaintiff seeks to represent is any person who is or was insured by The Phoenix Insurance and who was charged any amount as “other management fees and/or policy factor"
The plaintiff estimates that the general damage caused to the entire group is NIS 445 million.
The Phoenix Insurance has responded to the motion.
On April 12, 2011, the court certified the claim as a class action ("the Certification Ruling").
In the ruling, the court ordered to define the group as anyone who holds or held a life insurance policy from The Phoenix Insurance from February 24, 2003 through to February 24, 2010, and who was charged any amount as "other management fees" or "a policy factor", without there being an explicit condition for this payment in the policy. The grounds for the claim are unlawful collection of "a policy factor" or "other management fees"; and the requested remedy is reimbursement and compensation.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

On September 5, 2011, The Phoenix Insurance filed a motion to appeal the ruling at the Supreme Court ("the Motion to Appeal"). The plaintiff filed his response to the Motion to Appeal. On February 7, 2012, a hearing was held at the Supreme Court, with the participation of the Commissioner of Insurance, at the request of the Supreme Court.
On September 4, 2012, the Supreme Court handed down a ruling on the motion to appeal, which reversed the certification ruling.

In the ruling, the Supreme Court established that the certification ruling would be reversed and that the hearing of the motion for certification would return to the district court to deliberate the following question defined by the Supreme Court: "When determining whether to accept the motion for certification, the implication of deducting "the policy factor" from this (the savings component) or from that (the risk component) should be referred to". The Supreme Court ordered the district court to consider whether to bring evidence to examine this question.
Following the ruling of the Supreme Court, the hearing of the motion for certification was returned to the district court. In a pretrial hearing held on December 17, 2012, the Attorney General announced that he intends to participate in the case and to present his position and the court approved this. The Attorney General submitted his position and the plaintiff and The Phoenix Insurance submitted their responses to his position. In a preliminary hearing held on July 29, 2014, the Attorney General was given the option of announcing, within 21 days, whether the motion for certification affects the stability of the Company.

On October 2, 2014, the Attorney General announced that this matter does not raise concerns of stability at this time and that he does not consider his involvement in the proceedings at this stage necessary.
On January 20, 2015, the parties announced that they wished to waive investigations. On June 9, 2015, The Phoenix Insurance informed the court that it intends to adopt the provisions of the settlement agreement that was filed for court approval on June 10, 2015 in a parallel case against other insurance companies, subject to the findings of the legal reviewer who was appointed in the parallel case, and in the manner that the settlement will be approved in the parallel case.
On July 16, 2015, the Court ruled that the parties will update the court when receiving the opinion of the reviewer who was appointed in the parallel case.

8. On April 11, 2010, a claim was filed against The Phoenix Insurance and against other insurance companies ("the Defendants"), by the Israel Consumer Council ("the Plaintiff") ("the Motion for Certification") at the Central District Court. The Plaintiff contends that the Defendants breach their duties by failing to take steps to locate persons who have rights to moneys that were deposited in insurance policies, do not inform them of this, and do not take steps to return the unclaimed funds that they hold, among other things.

   Moreover, the Plaintiff contends that the Defendants do not apply to the Population Registry, do not submit reports to the Administrator General, do not manage these moneys separately from other moneys and do not transfer the moneys to the Administrator General when their transfer is required. Due to these omissions, the holders of the rights do not receive their moneys and the Defendants collect excessive management fees from their moneys. Moreover, the Plaintiff contends that the Defendants are unjustly enriching themselves from the revenues generated by the unclaimed moneys.

   The group that the Plaintiff seeks to represent is all the holders of rights in assets held by the defendants, or are under their responsibility or control, who the defendants allegedly did not notify that they own the assets held by the defendants, as their duties require them to do.
   The plaintiff did not estimate the number of members in the group or the amount of the claim.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The remedies sought by the plaintiff include ordering the defendants to take the steps as prescribed in the directives of the Commissioner of Insurance, ordering the defendants to transfer the unclaimed funds to the Administrator General, ordering the defendants to compensate the members of the group and to return the moneys and to return the commissions and management fees collected for these moneys and to appoint a receiver or another functionary to enforce the court's orders, as the court deems fit.

The Phoenix Insurance filed its response to the motion for certification. The Attorney General submitted his position following the court's request.

The parties informed the court that they agreed to mediation. The parties are currently conducting mediation proceedings. The case was scheduled for a hearing on November 9, 2015.

9. On April 14, 2010, a claim was filed against The Phoenix Insurance and other insurance companies ("the Defendants") together with a motion for certification as a class action ("the Motion for Certification") at the Central District Court.
The Motion for Certification is about the conduct of the insurance companies when collecting the final premium or premiums from a policyholder at the end of the insurance term, whether the policy is canceled by the policyholder or due to an insurance event ("the Termination of the Insurance").
According to the plaintiffs, insurance is usually terminated after the insurance premium has been collected for the month in which the insurance was terminated, as this premium is collected in advance at the beginning of the month. Although the policyholder is entitled to a refund for the proportionate part of the month, the defendants do not return the proportionate part of the premium to the policyholders. Moreover, the plaintiffs contend that when the premium is returned, whether by refunding money or by offsetting future premiums, it is returned in nominal values.
The plaintiffs estimate the total damage to the members of the group at NIS 225.2 million, in nominal values. This calculation relates to a period of ten years only. The remedy requested in this claim is a refund of the excess premiums collected in contravention of the law and/or returned in contravention of the law and/or the unpaid revaluation differences for each group member.
The Phoenix Insurance filed its response to the motion for certification and a preliminary hearing was held.
Evidentiary hearings were held in the case and the parties filed their summations.

On August 7, 2014, the court ordered the statements of arguments in the case to be sent to the Commissioner of Insurance for her position, before ruling on the Motion for Certification.
On November 5, 2014, the Commissioner of Insurance submitted her position to the court and the defendants filed their response to this position.

A. On June 23, 2015, the central district court partially approved the motion for certification of the claim as a class action, on the grounds of alleged breach of the agreement, breach of the Insurance Contract Law, and unjust enrichment. The court ruled that the groups on whose behalf the class action will be conducted and the remedies will be as follows:

A. Reimbursement of the excessive insurance premiums that were collected for the month of cancellation for contracts with an immediate cancellation clause. For this remedy, it was determined that the representative group on whose behalf the case against The Phoenix Insurance and two other plaintiffs will be conducted, is any individual who is or was insured by one or more of the defendants in an insurance policy, other than a property insurance policy, who cancelled the insurance policy in the seven years prior to filing the motion for certification and up to March 14, 2012 (the effective date of Amendment No. 5), and the policy includes a clause stipulating that the cancellation is effective when the insurer receives the cancellation notice or when the cancellation notice is submitted to the insurer, and who did not receive a refund of the premium for the remainder of the cancellation month, together with linkage and interest differences under the Insurance Contract Law, from the effective cancellation date.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

B. Payment of interest and linkage differences under the Insurance Contract Law for insurance premiums that were refunded without interest and linkage differences. For this remedy, it was determined that the representative group on whose behalf the case against all the defendants will be conducted is any individual who is or was insured by one or more of the defendants in an insurance policy, other than a property insurance policy, who cancelled the insurance policy, or whose insurance policy was cancelled following an insurance event, in the seven years prior to filing the motion for certification and up to March 14, 2012 (the effective date of Amendment No. 5), and who was charged for insurance premiums for the months following the cancellation month, and who was refunded nominal values without interest and linkage differences in accordance with the Insurance Contract Law.

In addition, the court dismissed the motion for certification in all matters relating to a refund of insurance premiums for individuals who were insured by one or more of the defendants in an insurance policy other than a property insurance policy, whose policy was cancelled following an insurance event. The court also dismissed the plaintiffs' claim regarding failure to link the amounts of the refund to the CPI when it is negative, and the claim for payment of triple interest in accordance with section 28 of the Insurance Contract Law in the event of a refund, instead of linked interest.
The district court scheduled a hearing on November 26, 2015 to discuss the continuation of the proceedings.
At the same time, the parties reached a procedural arrangement, which was approved by the Supreme Court, whereby the date for filing an appeal against the decision of the district court (by the defendants) or for filing a motion to appeal (by The Phoenix Insurance) will be postponed until November 1, 2015.

10. On June 1, 2011, a claim was filed against The Phoenix Insurance and against other insurance companies "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification") at the Central District Court.
According to the plaintiffs, the defendants pay the insurance benefits, which are foreclosed at the request of a third party, upon expiry of the foreclosure, at nominal values and without any revaluation, or in some cases, with linkage differences only.
The plaintiffs estimate that the claim against all the defendants amounts to NIS 350 million. According to the expert opinion attached to the claim, the amount of the claim against The Phoenix Insurance is NIS 56 million.
On December 12, 2012, the District Court certified the motion for certification and approved the filing of a class action suit against The Phoenix Insurance (and against the other defendants in the motion for certification) ("the Certification Ruling").

In the Certification Ruling, the group members are defined as any eligible person (meaning, policyholders and injured persons) who received insurance benefits from the defendants after June 1, 2008, whose right to payment was delayed due to foreclosure of the asset, or receivership orders or any rights of third parties, provided the returns from the moneys in the delayed period for the foreclosure were not transferred in full to the eligible party. The grounds of the claim are the right of the group members to receive linkage differences and interest, which represent the benefits produced by the defendants in the delay period due to the foreclosure. The remedy claimed is payment of linkage differences and interest to the group members at a rate representing the benefit to the defendants in the delay period due to the foreclosure. The plaintiffs filed a revised statement of claim. The parties are in the process of mediation, and the mediator appointed a reviewer. In November 2014, the plaintiffs announced the completion of the mediation process.
On April 15, 2015, a pretrial hearing was held, and dates were set for filing statements of claims and for completion of preliminary proceedings. On May 17, 2015, The Phoenix Insurance filed a statement of defense. Another pretrial hearing was scheduled for January 10, 2016.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

11. On May 22, 2012, a claim was filed against The Phoenix Insurance, five other insurance companies and an insurance agency "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification") at the Jerusalem District Court.
The plaintiffs contend that the defendants refuse to insure people with disabilities (or alternatively, establish impossible terms of the policies) under individual insurances, such as healthcare, travel, pension, personal accident, life, long term care and disability insurance, and by doing so, impair the rights of the group members (as defined below) to equality and dignity. The plaintiffs further contend that when refusing to insure them, the defendants do not rely on relevant information about the insurance applicant and do not examine the facts of each applicant as an individual request. By failing to do so, the defendants withhold from the group members (defined below) due process required for any person seeking to purchase insurance in one of the individual insurances.

    The plaintiffs further contend that the respondents act towards the group members as if they were one individual and not as individuals and therefore harm their dignity and their right to equality.
    The group that plaintiffs wish to represent includes all applicants for insurance with the defendants, who the defendants refused to insure under one of the individual insurances listed above, due to an illness or disability of the member (the First Group") , as well as people with disabilities who did not apply or will not apply to the defendants for insurance, knowing that the defendants will not agree to insure them due to their disability as described in the claim ("the Second Group"). The First Group and the Second Group will be referred to jointly below as ("the Class").
    The total compensation sought by the plaintiffs for the First Group is estimated at NIS 934 million, based on following:
    Compensation for head of damage for damage to dignity and feelings, NIS 225 million; for head of damage for damage to equality and autonomy, NIS 269 million; and for head of damage for pecuniary damages without proof of damage, NIS 440 million. Declaratory relief is also requested and an injunction as described below.

    The remedies sought by the plaintiffs for the whole group (the First Group and the Second Group) include to declare that the defendants violated the laws and regulations set out in the claim; to order the defendants to cease discrimination against the group and to establish clear procedures for individual, specific and equal handling, without discrimination against people with disabilities; to order the defendants to present an organized procedure for all matters relating to refusal to provide insurance to a person with disabilities; to determine compensation for members of the group; to grant retroactive coverage to group members who will be eligible to be insured after an equal underwriting procedure; to charge the defendants for expenses, compensation to the plaintiffs and legal fees for the attorneys who represent the plaintiffs.

    The Phoenix Insurance filed its response to the motion for certification. Several preliminary hearings were held on the case. Following mediation between the parties, the court scheduled a hearing to be held before it on December 31, 2014 in the presence of the mediator. In this hearing, it was decided that the parties will continue mediation, with a retired judge joining as another mediator. Mediation between the parties is underway.

12. On January 13, 2013, a claim was filed against The Phoenix Insurance and the Israeli Motor Vehicle Insurance Pool ("the Pool") and against 13 other insurance companies (jointly below: ("the Defendants") at the Central District Court, together with a motion for certification of a class action "the Claim").
    The claim refers to excessive collection in compulsory motor insurance and return of an amount out of the premium collected by the Pool for compulsory motor insurance, without providing any insurance cover for the amount that was collected.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The plaintiff notes that the compulsory insurance certificate issued by the Pool states that "the insurance starts on the date of the bank stamp, but not before April 1, 2008." According to the plaintiff, when the policyholder pays the full premium recorded on the compulsory insurance certificate after the date specified therein (in this case, the compulsory insurance certificate was paid on April 7, 2008 and not by April 1, 2008), the defendant charges a premium for the period between the date on the certificate (April 1, 2008) and the payment date at the bank (April 7, 2008), without providing any insurance coverage for this period.

The plaintiff claims that this compulsory insurance is residual insurance organized by the Pool for any user of motor vehicle insurance who could not purchase a policy directly from another insurer, and this residual insurance is provided through co-insurance of all insurance companies that provide compulsory insurance in Israel.
The group that the plaintiff seeks to represent is the group of all policyholders holding a compulsory motor insurance policy of the defendants (and alternatively only, and for due caution, as a group insured by the Pool only), who paid the premium late, meaning, after the date stated in the insurance certificate that was issued to them, in the seven years prior to filing the claim (“the Class”).

The plaintiff estimates the total damage to members of the Class for all the defendants at NIS 36.8 million, and of that amount, NIS 2.7 million refers to the Pool only. These amounts, plus interest and linkage differences by law from the middle of 2008 onwards, reach NIS 45.1 million and NIS 3.3 million, respectively.
According to the plaintiff, the size of the Class for all the defendants could reach 430 thousand policyholders (assuming that each policyholder owns no more than one vehicle), and for the Pool only, 21.1 thousand policyholders.

The remedies sought by the plaintiff include to determine that the date from which the Pool was entitled to collect a premium from the plaintiff and/or the date from which the other defendants were entitled to collect their proportionate share in the premium, is the actual date on which the plaintiff pays the premium to the bank, and not from period stated in the compulsory insurance certificate; to order the defendants to provide all relevant information to estimate the number of members in the group and estimate the amount of the class action; to order the defendants to pay the amount of the claim and to declare that the defendants refund to all the group members the amount of the premium that was unlawfully collected, plus interest and linkage differences; to award compensation to the plaintiff and the plaintiff's counsel and to order the defendants to pay all of the plaintiff's legal expenses.
The Phoenix Insurance filed its response to the motion for certification.

The plaintiff filed a motion to amend the motion for certification, whereby a representative plaintiff was added against some of the defendants, including in relation to The Phoenix Insurance. In the motion to amend, the plaintiff estimates the total damage for members of the group with regard to all the defendants at NIS 21 million, and of that amount, a total of NIS 2.7 million refers to the Pool only. These amounts, plus interest and linkage differences by law from the middle of 2008 onwards, reach NIS 27 million, and of this amount, NIS 3.4 million refers to the Pool only. The Phoenix Insurance has filed its response to this motion to amend.
On March 25, 2014, the court permitted the plaintiff to amend the motion for certification by adding representative plaintiffs who have grounds for a personal claim against the defendants including against The Phoenix Insurance.

In addition, on March 10, 2014, a claim and motion for certification as a class action were filed against The Phoenix Insurance and three other insurance companies (below together with The Phoenix Insurance: ("the Defendants") together with a motion for certification as a class action ("the Motion for Certification") at the Central District Court (jointly below: ("the Claim"), which refers to similar, if not identical, issues as those in the class action noted above.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

According to the plaintiffs, this claim refers to unlawful overcharging of the premium for compulsory motor insurance when paying the premium for compulsory insurance after the date stated on the insurance certificate as the date on which the insurance begins. The plaintiffs contend that when, for any reason, policyholders postpone payment of the premium (even by one day), they pay the full insurance premium for the period purchased, while they do not receive insurance cover for the days between the date stated on the certificate as the date insurance begins and the date of actual payment.

The group that the plaintiffs seek to represent in this Claim is customers of the defendants that purchased compulsory insurance as from January 13, 2006 and paid the amount stated on the insurance certificate after the date stated on the certificate as the date insurance begins (“the Class”).
The plaintiffs in this Claim estimate that the total cumulative damage with regard to all the plaintiffs together amounts to NIS 20 million in terms of the principal (with the addition of interest and linkage differences from the middle of the period up to February 2014, this amounts to NIS 24 million). Of this amount, estimated damage of NIS 6.6 million is attributable to The Phoenix Insurance.

The main remedies sought by the plaintiffs in this Claim are to order the defendants to refund the amounts allegedly collected from the Group members in contravention of the law; to issue a forward looking permanent injunction ordering the defendants to act in one of the following manners: to add the following text to all insurance certificates issued by the defendants: "this insurance expires on the date specified in this certificate at midnight or X days after the date this certificate was stamped by the bank at midnight, whichever is later", or, alternatively, when compulsory insurance is paid after the date specified on the certificate as the date insurance begins, the expiration date of the insurance will be moved forward or alternatively, when compulsory insurance is paid after the date specified in the certificate as the date insurance begins, the policyholder will be automatically refunded the proportionate financial value for the days when there was no insurance cover; to determine compensation for the representative plaintiffs and legal fees for their counsel.

The court approved the plaintiffs' motion to transfer this case to be heard before the Honorable Judge Grosskopf, who heard the earlier class action suit on the foregoing date.
In a hearing held on April 30, 2014, the court consolidated the two claims and ordered, among other things, that the plaintiffs will be the plaintiffs that appear in both claims and that at the present time, the revised motion for certification filed on February 16, 2014 in the earlier claim will be the motion heard in the consolidated proceedings and the dates will be as scheduled in the hearing on the earlier claim.

Consequently, The Phoenix Insurance's revised statement of response and the response of the plaintiffs to this statement of response were filed with the court and on November 16, 2014, a further pre-trial hearing was held. On February 8, 2015, a pre-trial hearing was held with the participation of representatives from the office of the Commissioner of Insurance and their counsel from the Tel Aviv District Attorney's office, pursuant to the rulings of the court of November 16, 2014 and January 29, 2015. On February 15, 2015 the defendants announced, without prejudice to their arguments, that they do not intend holding an evidentiary hearing on the case. The case was scheduled for filing of summations, including the Commissioner of Insurance's reference to the summations of the parties and the responses of the parties to the Commissioner's reference. The case has been scheduled for an internal hearing on October 26, 2015.

13. On October 24, 2012, a claim was filed against The Phoenix Insurance and Femi Premium Ltd. ("Femi Premium") (jointly below: "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification"), at the Tel Aviv-Jaffa District Court.
The plaintiff contends that the defendants indemnify holders of their healthcare insurance policies at their historical nominal value, without linking these amounts to the CPI.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

According to the plaintiff, this refers to two different linkage periods: one until the occurrence of the insurance event and the second from the occurrence of the insurance event until actual payment to the policyholder, and the defendants allegedly do not link the insurance amounts in both periods.
The group that the plaintiff seeks to represent is anyone who received insurance compensation in healthcare insurance in one or both of the following cases: (A) The amount of insurance was not linked to the base CPI; (B) The insurance compensation was not linked to the CPI from the date of the insurance event, and the policyholder holds healthcare insurance issued by The Phoenix Insurance and/or his matters were handled by Femi Premium.
The plaintiff's rough and preliminary estimate of the amount of the class action, for The Phoenix Insurance is NIS 4.3 million, nominal per year, or NIS 30.1 million for seven years, and for Femi Premium, NIS 43 million.
The remedies sought by the plaintiff include, inter alia, refund of linkage differences and/or individual compensation to the group members or any other way the court deems appropriate to compensate the public and members of the group; declaratory relief that the defendants acted in contravention of the law; and an injunction ordering the defendants to comply with the provisions of the law from now onwards; and to order the defendants to pay the plaintiff's expenses, including legal fees plus VAT.

The Phoenix Insurance has yet to file its response to the motion for certification. The parties held negotiations and on January 1, 2015 a motion for approval of a settlement and a settlement agreement signed by the parties were filed with the court.

Under the settlement arrangement, anyone who received insurance compensation / refunds from The Phoenix Insurance for healthcare insurance in one or both of the following cases, will be entitled to compensation: (a) if the amount of the insurance was not linked to the CPI; (b) if the insurance compensation was not linked to the CPI, and that person holds a healthcare insurance policy and/or rider issued by The Phoenix Insurance, in the three years preceding the filing of the claim and through to approval of the claim by the court ("the Eligible Group").

The Phoenix Insurance will pay personal compensation totaling NIS 1.4 million to the Eligible Group by way of a public announcement, within 60 days after the publication of the notice of approval for the settlement arrangement. The balance of the funds not paid as personal compensation will be donated to various charities, as set out in the settlement agreement. The Phoenix Insurance will also bear the costs of compensation to the plaintiff and legal fees to the plaintiff's counsel. The validity of the settlement is contingent on receiving the approval of the court.

On January 5, 2015, the court handed a ruling that included an order to publish the motion for approval of the settlement for objections and an order that the announcement together with a copy of the motion for approval of the settlement and the motion for certification be sent to the Attorney General, Director of Consumer Protection, Commissioner of Insurance and the Courts Administration. An announcement was issued in the press as required. On May 11, 2015, the court ruled that the parties will submit a number of clarifications regarding the settlement agreement for approval of the court. These clarifications were submitted and the position of the Attorney General was received. On June 16, 2015, the Court ordered the appointment of a reviewer for the financial information underlying the settlement agreement. The reviewer has started to examine the matter.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

14. On December 6, 2012, a claim was filed against The Phoenix Insurance and six other insurance companies "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification") at the Central District Court.
According to the claim, the reform in the vehicle licensing branch, which came into effect in 2007, amended the Transportation Regulations, 1961, and the classification of recreational vehicles - jeeps and minivans ("the Vehicles") was changed from a commercial vehicle to a private vehicle. According to the plaintiffs, notwithstanding the above amendment, for the purpose of comprehensive, third party and compulsory insurance, the defendants chose to continue to define the Vehicles as commercial vehicles, contrary to the regulations that require the same classification of a vehicle for insurance purposes as in the transportation regulations. The plaintiffs further claim that vehicles manufactured after the reform came into effect, meaning from 2008, are insured as private vehicles, creating a baseless and discriminatory distinction.

    According to the plaintiffs, since defendants classify the Vehicles as commercial vehicles, even though the Ministry of Transportation classified the Vehicles as private vehicles, the defendants allegedly charge premiums that are higher than the premiums for private vehicles.
    The group that plaintiffs seek to represent includes all customers of the defendants who entered into an insurance contract with the defendants for compulsory and/or property insurance, as from January 9, 2007, who hold and/or held a vehicle license at the relevant dates for the claim, which states the classification M-1, and who were charged an insurance premium based on the assumption that the vehicle is a commercial vehicle and not a private vehicle “the Class”).
    The plaintiffs estimate the total damage to the Class members in respect of all the defendants, for compulsory insurance and property insurance, at NIS 550 million. The plaintiffs estimate the total damage to the Class members in respect of The Phoenix Insurance, for compulsory insurance, at NIS 52 million.

    The remedies sought by the plaintiffs include to order each of the defendants to provide complete and accurate information as from January 9, 2007 for insurance premiums paid by owners of vehicles classified as M-1 in the license, including the cost of insurance, classification of vehicle by the defendants when providing the insurance and the effect of this classification on the premium that was paid for the insurance policy; to declare that all amounts collected by the defendants for insurance policies which classify private vehicles as commercial vehicles were collected unlawfully; to order the defendants refund the excessive amounts that were collected, plus interest and linkage differences by law; and to award compensation to the plaintiffs and the attorney's fees to the plaintiffs' counsel.

    It is noted that the plaintiffs themselves claim that the defendants act in accordance with the directives of the Commissioner of Insurance, however they believe that the Commissioner should have ordered the insurance companies to act in accordance with the definitions established by the Ministry of Transport in the Transportation Regulations.

    The Phoenix Insurance filed its response to the motion for certification. In February and March 2014, evidentiary hearings were held, and the court ordered the plaintiffs to announce whether they plan to continue the proceedings. On June 8, 2014, the plaintiffs announced their intention to continue proceedings. Pursuant to the announcement of the plaintiffs, the case was scheduled for filing of summations. The plaintiffs filed their summations. The Phoenix Insurance is required to file its summations by September 16, 2015.

15. On March 24, 2013, a claim and motion for certification as a class action was filed against The Employee Benefit Experts, Benefit Ltd. ("Benefit", or "the Defendant"), a sub-subsidiary of The Phoenix Insurance, a subsidiary of The Phoenix Insurance ("the Motion for Certification") at the Tel Aviv District Labor Court.
    The claim was also filed against Israel Discount Bank Ltd., Mercantile Discount Bank Ltd. and Discount Mortgage Bank Ltd. ("Discount Bank").

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The plaintiff contends that the defendant provides professional consultation and services to groups of retirees from different places of work in Israel, in accordance with voluntary retirement plans, while participating in construction of the plans with the employer, while undertaking towards the employer to persuade the employees to accept the employer's proposal and retire according to them. According to the plaintiff, the defendant's services are aimed to "numb" the retiring employees and to influence them to accept the severance pay and retirement compensation as calculated by Discount Bank.
The group that the plaintiff seeks to represent includes permanent employees of Discount Bank, who retired under the terms of voluntary retirement and whose salaries included the following salary components: healthcare insurance, refund of medical expenses, Odef Hiyuv study fund, and a compensation limit, in full or in part, which are fixed components for payment of severance under section 13 of the Severance Pay Law, 1963, and voluntary retirement compensation at a rate of 175% of the severance pay, including the heirs of retiring employees ("the Class").

The defendant also requested that the group members include employees who retired in the period prior to the seven years before certification as a class action.
The plaintiff believes that the financial scope of this claim for the entire group is NIS 40 million.

The remedy requested by the plaintiff from the defendant includes compensation for all Group members who received advice from the defendant regarding exercise of the retirement terms offered to them by Discount Bank, for the damage they incurred due to their reliance on the advice given to them by the defendant, which allegedly was negligent and/or misleading advice, being one-sided in favor of Discount Bank and contrary to their rights, and payment of fees and court costs.
The plaintiff also requests that the defendant bears any charges imposed on Discount Bank jointly and severally and bears the full responsibility, as imposed on any member of the Group for participating in causing the damage.
Benefit has filed its response to the motion for certification. On October 27, 2013, a pretrial hearing of the motion for certification was held for the threshold claims of the defendants, and the plaintiff was granted an extension to complete his pleadings, to which the defendants shall have a right to respond. The plaintiff filed a motion to amend the claim and the defendants filed their response to this motion. On July 15, 2014, the court ruled that the plaintiff's motion to revise the statement of claim is denied, while adopting the defendants' claims and ordered that the plaintiff to complement his arguments in writing to include reference to the threshold claims raised by the defendants, by August 31, 2014, and that the defendants will have the right to respond to such complementary argument. The court further ordered that after receiving the arguments of the parties, a ruling will be handed on the motion for certification of the claim as a class action. The parties completed their arguments and at the present are waiting for the court's ruling.

16. On May 12, 2013, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action "the Motion for Certification") at the Tel Aviv-Jaffa District Court.

The claim refers to non-payment of interest and linkage differences by law for payment of insurance compensation. The plaintiff claims that the insurance company is required to pay interest and linkage for insurance compensation as from the date of the insurance event until actual payment. Alternatively, the plaintiff claims, the insurance company is required to pay interest as from 30 days after the filing date of the claim until the date of actual payment of insurance compensation to the policyholder.
According to the plaintiff, The Phoenix Insurance does not pay interest at all, not from the date of the insurance event nor as from 30 days after the filing date of the claim, and does not pay statutory linkage differences.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The group that the plaintiff seeks to represent is anyone who received, during the seven years prior to filing this claim and/or who will receive, up to the judgment in this claim, insurance compensation from The Phoenix Insurance, insurance, without the addition of statutory interest for the insurance compensation ("the First Group"), and anyone who received, during the seven years prior to filing this claim and/or who will receive, up to the judgment in this claim, insurance compensation from The Phoenix Insurance, insurance, without the addition of statutory linkage differences for the insurance compensation ("the Second Group").

The damage estimated by the plaintiff in respect of the members of the First Group for the unpaid interest, at a conservative calculation based on ordinary, unlinked interest, amounts to NIS 44 million per year and NIS 308 million cumulatively over 7 years (if the court rules that the interest should be calculated from the date of the insurance event) and NIS 18 million per year and NIS 126 million over seven years (if the court rules that the interest should be calculated as from 30 days after filing the claim against the insurance company). Interest and linkage differences for the unpaid interest debt of The Phoenix Insurance should be added to these amounts, from the date of actual payment of the insurance compensation and until the date that The Phoenix Insurance pays the interest and linkage differences as required by law. The damage estimated by the plaintiff in respect of the members of the Second Group, is NIS 42 million per year and NIS 294 million over seven years.

Interest and linkage differences for the unpaid linkage difference debt of The Phoenix Insurance should be added to these amounts, from the date of actual payment of the insurance compensation and until the date that The Phoenix Insurance pays the interest and linkage differences as required by law.
The remedies sought by the plaintiffs include an injunction requiring The Phoenix Insurance to stop collecting insurance premiums for the Non-coverage Period; to require the Phoenix Insurance to return to the group the entire insurance fees actually collected for the Non-coverage Period plus linkage differences and interest, as set out in section 1 of the Interest and Linkage Law, 1961 ("The Interest and Linkage Law") and based on the interest rate in accordance with the Interest and Linkage Law or in accordance with the interest rate established in the policy (whichever is higher), for the period commencing from the date of the insurance event until the date of actual payment of the insurance compensation or alternatively, for the period commencing 30 days from filing of the insurance claim and until the actual payment date of the insurance compensation; to require The Phoenix Insurance to pay interest and linkage differences in accordance with the provisions of sections 28 and 56 of the Insurance Contract Law; to require The Phoenix Insurance to pay interest and linkage differences for the deficient payment to members of both groups, as from the payment date of deficient insurance compensation to a policyholder and until the date that The Phoenix pays interest and linkage differences as required by law.
Alternatively, if it is determined that the compensation to the group members is not practical, it is requested that the court orders compensation to the public as it deems fit; to award special compensation to the plaintiff and attorney's fees to the plaintiff's counsel.
The Phoenix Insurance filed its response to the motion for certification. On February 22, 2015, a pretrial hearing was held for the case. The parties submitted written summations and on July 7, 2015, a hearing was held to complete oral arguments. The parties are waiting for the court's ruling on the motion for certification.
In addition, the plaintiff filed a motion to consolidate the hearing with three motions for certification that were filed against three other insurance companies regarding the same matter. On February 22, 2015, the court accepted the motion and the hearings for all the motions were consolidated.

17. On October 15, 2013, a claim was filed against The Phoenix Insurance and three other insurance companies (below together with The Phoenix Insurance: "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification"), at the Central-Lod District Court (jointly below: "the Claim"). The claim refers to the defendants' conduct regarding premium adjustments during the term of the policy. The defendants determine the dates of premium adjustments due to the change in the policyholder's age earlier than when the insurance premium should have been adjusted and determine a base index for the policy which is not the index of the correct month, but rather the index of an earlier month (often several months earlier).

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The plaintiffs contend that the defendants adjust, in contravention of the law, the insurance premium due to change of the policyholders' age on the first day of the month and not on the exact date of the month in which the insurance plan was scheduled to begin.
The plaintiffs further contend that the defendants determine, in contravention of the law, the base index for the policy as the first day of the month in which the policyholder applied for the insurance policy and not when the insurance plan was actually received, so that the premium is linked to a lower base index than required.
The group that the plaintiffs seek to represent is anyone who joined an insurance policy of one or more of the defendants, with a premium adjustment date that was earlier than the date the premium should have been adjusted and/or with a base index that was lower than it should have been (mainly life and healthcare insurance, including annuity for payment, disability and long-term care) (“the Class”).
The plaintiffs estimate that the damage to the entire Group amounts to NIS 399 million (comprising of NIS 147 million in damages for early premium adjustment and NIS 252 million in damages for attribution of an incorrect index).

According to the plaintiffs, the damage is distributed among the defendants pro rata to their share in the branch, as defined in Table D-7 of the report published by the Commissioner of Insurance for 2004 to 2006, meaning that the plaintiffs estimate the damage of The Phoenix Insurance as NIS 64 million (16%).
The main remedies requested by the plaintiffs include refund by the defendants of the surplus premiums that were unlawfully collected to each Group member and an injunction ordering the defendants to change the manner of their operations.
The Phoenix Insurance filed its response to the motion for certification. On June 16, 2015, a pre-trial hearing was held and the claim was scheduled for completion of the statement of claim. On August 19, 2015, the defendants filed their supplementary statement of claim. The plaintiffs are required to submit their supplementary statement of claim by September 1, 2015.

18. On January 8, 2014, a claim was filed against The Phoenix Insurance and two other insurance companies (jointly below with The Phoenix Insurance: "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification") at the Tel Aviv-Jaffa District Court “the Claim”).
According to the plaintiffs, the Defendants overcharge for comprehensive car insurance.
The plaintiffs allege that the Defendants sell insurance according to a higher value than the actual value of a car, as weighted by them in an insurance event, meaning total loss, in different situations, including when the vehicle was purchased by the policyholder from a rental or leasing company.

According to the plaintiffs, when selling a comprehensive insurance policy, the Defendants charge the policyholders excessive amounts due to calculation of a higher value for the vehicle, even though they know in advance that in an insurance event, the value of the vehicle will be reduced for "special variables" or "special components" whereby the "real value" of the insured car is significantly lower.

The group that the plaintiffs seek to represent is any policyholder who purchased comprehensive insurance from the Defendants for vehicles with special variables according to the policy, and the insurance policy states that in a total loss insurance event, a certain percentage will be deducted from the value of the vehicle, without reducing the insurance premium accordingly, in the last seven years (“the Class”).

To estimate the general damage and based on the information available to the plaintiffs, the plaintiffs estimate the damage to the entire Class at NIS 200 million, according to the size of the Defendants and the number of policyholders based on information on the Defendants' websites. The damage claimed is since 2006, seven years back.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The main remedies sought by the plaintiffs are to refund all the excess premiums collected from policyholders in contravention of the law, together with statutory interest, to provide declaratory relief whereby the Defendants are not permitted to charge a premium according to the value of a vehicle that does not include the deduction of the "special component" from the value of the vehicle, and an injunction prohibiting the Defendants from continuing to charge excessive premiums.

The Phoenix Insurance filed its response to the motion for certification. The plaintiffs filed their rebuttal to the responses to the motion for certification on December 2, 2014. The pretrial hearing was scheduled for September 16, 2015.

19. On June 23, 2014, a claim was filed against The Phoenix Insurance and two other insurance companies (jointly below with The Phoenix Insurance: "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification") at the Jerusalem District Court (jointly below: “the Claim”).
According to the plaintiffs, the grounds for the claim are the defendants' alleged collection of higher premiums in life insurance policies they issue with respect to mortgage insurance purchased by policyholders from them.

    The plaintiffs contend that the surplus premiums are due to the discrepancy between the insured amount and the amount of the loan, which is reduced every month, and as a result, the plaintiffs and members of the group, as defined below, are forced to pay the defendants higher monthly premiums than those they would have to pay if the insurance amount was equivalent to the amount of the mortgage recorded at that time in the books of the lending bank.
    The group that the plaintiffs seek to represent is "all the customers of the defendants who were insured by one or more defendant in the seven years prior to filing of the claim, and who purchased from them a life insurance policy for the purpose of insuring a mortgage loan taken from one of the mortgage banks in Israel, and as a result of the decision and considerations of the defendant, the insurance amount they were required to pay was higher than the balance of the loan to the bank and therefore, the policyholders overpaid for the life insurance on the mortgage that they took (“the Class”).

    The plaintiffs estimate the total damages for all the members of the Class to be NIS 1.18 billion, and of this amount, the damages attributed to policyholders of The Phoenix Insurance are NIS 339.5 million.
    The main remedies that the plaintiffs seek include a refund to the members of the Class of the premium differences between the premium that they should have paid according to the correct balances of the loan to the lending banks and the actual premium that they paid according to the insurance amount with the defendants, with the addition of compensation for distress caused to them; to change the way the defendants work so that the defendants will proactively calculate the insurance amount and the premiums arising from it, based on the accurate figures of the mortgage loan every month and no less than once every six months, and particularly in accordance with the interest rates, linkage terms and relative track breakdown of the loan per policyholder; to provide the policyholders with detailed information regarding the method for calculating the insurance amount and premium, and to explain to the policyholder the option of informing the defendants every month or at least once every six months regarding the balance of the loan to the banks, in cases where accurate figures cannot be used and as a result forcing the defendants to use various estimates; to charge the defendants for expenses, compensation to the plaintiffs and legal fees for their attorneys.

    On January 6, 2015, the defendants filed their responses to the motion for certification. On April 19, 2015, the plaintiffs filed their responses to the respondents of the defendants to the motion for certification. On June 14, 2015, a preliminary hearing was held for the motion for certification, and the court announced that it intends to direct questions arising from the motion for certification to the Commissioner of Insurance, and invited the parties to propose questions that will be directed to the Commissioner of Insurance.
    On July 16, 2015, the parties submitted proposed questions to the court, which will be directed to the Commissioner of Insurance.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

On July 20, 2015, another pretrial hearing was held for the motion for certification, and the court ordered questions to be directed to the Commissioner of Insurance by October 20, 2015. The court also ruled that the parties may submit their responses to the Commissioner's position by November 20, 2015.
Another preliminary hearing for the motion for certification has been scheduled for January 3, 2016.

20. On July 13, 2014, a claim was filed against The Phoenix Pension and four other pension fund management companies (jointly below together with Phoenix Pension: "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification"), at the Central-Lod District Court (jointly below: “the Claim”).
Plaintiff 1 is an association that serves as an umbrella organization for all associations for the elderly in Israel and Plaintiff 2 is an association that acts on behalf of the elderly within the Kiryat Malachi municipal area and throughout Israel.

According to the plaintiffs, the Claim refers to the defendants raising management fees payable by pensioners on the accrued balance to the maximum permitted management fees, from the date on which they become pensioners, while these pensioners are unable to transfer their accrued balance to other pension funds. Consequently, according to the Claim, the defendants are using their contractual right under the provisions of pension fund articles of association, contrary (allegedly) to the essence of the agreement between the parties while exploiting (allegedly) the plight of the pensioners.
The group that the plaintiffs seek to represent is anyone who is insured under a new comprehensive pension fund belonging to one of the defendants and is eligible to receive a pension and/or will be eligible for a pension in the future (“the Class”). The plaintiffs estimated the number of members of the Class who have reached pension age of all the defendants together to be approximately 17,000. The Claim does not include an estimate of the number of Class members who will reach pension age in the future.
The plaintiffs estimate, based on an actuarial opinion attached to the Claim, the damages claimed for the members of the Class for the management fees collected unlawfully from the current pensioners to be NIS 48 million for all the defendants (at the very least and without quantifying, at this stage, all remedies).
The main remedies sought by the plaintiffs are include:
(1) To refund to the current pensioners the excess management fees collected and/or that will be collected from them so that the amount refunded to each pensioner will be the equivalent and cumulative amount collected and/or that will be collected from their accounts, in excess of the rate paid by the pensioner prior to retirement; and alternatively, to refund to the pension fund account all the management fees collected from the pensioners and to distribute the funds unlawfully collected from the pensioners, in a just and fair manner, among all the members of the pension;
(2) To prohibit the defendants from raising the management fees with regard to each policyholder shortly before their retirement;
(3) To order that the current terms set out in the bylaws of the defendants, permitting them to raise management fees from time to time, is (allegedly) a discriminatory term in a uniform contract, and to order it to be rescinded or revised to remove the alleged discrimination;
(4) To order the defendants to provide the plaintiffs various documents, as set out in the actual motion;
(5) To order special compensation for the plaintiffs and payment of the representatives' attorney fees.

The Phoenix Pension filed its response to the motion for certification on January 14, 2015. The defendants may submit a rebuttal to the response by September 9, 2015. The pre-trial hearing was set for October 22, 2015.

21. On September 2, 2014 a claim was filed against The Phoenix Insurance and Super-Pharm Israel Ltd., Pelephone Communications Ltd. and Mekdan Management and Maintenance (jointly below with The Phoenix Insurance "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification") at the Tel Aviv-Jaffa District Court (jointly below: “the Claim”).

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

According to the plaintiff, the claim refers to payment charged for parking in the Phoenix House Parking Lot known as the Rose Parking Lot, in contravention of the provisions of section 4(B) of the Disabled Parking Law, 1993 ("the Disabled Parking Law") that stipulates that at a place where there is no other accessible entry, disabled persons may not be charged for parking.
The group that the plaintiff seeks to represent is any disabled persons as defined in section 5 of the Equal Opportunities for People with Disabilities Law, 1998 namely, persons with permanent or temporary physical, emotional of mental, including cognitive, disability and who has limited functional ability and/or any holder of a disability card and/or disabled parking tag, whether a round or triangular tag, and who makes use of the parking services at the Phoenix House parking lot in Givatayim, and who has been required to pay for the parking, as of the date section 4 of the Disabled Parking Law was legislated until a ruling is handed in the claim in question ("the Class").

The plaintiffs estimate that the total damages for all the Class members is NIS 57 million, for a period of seven years.
The main remedies sought by the plaintiffs are, among other things, to declare that in the foregoing case the behavior of Mekdan Management and Maintenance by unlawfully charging payment is in violation of its duty under the law towards the plaintiff and/or members of the Class and/or is unlawful enrichment at their expense and/or negligence and/or severe damage to their autonomy causing them non-monetary damages; to order Mekdan Management and Maintenance to announce and display the announcement visibly and clearly at the entrance to and at the exit from the parking lot, stating that members of the Class and any other disabled person may park there free of charge; to order the defendants to pay the plaintiff and other members of the Class compensation with respect to their conduct and/or their oversight in the amount of the damages; to order the defendants to pay the plaintiff compensation and the plaintiff's attorney's fees.

The Phoenix Insurance filed its response to the motion for certification on February 17, 2015.
In the pretrial hearing held on April 13, 2015, the court ruled that the plaintiff is required to notify the court within 30 days whether he upholds his motion. On May 11, 2015, the plaintiff announced that he is upholding his motion. Following the plaintiff's notice, a hearing was scheduled for December 23, 2015. On June 4, 2015, the Disabled Persons Organization filed a motion to join the proceedings as an amicus curiae. The Phoenix Insurance responded to this motion, however the court has not yet handed down its ruling.
On July 20, 2015, the parties filed a joint motion for withdrawal of the plaintiff from the claim. On August 10, 2015, the court ruled that the plaintiff should submit a copy of the receipt for payment to his expert for review by the court.

22. In September 2014, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the Motion for Certification") at the Haifa District Court (jointly below: "the Claim").

According to the plaintiff, the Claim refers to The Phoenix Insurance establishing in its officers insurance policies that the pension coefficient (monthly annuity per NIS 10,000 accrued in the policy over the years), according to which, when female policyholders reach retirement age, they would receive lower annuities than male policyholders due to the longer life expectancy of women and yet on the other hand, The Phoenix Insurance collected and continues to collect from insured women the same risk premiums that it charges men, notwithstanding the fact that the women's mortality rates are much lower than those of men.

The group that the plaintiff seeks to represent is all women insured by The Phoenix Insurance in the type of policies as those in question in the Claim, who are salaried employees and for whom the duty to pay insurance falls on the policyholder and her employer ("the Class").
The plaintiffs estimate that the total damages for all the Class members is NIS 44.5 million with respect to over collection from active female policyholders (over seven years), plus 25% for policyholders who have already cashed in or deceased policyholders. The total damage of the Class is estimated by the plaintiff as NIS 55 million (over seven years).

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The remedies sought by the plaintiff include: to order the discrimination revoked, to order The Phoenix Insurance to refund to the members of the Class, all the rights they are entitled to due to the discrimination; to order The Phoenix Insurance to compensate the plaintiff; and to pay her attorney fees.

Together with filing of the motion for certification, the plaintiff filed a motion to transfer hearing of the claim to the Jerusalem District Court. The Phoenix Insurance filed its response to this motion and on November 5, 2014, the President of the National Court rejected the motion to transfer the hearing.
The Phoenix Insurance filed its response to the motion for certification on May 12, 2015. Another preliminary hearing on the motion for certification is set for October 15, 2015.

23. On December 31, 2014, Yossi Reich, Ohad Aloni, and Rivka Baruch ("the Plaintiffs") filed a claim and motion for certification as a class action against Excellence Mutual Funds Ltd. and Excellence Nessuah Mutual Fund Management Ltd. (jointly below: "Excellence Funds"), wholly-owned subsidiaries of Excellence and against 13 other parties, including the seven parties serving as managers of mutual funds ("the Other Fund Managers") and six parties serving as mutual funds trustees (jointly below: “the Defendants”).

    The motion refers to the claim of the Plaintiffs, who present themselves as public investors, that Excellence Funds and the Other Fund Managers managing the mutual funds in accordance with the approval received from the Securities Authority, carried out transactions for the mutual funds that they manage, and hence for public investors who invested in the mutual funds, while charging the investors, systematically and continuously and allegedly in contravention of the law, brokerage fees, at an allegedly "inflated" cost, without taking any measures to reduce the brokerage fees.

    In the motion for certification of the case as a class action, the Plaintiffs requested a court order for discovery of documents in matters relating to the case and to order the defendants to compensate the members of the group in an amount of at least NIS 220 million, of which an amount of NIS 32.51 million is attributable to Excellence Funds.
    Excellence Funds is required to file its response to the motion for certification by September 13, 2015. The pretrial hearing was scheduled for December 23, 2015.

24. On June 25, 2015, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the Motion for Certification"), at the Beersheba District Court (jointly below: “the Claim”).
    According to the plaintiffs, the Claim refers to the proper interpretation of collective and/or private healthcare insurance policies of The Phoenix Insurance, "which stipulate payment of compensation to the policyholder based on the value of Form 17 and/or the overall financial commitments of the public health fund, where the respondent, the private insurance company, did not finance the surgery and/or the medical procedure supported by Form 17 and/or the commitments of the public health fund(despite its commitment under the policy to do so). The Claim also refers to what is included in the payment of this compensation, and whether the respondent breached the contracts with the policyholders, which are the policies".
    The group that the plaintiffs seek to represent is defined as all policyholders who hold healthcare insurance policies of The Phoenix Insurance, which include the option of financial compensation taking into account the value of Form 17, and were who party to an insurance event in the seven years, and alternately, in the three years preceding the disclosure of the interpretation of the Phoenix Insurance regarding the compensation components in accordance with Form 17, meaning January 30, 2013 (“the Class”). The plaintiffs estimate that the Class has at least 10,000 members.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The plaintiffs estimate that the total damage for all the members of the Class amounts to at least NIS 125 million.
The main remedies sought by the plaintiffs include declaratory relief regarding a breach of the provisions of the law by The Phoenix Insurance in respect of the disputed healthcare policy (in the past) and an order requiring The Phoenix Insurance to act (in the future) in accordance with the plaintiffs' interpretation of the policies; compensation for non-pecuniary damage; payment of the full amount under the policy, in accordance with one of the two alternatives: the cost of Form 17 or half of the amount saved by The Phoenix Insurance, whichever is higher; if there was a Form 17 and/or a commitment/reference of the health fund also for the cost of the surgeon, payment of 50% of the amount of the Form and/or commitment/reference, including 50% of the VAT collected by the surgeon; a charge for special interest under section 28A of the Insurance Contract Law; an order for The Phoenix Insurance to pay compensation to the plaintiffs and their attorneys' fees.
The Phoenix Insurance has yet to file its response to the motion for certification. No date has been set for the hearing.

25. On July 12, 2015, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the Motion for Certification") at the Central District Court (jointly below: “the Claim”).

    According to the plaintiff, The Phoenix Insurance charges management fees for managers insurances issued prior to 1991, without this being permitted by law. The plaintiff claims that The Phoenix Insurance collects various management fees (both fixed and variable), in contravention of the law, for guaranteed return insurance policies, as from 2006.
    The group that the plaintiff seeks to represent is defined as all policyholders of The Phoenix Insurance holding guaranteed-return life insurance policies, with a savings component, issued up to and including 1990, for which The Phoenix Insurance (or its representative) collected management fees (“the Class”).
    The plaintiff has not estimated the total damage for all members of the Class.

    The main remedies sought by the plaintiff for each of the Class members include compensation and a refund of the amount of the monetary damage they incurred; to order The Phoenix Insurance to refrain from collecting management fees for guaranteed-return life insurance policies issued up to and including 1990; to order The Phoenix Insurance to provide accounts and present all information required to define the Class, its size and quantification of the damage incurred; to determine fees of the representing attorneys and special compensation to the applicant, and to order The Phoenix Insurance to cover these amounts.
    The Phoenix Insurance has yet to file its response to the motion for certification. The pretrial hearing was scheduled for January 17, 2016.

26. On July 9, 2015, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the Motion for Certification") at the Central District Court (jointly below: “the Claim”).

    According to the plaintiffs, The Phoenix Insurance failed to pay its policyholders and third parties the VAT component applicable to the cost of damages, in contravention of the law, when the damages were not corrected in practice.
    The group that the plaintiffs seek to represent is defined as all policyholders and/or beneficiaries and/or third parties, of any type of insurance, for whom the damage for which they claimed was not corrected at the date the claim was filed, and who received insurance compensation and/or indemnification for the damage from the insurance company, and the insurance compensation did not include the VAT component applicable to the cost of the correction (“the Class”).
    The plaintiffs estimate that the general damage incurred by all the members of the Class amounts to NIS 155.8 million for seven years.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The main remedies sought by the plaintiffs include to declare that the failure of The Phoenix Insurance to pay insurance compensation and/or indemnity for the VAT component applicable to the correction, when the damage was not corrected in practice, is in contravention of the law; to issue an injunction ordering The Phoenix Insurance to include the VAT component applicable to the cost of the correction in the insurance compensation, even if the damage was not corrected, and as a result, also when the policyholder or third party receives insurance compensation at "the indemnity value" and not "the reinstatement value"; to order The Phoenix Insurance to pay insurance compensation for the entire damage, including VAT; to order The Phoenix Insurance to compensate all members of the Class who filed a claim in the seven years preceding the filing of the claim and up to the date of the final judgment in this claim, by paying the VAT component at the rate applicable to the amount of the damage plus interest and linkage by law; to award special compensation to the plaintiffs and appropriate legal fees for their attorneys and to order The Phoenix Insurance to pay these amounts.
The Phoenix Insurance has yet to file its response to the motion for certification. The pretrial hearing was scheduled for February 8, 2016.
At this stage, it is unclear whether the claim will be heard in its current form, as the representative plaintiff filed an individual claim against the Phoenix Insurance, including for the VAT component, and alongside the motion for certification, the plaintiff requested that the court hears the individual claim to allow him to delete the VAT component from the individual claim and to file a motion for certification as a class action for the VAT component. The court has not yet handed down a ruling on the individual claim.

27. On July 28, 2015, a claim was filed against The Phoenix Insurance and Poalim Mortgage Insurance Agency (2005) Ltd. ("the Defendants") together with a motion for certification as a class action ("the Motion for Certification"), at the Central-Lod District Court (jointly below: “the Claim”).
According to the plaintiffs, the defendants chose to implement substantial amendments in the policy for building insurance related to mortgages, which are usually renewed each year for another year (until the end of the loan period). The main amendments are as follows: to increase the insurance cover by 25%, consequently raising the monthly premium (insurance fee) by a significant rate of 20%, without informing the policyholders of the amendments to the policy and without their approval and consent (neither before nor after implementation of the amendments). These changes include a significant increase in insurance premiums.

The group that the plaintiffs seek to represent is defined as all customers of the defendants who purchased an insurance policy for a building, and after some time and/or after automatic renewal (of the policy) the defendants implemented significant amendments to the terms of the policy, thus increasing the premium by a significant rate, without informing their customers, in contravention of the provisions of the relevant law, in the seven years preceding the filing of the motion and up to the date the claim is heard (“the Class”).
The plaintiffs estimate that the total damages for all members of the Class amount to NIS 25 million (for pecuniary damage amounting to NIS 24 million and for non-pecuniary damage amounting to NIS 1 million).

The main remedies sought by the plaintiffs include to issue a declaratory order under which the defendants violated the provisions of the Control Law and other provisions of the law set out in the claim, and violated the provisions in the circulars of the Commissioner of Insurance; to order the defendants to refund the entire difference between the premium paid prior to its renewal and the premium collected subsequent to its renewal, plus compensation for distress they incurred, and plus interest and linkage differences; to order the defendants to refrain from their conduct as described in the claim; to order the defendants to pay the plaintiffs appropriate and fair compensation and to pay legal fees to the plaintiffs' attorneys.
The Phoenix Insurance has yet to file its response to the motion for certification. The pretrial hearing was scheduled for January 24, 2016.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

B. Closed claims

1. On January 3, 2008, a claim was filed against The Phoenix Insurance and against other insurance companies ("the Defendants") together with a motion for certification as a class action ("the Motion for Certification") at the Tel Aviv-Jaffa District Court.
   The plaintiffs contend that the Defendants collected management fees in profit-participating life insurance policies in contravention of the provisions of Regulation 6A to the Insurance Businesses Control Regulations (Terms in Insurance Contracts), 1981 ("The Control Regulations") and contrary to the instructions of the Insurance Commissioner.
   As contended, the Defendants acted in contravention of the law in two aspects (or at least in one of them):

   A. They collected regular monthly management fees exceeding 0.05% until 2004 (inclusive), apart from 2002.
   B. They collected the variable fees monthly and not at the end of the year, thus allegedly depriving the policyholders of the proceeds for the variable management fees, collected throughout the year.

   The lawsuit against Phoenix Insurance refers only to the second argument set out above.
   The group that the plaintiffs seek to represent any person who is or was insured by one or more of the defendants, under a combined profit-participating life assurance policy type, issued between 1992 and 2003 (inclusive).
   The total damage incurred as argued by the entire group was estimated by the plaintiffs at a nominal amount of about NIS 244 million of which the plaintiffs attribute NIS 40 million to The Phoenix Insurance. The remedies sought by the plaintiffs include to order the reimbursement of the excess management fees that were allegedly collected unlawfully, or the reimbursement of the monthly proceeds allegedly lost by each member of the group. The plaintiffs also move for a mandatory injunction that will instruct the plaintiffs to change their mode of operation.

   The Phoenix Insurance has yet to file its response to the motion for certification.
   On August 10, 2011, the other defendant insurance companies filed their response to the motion for certification (after the plaintiffs withdrew by consent the motion for certification against two of the companies).
   In a pre-trial hearing held on September 18, 2011, the court recommended that the parties reach a settlement to close the case.
   On June 30, 2013, a petition to approve the settlement agreement and the settlement agreement in the class action was filed at the Court The settlement agreement establishes a mechanism for reimbursing class members holding the policies of The Phoenix Insurance listed in the settlement, and for which The Phoenix Insurance collected variable management fees, in the relevant period beginning on January 3, 2001 and ending on January 1, 2006 (when The Phoenix Insurance, at its own initiative, changed the mechanism for collecting variable management fees).
   In accordance with the settlement, reimbursement will be 53% of the difference between the calculation method claimed by the plaintiffs in the motion for certification and the method used by The Phoenix Insurance until it changed the collection mechanism.
   Legal fees and compensation to the applicant of the motion for certification will also be paid in a total amount of 15%, and it was proposed that half of this amount will be at the expense of the class. The reimbursed amounts are subject to the review of the officer appointed under the settlement agreement and to a minimum amount undertaken by Phoenix Insurance.
   On August 12, 2013, the parties submitted a revised settlement agreement for the approval of the Court, in view of the comments regarding the settlement agreement and its wording in a hearing held on July 15, 2013. On September 1, 2013, the Court ordered publication of the settlement agreement and appointed an officer to review the settlement.
   On August 3, 2014, the auditor filed his opinion with the court.
   On October 20, 2014, the Attorney General filed an objection to the settlement agreement. On November 9, 2014, The Phoenix Insurance submitted its response to the position of the Attorney General.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

In the hearing held on November 23, 2014, several aspects of the settlement were heard. At the end of the hearing, it was agreed that a revised settlement arrangement would be submitted together with a motion to approve the revised settlement based on the revisions and changes agreed upon in the hearing. On December 8, 2014, the revised settlement agreement was filed together with foregoing motion to approve the revised settlement.

On March 18, 2015, the Tel Aviv-Jaffa District Court approved the amended settlement agreement. In accordance with the settlement agreement, The Phoenix Insurance will refund an amount of NIS 7.8 million to the group of plaintiffs (as defined in the settlement) (this amount was examined by the court-appointed reviewer, and includes linkage and interest differences as of May 1, 2013 in accordance with the settlement, and this amount will be added to the linkage and interest differences from that date until the actual payment date). In addition, The Phoenix Insurance will cover legal fees and compensation to the applicant of the motion for certification. The Phoenix Insurance is taking steps to implement the settlement.

2. On October 19, 2004, a claim was filed against Hadar Insurance Company Ltd., whose businesses were merged with the businesses of The Phoenix Insurance together with a motion for certification as a class action ("the Motion for Certification"), at the Tel Aviv-Jaffa District Court.

   The grounds for the claim refer to payment of insurance benefits in cases of total loss, in which the policyholders do not receive the full amount of insurance benefits due to them, which, they contend, correspond to the full list price of the car, but instead, The Phoenix Insurance deducts various amounts for "special variables" associated with the vehicle price list, which may have an effect on the value of the vehicle.
   The plaintiffs argue that by not providing disclosure to the policyholders when quoting the price of the insurance policy or when entering into the insurance contract, the policyholders were misled and the provisions of the Commissioner of Insurance were breached, in particular those in insurance circular 2000/12 ("the Commissioner's Circular").

   The group that the plaintiffs sought to represent is any person and/or other legal entity that purchased insurance and/or an insurance contract from the insurance company, over seven years or alternatively the three years preceding the date of the motion for certification, for a private and/or commercial and/or motorized vehicle, for any insurance period, and an insurance event occurred in the insurance period where the vehicle was declared a total loss, and for that insurance event, an insurance and/or financial liability of the insurance company was established and the insurance company did not pay that person and/or legal entity the full insurance benefits and/or the full value of the vehicle at the time of the insurance event and/or did not replace the vehicle with a similar vehicle. The plaintiffs estimate that the class action suit amounts to NIS 41.2 million. The Phoenix Insurance filed its response to the motion for certification. On January 14, 2010, the district court ruling accepted the motion for certification of a class action suit ("the Certification Ruling"). In the Certification Ruling, the court ordered that the class action group includes holders of private vehicle insurance policies (property damage and third-party property damage) acquired from the defendant, effective from January 1, 2001, and in the insurance period, an insurance event occurred which caused damage defined as a "total loss" to the insured vehicle, or the insurance company referred to the damage as a "total loss".

   The court ruled that the group will be defined at the date the motion for certification was filed, meaning October 19, 2004. The court set the identity of the representing plaintiff leading the group to be Mr. Ben Ami and ruled that the class action was certified on the grounds of misleading information or non-disclosure.
   The Supreme Court denied the motion for leave to appeal filed against the Certification Ruling, and ruled that the allegations of The Phoenix Insurance will be held for appeal (to the extent filed) of the ruling in the claim.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

On October 5, 2010, the parties filed a motion (with consent) with the district court to approve the settlement. The court dismissed this motion.

On April 30, 2012, the Commissioner of Insurance published a draft decision concerning "systematic return for violation of Insurance Circular 2000/12", including in the matter of this procedure.
On February 7, 2013, the Attorney General announced that the Commissioner of Insurance had decided not to order systematic return for violation of the Commissioner's circular.
Following this announcement, the parties consented to mediation (including the Attorney General).

On April 13, 2014 a motion was filed with the District Court for approval of the settlement between the parties, following prolonged mediation proceedings before the Honorable Former Chief Justice, M. Shemgar, in which the Attorney General took part. The highlights of the settlement agreement accepted by the Attorney General included monetary compensation for each of the members of the group, as defined in the settlement. In accordance with the settlement, The Phoenix Insurance will pay an amount of NIS 6 million which will be shared pari-passu among the members of the group according to the specific rate of deduction made for each member of the group.

If each member of the group, whose particulars are known to the parties, respond to the inquiry addressed to them, them each member of the group will receive approximately 85% of the real value of the specific deductions from the insurance proceeds for the specific insurance event due to special variables.
This rate could increase if not all the members of the group, as aforesaid, respond to the query, or decrease if it becomes apparent that there are additional members to the foregoing group.
In addition, under the settlement agreement, The Phoenix Insurance will pay compensation to the plaintiffs and will pay their attorney fees.
If any funds remain that are not distributed to members of the group as defined in the settlement, the funds will be given as a donation through the Round-up Organization.
On April 29, 2014, the District Court approved the settlement agreement and ordered publication of notices and gave orders as required under the settlement agreement. The Court further ordered that if the conditions are established for handing down a ruling, the parties will file appropriate application.

On April 21, 2015, The Phoenix Insurance filed an updated notice and motion with the court, on behalf of the parties, with a description of the continued implementation of the settlement agreement, together with an application to give the settlement agreement the force of a judgment.
On April 26, 2015, the district court gave the settlement agreement the force of a judgment and the Company began to implement the settlement agreement.

3. On July 8, 2014, a claim was filed against The Phoenix Insurance and the St. George's Orthodox Council and the Municipality of Ramla (jointly below with The Phoenix Insurance: "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification") at the Central District Court (jointly below" “the Claim”).

   According to the plaintiff, this Claim refers to alleged discrimination against many school pupils in Israel in general and against the plaintiff in particular, as the defendants, either jointly or severally, acted contrary to the directives of the Director General of the Ministry of Education when instead of insuring them under a under a minimum binding policy of the Company for maintenance support, they insured the pupils under a general personal accidents policy that does not provide cover for a pupil's confinement at home and/or hospital.

   The plaintiff argues that the Defendants, whether jointly and severally, collected the full premium due to them by law, and in the occurrence of the insurance event The Phoenix Insurance deprived and deprives all its policyholders of their rights by not paying them the full compensation they are entitled to.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The group that the plaintiff sought to represent consists of any pupil who studied at St. George's Orthodox Council, every eligible pupil who studied at a school within the Ramla municipal area and every pupil who studied and has not yet reached the age of 21 and/or three years have not passed since the entitling event and who was insured with The Phoenix Insurance under a personal accident policy and who suffered temporary disability resulting in absence from the school for a minimum of 21 days, and who did not receive any compensation for those days ("the Class").
The plaintiff estimates the total damage for all the members of the Class, at minimal assessment, to be NIS 60 million.

The main remedies sought by the plaintiff are, among other things, refund and compensation for each member of the group for the payment difference subtracted and/or denied them; to issue an injunction against the Defendants ordering them to provide the plaintiff with all the information and/or a copy of the documents requested for clarifying and quantifying the claimed damages; to set the plaintiff's legal fees and to grant the plaintiff special compensation.
On February 23, 2015, The Phoenix Insurance and the Council filed their responses to the motion for certification. Following negotiations between the parties, on May 14, 2015, the parties filed a joint motion for withdrawal from the motion for certification ("the Motion for Withdrawal"), in which the plaintiff and his counsel will be paid NIS 47,500, of which The Phoenix Insurance will pay NIS 10,000. On May 17, 2015, the Court ruled that the motion for withdrawal will be heard at the pretrial hearing scheduled on May 25, 2015. In the hearing held on May 25, 2015, the Court approved the motion for withdrawal and dismissed the motion for certification.

4. On June 19, 2000, a claim was filed against Discount Mortgage Bank Ltd. ("The Phoenix Insurance") (jointly below: "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification"), at the Tel Aviv-Jaffa District Court.

   The plaintiffs obtained from the Bank loans for the purpose of purchasing residential apartments secured by a mortgage, and in the context of this loan the Bank required them to purchase homeowners insurance policies for their apartments from The Phoenix Insurance. According to the plaintiffs, the initial insurance established for their apartments was higher than the appropriate insurable value of the apartments, and in December 1993 and December 1994, the insurance amounts for their apartments were increased, with no justification and on no reasonable grounds. Therefore, the plaintiffs claim they have paid excessive insurance premiums over the years. The plaintiffs estimated the amount of the class action (as of June 2000) at NIS 105 million.

   The remedies sought by the plaintiffs include submission of all the relevant information in order to respond to the plaintiffs' damage; compensation of the group members for the damages described in the claim; alternatively, declaratory relief that the Defendants collected excessive premiums from the group members, and therefore they are entitled to reimbursement of the excessive moneys that were paid, according to the alleged principles of calculation in the claim; alternatively, declaration of the group's right to reimbursement of 20% of the insurance premium paid for the period as from December 1993, 38% for the period as from December 1994, and 15% for group members who took out a mortgage subsequent to December 1993 and prior to December 1994.
   The group that plaintiffs sought to represent is any person who took and/or paid a mortgage to Discount Bank and was insured through the Phoenix Insurance, at any time, provided that the repayment period of the payments or part thereof applied in the period to which the claim relates, meaning December 1993 and up to the date that the motion for certification was filed, whether the mortgage was taken to acquire an asset that serves as an apartment or as a real estate asset that is not an apartment.
   In September 2000, the bank and The Phoenix Insurance filed responses.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

In December 2000, the district court decided to stay the proceedings against the Bank only, claiming that there is an earlier class action against the Bank, which refers to similar issues raised in the claim. Following this ruling, an order was granted for the stay of proceedings against Phoenix Insurance.
The claim was transferred to the Central District Court. In October 2007, the court requested that counsel for the plaintiffs review the ruling in the earlier class action against the Bank before preparing the claim for a hearing.
On May 12, 2012, the District Court in Tel Aviv approved a settlement for the class action (and for another class action), for which a stay of proceedings was given, according to which the class action was certified and the settlement was given the validity of a judgment, for all the members of the relevant group and for the issues settled in the settlement. At this stage, the plaintiffs have not made an announcement in view of the aforesaid, and discussions have not yet resumed. In accordance with the court records, the claim is closed.

5. On August 6, 2012, a claim was filed against The Phoenix Insurance and against other insurance companies "the Defendants"), together with a motion for certification of a class action ("the Motion for Certification") at the Central District Court.
This claim refers to management fees collected by the defendants from the premium in life insurance policies combined with savings that were issued from the beginning of 2004, for self-employed and for employees, and therefore are recognized as provident funds by law and called "insurance funds", as well as those for individuals, called "individual policies"("the Policies").

   The plaintiffs contend that the collection of management fees by the defendants as a percentage of the premium paid by the policyholders ("the Management Fees from the Premium") are allegedly collected in contravention of the law and any such collection is invalid and these management fees should be returned to the policyholders. The plaintiffs further contend that the maximum management fees than can be charged are 1% of the value of the investment portfolio and that any management fees that exceed this percentage should be returned to policyholders in accordance with the Control of Financial Services Regulations (Insurance) (Terms of an Insurance Contract), 1981.

   The plaintiffs also contend that the Commissioner of Insurance had the authority to approve management fees of up to 2% of the value of the investment portfolio in specific cases, and that the Commissioner had exceeded his authority when permitting a sweeping charge of 2%.
   Alternatively, the plaintiffs contend that in any case, even if collection of management fees from the premium is permitted and even if it is sweepingly permitted to collect the full 2% from the value of the investment portfolio, they claim that the defendants collect management fees from the premium in relation to the total premium paid by the policyholder, including the management fees themselves, and management fees are collected from the premium also in respect of payments of risk premiums that are not intended for savings, therefore the excess premium should be returned to the policyholders.

   The group that the plaintiffs sought to represent is anyone who is or was insured by one or more of the defendants in a life insurance policy that is combined with savings, issued from the beginning of 2004, including a risk policy that was presented as a policy combined with savings, for active policies as well as for settled or redeemed policies.
   The plaintiffs estimate that the damage to the group members amounts to a total nominal amount of NIS 570 million (for collection of management fees from the premium) or alternatively, NIS 65 million (for collection of management fees in respect of the management fees) and alternatively, NIS 132 million (for collection of management fees in respect of risk coverage), all in accordance with the contentions of the plaintiffs.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

The plaintiffs estimated that the damage is distributed among the defendants according to share in the sector, as defined in Table D7 of the report published by the Commissioner of Insurance for 2004 to 2007, which states that the share of The Phoenix Insurance is 16%. Accordingly, the amount of the claim against The Phoenix Insurance is NIS 91 million (for collection of management fees from the premium), or alternatively, NIS 10.5 million (for collection of management fees in respect of management fees), and alternatively, NIS 21 million (for collection of management fees in respect of risk cover), in accordance with the allegations of the plaintiffs.
The remedies sought in this claim include refund of the excessive management fees that were collected from each of the group members; an injunction ordering the defendants to change the manner of their actions regarding collection of management fees with the policies described above; compensation for the plaintiffs and legal fees, and to charge the defendants for court expenses.
The Phoenix Insurance filed its response to the motion for certification. Several preliminary hearings were held on the case.
In another pretrial hearing held on May 11, 2015, the Attorney General and representatives of the Commissioner of Insurance presented their position orally, according to which the defendants acted in compliance with the law, since the Commissioner of Insurance had defined the method for collecting management fees by the defendants by virtue of her authority, and that they see no grounds for the motion for certification.
In view of the position of the Commissioner of Insurance, the court ordered the plaintiffs' attorneys to advise, by June 3, 2015, whether they insist on continuing the hearing of the case.
On June 29, 2015, the parties filed a motion with the court for consent to withdraw from the motion for certification as a class action.
On July 2, 2015, the Court accepted the motion for withdrawal and ordered that the claim be struck out and the individual claims dismissed, without an order for expenses.
Further to the plaintiff's request to amend a clerical error in the ruling, on July 9, 2015, the court ordered the amendment of the ruling, such that the individual claims of the plaintiffs will be deleted and not dismissed.

6. On September 8, 2014, a claim was filed against The Phoenix Insurance, together with a motion for certification as a class action ("the Motion for Certification") at the Tel Aviv-Jaffa District Court (“the Claim”).

   According to the plaintiffs, the issue of the Claim is that where the amount of dental treatment does not reach the maximum amount set in its collective policy for dental insurance, The Phoenix Insurance rounds the amount downwards only. Thus, The Phoenix Insurance avoids paying its policyholders these tens of agurot when the amounts are always rounded down.
   The group that the plaintiffs sought to represent is, all holders of The Phoenix Insurance collective dental care policy who were underpaid for the insurance compensation due to them because The Phoenix Insurance chose to deduct tens of agurot from the amount it was supposed to refund them, according to the provisions of the policy (“the Class”).

   The plaintiffs estimate the total damages for all the members of the Class, to be NIS 2.6 million, and with the addition of linkage differences and interest (for half the period) is NIS 2.9 million.

   The main remedies sought by the plaintiffs include: to order The Phoenix Insurance to refund to the members of the Class in full the amounts that have not yet been refunded to them and all with the addition of due interest and linkage; to order The Phoenix Insurance to cease its unlawful practice; to prescribe a control mechanism for monitoring actual refunds and that will ensure that the compensation paid by The Phoenix Insurance is the amount actually paid by the policyholder; to order The Phoenix Insurance to compensate the plaintiffs and to pay their attorney fees.
   On June 1, 2015, the Tel Aviv-Jaffa District Court approved the motion for withdrawal from the motion for certification as a class action, which was filed by the parties on May 31, 2015 and deleted the motion for certification.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

7. On July 15, 2009, a motion for certification as a class action suit was filed at the Tel Aviv district court against Excellence Nessuah Investments Management Ltd. ("Excellence Investments") (a subsidiary of Excellence) and against Epsilon Investment House Ltd. ("the Claim"). The plaintiffs estimate that the amount of the Claim is NIS 27 million.
   The Claim was filed by several plaintiffs who contend, among other things, to be the heirs of a customer whose investment portfolio was managed by Excellence Investments until November 2007 and/or who had power of attorney for her account during the portfolio management period.
   The main allegations against Excellence Investments are that during the management period of the customer's portfolio, Excellence Investments collected fees from the customer that exceeded those due to the bank for transactions in her account, while receiving some of these fees from the banks as "commission refunds". The plaintiffs claim that these commission refunds were made through improper disclosure to the customer and were in violation of the provisions of various laws. On November 4, 2010, the settlement agreement between Epsilon and the plaintiffs was approved and it was given the validity of a judgment.
   On April 4, 2011 the court certified the claim as a class action on the basis of two grounds: breach of statutory duty and unjust enrichment. The other allegations and grounds in the motion were dismissed.
   On December 9, 2013, the District Court accepted the class action on the grounds of unjust enrichment, and dismissed the grounds for breach of statutory duty, and ordered Excellence Investments reimburse all the fees that it received to all the members of the group represented in the class action.

   Excellence Investments filed an appeal by right at the Supreme Court against the judgment of the District Court, alongside a motion to postpone implementation of the judgment in all matters relating to reimbursement of funds to the group members. On February 5, 2014, the Supreme Court ordered temporary stay of the judgment, until another decision is made after receiving the plaintiffs' position. On March 23, 2014, the Supreme Court ordered a stay of execution of the ruling until a ruling is handed on the appeal, against bank guarantee in the amount of NIS 5.8 million. Excellence Investments deposited the guarantee on April 8, 2014.

   On March 13, 2014, The Phoenix Insurance informed the district court of the Supreme Court ruling: (A) to dismiss the claim on the grounds of breach of statutory duty; (B) compensation for the representative plaintiff and his legal fees will be paid out of the moneys due to the members of the plaintiff group; (C) the class action is not approved on the grounds of bad faith, negligence, misrepresentation and fraud. When filing the counter-appeal, the representative plaintiffs were required to deposit NIS 40,000 as collateral for the Company's expenses in the counter-appeal, which they deposited in the court reserve.

   In the hearing of the appeal and the counter-appeal held on July 9, 2015, Excellence Investment Management and the representative plaintiffs accepted the recommendation of the Supreme Court, and agreed to the dismissal of the appeal and counter-appeal without expenses. The temporary order of stay of execution of the ruling until a ruling on the appeal is handed down has expired, therefore Excellence Investment Management is required to take steps to execute the ruling in accordance with the ruling and the timetables set out therein.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

C. Legal proceedings

Below is a description of legal and other proceedings against the Company and/or the subsidiaries. A provision was not included in the financial statements for proceedings that management believes, based in part on legal opinion, are more likely than not that the Company's statement of defense will be accepted and the proceeding will be dismissed. In cases where it is more likely than not that all or part of the Company's defense will be dismissed, a provision was included in the financial statements to cover the exposure estimated by the Company and/or by the subsidiaries. Management believes that, based partially on the opinion of its legal counsel, the provisions made in the financial statements to cover the exposure estimated by the Company and/or its subsidiaries are appropriate.

1. The Phoenix Insurance and Carmel Insurance Agency ("the Agency") are in arbitration based on four issues, the main one being payment of fees and compensation for sales of insurance policies in the past. At the same time, there is a debt of the Agency to The Phoenix Insurance, for an unpaid loan. The Phoenix Insurance intends to offset this debt from any amount that may be ruled in favor of the Agency.

   The proceedings for all the issues amount to NIS 41.3 million. The parties delayed the arbitration proceedings and referred the dispute to mediation. The mediation is currently underway.

2. On August 31, 2010, a claim was filed against Excellence Tzmicha Securities and Investments Ltd. (a subsidiary of Excellence), Gil Zvi Deutsch, Aaron Biram, and Excellence Nessuah Financial Products Ltd. ("Excellence Products"), in the amount of NIS 15 million at the Tel Aviv District Court, by Jacob Harpaz and Alpha Bull Ltd.

   Until 2008, the plaintiff served as CEO of Excellence Products, and until 2007, he was a shareholder of Excellence Products, a subsidiary of Excellence.
   In his claim, the plaintiff contends that the defendants "persuaded" him to sell his shares in Excellence Products for an amount that was lower than their value. The claim alleges, among other issues, breach of contract, and lack of good faith in negotiations and in fulfilling a contract. On October 15, 2013, the plaintiffs filed their affidavits of evidence in chief and an expert opinion.

   On May 26, 2014 the defendants filed their affidavits of evidence in chief and on June 9, 2014 they filed an expert opinion.
   The Court did permit the plaintiffs to revise their statement of claim by reducing the amount of the claim, and accordingly the defendants filed a motion to revise their statement of claim by reducing the amount of the claim to NIS 10 million. The defendants announced that they retain all their allegations on the matter.
   Subsequently, the case was transferred to another judge and dates for hearing the parties' evidence were scheduled for September 21, 2015, and October 11, 18, 25, 26 and 28, 2015.

3. On March 31, 2011, Excellence Zmicha Securities and Investments Ltd. and Excellence Nessuah Financial Products Ltd. were served with a summary judgment in the amount of NIS 3.1 million plus interest and linkage differences, filed by Alpha Bull Ltd. (the plaintiff in section 2 above). The plaintiff claims that the defendants should pay the amount of the claim , which constitutes one third of the amount set aside by the parties in accordance with the share sale agreement between the parties. On June 23, 2011, leave to file a defense was filed on behalf of the defendants.

   On April 3, 2013, these cases were heard and the court ruled to combine both cases and continue consolidated proceedings.
   On October 15, 2013, the plaintiffs filed their affidavits of evidence in chief and an expert opinion. On May 26, 2014 the defendants filed their affidavits of evidence in chief and on June 9, 2014 they filed an expert opinion. Subsequently, the case was transferred to another judge and dates for hearing the parties' evidence were scheduled for September 21, 2015, and October 11, 18, 25, 26 and 28, 2015.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

4. The shareholders Reit Management, who also serve as officers in Reit 1 Ltd., filed a claim with Excellence for retroactive payment from Reit Management, amounting to NIS 18 million for salary differences, management fees and other costs that they contend are due to them.

   Excellence believes that these demands have no basis in the agreements between the parties, and the method of their calculation and amounts is unclear. Accordingly, Excellence notified them that it informed them that it dismisses their claims in full. During the fourth quarter of 2014, the parties transferred their dispute for arbitration before an agreed arbitrator. The statement of defense in the arbitration proceedings was filed on April 9, 2014.
   The parties filed affidavits of evidence in chief and on July 27, 2014 an arbitration hearing was held to hear the plaintiffs' evidence. Evidentiary hearings for hearing the defendants' evidence were held on October 30, 2014, and on February 1, 2015, the defendants filed their summations. On May 20, 2015, the plaintiffs filed statements in reply and on June 30, 2015, an arbitration meeting was held in which the parties completed their arguments orally.

5. On February 5, 2014, a derivative claim was filed at the Tel Aviv District Court (Economic Division) against the Phoenix Insurance (“the Defendant”) (“the Claim”).

   The Claim was also filed against Clalit Health Services (Ottoman Society) ("Clalit") and against four other insurance companies (together with the Defendant: (“the Defendants”). Together with the Claim, the plaintiff filed a motion for certification of a derivative claim against the Defendants. ("Motion for Certification on the Matter of Clalit").
   On March 23, 2014, a derivative claim was filed with the Tel Aviv District Court Economic Division against the Phoenix Insurance and against Maccabi Healthcare Services (Ottoman Society) ("Maccabi") Together with the Claim, the plaintiff filed a motion for certification of a derivative claim against the Defendants. ("Motion for Certification on the Matter of Maccabi"; jointly below: "the Motions for Certification").

   The claims refer to the failure of Clalit and Maccabi ("the Health Funds") to exhaust and exercise their right of participation by law towards the insurance companies for expenses incurred as part of the additional healthcare service plans (the healthcare basket).
   According to the plaintiff, the right of the Health Funds to participate against the insurance companies is due to overlapping liabilities between the healthcare basket and commercial healthcare insurance policies sold by insurance companies, and arises from a general principle with wide application of the law, common to all branches of liability laws, and by virtue of the provisions of section 56 of the Contracts Law (General Part), 1973, section 59 of the Insurance Contract Law, 1981 and enrichment laws.
   The plaintiffs contend that a member of an Ottoman Association is entitled to file a derivative action in its name, as a shareholder is entitled to file derivative action in the name of the company. The plaintiffs further claim that they first applied to the Health Funds, but that their applications were denied and that their claims and proceedings are to the benefit of the Health Funds.
   The remedy claimed is to order each of the defendants to pay the Health Funds at least half of the payments they incurred to cover their expenses in the healthcare basket plans, both for the surgery and selection of the surgeon in Israel, and for medical consultation, in the seven years before the claim was filed, in cases when the policyholders of the Health Funds have commercial healthcare insurance for these components.
   Under the motion for certification in the matter of Clalit, the damage claimed against all the insurance companies is estimated at NIS 1 billion plus interest and linkage differences. Under the motion for certification in the matter of Maccabi, the damage claimed against all the insurance companies is estimated at NIS 800 million plus interest and linkage differences.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

On April 1, 2014, the plaintiff filed a petition to consolidate the claims under the motion for certification in the matter of Maccabi with the motion for certification in the matter of Clalit. On April 9, 2014, pursuant to the court's ruling, the defendants filed their responses to the petition to consolidate, according to which they have no objection to the requested consolidation of claims. On April 29, 2014, a ruling was handed ordering the consolidation of the cases before the Honorable Judge Kabub.

On August 17, 2014, the plaintiffs filed for leave to revise the motion for certification as a class action and the defendants filed their responses to this motion. On October 28, 2014 the Court permitted the leave to revise ("Ruling on Leave to Revise"). Pursuant to the leave to revise and the ruling therein, the motions for certification in the matter of Clalit and Maccabi were consolidated and filed as one consolidated document, new grounds were added to the motion for certification with regard to the right of participation available to the health funds for surgeries carried out by them as part of the basic basket, due to overlapping liabilities in the policies of the defendant insurance companies, and an expert opinion was attached to the motion for certification that refers to the appropriate participation rate of the defendant insurance companies in the expenses of the health funds in the healthcare basket plans. The amounts claimed were also updated for surgeries carried out as part of the basic basket and for the overlapping items in the healthcare basket plans and the commercial insurances (surgeries and medical consultation). With respect to Clalit, the defendants estimate that the damages claimed against all the defendant insurance companies amount to NIS 3.5 billion; and with respect to Maccabi, the defendants estimate that the damages claimed against all the defendant insurance companies amount to NIS 1.7 billion.
Pursuant to the Ruling in the Leave to Revise, it was decided that each of the defendants would bear plaintiff expenses of NIS 5,000 (and jointly NIS 10,000) to be divided equally among the defendants.
On November 24, 2014, the plaintiffs filed the revised motion that includes the amendments requested in the leave to revise and which were approved, as aforesaid.
On February 19, 2015, The Phoenix Insurance filed its response to the amended motion for certification. On February 19, 2015, Clalit filed its response to the amended motion for certification and on February 20, 2015, Maccabi filed its response to the amended motion for certification. On April 1, 2015, the plaintiffs filed a motion for an order for discovery and inspection of documents ("the Motion for Discovery"). On April 22, 2015, The Phoenix Insurance and the health funds submitted their responses (objections) to the Motion for Discovery and on April 28, 2015, the plaintiffs submitted their responses to the defendants' responses to this motion.

On April 19, 2015, the plaintiffs filed their responses to the defendants' response to the motion for certification ("the Statement of Response"). On May 7, 2015, The Phoenix Insurance filed a motion to dismiss the Statement of Response or, alternatively, to delete some items and appendixes ("the Motion to Dismiss"). On May 12, 2015, the plaintiffs filed their response to the Motion to Dismiss and on May 13, 2015, The Phoenix Insurance filed its response to the plaintiffs' Motion to Dismiss. On June 11, 2015 the Court ruled that a member of an Ottoman association may file a motion for certification of a derivative action on behalf of the association. In a hearing on July 14, 2015, the court stated that it will request the position of the Attorney General on the issues raised in the motion for certification, with reference to the position of the Ministry of Finance, the Commissioner of Insurance, and the Ministry of Health. It was determined that the Attorney General will submit his position by November 1, 2015. Another hearing for the case was scheduled on December 6, 2015 and evidentiary hearings were scheduled on February 3 and 4, 2016.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

6. On September 29, 2014 originating motion proceedings were opened with the Tel Aviv District Court (Economic Department) against Excellence Mutual Funds Ltd. ("Excellence Funds") and others under which AY Spector Ltd. ("Spector") petitioned the Court to order that the vote of Excellence Funds, by virtue of its holdings in its managed funds, against approval of a bonus earmarked for Spector, which is controlled by Yehiel Spector, the indirect controlling shareholder of Spectronix Ltd., be counted in the general meeting of the shareholders of Spectronix on July 22, 2014. The claims against Excellence Funds include that arbitrary voting against approval of the bonus constitutes an act contrary to the duty of justice prescribed in section 193(A)(2) of the Companies Law. The originating motion is for declaratory relief and does not include monetary relief. On January 14, 2015 the Securities Authority filed a response in the proceedings under which it notes that, after reviewing the originating motion and the responses of the respondents to the originating motion, it does not deem fit to file a response on its behalf in the proceeding. On January 21, 2015, the applicant in the proceeding filed a rebuttal to the responses of the respondents, under which it reiterated its position as presented in the primary proceedings and that it rejects the respondents' arguments in their responses. On February 17, 2015, the pretrial hearing was held and an evidentiary hearing was scheduled for July 13, 2015 On March 1, 2015, Spector informed the court that Spectronix Ltd. will convene another shareholders meeting to discuss the bonus underlying the claim and that following the general meeting of its shareholders, Spectronix Ltd. will inform the court of the results of the general meeting. Excellence Funds filed a response to this notice and dismissed the factual description in the notice.

   At the shareholders meeting held on April 2, 2015, it was resolved to grant the bonus. On April 15, 2015, the plaintiff appealed to the Court and announced that requests a discussion in principle on questions arising from the case despite the fact that it appears that the discussion has become redundant in view of the resolution of the general meeting. Excellence Funds filed a response to the plaintiff's motion, and sought to dismiss the motion, or alternatively for dismissal in limine.
   On May 17, 2015, the court ruled to dismiss the case since the relief requested in the claim is no longer required.

7. In March 2015, a subsidiary of Excellence (Excellence Nessuah Provident Ltd., below in this section: "Excellence Provident") received a letter from the Accountant General in the Ministry of Finance, further to the audit carried out on behalf of the Accountant General in 2013. In accordance with the audit findings, the provident fund allegedly did not act in accordance with the directives of the Ministry of Finance as described in the letter to the CEO of the provident fund at that time from May 31, 1988, the main points of which are as follows:

   A. Self-employed members, who increase their deposits beyond the permitted amounts that were established are not eligible for a guaranteed return beyond the permitted amount.

   B. A member who is more than three months behind in payments to the fund cannot continue to receive a guaranteed return on new deposits. In addition, the fund may not waive arrears.

   In accordance with the aforesaid, Excellence Provident is required to perform calculations for these members to allow the Accountant General to estimate the deposit rate of the fund in the Ministry of Finance. In addition, the Ministry of Finance established that the fund is required to refund the entire amounts of the guaranteed return paid by the Ministry for the deposits that were allegedly in excess, taking into account the alternative interest of Ministry.
   The former fund manager - Mizrahi Tefahot Bank Ltd. ("the Bank"), which managed the fund when the letter was issued in 1988, stated that it managed the fund in accordance with the provisions of the fund regulations as approved by the Capital Market from time to time, and that to the best of its knowledge, it did not receive the letter of 1988, and that it was unaware of the letter or its provisions.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

Since for most of the audit period, the fund was managed by the Bank, most of the information required for the calculations is not available to Excellence Provident but to the Bank which received a copy of the Accountant General's letter, with a request for cooperation, and therefore Excellence Provident cannot estimate, at this stage, the amounts that it may be required to return to the Ministry of Finance (if required).

Excellence believes, based on the opinion of its legal counsel in accordance with the agreed boundaries of responsibilities established in the sales agreement between Excellence and the Bank that managed the fund until the date of acquisition of management rights of the provident fund in March 2007 ("The Transfer Date of the Activity"), that any amounts that may be required to refund to the Accountant General and other parties are the Bank's responsibility as established in the agreements between the parties.

8. The Company and/or its subsidiaries are party to other legal proceedings and non-insurance claims, filed by customers, former customers, agents and various third parties, in amounts that are not material, in a total aggregate amount of NIS 11.5 million. There are various grounds for the claim against the Company and/or the subsidiaries in these proceedings.

D. Other proceedings

1. In August 2013, a ruling in principle was issued ("the Ruling") regarding the increase of management fees without notice. In accordance with the Ruling, a number of management companies did not inform their members of their intent to increase management fees as required in legislation. In the Ruling, the Commissioner ordered the provident fund management companies to refund to the members who were not informed of the increase in management fees in accordance with the statutory arrangement, the management fees that were overcharged for the period starting on January 1, 2006 and ending on December 31, 2009 ("the Refund Period").
   The Ruling includes specific provisions regarding the conduct and management of the management companies with regard to the implementation of this Ruling, including the dates and manner for executing the refund and the preparation of a working schedule for executing the refund provisions In December 2014, an amendment to the Ruling was issued, postponing the date for execution of the refund by 8 months.
   The effect of the Ruling will apply to the pension and provident sectors (excluding pension funds and centralized portfolios and provident funds). The institutional organizations in the group have prepared a working schedule in accordance with the provisions of the Ruling and at this time they are acting to execute the refund to all the relevant members, where some of the relevant members have already received the refunded moneys.
   The financial statements of the managed companies include provision with regard to the Ruling, based on the information known to the Company as of the date of this report.

2. The Phoenix Insurance and the Commissioner discussed a draft ruling that refers to one-time deposits by policyholders received subsequent to 1991, in guaranteed return policies ("the Policies"). In accordance with the draft, The Phoenix Insurance is required to take certain steps in relation to policyholders whose actual return on one-time deposits, which carried the returns of the profit-sharing portfolio, was equal to or exceeded the guaranteed return in the policies, and certain steps in relation to policyholders whose actual return on one-time deposits was lower than the guaranteed return. Accordingly, at this stage, since the Commissioner has yet to reach a decision regarding the draft and since the final wording is unknown, The Phoenix Insurance is unable to assess the implications and extent of its effect on The Phoenix Insurance, if it is published.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

3. In November 2013, the Tel Aviv District Attorney (Taxation and Economics) ("the District Attorney") filed an indictment against two insurance agents, who had a business relationship with The Phoenix Insurance, and against The Phoenix Insurance, the former CFO, the legal counsel, and a division manager in the Phoenix Insurance for various offenses under the Penal Law, 1977.

   The indictment refers to the period between five and eight years ago, and is mainly about the tax liability of insurance agents: the District Attorney claims that The Phoenix Insurance should have deducted tax at source for this liability.
   The Phoenix Insurance and its organs deny the offenses attributed to them and believe that they will be acquitted of the charges against them. On September 17, 2014, the prosecution stage in the case opened and evidentiary hearings were tentatively scheduled until the end of December 2015.

   For further information see the Company's report of November 25, 2013, ref. 2013-01-202041, the Company's report of March 27, 2014, ref. 2014-01-027861 and Note 22C(2) to the 2014 Annual Financial Statements in the matter of the disputed tax assessments for 2007-2009 against The Phoenix Insurance.

4. From time to time, complaints are filed against the Group, including complaints to the Commissioner of the Capital Market, Insurance and Savings Division of the Ministry of Finance ("the Commissioner"), for rights of policyholders according to insurance policies and/or the law.
   These complaints are handled routinely by the Group's public complaints department.
   The Commissioner’s decisions on these complaints, if and insofar as a decision has been made, are sometimes across the board decisions relating to a group of policyholders. Prior to issuing a final version of the decisions, the Commissioner usually issues a draft decision.

   In the context of the Commissioner's applications to the Group following complaints, requests are made from time to time for information about the Group's handling of the insurance policies in the past and/or a request to refund moneys to groups of policyholders and/or other instructions. The Commissioner also has the authority to impose financial sanctions, based on the information that was submitted or that will be submitted to him following his application.

   In addition to the motions for certification of class actions filed against the Group and the legal and other proceedings, there is a general exposure which cannot be estimated and/or quantified, partially due to the complexity of the services provided by the Group to its policyholders. The complexity of these services includes a potential for interpretation and other claims arising from differences in information between the Group and the third parties to the insurance contracts that refer to a wide range of commercial and regulatory conditions.
   This exposure is reflected in the Group's pension savings and long-term insurance operations. In these areas, the policies are managed over the years in which there are changes in policies, regulations and legal trends, including court rulings. These changes are made by EDP systems that undergo frequent changes and adaptations. The complexity of these changes and application of change with respect to many years, creates increased operating exposure.
   In addition, receipt of a new interpretation to insurance policies and long term pension products may, at times, affect the Group's future profitability with respect to the existing portfolio, in addition to the exposure involved in the demands to compensate customers for past activities.
   It is impossible to anticipate the types of claims that will arise in this area, and the exposure arising from these and other claims in respect of the insurance contracts, through the procedural mechanism set out in the Class Actions Law.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

In addition, the Commissioner of Insurance is taking steps to outline principles for insurance plans, and in this context, on July 10, 2013, a position paper was issued with a list of guiding principles and guidelines designed to guide the insurer when preparing an insurance plan, so that it does not include discriminatory conditions, and it will be simple and clear. This list of principles includes a list of unacceptable practices that are presumed to be discriminatory and should not be included in an insurance plan and acceptable practices that should be included in insurance plans. In April 2015, a revised position paper was published on this subject, which will come into effect in June 2015 and will supersede the earlier position paper. Further to the above position paper, in April 2015, the Commissioner of Insurance issued a circular of guidelines for preparation of insurance plans, which includes a list of guidelines that should be included in the insurance plan and guidelines that should not be included. It is not possible to foresee whether and to what extent the insurers are exposed to claims regarding the interpretation in insurance plans, and the appropriate application of the principles and practices, which might arise, partially, through hearing mechanisms set out in the Class Actions Law.

In addition, some of the Company's products are characterized by a long useful life and high complexity, especially in view of the various legislative arrangements for product management and taxation, attribution of deposits, investment management, the policyholder's employment status, and deposit payments.
The Company regularly upgrades its database and its operational systems, and includes provisions as required.

As part of regulatory changes and legal directions, in December 2011, Circular 2011-9-10 was issued for institutional entities referring to improvement of information about members rights in institutional entities. This circular was replaced with Circular 2012-9-16.

The circular sets out the measures required by the financial institution regarding the information listed in the holdings interface as part of a uniform structure for transferring information in the savings and pension market, and requires the institutional entity to improve the holdings interface so that the information included in the holdings interface will be complete and continuous, to the extent that there is any such information throughout the savings period.

For members who joined prior to 1997, information should be improved at least as from 1997, when for provident funds that are not insurance funds or pension paying annuity funds, information about deposits, transfers and withdrawals that were carried out at least as from January 1, 2005 onwards, will be improved. The circular includes graded provisions for implementation in the period from December 31, 2012 through to June 30, 2016.

The Group's institutions regularly address improvement of policyholder rights, in accordance with gaps that arise from time to time, have completed the gap survey in March 2013 required under the circular, and in September 2013, completed the preparation of the work plan, which was approved by the board of directors. The Group's institutions are implementing the improvements in accordance with the work plan and the timetable set out in the circular.

The financial institutions made certain provisions as required. Further provisions will be made as the project progresses, if required for the data improvement processes.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

Summary table

The table below presents a summary of the amounts claimed in contingent motions for certification as class actions, claims approved as class actions and other material claims against the Company and/or subsidiaries, as noted by the plaintiffs in the statements of claim they filed. It is clarified that the amount claimed is not necessarily quantification of the estimated amount of exposure by the Company and/or subsidiaries, as these are estimates by the plaintiffs whose cases will be deliberated in the legal proceedings. It is further clarified that the table below does not included proceedings that have been concluded, including proceedings which have been concluded after approval of a settlement.

Class	Number of claims	Amount claimed (NIS thousands)
Claims certified as class actions:		
Amount attributable to the Company	2	64,560
Claims attributable to several companies without attribution of a specific amount to the Company	1	225,200
The amount of the claim was not noted	1	-
Contingent motions for certification of class actions:		
Amount attributable to the Company	12	2,212,002
Claims attributable to several companies without attribution of a specific amount to the Company	9	1,701,565
The amount of the claim was not noted	2	-
Other material claims and demands		
Amount attributable to the Company	4	72,441
Claims attributable to several companies without attribution of a specific amount to the Company	1	5,232,000
Other claims	13	11,547

The amount of the total provision of class actions, legal proceedings and others, filed against the Company and /or its subsidiaries, as described above, amounts to NIS 102,744 thousand (December 31, 2014, NIS 98,041 thousand).

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 7 – MATERIAL EVENTS IN THE REPORTING PERIOD

1. Changes in the main estimates and assumptions used to calculate insurance reserves;

   A. In the six months ended June 30, 2015, there were fluctuations in the risk-free interest curve, and in the three months ended June 30, 2015, there was a rise in the risk-free interest curve, which resulted in a decrease in life insurance reserves, including the supplemental annuity reserve, for the period of the policies and for the period of the annuity payment, while in the first quarter of 2015, the opposite applied.
   For information about changes in the risk-free interest subsequent to the balance sheet date, see Note 8(1).

   B. In August 2015, an insurance circular was published regarding the calculation method of the liability adequacy test (LAT) for life and healthcare insurance ("the LAT Circular"). The circular refers to the following issues:
   - Measurement guidelines for two properties of future cash flows: illiquidity (through an illiquidity premium) and the cost of non-hedgeable risks ("CNHR").
   - The demographic assumptions for calculating current estimates will be selected on the best estimate level, applying judgment.
   - The interest assumption and appropriate return will be based on the risk-free interest curve as of the reporting date.
   - Use of the updated value of assets that are not measured at fair value (other than designated debentures).

   The circular is effective for the financial statements as of June 30, 2015 and thereafter.

   C. The Phoenix Insurance is reviewing the adequacy of the reserves, including the supplementary reserve for annuity. The assumptions used for these reviews include assumptions for cancellations, operating expenses, returns from assets, interest rates, illiquidity premium, and taking into account the surplus fair value of assets beyond their carrying amount, mortality, annuity realization rates and morbidity rates, and are determined by the actuaries of The Phoenix Insurance on the basis of tests, experience and other relevant surveys.

   D. Effect of the main amendments described above on the financial results:

   - The amendments to the risk-free interest rate resulted in a decrease of NIS 11 million in insurance reserves in the six months ended on June 30, 2015, of which: In life insurance, a decrease of NIS 19 million in insurance reserves (effect on LAT, NIS 16 million), in healthcare insurance, a decrease of NIS 1 million in insurance reserves; and in general insurance, an increase of NIS 9 million in insurance reserves. The effect in the three months ended on June 30, 2015 resulted in a decrease of NIS 476 million in insurance reserves, of which: in life insurance, NIS 315 million (effect on LAT, NIS 157 million); in healthcare insurance, NIS 141 million; and in general insurance, NIS 20 million.
   - The change in calculation of the estimated illiquidity premium, based on the above circular, resulted in an increase of NIS 79 million in insurance reserves for the six and three months ended June 30, 2015, of which, life insurance amounting to NIS 63 million (effect on LAT, NIS 63 million), and healthcare insurance amounting to NIS 16 million.
   - The change in estimate of the non-hedgeable insurance risks, based on the above circular, resulted in an increase of NIS 187 million in insurance reserves for LAT for the six and three months ended June 30, 2015, of which, life insurance amounting to NIS 119 million and healthcare insurance amounting to NIS 68 million.
   - The change in assumptions for the rates of realization of annuity following the accumulated experience acquired by the Company resulted in an increase of NIS 118 million in life insurance reserves for the six and three months ended June 30, 2015 (effect on LAT, NIS43 million).
   - The change in the adjusted assumptions for cancellations following the accumulated experience acquired by the Company in long-term healthcare resulted in an increase of NIS 40 million in reserves in the first quarter of the year.

NOTE 7 – MATERIAL EVENTS IN THE REPORTING PERIOD (CONTD.)

The total effect of these changes on life insurance reserves for the six and three months ended June 30, 2015 is an increase of NIS 281 million and a decrease of NIS 15 million, respectively.
The total effect of these changes on healthcare insurance reserves (LAT) for the six and three months ended June 30, 2015 is an increase of NIS 123 million and a decrease of NIS 57 million, respectively.
The total effect of these changes on general insurance reserves for the six and three months ended June 30, 2015 is an increase of NIS 9 million and a decrease of NIS 20 million, respectively.

The total effect of these amendments for the six months ended June 30, 2015 is recognition of an expense before tax and after tax of NIS 413 million and NIS 257 million, respectively.
The total effect of these amendments for the three months ended June 30, 2015 is recognition of income before tax and after tax of NIS 92 million and NIS 57 million, respectively.

2. Further to the Company's immediate report in January 2015 (Immediate Report dated January 27, 2015, ref. 2015-01-019660), regarding the memorandum of understanding for the sale of the control of Delek Group in the Company, in June 2015, Delek Group informed the Company that it had signed a binding agreement with PI Emerald II (UK) Limited (a wholly-owned subsidiary of Fosun International Limited) for the sale of the entire holdings of Delek Group in the Company (52.31%) for NIS 1.8 billion, as of June 21, 2015 (plus accrued interest). As of the date of this report, the transaction has not yet been completed and all the approvals required for its completion have yet to be received. For further information, see the Company's immediate report of June 21, 2015, ref. 2015-01-052248.

3. On January 18, 2015, Maalot confirmed the ratings of the Company (+ilA) and of The Phoenix Insurance (+ilAA), maintaining the stable outlook.

4. In February 2015, the Israel Securities Authority announced that it had decided, by virtue of its authority, to extend the period for the offering of securities under the shelf prospectus of The Phoenix Capital Raising for another 12 months, meaning until May 29, 2016.

5. On March 31, 2015, the Israel Securities Authority began an investigation, and several employees of Excellence and its subsidiary Excellence Nessuah Brokerage Services Ltd. were summoned for questioning, and at the same time, the offices of Excellence were searched.

   On April 2, 2015, investigators of the Israel Securities Authority searched the offices of Excellence and its subsidiary Excellence Nessuah Brokerage Services Ltd. , and questioned several officers of Excellence and its subsidiary.

   On April 2, 2015, officers in the Company were summoned for questioning at the investigation department of the Israel Securities Authority. To the best of the Company's knowledge, the questioning focused on a service that the Company received from a related company.

6. On April 7, 2015, Midroog confirmed the rating of the financial stability of The Phoenix Insurance at Aa1, the rating of Liability Notes (Series A) and Debentures (Series D) of The Phoenix Capital Raising at Aa2 with stable outlook, and the rating of Debentures (Series B and C) of the Phoenix Capital Raising at Aa3 with stable outlook. In addition, Midroog announced a rating of Aa3 for Debentures (Series E) issued by The Phoenix Capital through an exchange tender offer, as set out below.

7. In April 2015, The Phoenix Capital Raising completed an exchange tender offer under its shelf prospectus of May 29, 2013. Under the tender offer, NIS 320,262,789 par value Liability Notes (Series A) were exchanged for NIS 385,276,135 par value Debentures (Series E). Debentures (Series E), were recognized as tier 2 hybrid capital at The Phoenix Insurance and were listed for trading on the TASE.
   Debentures (Series E) are repayable in one payment on October 31, 2029, and are linked (principal and interest) to the CPI published in April 2015. The debentures bear annual interest at a rate of 2.25%, payable twice a year in October and April of each year between 2015 and 2029 (inclusive).

NOTE 7 – MATERIAL EVENTS IN THE REPORTING PERIOD (CONTD.)

The Phoenix Capital Raising may, without granting the right of choice to the debenture holders and/or the trustee, redeem all or part of the Debentures (Series E) ahead of their due date at any time, subject to the fulfillment of certain terms set out in the deed of trust. If the Debentures (Series E) are not redeemed ahead of their due date on October 31, 2026 ("the Record Date for Additional Interest"), the debentures will bear additional interest at a rate of 50% of the original risk margin set for the debentures of the same series, as defined in the shelf prospectus, for the period beginning on the Record Date for Additional Interest and ending on the redemption date of Debentures (Series E).

It is noted that the first date for full or partial early redemption of Debentures (Series E) is May 1, 2020. In accordance with the terms set out in the deed of trust, and if Debentures (Series E) are redeemed ahead of their due date as from this date and up to the Record Date for Additional Interest (not including early redemption at the Record Date for Additional Interest), the provisions overleaf on the deed of trust will apply, including payment of the higher of the following by The Phoenix Capital Raising to the holders of Debentures (Series E): (1) the market value of Debentures (Series E) in circulation, based on the average closing price of the debentures in the thirty trading days preceding the Board of Directors' resolution regarding the early redemption; (2) the commitment value of Debentures (Series E) in circulation placed for early redemption, meaning the principal plus interest and linkage differentials until the actual date of early redemption; (3) the balance of the cash flows of Debentures (Series E) placed for early redemption (principal plus interest and linkage), discounted at a discount rate and under the terms set out overleaf on the deed of trust.

8. On June 7, 2015, by virtue of its authority under section 23A(b) of the Securities Law, 1968, the Israel Securities Authority approved an extension of the period for offering securities under the shelf prospectus of Excellence Investments, which was published on May 29, 2013 and dated May 30, 2013, for an additional period of 12 months, namely, until May 29, 2016.

NOTE 8 – SUBSEQUENT EVENTS

1. Subsequent to the balance sheet date, there was an increase in the rate of short-term interest, offset by a decrease in medium- and long-term interest. The change in the interest rate may affect liabilities for insurance contracts in future periods as well as the value of the Group's financial assets.

   The change in interest rates is part of the macro economic effects and it is yet too early to estimate their overall effect on the financial results.

2. On July 2, 2015, an agreement was signed between The Phoenix Insurance Agencies (1998) Ltd. ("The Phoenix Agencies"), a wholly-owned sub-subsidiary of The Phoenix Insurance, and the non-controlling shareholders holding 40% of the shares of Agam Leaderim Holdings (2001) Ltd. ("Agam"). The balance of the shares is held by The Phoenix Agencies. Under the agreement, the non-controlling shareholders are granted a put option ("the Put Option"), effective from January 1, 2017 to December 31, 2017 and The Phoenix Agencies is granted a call option ("the Call Option"), effective for the same period, for the acquisition of the non-controlling shares by The Phoenix Agencies, under earlier put and call options granted to the non-controlling shareholders and The Phoenix Agencies in the shareholders' agreement of September 2005. In accordance with the provisions of the agreement, if the put or call option is exercised, acquisition of the shares as of December 31, 2017 will be in accordance with the value of Agam at this date, as established by an assessor agreed on by the parties. For 26.8% of the shares, a minimum amount of NIS 56 million was set, including adjustments as defined in the agreement, including adjustments for dividends that were distributed and profits that were accumulated at Agam in the period until the exercise period. The validity of agreement and the transaction are subject to the approval of the Commissioner of Insurance and the Antitrust Commissioner. See also Note 7(4)(C) to the Company's financial statements as of December 31, 2014.

Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2015

NOTE 8 – SUBSEQUENT EVENTS (CONTD.)

3. On August 1, 2015, Orly Kronman completed her service as legal counsel and corporate secretary. For further information, see the Company's immediate report of June 30, 2015, ref. 2015-01-052992. On June 21, 2015, the Company announced the appointment of Adv. Menachem Neeman as legal counsel and corporate secretary as from August 1, 2015. For further information, see the Company's immediate report of June 21, 2015, ref. 2015-01-052995.

4. On August 11, 2015, the board of directors of Excellence Investments appointed RoyYakir as an alternate director to Eyal Lapidot. The Board of Directors approved the regular participation of Roy Yakir as an observer at meetings of the Board of Directors in which he does not participate as an alternate director.

5. Further to the Company's immediate report of November 16, 2014 (ref. 2014-01-195234) regarding the declaration of a labor dispute and the date for a strike beginning on November 27, 2014 and onwards at The Phoenix Insurance, on August 11, 2015, The Phoenix Insurance received notice of a strike that was declared by the Histadrut New General Federation of Labor beginning on August 26, 2015, among other things, due to claims relating to the negotiations for a collective agreement at The Phoenix Insurance. The Phoenix Insurance is examining its response to this matter.

6. For information about class actions filed or ended subsequent to the reporting date, see Note 7(7) to the Financial Statements.

(B) FINANCIAL STATEMENTS OF PHOENIX HOLDINGS

To:
Shareholders of The Phoenix Holdings Ltd.
53 Derech HaShalom, Givatayim

Dear Sir/Madam,

Re: Special auditors' report on the separate financial information pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information that is presented pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, of The Phoenix Holdings Ltd. ("the Company") as at December 31, 2014 and 2013 and for each of the three years, the latest of which ended on December 31, 2014, and which is included in Part 4 of the Company's periodic report. The separate financial information is the responsibility of the Company's management and board of directors. Our responsibility is to express an opinion on the financial information based on our audits.

We did not audit the separate financial information contained in the consolidated financial statements of investees for which assets less liabilities, net attributed to them amounted to NIS 770,449 thousand and NIS 1,287,794 thousand as at December 31, 2014 and 2013, respectively, and in which the Company's share of their earnings amounted to NIS 103,478 thousand, NIS 133,770 thousand and NIS 146,608 thousand for the years ended December 31, 2014, 2013 and 2012, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Israeli generally accepted accounting principles. These standards require that we plan and perform the audit to obtain reasonable assurance that the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and items included in the separate financial information. An audit also includes assessing the accounting principles used in drafting the separate financial information and significant estimates made by the board of directors and management of the Company, as well as evaluating the overall presentation of the separate financial information. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the separate financial information is prepared, in all material respects, in accordance with Regulation 9 C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv
March 26, 2015

Kost Forer Gabbay & Kasierer
Certified Public Accountants

To:
Shareholders of The Phoenix Holdings Ltd.
53 Derech HaShalom, Givatayim

Dear Sir/Madam,

Re: Special auditors' report on the separate financial information pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information that is presented pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, of The Phoenix Holdings Ltd. ("the Company") as at December 31, 2013 and 2012 and for each of the three years, the latest of which ended on December 31, 2013, and which is included in Part 4 of the Company's periodic report. The separate financial information is the responsibility of the Company's management and board of directors. Our responsibility is to express an opinion on the financial information based on our audits.

We did not audit the separate financial information contained in the consolidated financial statements of investees for which assets less liabilities, net attributed to them amounted to NIS 1,287,794 thousand and NIS 1,300,220 thousand as at December 31, 2013 and 2012, respectively, and in which the Company's share of their earnings amounted to NIS 133,770 thousand, NIS 146,608 thousand and NIS 55,176 thousand for the years ended December 31, 2013, 2012 and 2011, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Israeli generally accepted accounting principles. These standards require that we plan and perform the audit to obtain reasonable assurance that the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and items included in the separate financial information. An audit also includes assessing the accounting principles used in drafting the separate financial information and significant estimates made by the board of directors and management of the Company, as well as evaluating the overall presentation of the separate financial information. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the separate financial information is prepared, in all material respects, in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our foregoing opinion, we draw your attention to Note 2(4) to the financial statements with regard to reconciliation by way of restatement of the financial statements as at December 31, 2012 and for each of the two years ended December 31, 2012 and December 31, 2011, to retrospectively reflect the changes to the investment in investees subsequent to amending the accounting treatment of protected housing for the elderly, and their reclassification from property, plant and equipment to investment property, in accordance with the business model adopted by the investee and according to which the nature and scope of the supplementary services provided by the investee to the residents is not material compared with its overall arrangement with them.

Tel Aviv
March 26, 2014

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Separate financial information from the consolidated statement of financial position

		December 31		
		2014	2013	2012 (*)
Assets	**Note**	NIS thousands		
Investments in investees		3,784,069	3,579,770	3,089,278
Loans and capital notes to investees	9	785,686	786,397	746,987
Total non-current assets		4,569,755	4,366,167	3,836,265
Other financial investments	4	83,255	136,687	61,813
Debtors and receivables	5	1,745	981	1,178
Cash and cash equivalents	3	40,757	36,229	15,239
Total current assets		125,757	173,897	78,230
Total assets		4,695,512	4,540,064	3,914,495
Equity attributable to the Company's shareholders				
Share capital		304,258	304,216	301,603
Share premium and capital reserves		667,842	667,268	641,414
Treasury shares		(36,637)	(31,848)	(31,862)
Capital reserves		200,709	256,512	257,645
Retained earnings		2,668,873	2,361,357	1,943,203
Total equity		3,805,045	3,557,505	3,112,003
Liabilities				
Non-current liabilities				
Debentures	7	873,832	962,945	753,176
Current liabilities				
Loans to an investee		-	-	20,642
Current tax liability		655	655	655
Creditors and payables	6	15,980	18,959	28,019
Total current liabilities		16,635	19,614	49,316
Total liabilities		890,467	982,559	802,492
Total equity and liabilities		4,695,512	4,540,064	3,914,495

(*) Reclassified, see Note 2 below

The accompanying additional information is an integral part of the separate financial information of the Company.

Asi Bartfeld Chairman of the Board of Directors	Eyal Lapidot CEO	Omer Ziv Deputy CEO, CFO

The Financial Statements were approved on March 26, 2015.

Omer Ziv Deputy CEO, CFO	Eyal Lapidot CEO	Dr. Moshe Bareket Chairman of the Board of Directors

The Financial Statements were approved on March 26, 2014.

Separate financial information from the consolidated statement of income

	Note	Year ended December 31		
		2014	2013	2012(*)
		NIS thousands		
Company's share in earnings of investees, net of tax		527,247	776,522	277,525
Investment gains, net, and financing income		12,679	19,425	17,457
Income from management fees from investees	9	3,000	3,000	3,110
Total income		542,926	798,947	298,092
General and administrative expenses		3,182	3,246	3,140
Finance expenses		35,264	56,668	45,398
Total expenses		38,446	59,914	48,538
Income for the year attributable to the Company's controlling shareholders		504,480	739,033	249,554

(*) Reclassified, see Note 2 below

The accompanying additional information is an integral part of the separate financial information of the Company.

Separate financial information from the consolidated statements of comprehensive Income

	Note	Year ended December 31		
		2014	2013	2012(*)
		NIS thousands		
Income for the year attributable to the Company's controlling shareholders		504,480	739,033	249,554
Other comprehensive income (loss)				
Amounts classified or reclassified to profit or loss under specific conditions				
Net change in the fair value of financial assets classified as available for sale and attributed to capital reserves		1,059	2,901	187
Net gains from disposal of financial assets classified as available for sale and transferred to statement of income		(2,932)	(974)	(187)
Group's share in other comprehensive income (loss) of investees		(61,056)	391	184,929
Total items of income (loss), subsequently reclassified to profit or loss		(62,929)	2,318	184,929
Amounts not subsequently reclassified to profit or loss				
Group's share in other comprehensive income of the investees accounted under the equity method		2,420	3,117	1,169
Other comprehensive income (loss), net for the year		(60,509)	5,435	186,098
Total comprehensive income for the year		443,971	744,468	435,652

(*) Reclassified, see Note 2 below

The accompanying additional information is an integral part of the separate financial information of the Company.

Separate financial information from the consolidated statements of changes in equity

	Attributable to shareholders of the Company								
	Share capital	Share premium and capital reserves	Treasury shares	Retained earnings	Capital reserve from transactions with holders of non-controlling interests	Capital reserve for share-based payment	Reserve for translation differentials	Capital reserve for available-for-sale financial assets	Total equity
	NIS thousands								
Balance as at January 1, 2014	304,216	667,268	(31,848)	2,361,357	(4,804)	30,627	(3,791)	234,480	3,557,505
Net income	-	-	-	504,480	-	-	-	-	504,480
Other comprehensive income (loss)	-	-	-	2,420	-	-	6,402	(69,331)	(60,509)
Total comprehensive income (loss) for the year	-	-	-	506,900	-	-	6,402	(69,331)	443,971
Share-based payment	-	-	-	-	-	7,742	-	-	7,742
Dividends	-	-	-	(199,384)	-	-	-	-	(199,384)
Treasury shares	-	-	(4,789)	-	-	-	-	-	(4,789)
Exercise of employee options	42	574	-	-	-	(616)	-	-	-
Balance as of December 31, 2014	304,258	667,842	(36,637)	2,668,873	(4,804)	37,753	2,611	165,149	3,805,045

The accompanying additional information is an integral part of the separate financial information of the Company.

Separate financial information from the consolidated statements of changes in equity

	Attributable to shareholders of the Company								
	Share capital	Share premium and capital reserves	Treasury shares	Retained earnings	Capital reserve from transactions with holders of non-controlling interests	Capital reserve for share-based payment	Reserve for translation differentials	Capital reserve for available-for-sale financial assets	Total equity
	NIS thousands								
Balance as of January 1, 2013	301,603	641,414	(31,862)	1,943,203	(24,204)	53,477	(262)	228,634	3,112,003
Net income	-	-	-	739,033	-	-	-	-	739,033
Other comprehensive income (loss)	-	-	-	3,117	-	-	(3,529)	5,846	5,434
Total comprehensive income (loss) for the year	-	-	-	742,150	-	-	(3,529)	5,846	744,467
Share-based payment	-	-	-	-	-	5,433	-	-	5,433
Dividends	-	-	-	(323,996)	-	-	-	-	(323,996)
Treasury shares	-	-	(1,618)	-	-	-	-	-	(1,618)
Reissuance of treasury shares	-	184	1,632	-	-	-	-	-	1,816
Exercise of employee options	2,613	25,670	-	-	-	(28,283)	-	-	-
Acquisition of non-controlling interests, net	-	-	-	-	19,400	-	-	-	19,400
Balance as of December 31, 2013	304,216	667,268	(31,848)	2,361,357	(4,804)	30,627	(3,791)	234,480	3,557,505

The accompanying additional information is an integral part of the separate financial information of the Company.

Separate financial information from the consolidated statements of changes in equity

	Attributable to shareholders of the Company								
	Share capital	Share premium and capital reserves	Treasury shares	Retained earnings (*)	Capital reserve from transactions with holders of non-controlling rights	Capital reserve for share-based payment	Reserve for translation differentials	Capital reserve for available-for-sale financial assets	Total equity
	NIS thousands								
Balance as at January 1, 2012	301,603	640,952	(30,712)	1,692,480	(18,671)	49,821	(22,517)	65,960	2,678,916
Net income	-	-	-	249,554	-	-	-	-	249,554
Other comprehensive income	-	-	-	1,169	-	-	22,255	162,674	186,098
Total comprehensive income for the year	-	-	-	250,723	-	-	22,255	162,674	435,652
Share-based payment	-	-	-	-	-	3,656	-	-	3,656
Treasury shares	-	-	(8,012)	-	-	-	-	-	(8,012)
Reissuance of treasury shares	-	462	6,862	-	-	-	-	-	7,324
Acquisition of non-controlling interests	-	-	-	-	(5,533)	-	-	-	(5,533)
Balance as at December 31, 2012	301,603	641,414	(31,862)	1,943,203	(24,204)	53,477	(262)	228,634	3,112,003

(*) Reclassified, see Note 2 below

The accompanying additional information is an integral part of the separate financial information of the Company.

Separate financial information from the consolidated statement of cash flows

	Appendix	Year ended December 31 2014	2013	2012(*)
		NIS thousands		
Cash flow from operating activities				
Income for the year		504,480	739,033	249,554
Adjustments to reconcile net income to net cash used in operating activities:	(a)	(526,369)	(767,853)	(281,040)
Net cash used in the Company's operating activities		(21,889)	(28,820)	(31,486)
Cash flows from investment activities				
Net cash used in investing activities in investees		-	(72,000)	(77,000)
Dividend from investees		260,000	315,220	-
Repayment of a loan from an investee		515	34,515	14,992
Net sales (purchases) of the Company's financial investments		60,150	(56,150)	(3,424)
Net cash provided by (used in) investing activities		320,665	221,585	(65,432)
Cash flows from financing activities				
Dividend to shareholders		(200,000)	(325,000)	-
Loan received from an investee		-	-	20,000
Repayment of a loan from an investee		-	(20,000)	-
Repayment of debentures		(94,248)	-	-
Issue of debentures		-	173,225	38,628
Net cash flows provided by (used in) financing activities		(294,248)	(171,775)	58,628
Increase (decrease) in cash and cash equivalents		4,528	20,990	(38,290)
Cash and cash equivalents at the beginning of the period:		36,229	15,239	53,529
Cash and cash equivalents at the end of the period		40,757	36,229	15,239

(*) Reclassified, see Note 2 below

The accompanying additional information is an integral part of the separate financial information of the Company.

Separate financial information from the consolidated statement of cash flows

		Year ended December 31		
		2014	2013	2012(*)
		NIS thousands		
(a)	Adjustments to reconcile net income to net cash used in operating activities:			
	Items that do not involve cash flows			
	Net gains from financial investments	(8,586)	(16,798)	(15,338)
	Income and expenses that do not involve operating cash flows:			
	Accrued interest and increase in value of debentures	5,136	20,655	11,659
	Company's share in earnings of investees, net	(527,247)	(776,522)	(277,525)
	Changes in other balance sheet items, net			
	Decrease (increase) in debtors and receivables	7,114	547	(424)
	Increase (decrease) in creditors and payables	(2,981)	6,188	2,635
	Erosion (revaluation) of investee loans	195	(1,923)	(2,047)
	Total cash flows used in operating activities	(526,369)	(767,853)	(281,040)

(*) Reclassified, see Note 2 below

The accompanying additional information is an integral part of the separate financial information of the Company.

Notes from the consolidated financial statements attributable to the company

NOTE 1 – GENERAL

Hereunder is financial information from the Group's consolidated financial statements as at December 31, 2014 ("the consolidated financial statements"), issued as part of the Periodic Reports, attributable to the Company ("the separate financial information").

The separate financial information should be read in conjunction with the consolidated financial statements.

Definitions:

(1) The Company - The Phoenix Holdings Ltd.
(2) Investees - subsidiaries and companies in which the Company's investment is included, directly or indirectly, in the financial statements using the equity method
(3) Reporting date - the date of the statement of financial position.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES APPLIED IN THE SEPARATE FINANCIAL INFORMATION

The separate financial information was prepared in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970 (“Regulation 9C”), including the items provided in the Tenth Addendum to these regulations ("the Addendum'), and subject to the clarifications set out in the "Clarification Regarding the Separate Financial Statements of a Corporation" which was published on the website of the Israeli Securities Authority on January 24, 2010 and which address the manner for applying the Regulations and Addendum ("the Authority Staff Clarification").

The separate financial information does not constitute financial statements, including separate financial statements, presented in accordance with International Financial Reporting Standards ("IFRS") in general and in accordance with the provisions of IAS 27 Consolidated and Separate Financial Statements, in particular. Nonetheless, the accounting policies specified in Note 2 to the consolidated financial statements concerning the significant accounting policies and manner of classifying the financial information in the consolidated financial statements, were applied for the purpose of presenting the separate financial information, with the required changes as set out below.

The notes provided hereunder include disclosures with regard to additional material information, in accordance with the disclosure requirements provided under Regulation 9C and as set out in the Addendum and subject to the Authority Staff Clarification, if such information was not included in the consolidated financial statements in a way that explicitly relates to the Company itself.

1. Assets and liabilities included in the consolidated financial statements that are attributable to the Company itself:

   Amounts of assets and liabilities contained in the consolidated financial statements that are attributable to the Company itself and are specified according to types of assets and liabilities, are presented. This information was classified in the same manner as classified in the consolidated statements of financial position.

   In addition, information is also presented regarding the net amount, based on the consolidated financial statements, attributable to the shareholders of the Company itself, of the total assets less the total liabilities, with respect to investees, including goodwill.

   As a result of this manner of presentation, the equity attributable to the Company’s shareholders, based on the consolidated financial statements, is the same as the Company's equity deriving from the separate financial information.

Notes from the consolidated financial statements attributable to the company

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES APPLIED IN THE SEPARATE FINANCIAL INFORMATION (CONTD.)

2 Income and expenses included in the consolidated financial statements that are attributable to the Company itself:

The amounts of income and expenses contained in the consolidated financial statements, with a breakdown of profit or loss and other comprehensive income, attributable to the Company itself, are presented with a description of the type of income and expenditure. This information is classified in the same manner by which the consolidated statements of income and of comprehensive income are classified.

In addition, information is presented with regard to the net amount, based on the consolidated financial statements, attributable to the shareholders of the Company itself, of total income less total expenses with respect to the operating results of investees, including impairment of goodwill, impairment or derecognition of an investment in an affiliate, and impairment or derecognition of an investment in an equity-accounted jointly-controlled company.

As a result of such presentation the total income for the year attributable to the shareholders of the Company and the total comprehensive income for the year attributable to the shareholders of the Company, based on the consolidated financial statements, are the same as the total income for the year attributed to the shareholders of the Company and the total comprehensive income attributable to the shareholders of the Company, respectively, based on the separate financial information.

3. Cash flows included in the consolidated financial statements attributable to the Company itself:

The amounts for cash flows contained in the consolidated financial statements attributable to the Company itself, taken from the consolidated statements of cash flows with breakdown of cash flows from operating activities, cash flows from investing activities and cash flows from financing activities with a description of their composition. This information is classified in the same manner by which the consolidated financial statements are classified.

Notes from the consolidated financial statements attributable to the company

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES APPLIED IN THE SEPARATE FINANCIAL INFORMATION (CONTD.)

4. Changes in accounting policies

1) Restatement - investment property

The Company reconciled, by way of restatement, its consolidated financial statements at December 31, 2012 and December 31, 2011 and for each of the two years ended on December31, 2012 and 2011, respectively, to retrospectively reflect correction of the accounting treatment of assisted living units owned by Ad 120 Residence Centers for Senior Citizens Ltd. ("Ad 120 ") as investment property.

The Company believes that the nature and scope of the supplementary services it provides to the tenants are not material compared with the overall arrangements it has with the tenants. Consequently, the Company believes that, based on the business model, the assisted living units should be viewed as investment property in accordance with the Company's accounting policies.

2) Application of IAS 19:

As of January 1, 2013, the Company has changed its accounting policy to apply the revised IAS 19 for the first time. The change was made by way of retrospective application, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and consequently the financial information of the previous periods has been restated.

	As previously reported	Change (1)	In these financial statements
		NIS thousands	
Statement of financial position as of December 31, 2012:			
Investments in investees	2,928,514	160,764	3,089,278
Retained earnings	(1,782,439)	(160,764)	(1,943,203)
Statement of financial position as of December 31, 2011:			
Investments in investees	2,494,102	127,948	2,622,050
Retained earnings	(1,564,528)	(127,948)	(1,692,476)

Notes from the consolidated financial statements attributable to the company

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES APPLIED IN THE SEPARATE FINANCIAL INFORMATION (CONTD.)

	As previously reported	Change (1)	Change (2)	As presented in these financial statement
	NIS thousands			
Year ended December 31, 2012				
Company's share in earnings (losses) of investees, net of tax	245,882	32,812	(1,169)	277,525
Income (loss)	217,911	32,812	(1,169)	249,554
Other comprehensive income for defined benefit plans, net	-	-	1,169	1,169
Total comprehensive income	402,840	32,812		435,652
Year ended December 31, 2011				
Company's share in earnings (losses) of investees, net of tax	82,983	43,249	(1,980)	124,252
Income (loss)	53,519	43,249	(1,980)	94,788
Other comprehensive income for defined benefit plans, net	-	-	1,980	1,980
Total comprehensive income	(29,993)	43,249	-	13,256

Notes from the consolidated financial statements attributable to the company

NOTE 3 - CASH AND CASH EQUIVALENTS

	December 31		
	2014	2013	2012
	NIS thousands		
Cash and deposits for immediate withdrawal in banks, in NIS	40,757	36,229	15,239

As of the balance sheet date, cash in banks bears current interest based on nominal interest rates for daily bank deposits at a rate of 0.11% (December 31, 2013 - 0.93%, December 31, 2012 - 1.62%).

Short-term bank deposits are for periods of between one week and three months. The deposits bear nominal interest at a rate of 0.22% (December 31, 2013 - 0.95%, December 31, 2012, - 1.62%).

NOTE 4 – OTHER FINANCIAL INVESTMENTS

Breakdown of investments in financial assets pursuant to IAS 39 attributable to the parent company:

	December 31, 2014			
	Presented at fair value through profit or loss	**Available For sale**	**Loans and receivables**	**Total**
	NIS thousands			
Marketable debt assets	-	45,380	-	45,380
Non-marketable debt assets:	-	-	25,126	25,126
Shares	-	10,991	-	10,991
Others	-	1,758	-	1,758
Total	-	58,129	25,126	83,255

	December 31, 2013			
	Presented at fair value through profit or loss	**Available For sale**	**Loans and receivables**	**Total**
	NIS thousands			
Marketable debt assets	-	98,542	-	98,542
Non-marketable debt assets	-	-	28,730	28,730
Shares	-	9,415	-	9,415
Total	-	107,957	28,730	136,687

Notes from the consolidated financial statements attributable to the company

NOTE 4 – OTHER FINANCIAL INVESTMENTS (CONTD)

	December 31, 2012			
	Presented at fair value through profit or loss	**Available For sale**	**Loans and receivables**	**Total**
	NIS thousands			
Marketable debt assets	-	21,597	-	21,597
Non-marketable debt assets	-	-	38,692	38,692
Shares	-	1,524	-	1,524
Total	-	23,121	38,692	61,813

NOTE 5 – DEBTORS AND RECEIVABLE

	December 31	
	2014	2013
	NIS thousands	
Investees	1,557	901
Accrued income	138	-
Prepaid expense	38	38
Others	12	42
	1,745	981

NOTE 6 – CREDITORS AND PAYABLES

	December 31		
	2014	2013	2012
	NIS thousands		
Interest to be paid	14,941	17,442	25,973
Institutions	337	293	442
Investees	-	-	516
Trade payables	702	1,224	1,088
	15,980	18,959	28,019

Notes from the consolidated financial statements attributable to the company

NOTE 7 – DEBENTURES

In 2007, the Company issued debentures (Series 1), linked to the CPI, in an amount of NIS 600 million. The debentures bear annual interest of 4.5%.

The debenture principal is redeemable in six equal annual installments from 2014 to 2019 (inclusive). The interest payments are made once per year as of March 26, 2008.

In January 2012, debentures were issued in a private placement in a total amount of NIS 31 million registered debentures (Series 1) of NIS 1 par value each to a private investor ("the additional debentures") for total proceeds of NIS 40 million. The additional debentures are of the same series in which NIS 600 million par value debentures were issued in 2007, and their terms are the same as the terms of the debentures in circulation.

In November 2012, the Company published a shelf prospectus.

In February 2013, the Company issued, under the shelf offering memorandum, NIS 174,521,000 par value debentures (Series 2). The outstanding loan principal bears annual interest at a rate of 2.55%. The principal and interest of the debentures (Series 2) are linked to the CPI. The interest will be paid twice a year in March and September. The debentures are repayable in 11 equal annual payments on March 26 of each of the years from 2014 to 2024 (inclusive) as described below: Six equal annual installments at a rate of 5% each, on March 26 of each year from 2014 to 2019 (inclusive) and five equal annual installments at a rate of 14% each on March 26 of each year from 2020 to 2024 (inclusive). In accordance with the shelf prospectus, under certain conditions, the interest rate of the debentures will be adjusted. The proceeds from the issuance amounted to NIS 174.5 million.

In March 2013, 318,235,354 par value debentures (Series 1) were exchanged for 445,529,496 par value debentures (Series 2) through an exchange tender offer. The terms of the debentures issued in the exchange tender offer are the same as the terms of debentures (Series 2) as described above.

Notes from the consolidated financial statements attributable to the company

NOTE 7 – DEBENTURES(CONTINUED)

In July 2013, Maalot ratified the rating for the Company's Series 1 debentures, at ilA+ with negative outlook.

In November 2013, Midroog Ltd. ratified the rating for the Company's Series 1 and Series 2 debentures at Aa3 with stable outlook.

Maturity dates subsequent to the reporting date:

	December 31		
	2014	2013	2012
	NIS thousands		
First year	94,807	94,899	-
Second year	94,807	94,899	125,397
Third year	94,807	94,899	125,397
Fourth year	94,807	94,899	125,397
Fifth year and onwards	535,858	631,289	376,193
	915,086	1,010,885	752,384
Less discounts and deferred acquisition costs	(41,254)	(47,940)	792
	873,832	962,945	753,176

Under the deed of trust of the Company's debentures (Series 2), the Company undertook that as long as the debentures (Series 2) are unpaid in full, it will not create a general floating charge on its assets, unless at that date, a charge of the same rank is also created in favor of the holders of debentures (Series 2). In addition, for the debentures (Series 2), the Company also assumed restrictions on distribution of dividends and expansion of the debenture series (Series 2), and undertook to comply with various financial covenants.

For further information, see Note 26(D)(2) to the Company’s consolidated financial statements.

NOTE 8 – INCOME TAX

A. Tax assessments

The Company has been issued final tax assessments through and including 2005. Nonetheless, in accordance with and subject to the provisions of section 145 of the Income Tax Ordinance, tax returns submitted to the tax authorities for the years through and including 2010 are deemed final.

B. Losses carried forward for tax purposes and other temporary differences

The Company incurred business losses for tax purposes which are carried forward to the following years amounting to NIS 150,533 thousand, NIS 128,393 thousand and NIS 90,988 as at December 31, 2014, December 31, 2013, December 31, 2012, respectively. In addition, the Company incurred capital losses for tax purposes amounting to NIS 70,778 thousand, NIS 72,083 and NIS 70,824 thousand as at December 31, 2014, December 31, 2013, and December 31, 2012 respectively.

Deferred tax assets were not recognized for the foregoing losses due to the absence of expected utilization in the foreseeable future.

Notes from the consolidated financial statements attributable to the company

NOTE 9 – SIGNIFICANT LOANS, BALANCES AND TRANSACTIONS WITH INVESTEES

A. Balances with investees

	As at		
	2014	2013	2012
	NIS thousands		
Current assets			
Debtors and receivables	1,557	901	988
Non-current assets			
Loans to investees (see E below)	785,686	786,397	746,987

B. Transactions with investees

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Revenues from management fees from investees (see D below)	3,000	3,000	3,110
Expenses in respect of management fees to The Phoenix Investments(see D below)	29	183	102

C. Finance income from investees

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Finance income	7,917	12,812	13,235

D. Agreements

1. The Company engaged in a service agreement with its subsidiaries to receive management, administration and accounting services for an annual amount of NIS 3,000 thousand.

2. The Company engaged in an agreement with a subsidiary, The Phoenix Investments, to receive management services. The Company paid management fees for these services at a rate of 0.12% of the managed assets for the year.

   On December 31, 2013 it was decided to terminate the agreement.

Notes from the consolidated financial statements attributable to the company

NOTE 9 – SIGNIFICANT LOANS, BALANCES AND TRANSACTIONS WITH INVESTEES (CONTID)

E. Loans and capital notes

The Phoenix Investments and Finance Ltd. - subsidiary

	Interest rate	December 31		
		2014	2013	2012
	%		NIS thousands	
Unlinked capital notes (1)	0%	578,000	578,000	506,000
CPI linked loan (2)	4%	199,038	199,233	195,492
NIS loan (3)	4.7%	-	-	20,642
		777,038	777,233	722,134

(1) During the years 2009 through 2013, The Phoenix Investments issued capital notes to the Company in the amount of NIS 578 million. The capital notes are unlinked, interest free and have no fixed repayment date.

The Phoenix Investments may repay the capital notes at any time, but not before 5 years from their signing date.

(2) The loan is linked to the CPI and bears annual interest at a rate of 4%. The interest is payable at the end of each quarter and the loan principal will be repaid on September 30, 2016.

(3) In June 2012 the Company granted a loan to The Phoenix Investments in the amount of NIS 20 million.

The loan principal bears annual interest at a rate of 4.7%. The loan principal and the interest are unlinked. The loan was fully paid up in May 2013.

(4) In December 2013, The Phoenix Investments distributed a dividend to the Company in the amount of NIS 90 million. In March 2014, The Phoenix Investments distributed a dividend to the Company in the amount of NIS 35 million.

Ad 120 RESIDENCE CENTERS FOR SENIOR CITIZENS - SUBSIDIARY

	Interest rate	As at December 31		
		2014	2013	2012
	%		NIS thousands	
CPI linked loan	5%	-	-	15,005

In May 2011, the Company granted a loan to its subsidiary, Ad 120 Residence Centers for Senior Citizens Ltd. ("Ad 120") in the amount of NIS 31 million for a period of two years. The loan is repayable in installments over the period of the loan and bears interest of 5%. The loan principal and interest are linked to the CPI. The loan has been paid up in full.

In February 2013, the Company granted a loan to Ad 120 Ltd. in the amount of NIS 21.4 million bearing interest of 4%. The loan principal and interest are linked to the CPI. The loan has been paid up in full.

Notes from the consolidated financial statements attributable to the company

NOTE 9 – SIGNIFICANT LOANS, BALANCES AND TRANSACTIONS WITH INVESTEES (CONTID)

Platinum – subsidiary

	Interest rate	December 31		
		2014	2013	2012
	%		NIS thousands	
NIS loan	4.1%	4,648	5,164	5,847
Unlinked capital note	0%	4,000	4,000	4,000
		8,648	9,164	9,847

On February 1, 2007, Platinum Finance and Factoring Ltd. ("Platinum") issued a capital note to the Company in the amount of NIS 4 million. The capital note is unlinked and interest free. The capital note is expected to be repaid on December 31, 2099.

In November 2011, the Company granted Platinum a loan in the amount of NIS 3,580 thousand. The loan is unlinked and bears annual interest of 5.24%.

In December 2012, the Company extended a loan to Platinum. The loan bears interest at a rate equivalent to the interest rate fixed in the Income Tax Regulations (Setting the Interest Rate for Section 3(J)), 1986. This loan will be repaid in 44 equal principal instalments from March 31, 2013.

F. Dividend

1. In March 2014, the Company received a dividend in the amount of NIS 35 million from The Phoenix Investments.

2. In September 2014, the Company received a dividend in the amount of NIS 225 million from The Phoenix Insurance Co. Ltd.

3. In February 2015, the Company received a dividend in the amount of NIS 200 million from The Phoenix Insurance Co. Ltd.

NOTE 10 – SUBSEQUENT EVENTS

For information pertaining to subsequent events, see Note 43 to the consolidated financial statements.

(C) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PH GROUP

(i) Basis of preparation of the unaudited pro forma financial information of the PH Group

To provide additional financial information, the unaudited pro forma financial information which comprises unaudited pro forma consolidated statements of income and unaudited pro forma consolidated statements of comprehensive income of Phoenix Holdings Ltd. and its subsidiaries (the "PH Group") for each of the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015 and the unaudited pro forma consolidated statements of financial position of the PH Group as at 31 December 2012, 2013, 2014 and 30 June 2015 ("the Unaudited Pro Forma Financial Information of the PH Group"), has been prepared based on:

(a) the historical audited consolidated statements of income and consolidated statements of comprehensive income for each of the years ended 31 December 2012, 2013 and 2014 and consolidated statements of financial position as at 31 December 2012, 2013 and 2014 prepared in accordance with the International Financial Reporting Standards (the "IFRS") and accounting policies adopted by the PH Group have been extracted by the Directors from the PH Group's published annual reports for the years ended 31 December 2013 and 2014 which were audited by Ernst & Young Israel;

(b) the historical reviewed consolidated statement of income and consolidated statement of comprehensive income for the six months ended 30 June 2015 and consolidated statement of financial position as at 30 June 2015 of the PH Group have been extracted by the Directors from PH Group's published interim reports for the six months ended 30 June 2015 which were reviewed by Ernst & Young Israel; and

(c) after taking into account of the unaudited Pro Forma Adjustments as described in the notes thereto to demonstrate the significant effects on the consolidated statements of income and consolidated statements of comprehensive income of the PH Group for each of the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015 and the consolidated statements of financial position of the PH Group as at 31 December 2012, 2013, 2014 and 30 June 2015 as if the Hong Kong Financial Reporting Standards and the accounting policies adopted by Fosun International Limited (the "Fosun Policies") had been adopted by the PH Group for each of the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2015.

The Unaudited Pro Forma Financial Information of the PH Group should be read in conjunction with the financial information contained in this circular and the consolidated financial statements of the PH Group as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the PH Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of operations of the PH Group as at and for the years ended 31 December 2012, 2013, 2014, as at and for the six months ended 30 June 2015 or at any future date or for any future period.

(ii) Unaudited Pro Forma Financial Information of the PH Group

Unaudited Pro Forma Consolidated Statement of Financial Position of the PH Group as at 30 June 2015

	Reviewed amount NIS'000 Note (iii)(2)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Intangible assets	1,742,944	-	1,742,944
Deferred tax assets	9,013	-	9,013
Deferred acquisition costs	1,433,552	(1,433,552)	-
Property, plant and equipment	366,733	-	366,733
Investments in associates	566,895	-	566,895
Investment property for unit linked contracts	1,036,448	-	1,036,448
Other investment property	1,876,291	-	1,876,291
Reinsurance assets	1,315,952	-	1,315,952
Credit for acquisition of securities	202,000	-	202,000
Current tax assets	101,501	-	101,501
Debtors and receivables	308,624	196,163	504,787
Premiums collectible	670,312	-	670,312
Financial investments for unit linked contracts	32,294,399	-	32,294,399
Assets for holders of debentures, ETFs, reverse certificates, complex certificates, certificates of deposit, and structured bonds	33,728,025	-	33,728,025
Other financial investments:			
Marketable debt assets	5,952,438	-	5,952,438
Non-marketable debt assets	10,991,927	-	10,991,927
Shares	922,105	-	922,105
Others	1,013,221	-	1,013,221
Cash and cash equivalents for unit linked contracts	4,406,432	-	4,406,432
Other cash and cash equivalents	574,711	-	574,711
Total Assets	**99,513,523**	**(1,237,389)**	**98,276,134**
Liabilities for non-unit linked insurance contracts and investment contracts	19,134,111	(478,774)	18,655,337
Liabilities for unit linked insurance contracts and investment contracts	38,174,644	(758,615)	37,416,029
Liabilities for deferred taxes	380,998	-	380,998
Liabilities for employee benefits, net	122,494	-	122,494
Liabilities for current taxes	8,868	-	8,868
Creditors and payables	1,168,718	-	1,168,718
Liabilities for debentures, ETFs, reverse certificates and complex certificates, certificates of deposit, and structured debentures	33,034,873	-	33,034,873
Financial liabilities	3,546,915	-	3,546,915
Total liabilities	**95,571,621**	**(1,237,389)**	**94,334,232**

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Financial Position of the PH Group as at 30 June 2015

	Reviewed amount NIS'000 Note (iii)(2)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Capital			
Share capital	304,258	-	304,258
Premium and capital reserves on shares	667,842	-	667,842
Treasury shares	(37,302)	-	(37,302)
Capital reserves	185,542	-	185,542
Retained earnings	2,702,440	-	2,702,440
Total equity attributed to Company shareholders	**3,822,780**	**-**	**3,822,780**
Non-controlling interests	119,122	-	119,122
Total shareholders' equity	**3,941,902**	**-**	**3,941,902**

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Income of the PH Group for the six months ended 30 June 2015

	Reviewed amount NIS'000 Note (iii)(2)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Premiums earned, gross	4,035,661	-	4,035,661
Premiums earned by reinsurers	322,480	-	322,480
Premiums earned in retention	3,713,181	-	3,713,181
Investment gains, net, and financing income	1,633,605	-	1,633,605
Management fees	523,906	-	523,906
Revenue from commissions	146,270	-	146,270
Income from other financial services	100,849	-	100,849
Other revenue	19,086	-	19,086
Total revenue	**6,136,897**	**-**	**6,136,897**
Payments and changes in liabilities for insurance contracts and investment contracts, gross	4,995,254	-	4,995,254
Share of reinsurers in payments and changes in liabilities for insurance contracts	204,510	-	204,510
Payments and changes in liabilities for insurance contracts and investment contracts in retention	4,790,744	-	4,790,744
Commissions, marketing expenses, and other acquisition costs	715,365	-	715,365
General and administrative expenses	554,575	-	554,575
Other expenses	16,848	-	16,848
Finance expenses	48,001	-	48,001
Total expenses	**6,125,533**	**-**	**6,125,533**
Share in earnings of investees treated under the equity method	18,352	-	18,352
Income before taxes on income	29,716	-	29,716
Taxes on income	(11,091)	-	(11,091)
Income for the period	**40,807**	**-**	**40,807**
Attributable to:			
Company shareholders	32,630	-	32,630
Non-controlling interests	8,177	-	8,177
Income for the period	**40,807**	**-**	**40,807**
Earnings per share attributed to shareholders (in NIS):			
Basic earnings per share	0.13		0.13
Earnings per ordinary share of NIS 1 par value (NIS)			
Diluted earnings per share	0.13		0.13
Earnings per ordinary share of NIS 1 par value (NIS)			

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the PH Group for the six months ended 30 June 2015

	Reviewed amount NIS'000 Note (iii)(2)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Income for the period	40,087	-	40,087
Other comprehensive income (loss)			
Amounts classified or reclassified to profit or loss under specific conditions			
Net change in the fair value of financial assets available for sale attributed to capital reserves	84,470	-	84,470
Net change in the fair value of financial assets available for sale transfered to the statement of income	(141,946)	-	(141,946)
Gain from impairment to financial assets available for sale transferred to statement of income	34,628	-	34,628
Adjustments arising from translation of financial statements of foreign operations	(2,851)	-	(2,851)
Tax effect	7,928	-	7,928
Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss:	(17,771)	-	(17,771)
Amounts not subsequently reclassified to profit or loss			
Actuarial gain for defined benefit plans	1,500	-	1,500
Tax effect	(563)	-	(563)
Total components of other comprehensive income, net not subsequently reclassified to profit or loss:	937	-	937
Total other comprehensive income (loss), net	(16,834)	-	(16,834)
Total comprehensive income for the period	23,973	-	23,973
Attributable to:			
Company shareholders	15,898	-	15,898
Non-controlling interests	8,075	-	8,075
Comprehensive income for the period	23,973	-	23,973

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Financial Position of the PH Group as at 31 December 2014

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Ajdustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Intangible assets	1,754,454	-	1,754,454
Deferred tax assets	7,906	-	7,906
Deferred acquisition costs	1,358,127	(1,358,127)	-
Property, plant and equipment	370,604	-	370,604
Investments in associates	582,819	-	582,819
Investment property for unit linked contracts	1,094,954	-	1,094,954
Other investment property	1,857,433	-	1,857,433
Reinsurance assets	1,398,926	-	1,398,926
Credit for acquisition of securities	160,000	-	160,000
Current tax assets	42,083	-	42,083
Debtors and receivables	261,933	179,358	441,291
Premiums collectible	596,844	-	596,844
Financial investments for unit linked contracts	31,438,806	-	31,438,806
Assets for holders of debentures, ETFs, reverse certificates, complex certificates, certificates of deposit, and structured bonds	39,026,300	-	39,026,300
Other financial investments:			
Marketable debt assets	5,503,979	-	5,503,979
Non-marketable debt assets	10,570,471	-	10,570,471
Shares	745,245	-	745,245
Others	1,236,905	-	1,236,905
Cash and cash equivalents for unit linked contracts	2,651,399	-	2,651,399
Other cash and cash equivalents	677,461	-	677,461
Total Assets	**101,336,649**	**(1,178,769)**	**100,157,880**
Liabilities for non-unit linked insurance contracts and investment contracts	18,381,210	(470,687)	17,910,523
Liabilities for unit linked insurance contracts and investment contracts	35,149,671	(708,082)	34,441,589
Liabilities for deferred taxes	425,226	-	425,226
Liabilities for employee benefits, net	113,254	-	113,254
Liabilities for current taxes	8,560	-	8,560
Creditors and payables	1,330,301	-	1,330,301
Liabilities for debentures, ETFs, reverse certificates and complex certificates, certificates of deposit, and structured debentures	38,404,175	-	38,404,175
Financial liabilities	3,595,110	-	3,595,110
Total liabilities	**97,407,507**	**(1,178,769)**	**96,228,738**

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Financial Position of the PH Group as at 31 December 2014

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Capital			
Share capital	304,258	-	304,258
Premium and capital reserves on shares	667,842	-	667,842
Treasury shares	(36,637)	-	(36,637)
Capital reserves	200,709	-	200,709
Retained earnings	2,668,873	-	2,668,873
Total equity attributed to Company shareholders	**3,805,045**	**-**	**3,805,045**
Non-controlling interests	124,097	-	124,097
Total shareholders' equity	**3,929,142**	**-**	**3,929,142**

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Income of the PH Group for the year ended 31 December 2014

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Premiums earned, gross	7,698,273	-	7,698,273
Premiums earned by reinsurers	644,363	-	644,363
Premiums earned in retention	7,053,910	-	7,053,910
Investment gains, net, and financing income	2,774,430	-	2,774,430
Management fees	857,811	-	857,811
Revenue from commissions	259,231	-	259,231
Income from other financial services	202,822	-	202,822
Other revenue	41,949	-	41,949
Total revenue	**11,190,153**	**-**	**11,190,153**
Payments and changes in liabilities for insurance contracts and investment contracts, gross	8,397,290	-	8,397,290
Share of reinsurers in payments and changes in liabilities for insurance contracts	450,734	-	450,734
Payments and changes in liabilities for insurance contracts and investment contracts in retention	7,946,556	-	7,946,556
Commissions, marketing expenses, and other acquisition costs	1,313,780	-	1,313,780
General and administrative expenses	1,030,271	-	1,030,271
Other expenses	36,056	-	36,056
Finance expenses	126,560	-	126,560
Total expenses	**10,453,223**	**-**	**10,453,223**
Share in earnings of investees treated under the equity method	45,933	-	45,933
Income before taxes on income	782,863	-	782,863
Taxes on income	251,678	-	251,678
Income for the year	**531,185**	**-**	**531,185**
Attributable to:			
Company shareholders	504,480	-	504,480
Non-controlling interests	26,705	-	26,705
Income for the year	**531,185**	**-**	**531,185**
Earnings per share attributed to shareholders (in NIS):			
Basic earnings per share	2.05		2.05
Earnings per ordinary share of NIS 1 par value (NIS)			
Diluted earnings per share	2.05		2.05
Earnings per ordinary share of NIS 1 par value (NIS)			

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the PH Group for the year ended 31 December 2014

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Income for the year	531,185	-	531,185
Other comprehensive income (loss)			
Amounts classified or reclassified to profit or loss under specific conditions			
Net change in the fair value of financial assets available for sale attributed to capital reserves	105,593	-	105,593
Net change in the fair value of financial assets available for sale transfered to the statement of income	(285,574)	-	(285,574)
Gain from impairment to financial assets available for sale transferred to statement of income	70,593	-	70,593
Adjustments arising from translation of financial statements of foreign operations	6,402	-	6,402
Tax effect	40,057	-	40,057
Total components of other comprehensive loss, net, subsequently reclassified to profit or loss:	(62,929)	-	(62,929)
Amounts not subsequently reclassified to profit or loss			
Actuarial gain for defined benefit plans	3,697	-	3,697
Tax effect	(1,260)	-	(1,260)
Total components of other comprehensive income, net not subsequently reclassified to profit or loss:	2,437	-	2,437
Total other comprehensive loss, net	(60,492)	-	(60,492)
Total comprehensive income for the year	470,693	-	470,693
Attributable to:			
Company shareholders	443,971	-	443,971
Non-controlling interests	26,722	-	26,722
Comprehensive income for the year	470,693	-	470,693

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Financial Position of the PH Group as at 31 December 2013

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Intangible assets	1,702,838	-	1,702,838
Deferred tax assets	6,844	-	6,844
Deferred acquisition costs	1,216,702	(1,216,702)	-
Property, plant and equipment	376,954	-	376,954
Investments in associates	488,913	-	488,913
Investment property for unit linked contracts	1,005,774	-	1,005,774
Other investment property	1,725,908	-	1,725,908
Reinsurance assets	1,364,409	-	1,364,409
Credit for acquisition of securities	165,000	-	165,000
Current tax assets	35,314	-	35,314
Debtors and receivables	312,162	120,794	432,956
Premiums collectible	556,774	-	556,774
Financial investments for unit linked contracts	27,634,603	-	27,634,603
Assets for holders of debentures, ETFs, reverse certificates, complex certificates, certificates of deposit, and structured bonds	35,478,244	-	35,478,244
Other financial investments:			
Marketable debt assets	5,424,370	-	5,424,370
Non-marketable debt assets	10,085,236	-	10,085,236
Shares	646,193	-	646,193
Others	1,023,270	-	1,023,270
Cash and cash equivalents for unit linked contracts	2,240,940	-	2,240,940
Other cash and cash equivalents	585,981	-	585,981
Total Assets	**92,076,429**	**(1,095,908)**	**90,980,521**
Liabilities for non-unit linked insurance contracts and investment contracts	17,545,565	(418,944)	17,126,621
Liabilities for unit linked insurance contracts and investment contracts	30,892,508	(676,964)	30,215,544
Liabilities for deferred taxes	426,332	-	426,332
Liabilities for employee benefits, net	114,707	-	114,707
Liabilities for current taxes	12,318	-	12,318
Creditors and payables	1,207,373	-	1,207,373
Liabilities for debentures, ETFs, reverse certificates and complex certificates, certificates of deposit, and structured debentures	34,911,165	-	34,911,165
Financial liabilities	3,312,116	-	3,312,116
Total liabilities	**88,422,084**	**(1,095,908)**	**87,326,176**

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Financial Position of the PH Group as at 31 December 2013

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Capital			
Share capital	304,216	-	304,216
Premium and capital reserves on shares	667,268	-	667,268
Treasury shares	(31,848)	-	(31,848)
Capital reserves	256,512	-	256,512
Retained earnings	2,361,357	-	2,361,357
Total equity attributed to Company shareholders	**3,557,505**	**-**	**3,557,505**
Non-controlling interests	96,840	-	96,840
Total shareholders' equity	**3,654,345**	**-**	**3,654,345**

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Income of the PH Group for the year ended 31 December 2013

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Premiums earned, gross	7,474,057	-	7,474,057
Premiums earned by reinsurers	647,954	-	647,954
Premiums earned in retention	6,826,103	-	6,826,103
Investment gains, net, and financing income	4,547,484	-	4,547,484
Management fees	875,490	-	875,490
Revenue from commissions	263,923	-	263,923
Income from other financial services	178,525	-	178,525
Other revenue	34,716	-	34,716
Total revenue	**12,726,241**	**-**	**12,726,241**
Payments and changes in liabilities for insurance contracts and investment contracts, gross	9,553,515	-	9,553,515
Share of reinsurers in payments and changes in liabilities for insurance contracts	448,941	-	448,941
Payments and changes in liabilities for insurance contracts and investment contracts in retention	9,104,574	-	9,104,574
Commissions, marketing expenses, and other acquisition costs	1,187,296	-	1,187,296
General and administrative expenses	1,027,442	-	1,027,442
Other expenses	99,299	-	99,299
Finance expenses	181,203	-	181,203
Total expenses	**11,599,814**	**-**	**11,599,814**
Share in earnings of investees treated under the equity method	51,666	-	51,666
Income before taxes on income	1,178,093	-	1,178,093
Taxes on income	417,967	-	417,967
Income for the year	**760,126**	**-**	**760,126**
Attributable to:			
Company shareholders	739,033	-	739,033
Non-controlling interests	21,093	-	21,093
Income for the year	**760,126**	**-**	**760,126**
Earnings per share attributed to shareholders (in NIS):			
Basic earnings per share	3.02		3.02
Earnings per ordinary share of NIS 1 par value (NIS)			
Diluted earnings per share	3.02		3.02
Earnings per ordinary share of NIS 1 par value (NIS)			

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the PH Group for the year ended 31 December 2013

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Income for the year	760,126	-	760,126
Other comprehensive income (loss)			
Amounts classified or reclassified to profit or loss under specific conditions			
Net change in the fair value of financial assets available for sale attributed to capital reserves	314,349	-	314,349
Net change in the fair value of financial assets available for sale transfered to the statement of income	(310,444)	-	(310,444)
Gain from impairment to financial assets available for sale transferred to statement of income	13,707	-	13,707
Adjustments arising from translation of financial statements of foreign operations	(3,529)	-	(3,529)
Tax effect	(11,663)	-	(11,663)
Total components of other comprehensive income, net, subsequently reclassified to profit or loss:	2,420	-	2,420
Amounts not subsequently reclassified to profit or loss			
Actuarial gain for defined benefit plans	4,949	-	4,949
Tax effect	(1,832)	-	(1,832)
Total components of other comprehensive income, net not subsequently reclassified to profit or loss:	3,117	-	3,117
Total other comprehensive income, net	5,537	-	5,537
Total comprehensive income for the year	765,663	-	765,663
Attributable to:			
Company shareholders	744,468	-	744,468
Non-controlling interests	21,195	-	21,195
Comprehensive income for the year	765,663	-	765,663

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Financial Position of the PH Group as at 31 December 2012

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Intangible assets	1,714,984	-	1,714,984
Deferred tax assets	36,835	-	36,835
Deferred acquisition costs	1,101,493	(1,101,493)	-
Property, plant and equipment	428,533	-	428,533
Investments in associates	465,054	-	465,054
Investment property for unit linked contracts	444,906	-	444,906
Other investment property	1,326,156	-	1,326,156
Reinsurance assets	1,352,112	-	1,352,112
Credit for acquisition of securities	237,000	-	237,000
Current tax assets	40,680	-	40,680
Debtors and receivables	440,150	97,871	538,021
Premiums collectible	571,841	-	571,841
Financial investments for unit linked contracts	23,231,004	-	23,231,004
Financial investments for holders of debentures, exchange-traded funds , reverse certificates, complex certificates, certificates of deposit, and structured bonds	11,455,979	-	11,455,979
Other financial investments:			
Marketable debt assets	5,277,927	-	5,277,927
Non-marketable debt assets	8,784,551	-	8,784,551
Shares	585,409	-	585,409
Others	850,571	-	850,571
Cash and cash equivalents pledged for holders of debentures, exchange-traded funds, reverse certificates, complex certificates, certificates of deposit, and structured bonds	14,367,000	-	14,367,000
Cash and cash equivalents for unit linked contracts	1,700,297	-	1,700,297
Other cash and cash equivalents	965,632	-	965,632
Total Assets	**75,378,114**	**(1,003,622)**	**74,374,492**

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Financial Position of the PH Group as at 31 December 2012

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Liabilities for non-unit linked insurance contracts and investment contracts	15,918,319	(346,913)	15,571,406
Liabilities for unit linked insurance contracts and investment contracts	25,521,266	(656,709)	24,864,557
Liabilities for deferred taxes	376,160	-	376,160
Liabilities for employee benefits, net	119,178	-	119,178
Liabilities for current taxes	15,486	-	15,486
Creditors and payables	1,390,708	-	1,390,708
Liabilities for debentures, ETFs, reverse certificates and complex certificates, certificates of deposit, and structured debentures	25,148,994	-	25,148,994
Financial liabilities	3,552,587	-	3,552,587
Provision for payment for acquisition of an investee	86,007	-	86,007
Total liabilities	**72,128,705**	**(1,003,622)**	**71,125,083**
Capital			
Share capital	301,603	-	301,603
Premium and capital reserves on shares	641,414	-	641,414
Treasury shares	(31,862)	-	(31,862)
Capital reserves	257,645	-	257,645
Retained earnings	1,943,203	-	1,943,203
Total equity attributed to Company shareholders	**3,112,003**	**-**	**3,112,003**
Non-controlling interests	137,406	-	137,406
Total shareholders' equity	**3,249,409**	**-**	**3,249,409**

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Income of the PH Group For the year ended 31 December 2012

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Premiums earned, gross	7,153,960	-	7,153,960
Premiums earned by reinsurers	670,322	-	670,322
Premiums earned in retention	6,483,638	-	6,483,638
Investment gains, net, and financing income	3,316,941	-	3,316,941
Management fees	637,758	-	637,758
Revenue from commissions	247,562	-	247,562
Income from other financial services	177,987	-	177,987
Other revenue	38,119	-	38,119
Total revenue	**10,902,005**	**-**	**10,902,005**
Payments and changes in liabilities for insurance contracts and investment contracts, gross	8,579,205	-	8,579,205
Share of reinsurers in payments and changes in liabilities for insurance contracts	386,217	-	386,217
Payments and changes in liabilities for insurance contracts and investment contracts in retention	8,192,988	-	8,192,988
Commissions, marketing expenses, and other acquisition costs	1,121,062	-	1,121,062
General and administrative expenses	941,986	-	941,986
Other expenses	67,417	-	67,417
Finance expenses	201,616	-	201,616
Total expenses	**10,525,069**	**-**	**10,525,069**
Share in earnings of investees treated under the equity method	41,079	-	41,079
Income before taxes on income	418,015	-	418,015
Taxes on income	138,511	-	138,511
Income for the year	**279,504**	**-**	**279,504**
Attributable to:			
Company shareholders	249,554	-	249,554
Non-controlling interests	29,950	-	29,950
Income for the year	**279,504**	**-**	**279,504**
Earnings per share attributed to shareholders (in NIS):			
Basic earnings per share	1.02		1.02
Earnings per ordinary share of NIS 1 par value (NIS)			
Diluted earnings per share	1.02		1.02
Earnings per ordinary share of NIS 1 par value (NIS)			

(ii) Unaudited Pro Forma Financial Information of the PH Group (Continued)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the PH Group for the year ended 31 December 2012

	Audited amount NIS'000 Note (iii)(1)	Unaudited Pro Forma Adjustments NIS'000 Note (iii)(3)	Adjusted amount NIS'000
Income for the year	279,504	-	279,504
Other comprehensive income (loss)			
Amounts classified or reclassified to profit or loss under specific conditions			
Net change in the fair value of financial assets available for sale attributed to capital reserves	325,812	-	325,812
Net change in the fair value of financial assets available for sale transfered to the statement of income	(147,831)	-	(147,831)
Gain from impairment to financial assets available for sale transferred to statement of income	78,014	-	78,014
Adjustments arising from translation of financial statements of foreign operations	22,255	-	22,255
Tax effect	(93,321)	-	(93,321)
Total components of other comprehensive loss, net, subsequently reclassified to profit or loss:	184,929	-	184,929
Amounts not subsequently reclassified to profit or loss			
Actuarial gain for defined benefit plans	1,762	-	1,762
Tax effect	(593)	-	(593)
Total components of other comprehensive income, net not subsequently reclassified to profit or loss:	1,169	-	1,169
Total other comprehensive income, net	186,098	-	186,098
Total comprehensive income for the year	465,602	-	465,602
Attributable to:			
Company shareholders	435,652	-	435,652
Non-controlling interests	29,950	-	29,950
Comprehensive income for the year	465,602	-	465,602

(iii) Notes to the Unaudited Pro Forma Financial Information of the PH Group

1. The historical audited consolidated statements of income and consolidated statements of comprehensive income for each of the years ended 31 December 2012, 2013 and 2014 and consolidated statements of financial position as at 31 December 2012, 2013 and 2014 have been extracted by the Directors from the PH Group's published annual reports for the years ended 31 December 2013 and 2014 which were audited by Ernst & Young Israel;

2. The historical reviewed consolidated statement of income and consolidated statement of comprehensive income for the six months ended 30 June 2015 and consolidated statement of financial position as at 30 June 2015 of the PH Group have been extracted by the Directors from PH Group's published interim reports for the six months ended 30 June 2015 which were reviewed by Ernst & Young Israel;

3. The Pro Forma Adjustments represent the significant differences between the International Financial Reporting Standards and accounting policies adopted by the PH Group and the Fosun Polices, which relates to deferred acquisition costs ("DAC"). DAC are presented as an asset on the consolidated statement of financial position of the PH Group, while under the Fosun Polices, they are either presented as other receivables (if reimbursable from third parties) or deducted from related insurance contracts and investment contracts liabilities (if related to insurance contracts and investment contracts that are issued).

(iv) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PH GROUP

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PH GROUP



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31 December 2015

To the Directors of Fosun International Limited

We have completed our assurance engagement to report on compilation of the pro forma financial information of Phoenix Holdings Ltd. and its subsidiaries (the "PH Group"), by the directors of Fosun International Limited (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statements of income and the unaudited pro forma consolidated statements of comprehensive income of the PH Group for each of the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015 and the unaudited pro forma consolidated statements of financial position of the PH Group as at 31 December 2012, 2013, 2014 and 30 June 2015 (the "Pro Forma Financial Information of the PH Group") in connection with the acquisition (the "Acquisition") of 52.31% equity interests of the PH Group by PI Emerald II (UK) Limited (an indirect wholly-owned subsidiary of Fosun International Limited). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information of the PH Group are set out in Part (C) of Appendix II to the Circular.

The Pro Forma Financial Information of the PH Group has been compiled by the Directors to illustrate the impact on the consolidated statements of income and the consolidated statements of comprehensive income of the PH Group for each of the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015 and the consolidated statements of financial position of the PH Group as at 31 December 2012, 2013, 2014 and 30 June 2015 (the "Consolidated Financial Statements") as if the Hong Kong Financial Reporting Standards (the "HKFRS") and the accounting policies adopted by Fosun International Limited (the "Fosun Policies") had been adopted by the PH Group for each of the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2015. As part of this process, the Consolidated Financial Statements of the PH Group have been extracted by the Directors from the PH Group's published annual reports for the years ended 31 December 2013 and 2014 which were audited by Ernst & Young Israel and the six months ended 30 June 2015, which were reviewed by Ernst & Young Israel as set out in Appendix II to the Circular.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information of the PH Group in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information of the PH Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information of the PH Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information of the PH Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information of the PH Group.

The purpose of Pro Forma Financial Information of the PH Group included in the Circular is solely to illustrate the impact of the significant effects on the Consolidated Financial Statements of the PH Group as if the Fosun Policies had been adopted by the PH Group for each of years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2015, for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information of the PH Group has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information of the PH Group provide a reasonable basis for presenting the significant effects of adopting the Fosun Policies, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information of the PH Group reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the PH Group, the Fosun Policies in respect of which the Pro Forma Financial Information of the PH Group has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information of the PH Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information of the PH Group has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of Fosun International Limited; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information of the PH Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

(D) SUPPLEMENTAL FINANCIAL INFORMATION OF PH GROUP

The Company sets out the following supplemental financial information of the PH Group, prepared under IFRS, which were not included in the published audited financial statements of PH Group:

1. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration during the relevant periods, disclosed pursuant to the Listing Rules and Hong Kong Companies Ordinance, is as follows:

	2014 NIS'000	2013 NIS'000	2012 NIS'000
Fees	3,375	3,931	3,481
Other emoluments:			
Salaries	3,653	3,819	3,712
Bonuses	1,000	4,900	-
Share-based payment	-	4,906	3,812
	4,653	13,625	7,524
	8,028	17,556	11,005

Certain director and chief executive were granted share options in respect of their services to the PH Group, further details of which are included in the disclosures in note 36 to the financial statements as set out in Part (A) of Appendix II to the Circular.

(a) Independent directors

The fees paid to independent directors during the relevant periods were as follows:

	2014 NIS'000	2013 NIS'000	2012 NIS'000
Tamir Agmon	660	652	479
Roni Maliniyak	580	594	454
	1,240	1,246	933

There were no other emoluments payables to the independent directors during the relevant periods.

1. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Non-independent directors and the chief executive

	Fee NIS'000	Salaries NIS'000	Bonus NIS'000	Share-based payment NIS'000	Total remuneration NIS'000
2014					
Non-independent directors:					
Moshe Bareket*	713	-	-	-	713
Avi Harel	549	-	-	-	549
Israel Kez	237	-	-	-	237
Omer Shachar	248	-	-	-	248
Pratt Levin Leora	207	-	-	-	207
Bartfeld Asaf	181	-	-	-	181
	2,135	-	-	-	2,135
Chief executive:					
Eyal Lapidot	-	3,653	1,000	-	4,653
	2,135	3,653	1,000	-	6,788
2013					
Non-independent directors:					
Moshe Bareket*	1,260	-	350	2,812	4,422
Avi Harel	586	-	-	-	586
Israel Kez	209	-	-	-	209
Omer Shachar	212	-	-	-	212
Pratt Levin Leora	213	-	-	-	213
Bartfeld Asaf	205	-	-	-	205
	2,685	-	350	2,812	5,847
Chief executive:					
Eyal Lapidot	-	3,819	4,550	2,094	10,463
	2,685	3,819	4,900	4,906	16,310
2012					
Non-independent directors:					
Moshe Bareket*	1,483	-	-	751	2,234
Avi Harel	377	-	-	-	377
Israel Kez	190	-	-	-	190
Omer Shachar	182	-	-	-	182
Pratt Levin Leora	115	-	-	-	115
Bartfeld Asaf	201	-	-	-	201
	2,548	-	-	751	3,299
Chief executive:					
Eyal Lapidot	-	3,712	-	3,061	6,773
	2,548	3,712	-	3,812	10,072

* In November 2014, Dr Moshe Bareket ceased his service as director of Phoenix Holdings.

There was no arrangement under which a non-independent director or the chief executive waived or agreed to waive any remuneration during the relevant periods.

2. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the relevant periods included the chief executive (2013: one director and the chief executive; 2012: the chief executive), details of whose remuneration are set out above. Details of the remuneration for the relevant periods of the remaining four (2013: three; 2012: four) highest paid employees who are neither a director nor chief executive of the Phoenix Holdings are as follows:

	2014 NIS'000	2013 NIS'000	2012 NIS'000
Salaries	4,538	1,897	3,038
Bonuses	5,292	5,115	12,364
Share-based payment	2,445	-	-
Other compensation	4,599	4,556	4,453
	16,874	11,568	19,855

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	2014	2013	2012
HK$6,000,001 to HK$6,500,000	-	-	1
HK$6,500,001 to HK$7,000,000	1	-	-
HK$7,000,001 to HK$7,500,000	-	1	1
HK$7,500,001 to HK$8,000,000	1	1	-
HK$8,000,001 to HK$8,500,000	-	-	-
HK$8,500,001 to HK$9,000,000	1	-	-
HK$9,000,001 to HK$9,500,000	-	-	-
HK$9,500,001 to HK$10,000,000	-	-	-
HK$1,000,0001 to HK$10,500,000	1	-	1
HK$10,500,001 to HK$11,000,000	-	1	-
HK$11,000,001 to HK$17,000,000	-	-	-
HK$17,000,001 to HK$17,500,000	-	-	1
	4	3	4

During the relevant periods, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 36 to the financial statements as set out in Part (A) of Appendix II to the Circular.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

To provide additional financial information, the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of the Enlarged Group (being the Group together with the Phoenix Holdings Ltd., and its subsidiaries (hereinafter collectively referred to the "PH Group")) as at 30 June 2015 has been prepared based on:

(a) the historical unaudited consolidated statement of financial position of the Group as at 30 June 2015 which has been extracted from the published interim report for the period ended 30 June 2015 of the Company;

(b) the consolidated statements of financial position of the PH Group as at 30 June 2015 which has been extracted from Appendix II to this circular; and

(c) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the acquisition of 52.31% equity interests of the PH Croup ("Acquisition Transaction") might have affected the historical financial information in respect of the Group as if the Acquisition Transaction had been completed on 30 June 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the consolidated financial statements of the PH Group as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2015 or at any future date.

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

	The Group as at 30 June 2015	The PH Group as at 30 June 2015	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	note 1	*note 2*	*note 3*	*note 4*	*note 5*	*note 6*	
NON-CURRENT ASSETS							
Property, plant and equipment	41,048,534	593,704					41,642,238
Investment properties	17,610,829	—	3,037,527				20,648,356
Prepaid land lease payments	3,034,234	—					3,034,234
Exploration and evaluation assets	178,285	—					178,285
Mining rights	665,909	—					665,909
Oil and gas assets	1,333,194	—					1,333,194
Intangible assets	2,559,372	2,821,652	(1,478,896)				3,902,128
Goodwill	9,520,329	—	1,478,896		(918,381)		10,080,844
Investments in joint ventures	8,316,142	—					8,316,142
Investments in associates	31,748,766	917,746					32,666,512
Investments in subsidiaries	—	—		3,024,212	(3,024,212)		—
Investments at fair value through profit or loss	—	—	210,243				210,243
Available-for-sale investments	69,969,400	—	8,758,328				78,727,728
Properties under development	11,465,372	—					11,465,372
Loans receivable	1,567,979	—	17,433,816				19,001,795
Prepayments, deposits and other receivables	4,530,110	—	324,983				4,855,093
Deferred tax assets	4,568,949	14,591					4,583,540
Inventories	64,624	—					64,624
Policyholder account assets in respect of unit-linked contracts	3,711,109	—	53,959,309				57,670,418
Insurance and reinsurance debtors	51,655	—					51,655
Reinsurers' share of insurance contract provisions	463,592	—	1,373,907				1,837,499
Term deposits	379,934	—					379,934
Deferred acquisition costs	—	1,967,648	(1,967,648)				—
Investment property for unit linked contracts	—	1,677,906	(1,677,906)				—
Other investment property	—	3,037,527	(3,037,527)				—
Reinsurance assets	—	1,373,907	(1,373,907)				—
Debtors and receivables	—	7,415	(7,415)				—
Financial investments for unit linked contracts	—	52,281,403	(52,281,403)				—
Assets for holders of debentures, exchange-traded funds, reverse certificates, complex certificates, certificates of deposit, and structured bonds	—	683,175					683,175
Other financial investments	—	26,402,388	(26,402,388)				—
Total non-current assets	212,788,318	91,779,062					301,998,918

	The Group as at 30 June 2015	The PH Group as at 30 June 2015	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	note 1	*note 2*	*note 3*	*note 4*	*note 5*	*note 6*	
CURRENT ASSETS							
Cash and bank	36,734,552	—	930,400	(1,512,106)		(30,000)	36,122,846
Investments at fair value through profit or loss	15,277,127	—	87,421				15,364,548
Trade and notes receivables	7,687,079	—					7,687,079
Prepayments, deposits and other receivables	14,926,022	—	656,537				15,582,559
Inventories	6,523,914	—					6,523,914
Completed properties for sale	10,319,037	—					10,319,037
Properties under development	21,295,385	—					21,295,385
Loans receivable	3,355,089	—	688,033				4,043,122
Due from related companies	5,353,701	—					5,353,701
Available-for-sale investments	14,969,964	—	3,713,509				18,683,473
Policyholder account assets in respect of unit-linked contracts	1,053,985	—	7,133,573				8,187,558
Insurance and reinsurance debtors	2,478,328	—	1,085,168				3,563,496
Reinsurers' share of insurance contract provisions	707,686	—	756,488				1,464,174
Deferred acquisition costs	—	353,129	(353,129)				—
Reinsurance assets	—	756,488	(756,488)				—
Credit for acquisition of securities	—	327,018	(327,018)				—
Current tax assets	—	164,320	(164,320)				—
Debtors and receivables	—	492,217	(492,217)				—
Premiums collectible	—	1,085,168	(1,085,168)				—
Assets for holders of debentures, exchange-traded funds, reverse certificates, complex certificates, certificates of deposit, and structured bonds	—	53,919,123					53,919,123
Other current financial investments	—	4,161,944	(4,161,944)				—
Cash and cash equivalents for unit linked contracts	—	7,133,573	(7,133,573)				—
Other cash and cash equivalents	—	930,400	(930,400)				—
	140,681,869	69,323,380					208,110,015
Non-current assets/assets of a disposal group classified as held for sale	56,127	—					56,127
Total current assets	140,737,996	69,323,380					208,166,142

	The Group as at 30 June 2015	The PH Group as at 30 June 2015	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	note 1	*note 2*	*note 3*	*note 4*	*note 5*	*note 6*	
CURRENT LIABILITIES							
Interest-bearing bank and other borrowings	55,052,949	—	356,626				55,409,575
Loans from related companies	193,000	—					193,000
Trade and notes payables	22,325,499	—					22,325,499
Accrued liabilities and other payables	30,089,327	—	3,186,142				33,275,469
Tax payable	4,911,097	—					4,911,097
Finance lease payables	78,357	—					78,357
Deposit from customers	1,274,133	—					1,274,133
Due to the holding company	1,412,193	—					1,412,193
Due to related companies	2,757,138	—					2,757,138
Derivative financial instruments	78,958	—	66,375				145,333
Unearned premium provisions	3,036,946	—	632,765				3,669,711
Provision for outstanding claims	5,628,903	—	2,566,235				8,195,138
Provision for unexpired risks	461,093	—					461,093
Financial liabilities for unit-linked contracts	895,685	—	2,590,240				3,485,925
Investment contract liabilities	7,188,163	—					7,188,163
Other life insurance contract liabilities	1,469,295	—	485,670				1,954,965
Insurance and reinsurance creditors	1,444,622	—					1,444,622
Liabilities for non-unit linked insurance contracts and investment contracts	—	4,037,799	(4,037,799)				—
Liabilities for unit linked insurance contracts and investment contracts	—	2,590,240	(2,590,240)				—
Liabilities for current taxes	—	14,356	(14,356)				—
Creditors and payables	—	1,717,486	(1,717,486)				—
Liabilities for debentures, ETFs, reverse certificates and complex certificates, certificates of deposit, and structured debentures	—	52,850,404					52,850,404
Financial liabilities	—	1,877,301	(1,877,301)				—
Total current liabilities	138,297,358	63,087,586					201,031,815

	The Group as at 30 June 2015	The PH Group as at 30 June 2015	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	note 1	*note 2*	*note 3*	*note 4*	*note 5*	*note 6*	
NON-CURRENT LIABILITIES							
Interest-bearing bank and other borrowings	41,427,421	—	3,851,567	1,512,106			46,791,094
Convertible bonds	326,261	—					326,261
Finance lease payables	131,292	—					131,292
Deferred income	463,492	—					463,492
Other long term payables	4,743,624	—	386,090				5,129,714
Deferred tax liabilities	6,909,258	—	616,798				7,526,056
Unearned premium provisions	—	—	473,226				473,226
Provision for outstanding claims	7,846,778	—	5,184,187				13,030,965
Financial liabilities for unit-linked contracts	3,869,399	—	57,982,569				61,851,968
Investment contract liabilities	44,099,480	—					44,099,480
Other life insurance contract liabilities	11,158,540	—	20,859,042				32,017,582
Liabilities for non-unit linked insurance contracts and investment contracts	—	26,938,413	(26,938,413)				—
Liabilities for unit linked insurance contracts and investment contracts	—	59,210,691	(59,210,691)				—
Liabilities for deferred taxes	—	616,798	(616,798)				—
Liabilities for employee benefits, net	—	198,306	(198,306)				—
Creditors and payables	—	174,551	(174,551)				—
Liabilities for debentures, ETFs, reverse certificates and complex certificates, certificates of deposit, and structured debentures	—	629,752					629,752
Financial liabilities	—	3,864,800	(3,864,800)				—
Total non-current liabilities	120,975,545	91,633,311					212,470,882
Net assets	94,253,411	6,381,545					96,662,363
EQUITY							
Equity attributable to owners of the parent							
Share capital and other statutory capital reserves	26,425,973	—	1,513,344		(1,513,344)		26,425,973
Equity component of convertible bonds	91,193	—					91,193
Other reserves	36,797,812	—	4,675,354		(4,675,354)	(30,000)	36,767,812
Share capital	—	492,563	(492,563)				—
Premium and capital reserves on shares	—	1,081,169	(1,081,169)				—
Treasury shares	—	(60,388)	60,388				—
Capital reserves	—	300,374	(300,374)				—
Retained earnings	—	4,374,980	(4,374,980)				—
	63,314,978	6,188,698					63,284,978
Non-controlling interests	30,938,433	192,847			2,246,105		33,377,385
Total equity	94,253,411	6,381,545					96,662,363

(iii) **Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group**

(1) The balances were extracted from the published interim report for the period ended 30 June 2015 of the Company.

(2) The balances were extracted from Appendix II to this circular, adjusted for the further classification of current and non-current portion of the assets and liabilities of the PH Group, to conform to the presentation of the historical unaudited consolidated statement of financial position of the Group. Such classification is just for the purpose of the illustration of this Unaudited Pro Forma Financial Information.

The functional currency and the presentation currency of the PH Group are New Israeli Shekel ("NIS"). For illustrative purpose, the assets, liabilities and equity of the PH Group as at 30 June 2015 are translated into RMB, the presentation currency of the Group, at the exchange rate of NIS 1.00 to RMB 1.6189 as at 30 June 2015 (the exchange rates of NIS 1.00 to USD 0.2648 and USD 1.00 to RMB 6.1136 published by the State Administration of Foreign Exchanges of China prevailing as at 30 June 2015 were used to calculate the indirect exchange rate of NIS to RMB). Such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

(3) The adjustment represents the reclassification of the PH Group account balances to conform to the accounting policies and presentation of the Group.

(4) According to the purchase agreement, the total consideration for the acquisition of 52.31% interests in the PH Group represents the purchase price amounted to NIS1,763 million plus the interests calculated from 30 September 2014 to the closing date at an interest rate of 4.75% per annum. As a result, the maximum amount of consideration payable is expected to be not more than approximately NIS1,868 million which is used in pro forma adjustment.

In the opinion of the Directors, the consideration will be satisfied by a combination of the internal resources of the Group and external banking facility obtained by the Group.

The Unaudited Pro Forma Financial Information has been prepared based on the assumption that 50% of the consideration will be satisfied by the internal resources of the Group and the rest will be satisfied by long term loan facilities which is based on the management's estimation. For the purpose to illustrate the Unaudited Pro Forma Financial Information, the exchange rate of NIS 1.00 to RMB 1.6189 as at 30 June 2015 as explained above was used to convert the cash consideration from NIS to RMB. The details are set out as follows:

	NIS'000	*RMB'000*
Cash and bank balances	934,033	1,512,106
Non-current portion of interest-bearing bank and other borrowings	934,033	1,512,106
Total Consideration	1,868,066	3,024,212

(5) The pro forma adjustments reflect the allocation of the cost of the Acquisition Transaction to the identifiable assets and liabilities of the PH Group acquired by the Company which represent:

(a) Fair value adjustments of the identifiable assets and liabilities of the PH Group.

Upon completion of the Acquisition Transaction, the identifiable assets and liabilities of the PH Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with HKFRS 3 (Revised) "Business Combinations" ("HKFRS 3").

For the purpose of this Unaudited Pro Forma Financial Information, the Directors had assumed that the carrying amounts of the identifiable assets and liabilities of the PH Group at the completion date approximated to their fair values. The reassessment of the fair value adjustment of the identifiable assets and liabilities acquired and related deferred tax impact as at the completion date will be performed by the management and the information of the fair values of the identifiable assets and liabilities acquired is not available at the date of this circular.

(b) Recognition of goodwill in relation to the Acquisition Transaction

Goodwill of the Enlarged Group represents the excess of the estimated cost of the Acquisition Transaction over the estimated fair value of the identifiable net assets of the PH Group. For the purpose of the Unaudited Pro Forma Information, the Directors of the Company had assumed that: (1) the estimated consideration of the Acquisition Transaction was NIS1,868 million as set out in note 4 above (equivalent to RMB3,024 million at the exchange rate of NIS 1.00 to RMB 1.6189 as set out in note 2 above); and (2) the estimated fair value of the identifiable net assets of the PH Group as at 30 June 2015 is determined based on the carrying value of the net assets attributable to the equity holders of the PH Group as set out in note 5(a) above.

Goodwill of the Enlarged Group is calculated as below:

	As at 30 June 2015 *RMB'000*
The consideration of the Acquisition Transaction	3,024,212
Carrying amount of the net assets	6,381,545
Less: Goodwill currently carried in the PH Group's books	(1,478,896)
Carrying amount of non-controlling interests	(192,847)
	4,709,802
Non-controlling interests of 47.69% in the PH Group	(2,246,105)
Identifiable net assets acquired	2,463,697
Goodwill arising from the Acquisition Transaction	560,515

The Group prepared this Unaudited Pro Forma Financial Information in accordance with HKFRS 3 and assumed that the carrying amounts of the identifiable assets and liabilities of the PH Group as at 30 June 2015 approximated the fair values of the PH Group. The Group has elected to measure the non-controlling interests in the PH Group at the non-controlling interests' proportionate share of the PH Group's identifiable assets. According to HKFRS 3, it suggests that, at the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other HKFRSs subsequently.

HKAS 38 "Intangible Assets" requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Any intangible item acquired in a business combination was recognised as an asset separately from goodwill when it was identifiable and could be measured reliably. If the amount cannot be recognized as an intangible asset, it forms part of the amount recognised as goodwill at the acquisition date. Based on currently available information, the management has not identified any intangible assets to be separate from goodwill.

The Acquisition Transaction giving rise to goodwill of RMB561 million is measured at cost at initial recognition and would be subsequently tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group's accounting policies for goodwill is in accordance with the applicable accounting standards. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group. The Group will adopt consistent accounting policies for goodwill as disclosed in its annual report for the year ended 31 December 2015, save for compliance with any new or revised HKFRS that would be issued by the HKICPA, to perform impairment assessment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group. The Directors consider that the Group's accounting treatment and principal assumptions used to assess the impairment of such goodwill will be the same as other acquisitions of similar nature. To the best knowledge of the Directors, the Group's independent auditors will conduct the audit in accordance with the Hong Kong Standards on Auditing issued by the HKICPA to perform the impairment assessment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group.

Even though the impairment assessment will be carried out in the accounting periods in the future, in view of the date of the circular, the Directors consider that the amount of goodwill as a result of the difference between the consideration and the fair value of the assets and liabilities of the PH Group is a reflection of the expected future economic benefits, i.e. the net cash flows and earnings of the PH Group.

The fair value of the identifiable assets and liabilities of the PH Group as at the closing date will be reassessed which may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group. Once the information of the fair value of the identifiable net assets of the PH Group is available, the goodwill recognised for identifiable assets and liabilities acquired at the closing date may be different from the amount presented above.

(6) For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarge Group, the total transaction costs of legal, accountancy and other professional services related to the Acquisition Transaction are estimated to be approximately RMB30,000,000.

(B) ACCOUNTANTS'REPORT ON UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2015

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

EY安永

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31 December 2015

To the Directors of Fosun International Limited:

We have completed our assurance engagement to report on compilation of the unaudited pro forma financial information of Fosun International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to the "Group"), the Phoenix Holdings Ltd., and its subsidiaries (hereinafter collectively referred to as the "PH Group") (the Group together with the PH Group are collectively referred to as the "Enlarged Group"), by the directors of the Company (the "Directors") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2015, and related notes as set out in Appendix III to the circular dated 31 December 2015 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the acquisition (the "Acquisition Transaction") of 52.31% equity interests of the PH Group by PI Emerald II (UK) Limited (an indirect wholly-owned subsidiary of the Company). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out in Section A of Appendix III to the Circular.

The Unaudited Pro Forma financial Information has been compiled by the Directors to illustrate the impact of the Acquisition Transaction on the Group's financial position as at 30 June 2015 as if the Acquisition Transaction had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Company's published interim report for the period ended 30 June 2015, and the information about the PH Group's financial position has been extracted by the Directors from the PH Group's consolidated financial statements for the period ended 30 June 2015 as set out in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition Transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transactions in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis of the PH Group (where 'PH Group' refers to the Phoenix Holdings and its subsidiaries) for the three financial years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2014 and 2015. The discussion and analysis relate to the consolidated results and financial position of the PH Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

1. OVERVIEW

1.1 General

The PH Group was incorporated in 1949 as a private company and became a publicly traded company in 1978 when Phoenix Holdings' shares were registered for trade on the TASE. As at 30 June 2015, Phoenix Holdings' shares are traded on the TA-75 share index, the TA-100 index, the TA-Finance 15 index, TA Insurance index, the TA-Composite index, and Maala Index for Social Responsibility.

The PH Group has been operating in the insurance industry for more than 60 years and it is currently one of Israel's five leading insurance groups. At the Latest Practicable Date, the PH Group focuses principally on insurance, pensions and provident fund activity, as well as in the financial services industry through the subsidiary Excellence.

1.2 The PH Group's Structure

The consolidated financial statements include the statements of Phoenix Holdings-controlled investees. In determining whether control exists, the effect of potential voting rights, exercisable on the financial position statement date, is taken into account.

The PH Group's material investees are as follows:

- Full ownership (100%) of The Phoenix Insurance Company Ltd. ("The Phoenix Insurance").
- Full ownership (100%) of The Phoenix Investments and Finances Ltd. ("The Phoenix Investments"), whose material investees are as follows:
    - Excellence, a public company traded on the TASE. As of the financial statements' publication date, The Phoenix Investments holds 89.8% of Excellence's issued and paid-up capital.
    - A 41.4% stake in Mehadrin Ltd. ("Mehadrin").
    - Gamma Management and Settlement Ltd. ("Gamma"), holding of 49%.
- Full ownership (100%) of Ad 120 - Retirement Centers for Senior Citizens Ltd. ("Ad 120").

1.3 The PH Group's Operating Segments

The PH Group deals primarily in life insurance and long-term savings, healthcare insurance, general insurance and financial services.

TURNOVER

Unit: NIS million

	For the six months ended 30 June		For the year ended 31 December		
	2015	**2014**	**2014**	**2013**	**2012**
Life insurance and long-term savings	3,896	3,749	6,819	8,391	7,101
Life insurance	3,729	3,595	6,505	8,095	6,793
Provident	99	96	190	197	220
Pension	68	58	124	99	88
General insurance	1,049	1,035	2,086	2,087	1,863
Compulsory motor	257	264	525	534	428
Motor property	427	419	844	825	775
Property and others	194	176	370	355	342
Other liabilities	171	176	347	373	318
Healthcare	815	747	1,521	1,422	1,216
Financial services	184	170	361	324	340
Other	181	179	451	428	381
Not attributed to operating segments	78	71	91	211	129
Adjustments and offsets	(66)	(60)	(139)	(137)	(128)
Total	6,137	5,891	11,190	12,726	10,902

The turnover of the PH Group was NIS 11,190 million in 2014, representing a decrease of NIS 1,536 million from NIS 12,726 million in 2013 and an increase of NIS 288 million from NIS 10,902 million in 2012. The overall steady business evolution was largely driven by General Insurance and Healthcare. The decline in the PH Group turnover is attributed to the decline in Life Insurance turnover.

The half-year turnover of the PH Group was NIS 6,137 million for the six months ended 30 June 2015, representing an increase of NIS 246 million from NIS 5,891 million in 30 June 2014. The main increase is attributed to the increased contribution of the Life Insurance turnover.

The life insurance and long-term savings segment includes life insurance, related coverage and pension and provident funds management. The segment includes long-term savings (through various types of insurance policies, pension funds, and provident funds) and insurance coverage for various risks such as death, disability and work disability. According to the commissioner's directives, the long-term savings segment is divided into life insurance, pension funds and provident funds.

Annual comparison

- Turnover of the Life insurance was NIS 6,505 million in 2014, representing a decrease of NIS 1,590 million from NIS 8,095 million in 2013;

- Turnover of the Provident segment was NIS 190 million in 2014, representing a decrease of NIS 7 million from NIS 197 million in 2013;

- Turnover of the Pension segment was NIS 124 million in 2014, representing an increase of NIS 25 million from NIS 99 million in 2013.

Half year comparison

- Turnover of the Life insurance for the six months ended 30 June 2015 was NIS 3,729 million, representing an increase of NIS 134 million from NIS 3,595 million for the six months ended 30 June 2014;

- Turnover of the Provident segment for the six months ended 30 June 2015 was NIS 99 million, representing an increase of NIS 3 million from NIS 96 million for the six months ended 30 June 2014;

- Turnover of the Pension segment for the six months ended 30 June 2015 was NIS 68 million, representing an increase of NIS 11 million from NIS 58 million for the six months ended 30 June 2014.

General insurance includes all lines of insurance activity, except for life insurance and long-term savings, and healthcare insurance. The principal insurance cover provided in this segment is property and liability insurance. The PH Group operates in the general insurance segment in these key branches - compulsory motor insurance, motor property insurance, and other general insurance.

Compulsory motor insurance comprises the PH Group's activity in providing insurance cover pursuant to the statutory provisions (Motor Vehicle Insurance Ordinance) (New Version), 1970, resulting from the use of a motor vehicle, and provides cover for bodily injury (to the driver of the vehicle, passengers in the vehicle or pedestrians) resulting from the use of a motorized vehicle, under the Compensation for Road Accident Victims (CRAV) Law.

Motor property insurance focuses on cover for property loss to the insured vehicle and includes the PH Group's activity in the sale of policies for damage to the insured vehicle, including cover for motor property loss (e.g. due to an accident and/or theft) and cover for third-party loss caused by the insured vehicle.

Other general insurance: this includes the PH Group's activity in the sale of a variety of policies in three key branches: property (non-motor) insurance, which provides the insured with cover against physical damage to his property (e.g. insurance for households and businesses), liability insurance which is generally sold together with property insurance for businesses, and provides cover for the insured's liability towards a third party (e.g. third-party liability, employers' liability, professional liability, including directors and officers liability and liability for faulty products) and other general insurance sectors (e.g. personal accident insurance and insurance for the work of contractors).

Annual Comparison

- Turnover of the Compulsory motor segment was NIS 525 million in 2014, representing a decrease of NIS 9 million from NIS 534 million in 2013;

- Turnover of the Motor property segment was NIS 844 million in 2014, representing an increase of NIS 19 million from NIS 825 million in 2013;

- Turnover of the Property and others segment was NIS 370 million in 2014, representing an increase of NIS 15 million from NIS 355 million in 2013;

- Turnover of Other liabilities was NIS 347 million in 2014, representing a decrease of NIS 26 million from NIS 373 million in 2013

Half year comparison

- Turnover of the Compulsory motor segment for the six months ended 30 June 2015 was NIS 257 million, representing a decrease of NIS 7 million from NIS 264 million for the six months ended 30 June 2014;

- Turnover of the Motor property for the six months ended 30 June 2015 was NIS 427 million, representing an increase of NIS 8 million from NIS 419 million for the six months ended 30 June 2014;

- Turnover of the Property and Others for the six months ended 30 June 2015 was NIS 194 million, representing an increase of NIS 18 million from NIS 176 million for the six months ended 30 June 2014;

- Turnover of the Other liabilities for the six months ended 30 June 2015 was NIS 171 million, representing a decrease of NIS 5 million from NIS 176 million for the six months ended 30 June 2014.

The health insurance segment includes the PH Group's activity in illness and hospitalization insurance, for individuals and groups, as well as dental insurance. The policies sold in these branches cover the range of losses sustained by the insured resulting from illness and/or accidents (excluding death). Furthermore, this segment also includes the PH Group's activity in long-term care insurance (LTC) and critical illness insurance, as well as overseas travel insurance, insurance for foreign workers and sick pay.

- Turnover of the Healthcare segment was NIS 1,521 million in 2014, representing an increase of NIS 99 million from NIS 1,422 million in 2013;

- Turnover of the Healthcare segment for the six months ended 30 June 2015 was NIS 815 million, representing an increase of NIS 68 million from NIS 747 million for the six months ended 30 June 2014.

Activity in the financial services segment takes place through the Excellence Group and consists mainly of financial asset management services such as the marketing and management of investments for customers, underwriting and investment banking, the issuance of structured products, financial products, management of mutual funds, the issuance of index-linked certificates and rendering of TASE and trading services.

- Turnover of the Financial services segment was NIS 361 million in 2014, representing an increase of NIS 37 million from NIS 324 million in 2013;

- Turnover of the Financial services segment for the six months ended 30 June 2015 was NIS 184 million, representing an increase of NIS 14 million from NIS 170 million for the six months ended 30 June 2014.

Additional operations that altogether do not form an operating segment include other investment activity of the PH Group, holding of arrangement agencies and other insurance agencies and risk management.

- Other turnover was NIS 451 million in 2014, representing an increase of NIS 23 million from NIS 428 million in 2013;

- Other turnover for the six months ended 30 June 2015 was NIS 181 million, representing an increase of NIS 2 million from NIS 179 million for the six months ended 30 June 2014.

2. EXPLANATIONS ON THE STATE OF PHOENIX HOLDINGS' AFFAIRS

2.1 General

The PH Group's operations are affected by continual regulation and regulatory changes and reforms, which are not implemented in a single process. The PH Group operates in a complex and dynamic environment in which it must adapt to such regulatory changes.

Furthermore, the PH Group, as the controlling shareholder in institutional entities, must also meet proposed changes in minimum capital requirements for institutional entities which, inter alia, also impose restrictions on the distribution of dividends by institutional entities.

The PH Group's operations and results are significantly affected by the capital markets, and low interest rates, which affect insurance liabilities and returns on the PH Group's financial asset portfolios, as well as management fees and investment margins.

Annual principal data from the consolidated statements of financial position as at December 31, 2014 (NIS million)

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Investment in investees	583	489	465
Investment property for performance based contracts	1,095	1,006	445
Other investment property	1,857	1,726	1,326
Reinsurance assets	1,399	1,364	1,352
Other receivables	262	312	440
Premiums receivable	597	557	572
Financial investments for performance based contracts	31,439	27,635	23,231
Other financial investments	18,057	17,179	15,498
Financial investments for holders of debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates, and structured bonds	39,026	35,478	25,823
Total assets	101,337	92,076	75,378
Total equity (including non-controlling interests)	3,929	3,654	3,249
Total liabilities for insurance contracts and investment contracts:	53,531	48,439	41,439
of which:			
Liabilities for non-performance based insurance contracts and investment contracts	18,381	17,546	15,918
Liabilities for performance based insurance contracts and investment contracts	35,150	30,893	25,521
Other payables	1,330	1,207	1,391
Financial liabilities	3,595	3,312	3,553
Liabilities for debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates and structured bonds	38,404	34,911	25,149
Total liabilities	97,408	88,422	72,129
Total equity and liabilities	101,337	92,076	75,378

December 31, 2014 compared with December 31, 2013

Assets:

Total assets as of December 31, 2014, amounted to NIS 101,337 million, compared with NIS 92,076 million as of December 31, 2013, an increase of 10.1%.

Total financial investments for performance based contracts as of December 31, 2014, amounted to NIS 31,439 million, compared with NIS 27,635 million as of December 31, 2013, an increase of 13.8%, which was primarily affected by capital market returns and net accruals on the asset portfolio.

Total other financial investments as of December 31, 2014, amounted to NIS 18,057 million, compared with NIS 17,179 million as of December 31, 2013, an increase of 5.1%. This increase was mainly affected by the increase in non-marketable debt assets and other investments, in light of growth in the PH Group's operations and resulting from investment income.

Total financial investments for holders of debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates and structured bonds as of December 31, 2014, amounted to NIS 39,026 million, compared with NIS 35,478 million as of December 31, 2013, an increase of 10%. Investments in this item mainly serve as underlying assets backing the liabilities of a consolidated company (Excellence) for the issue of ETFs. The change in this item is mainly attributable to changes in the collateral assets of the SPCs in the ETF sector, which were affected, inter alia, by the number of notes in circulation, changes in the prices of the underlying assets (various index rates in Israel and abroad) and changes in the exchange rates to which some of the notes are linked.

Liabilities:

Liabilities for non-performance based insurance and investment contracts as of December 31, 2014, amounted to NIS 18,381 million, compared with NIS 17,546 million as of December 31, 2013, an increase of 4.8%. This increase was mainly affected by the increase in net accruals in the asset portfolio and growth in Phoenix Holdings' operations.

Liabilities for performance based insurance and investment contracts as of December 31, 2014, amounted to NIS 35,150 million, compared with NIS 30,893 million as of December 31, 2013, an increase of 13.8%. This increase was mainly influenced by capital market returns and net accruals in the asset portfolio.

Liabilities for debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates and structured bonds as of December 31, 2014, amounted to NIS 38,404 million, compared with NIS 34,911 million on December 31, 2013, an increase of 10%. This increase was mainly attributable to growth in deposits and ETF assets.

December 31, 2013 compared with December 31, 2012

Assets:

Total assets as of December 31, 2013, amounted to NIS 92,076 million, compared with NIS 75,378 million as of December 31, 2012, an increase of 22.2%.

Total financial investments for performance based contracts as of December 31, 2013, amounted to NIS 27,635 million, compared with NIS 23,231 million as of December 31, 2012, an increase of 19%, which was primarily affected by capital market returns and net accruals on the asset portfolio.

Total other financial investments as of December 31, 2013, amounted to NIS 17,179 million, compared with NIS 15,498 million as of December 31, 2012, an increase of 10.8%, which was primarily affected by an increase in non-marketable debt assets and other investments, growth in the PH Group's operations and revenues from the corresponding investments.

Total investment property for performance based contracts and other investment property as of December 31, 2013, amounted to NIS 1,006 million and NIS 1,726 million, respectively, compared with NIS 445 million and NIS 1,326 million, respectively, as of December 31, 2012. This increase was attributable to the PH Group's efforts to increase and expand its investment in income-generating properties, both in Israel and abroad. It is noted that the PH Group has restated its financial statements to retrospectively reflect Ad 120 Ltd.'s accounting for its senior housing assets as investment property.

Total financial investments for holders of debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates, and structured bonds as of December 31, 2013, amounted to NIS 35,478 million, compared with NIS 25,823 million on December 31, 2012, an increase of 37.4%. Investments in this item are mostly used as underlying assets backing the liabilities of a consolidated company (Excellence) from ETN issues. The change in this item is mainly attributable to changes in the collateral assets of the SPCs in the ETN sector, which were affected, inter alia, by the number of notes in circulation, changes in the prices of the underlying assets (various index rates in Israel and abroad) and changes in the exchange rates to which some of the notes are linked.

Total cash and cash equivalents pledged for holders of debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates, and structured bonds as of December 31, 2013, amounted to NIS 21,225 million, compared with NIS 14,367 million on December 31, 2012, an increase of 47.7%. This increase was attributable to an increase in assets under management in ETN and deposit operations coupled with an increase in liabilities in the ETNs and deposits item. This item was further affected by the value and composition of the underlying assets and the types of notes in circulation (coverage for the notes is subject to change from time to time and is sometimes effected through contracts or options with the remaining portion of the series held in deposit).

Liabilities:

Liabilities for non-performance based insurance and investment contracts as of December 31, 2013, amounted to NIS 17,546 million, compared with NIS 15,918 million as of December 31, 2012, an increase of 10.2%. This increase was mainly attributable to an increase in the net accruals on the asset portfolio, and growth in Phoenix Holdings' operations.

Liabilities for performance based insurance and investment contracts as of December 31, 2013, amounted to NIS 30,893 million, compared with NIS 25,521 million as of December 31, 2012, an increase of 21%. This increase was mainly influenced by capital market returns and net accruals in the asset portfolio.

Liabilities for debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates and structured bonds as of December 31, 2013, amounted to NIS 34,911 million, compared with NIS 25,149 million on December 31, 2012, an increase of 38.8%. This increase was mainly attributable to growth in deposits and ETN assets.

Quarter principal data from the consolidated statements of financial position as at June 30, 2015 (NIS million):

	30.6.2015	30.6.2014	31.12.2014
Investment in investees	567	507	583
Investment property for performance based contracts	1,036	1,034	1,095
Other investment property	1,876	1,740	1,857
Reinsurance assets	1,316	1,372	1,399
Other receivables	309	327	262
Premiums receivable	670	704	597
Financial investments for performance based contracts	32,294	29,581	31,439
Other financial investments	18,880	17,295	18,057
Financial investments for holders of debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates, and structured bonds	33,728	36,718	39,026
Total assets	99,514	96,499	101,337
Total equity (including non-controlling interests)	3,942	3,901	3,929
Total liabilities for insurance contracts and investment contracts:	57,309	51,473	53,531
of which:			
Liabilities for non-performance based insurance contracts and investment contracts	19,134	18,170	18,381
Liabilities for performance based insurance contracts and investment contracts	38,175	33,303	35,150
Other payables	1,169	1,156	1,330
Financial liabilities	3,547	3,196	3,595
Liabilities for debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates and structured bonds	33,035	36,161	38,404
Total liabilities	95,572	92,598	97,408
Total equity and liabilities	99,514	96,499	101,337

Assets:

Total assets as of June 30, 2015, amounted to NIS 99,514 million, compared with NIS 101,337 million as of December 31, 2014, a decrease of 1.8%.

Total financial investments for performance-based contracts as of June 30, 2015, amounted to NIS 32,294 million, compared with NIS 31,439 million as of December 31, 2014, an increase of 2.7%, which was primarily affected by capital market returns and net accruals on the asset portfolio.

Total financial investments for holders of debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates and structured bonds as of June 30, 2015, amounted to NIS 33,728 million, compared with NIS 39,026 million as of December 31, 2014, a decrease of 13.6%. Investments in this item mainly serve as underlying assets backing the liabilities of a consolidated company (Excellence) for the issue of ETNs. The decrease in the present period was mainly due to a decrease in the underlying assets of deposit certificates following redemptions of these certificates which are affected by the lower market interest rates and final redemption of a structured bond series.

The rest of the change in this item is attributable to changes in the collateral assets of the SPCs in the ETN sector, which were affected, inter alia, by the number of notes in circulation, changes in the prices of the underlying assets (various index rates in Israel and abroad) and changes in the exchange rates to which some of the notes are linked.

Liabilities:

Liabilities for non-performance based insurance and investment contracts as of June 30, 2015, amounted to NIS 19,134 million, compared with NIS 18,381 million as of December 31, 2014, an increase of 4.1%. This increase was mainly attributable to an increase in the net accruals on the asset portfolio, and growth in Phoenix Holdings' operations.

Liabilities for performance based insurance and investment contracts as of June 30, 2015, amounted to NIS 38,175 million, compared with NIS 35,150 million as of December 31, 2014, an increase of 8.6%. This increase was mainly influenced by capital market returns and net accruals in the asset portfolio.

Liabilities for debt certificates, ETNs, reverse certificates, complex certificates, deposit certificates and structured bonds as of June 30, 2015, amounted to NIS 33,035 million, compared with NIS 38,404 million on December 31, 2014, a decrease of 14.0%. This decrease was mainly due to final redemption of a structured bond series issued by a consolidated company (Excellence) under the terms of the issue prospectus, to the amount of NIS 2,344 million in the present period, and redemption of deposit certificates. The remaining change in this item was due to changes in assets under management by the issuing companies and changes in the indexes to which the notes are linked.

2.2 **Insurance business premiums (NIS million):**

	2014		2013		2012	
			Premiums			
Operating Segments	*NIS million*	*% of total*	*NIS million*	*% of total*	*NIS million*	*% of total*
Composition of gross premiums in life insurance segment						
Current	3,285	65%	3,201	69%	3,051	79%
Non-recurring	582	12%	660	15%	702	18%
Premiums on investment contracts (*)	1,175	23%	749	16%	116	3%
Total	5,042	100%	4,610	100%	3,869	100%
Composition of premiums in healthcare insurance segment						
Gross premiums	1,559		1,407		1,273	
Retained premiums	1,427		1,281		1,114	
Composition of gross premiums in general insurance segment						
Compulsory automotive insurance	448	19%	425	19%	384	18%
Auto property insurance	832	36%	821	36%	763	36%
Other general insurance sectors	1,050	45%	1,023	45%	977	46%
Of which: Property	669	29%	663	29%	623	29%
Of which: Liability	381	16%	360	16%	354	17%
Total	2,330	100%	2,269	100%	2,124	100%
Composition of retained premiums in general insurance segment						
Compulsory automotive insurance	439	24%	416	23%	370	22%
Auto property insurance	832	45%	821	45%	763	45%
Other general insurance sectors	587	31%	570	32%	550	33%
Of which: Property	298	16%	297	16%	285	17%
Of which: Liability	289	15%	273	15%	265	16%
Total	1,858	100%	1,807	100%	1,683	100%

	1-6/2015		1-6/2014		4-6/2015		4-6/2014		1-12/2014	
					Premiums					
	NIS	*%*	*NIS*	*%*	*NIS*	*%*	*NIS*	*%*	*NIS*	*%*
Operating Segments	*million*	*of total*	*million*	*of total*	*million*	*of total*	*million*	*of total*	*million*	*of total*
Composition of gross premiums earned in life insurance segment										
Current	1,649	51%	1,631	64%	826	44%	821	63%	3,285	65%
Non-recurring	394	12%	407	16%	233	12%	237	18%	582	12%
Premiums on investment contracts (*)	1,207	37%	509	20%	814	43%	238	18%	1,175	23%
Total	3,250	100%	2,547	100%	1,873	100%	1,296	100%	5,042	100%
Composition of gross premiums earned in health insurance segment										
Gross premiums	816		747		413		376		1,555	
Retained premiums	754		690		383		349		1,423	
Composition of gross premiums in general insurance segment										
Compulsory automotive insurance	261	20%	247	20%	103	20%	100	19%	448	19%
Auto property insurance	459	36%	445	35%	194	37%	195	37%	832	36%
Other general insurance sectors	565	44%	571	45%	227	43%	233	44%	1,050	45%
Of which: Property	358	28%	372	29%	147	28%	155	29%	669	29%
Of which: Liability	207	16%	199	16%	80	15%	78	15%	381	16%
Total	1,285	100%	1,263	100%	524	100%	528	100%	2,330	100%
Composition of retained premiums in general insurance segment										
Compulsory automotive insurance	256	25%	242	24%	101	24%	98	24%	439	24%
Auto property insurance	459	44%	445	44%	194	46%	195	47%	832	45%
Other general insurance sectors	326	31%	321	32%	125	30%	119	29%	587	32%
Of which: Property	162	16%	160	16%	64	15%	62	15%	298	16%
Of which: Liability	164	16%	161	16%	61	15%	57	14%	289	16%
Total	1,041	100%	1,008	100%	420	100%	412	100%	1,858	100%

(*) Proceeds on investment contracts are not included in the premiums item, unless they are recognized directly as liabilities for insurance and investment contracts.

Phoenix Holdings continues growing in most operating segments.

Annual Comparison

In the life insurance segment, gross premiums including investment contracts grew 9.4% year-on-year in 2014, following year-on-year growth of 19.2% in 2013. This increase was affected by new sales including increases in less cancellations.

It is noted that following the discontinuation of sales of savings-integrated insurance plans with guaranteed pension payments for people under 60 in 2013, a sharp decrease was recorded in 2013 and 2014 in new sales of life insurance policies with savings components.

In the healthcare insurance segment, gross premiums grew 10.8% year-on-year in 2014, following year-on-year growth of 10.5% in 2013. Gross premiums were up primarily due to growth in premiums on personal insurance policies, continued growth in new sales, coupled with more moderate growth in premiums on collective policies. The upward trend in premiums on individual insurance policies is evident in most of the individual products offered by the PH Group.

In the general insurance segment, gross premiums were up 2.7% in 2014, following year-on-year growth of 6.8% in 2013. This increase was attributable to most sectors in which the PH Group operates.

Half Year Comparison

Gross premiums earned in the first six months of 2015 amounted to NIS 4,036 million, compared with NIS 3,902 million in the same period of last year, an increase of 3.4%. Gross premiums earned in the second quarter of the year amounted to NIS 2,065 million, compared with NIS 2,002 million in the same period of last year, an increase of 3.1%. Retained premiums earned in the first six months of 2015 amounted to NIS 3,713 million, compared with NIS 3,598 million in the same period of last year, an increase of 3.2%. Retained premiums in the second quarter of 2015 amounted to NIS 1,912 million, compared with NIS 1,847 million in the same quarter of last year, an increase of 3.5%.

In the life insurance segment, gross premiums including investment contracts grew in the first six months of 2015 by 27.6% compared with the same period of last year, and by 44.5% as compared to the same quarter of last year. This increase was mainly due to an increase in one-time deposits for investment contracts in the second quarter of 2015, in addition to the effect of new sales including increases in cancellation deductions.

In the health insurance segment, gross premiums grew in the first six months of 2015 by 9.3% compared with the same period of last year, and by 9.7% over the same quarter of last year. Premiums were up primarily due to growth in premiums on personal insurance contracts, continued growth in new sales, coupled with more moderate growth in premiums on collective contracts. The upward trend in premiums on individual insurance policies is evident in most of the individual products offered by the PH Group.

In the general insurance segment, gross premiums grew in the first six months of 2015 by 5.3% compared with the same period of last year, and by 4.5% quarter-on-quarter.

2.3 **Developments in the PH Group's profit for the period and comprehensive income:**

Key data for the reporting period from the consolidated statements of income and the consolidated statements of comprehensive income (NIS million):

	2014	2013	2012
Key data from the consolidated statements of income			
Gross premiums earned	7,698	7,474	7,154
Premiums earned in retention	7,054	6,826	6,484
Net gains on investments, and finance income	2,774	4,547	3,317
Income from management fees	858	875	638
Payments and changes in liabilities for insurance contracts and investment contracts in retention	7,947	9,105	8,193
Commission, marketing, and other purchasing expenses	1,314	1,187	1,121
General and administrative expenses	1,030	1,027	942
Other expenses	36	99	67
Finance expenses	127	181	202
Company's share in the profits of investees accounted for as per the equity method	46	52	41
Profit for the period	531	760	280
Profit for the period attributable to Company shareholders	504	739	250
Shareholders' return on equity for the period (based on profit for the period)	13.7%	22.2%	8.6%
Other comprehensive income (loss), net of taxes	(60)	6	186
Comprehensive income for the period	471	766	466
Comprehensive income for the period attributable to Company shareholders	444	744	436
Shareholders' return on equity for the period (based on comprehensive income for the period)	12.1%	22.3%	15.0%

	1-6/2015	1-6/2014	4-6/2015	4-6/2014	1-12/2014
Key data from the consolidated statements of income					
Gross premiums earned	4,036	3,902	2,065	2,002	7,698
Premiums earned in retention	3,713	3,598	1,912	1,847	7,054
Net gains (losses) on investments, and finance income	1,634	1,601	(15)	621	2,774
Income from management fees	524	458	136	192	858
Payments and changes in liabilities for insurance contracts and investment contracts in retention	4,791	4,348	1,328	2,070	7,947
Commission, marketing, and other purchasing expenses	715	627	369	328	1,314
General and administrative expenses	555	518	279	255	1,030
Other expenses	17	13	7	3	36
Finance expenses	48	50	58	41	127
Company's share in the profits of investees accounted for as per the equity method	18	21	(5)	(5)	46
Profit for the period	41	244	82	54	531
Profit (loss) for the period attributable to equity holders of the parent	33	234	77	48	504
Shareholders' return on equity (annualized) for the period (based on profit for the period)	1.7%	12.7%	8.0%	5.1%	13.7%
Other comprehensive income (loss), net of taxes	(17)	(3)	(136)	(42)	(60)
Comprehensive income (loss) for the period	24	241	(54)	12	471
Comprehensive income (loss) for the period attributable to owners of the parent	16	231	(59)	6	444
Shareholders' return on equity (annualized) for the period (based on comprehensive income for the period)	0.8%	12.6%	(6.1%)	0.6%	12.1%

Annual Comparison

A significant part of the PH Group's asset portfolio is invested on the capital market. Therefore, capital market returns for the various investment channels have a material effect on the yields achieved for the PH Group's customers and on the PH Group's profits. Gains and losses on investments reflect capital market performance in Israel and abroad, as well as changes in the CPI and the NIS exchange rates against the main currencies. The aggregate effect of these factors on the financial margin is the main reason for fluctuations in the reported results.

Gains on investments, including other comprehensive income (pre-tax), amounted to NIS 2,671 million in 2014, as compared to NIS 4,562 million in 2013, and NIS 3,595 million in 2012.

Gains (losses) on investments, including other comprehensive income (pre-tax), amounted to NIS 13 million in the fourth quarter of 2014, as compared to NIS 1,284 million in the same quarter last year. Profit was down due to relatively low yields in the fourth quarter, as compared to the same quarter last year.

It is noted that a significant part of the gains (losses) is attributable to investment profit-sharing policies and did not directly influence Phoenix Holdings' results. It is further noted that gains on investments include gains on the revaluation of investment property, including revaluation of residential buildings in Ad 120 Ltd., which amounted to NIS 70 million in 2014, similar to their amount last year.

Results for the reporting year were materially affected by lower market interest rates. Due to lower interest rates, Phoenix Holdings recognized an expense in 2014 following an increase in its insurance liabilities to the amount of NIS 198 million pre-tax, and NIS 123 million post-tax.

Revenues from management fees totaled NIS 858 million in 2014, as compared to NIS 875 million in 2013 and NIS 638 million in 2012. This year-on-year decrease in management fees in 2014 was due to a decrease in variable management fees on profit-sharing policies marketed through 2003. Figures for 2012 reflect the fact that Phoenix Holdings did not charge variable management fees in that year. It is noted that, had it not been for the cumulative negative real yield on these policies as of December 31, 2012, variable management fees in 2013 would have increased by an additional NIS 62 million.

In the first quarter of 2013, the PH Group signed a cut-off agreement with a reinsurer, and a reinsurance contract with another reinsurer who will serve as a reinsurer for insurance operations included under the cut-off agreement ("the Reinsurer Swap Agreement"). Following these activities, Phoenix Holdings recorded gains of NIS 72 million (pre-tax) in the first quarter of 2013. In the reporting period, commissions, marketing and other purchasing expenses totaled 16.9% of the gross premiums earned, as compared to 15.8% and 15.7% in 2013 and 2012, respectively.

In 2014, general and administrative expenses totaled 13.3% of the gross premiums earned, as compared to 13.6% and 13.2% in 2013 and 2012, respectively.

Other expenses amounted to NIS 36 million in 2014, as compared to NIS 99 million and NIS 67 million in 2013 and 2012, respectively. Figures for 2014 and 2013 include a write-down of NIS 7 million and NIS 36 million, respectively, on provident fund operations, made in the fourth quarter of each of these years. These write-downs were mainly made in light of declining management fees on provident fund operations.

Finance expenses amounted to NIS 127 million in 2014, as compared to NIS 181 million and NIS 202 million in 2013 and 2012, respectively. Finance expenses were down in 2014 mainly due to the 0.1% decrease in the CPI in 2014 as compared to a positive change of 1.9% in the CPI in 2013. This effect was partially offset by gains made by the USD which affected, inter alia, the revaluation of reinsurer deposits. In 2013, year-on-year finance expenses were down mainly due to a decrease in Phoenix Holdings' liabilities.

The share in the earnings of investees totaled NIS 46 million in 2014, as compared to a profit of NIS 52 million in 2013 and a profit of NIS 41 million in 2012. Lower year-on-year profitability in 2014 was mainly attributable to an associate ("Mehadrin"), which is engaged in agricultural operations, and whose profitability was cut by lower sales turnover following a year-on-year decrease in both quantities and market price on crops.

Half Year Comparison

A significant part of the PH Group's asset portfolio is invested on the capital market. Therefore, capital market returns for the various investment channels have a material effect on the yields achieved for the PH Group's customers and on the PH Group's profits. Gains and losses on investments reflect capital market performance in Israel and abroad, as well as changes in the CPI and the NIS exchange rates against the main currencies. The aggregate effect of these factors on the financial margin is the main reason for fluctuations in the reported results.

In the first six months of 2015, Phoenix Holdings experienced exceptional growth in its insurance reserves, mainly following new supervisory guidelines for measuring liability adequacy tests (LAT), and due to updated assumptions mainly concerning pension exercise rates.

The overall effect of these changes, as detailed in the said Note, in the six months ended June 30, 2015, was a pre- and post-tax expense of NIS 413 million and NIS 257 million, respectively.

The overall effect of these changes in the three months ended June 30, 2015, was a pre- and post-tax income of NIS 92 million and NIS 57 million, respectively.

It is noted that in the corresponding periods last year, the decrease in the risk-free interest rate seen in those periods resulted in an increase in insurance liabilities, seen in the financial statements as a pre-tax and post-tax expense of NIS 227 million and NIS 141 million, respectively, recognized in the first six months of 2014; and in the second quarter of 2014, pre-tax and post-tax expenses are NIS 183 million and NIS 114 million, respectively.

Revenues from investments, including other comprehensive income (pre-tax), amounted to NIS 1,609 million in the first six months of 2015, as compared to NIS 1,598 million in the same period of last year. Revenues from investments, including other comprehensive income (pre-tax), amounted to a loss of NIS 227 million in the second quarter of 2015, as compared to income of NIS 554 million in the same quarter of last year. It is noted that a significant part of the gains (losses) is attributable to investment profit-sharing policies and did not directly influence Phoenix Holdings' results.

Revenues from management fees increased by NIS 66 million in the first six months of 2015, as compared to the same period of last year. This increase was mainly attributable to an increase in variable management fees in the first six months of 2015, which totaled NIS 139 million (pre-tax), as compared to NIS 107 million (pre-tax) in the same period of last year, following higher real yields achieved by Phoenix Holdings in the first six months of 2015 as compared to the same period of last year. Revenues were also up due to growth in fixed management fees following growth in assets under management in the long-term savings segment.

Revenues from management fees were down NIS 56 million in the second quarter of 2015, as compared to the same period of last year. This decrease was mainly attributable to a NIS 57 million refund of management fees in the second quarter, as compared to NIS 13 million in revenues from management fees recorded in the same period of last year. This decrease was due to negative real yields recorded by Phoenix Holdings in the second quarter of 2015, as compared to positive yields recorded in the same period of last year.

In the first six months of 2015, commissions, marketing and other purchasing expenses totaled 17.7% of the gross premiums earned, as compared to 16.1% in the same period of last year. In the second quarter of 2015, commissions, marketing and other purchasing expenses totaled 17.9% of the gross premiums earned, as compared to 16.4% in the same quarter of last year.

In the first six months of 2015, general and administrative expenses totaled 13.7% of the gross premiums earned, as compared to 13.3% in the same period of last year. In the second quarter, general and administrative expenses totaled 13.5% of the gross premiums earned, as compared to 12.7% in the same quarter of last year.

Finance expenses in the first six months of 2015 totaled NIS 48 million similar to the figure for the same period of last year. In the second quarter of 2015, these expenses were up NIS 17 million as compared to the same quarter of last year. This increase was mainly due to a higher CPI in the present quarter, as compared to the same period of last year.

Composition of pre-tax comprehensive income for the year, by operating segments (NIS million):

	2014	2013	2012
Comprehensive income from life insurance and long-term savings segment	99	367	141
Comprehensive income from healthcare insurance segment	41	219	116
Comprehensive income from general insurance segment	286	366	234
Comprehensive income from financial services segment	119	73	78
Total comprehensive income from operating segments	545	1,025	569
Profit not attributed to reporting segments	126	144	98
Company's share in the net results of investees not included in the reported segments	13	28	31
Comprehensive income before income tax	684	1,197	698
Income tax	213	431	232
Comprehensive income for the period	471	766	466
Comprehensive income for the period attributable to shareholders	444	744	436

	1-6/2015	1-6/2014	4-6/2015	4-6/2014	1-12/2014
Comprehensive income (loss) from life insurance and long-term savings segment	(65)	14	(81)	(105)	99
Comprehensive income (loss) from healthcare insurance segment	(157)	48	21	15	41
Comprehensive income from general insurance segment	102	158	5	64	286
Comprehensive income from financial services segment	48	52	26	33	119
Total comprehensive income (loss) from operating segments	(72)	272	(29)	7	545
Profit (loss) not attributed to reporting segments	64	68	(44)	19	126
Company's share in the net results of investees not included in the reported segments	14	12	(11)	(9)	13
Comprehensive income (loss) before income tax	6	352	(84)	17	684
Income tax	(18)	111	(30)	5	213
Comprehensive income (loss) for the period	24	241	(54)	12	471
Comprehensive income (loss) for the period attributable to owners of the parent	16	231	(59)	6	444

Annual Comparison

The change in comprehensive income not attributed to reporting segments in 2014, as compared to 2013 and 2012, was mainly affected by a decrease in investment income and a decrease in finance expenses following the lower CPI in the present period.

The decrease in Phoenix Holdings' share in the net results of investees not included in the reported segments was mainly due to Mehadrin's results, as aforesaid.

Half Year Comparison

It is noted, that higher capital market returns in the first half of 2015 materially affected the reported results.

Composition of pre-tax profit for the period, by operating segments (NIS million):

	2014	2013	2012
Profit from life insurance and long term savings segment	104	372	65
Profit from healthcare insurance segment	50	219	92
Profit from general insurance segment	340	353	132
Profit from financial services segment	119	72	78
Total profit from operating segments	613	1,016	367
Profit not attributed to reporting segments	157	134	20
Company's share in the net results of investees not included in the reported segments	13	28	31
Profit before income tax	783	1,178	418
Income tax	252	418	138
Profit for the period	531	760	280
Profit for the period attributable to Company shareholders	504	739	250

	1-6/2015	1-6/2014	4-6/2015	4-6/2014	1-12/2014
Profit (loss) from life insurance and long term savings segment	(59)	11	(29)	(88)	104
Profit (loss) from healthcare insurance segment	(151)	48	44	22	50
Profit from general insurance segment	109	165	75	89	340
Profit from financial services segment	49	52	27	33	119
Total comprehensive income (loss) from operating segments	(52)	276	117	56	613
Profit (loss) not attributed to reporting segments	68	68	23	37	157
Company's share in the net results of investees not included in the reported segments	14	12	(11)	(9)	13
Profit before income tax	30	356	129	84	783
Income tax	(11)	112	47	30	252
Profit for the period	41	244	82	54	531
Profit for the period attributable to Company shareholders	33	234	77	48	504

Annual Comparison

For clarifications regarding the changes in comprehensive income for the various operating segments between the above periods, see Section 2.4 below.

Half Year Comparison

The difference between comprehensive income and loss for the first half of 2015 is due to gains (losses) on the PH Group's marketable assets not held against performance based liabilities and which have yet to be sold. Year-on-year changes in this difference also depend on the timing in which marketable securities are sold.

The decrease in the second quarter of 2015 in comprehensive income and loss and in income and loss for first half of 2015 not attributable to reported segments was mainly due to capital market yields, which were lower than those recorded in the same period of last year. The said decrease was also due to higher finance expenses, and the CPI being higher in the first half of 2015 as compared to the last-year period.

2.4 **Developments in the PH Group's operating results, by operating segments:**

2.4.1 **Developments in the life insurance and long-term savings segment**

2.4.1.1 **Life insurance segment**

Key data from the financial results of the life insurance segment, as included in Phoenix Holdings' financial statements in the three years (NIS million):

	Life Insurance		
	2014	**2013**	**2012**
Gross premiums earned	3,867	3,861	3,753
Premiums earned by reinsurers	62	62	63
Premiums earned in retention	3,805	3,799	3,690
Investment income, net	2,292	3,841	2,911
Income from management fees	389	432	178
Payments and changes in liabilities for insurance contracts and investment contracts in retention	5,729	7,084	6,197
Commission, marketing, and other purchasing expenses	432	399	374
General and administrative expenses	286	239	216
Profit before taxes on income	76	374	9
Other comprehensive income (loss) before income tax	(5)	(5)	75
Comprehensive income before income tax	71	369	84

	Life Insurance				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Gross premiums earned	2,043	2,038	1,059	1,058	3,867
Premiums earned by reinsurers	20	31	4	15	63
Premiums earned in retention	2,024	2,008	1,055	1,043	3,805
Investment income (loss), net	1,420	1,352	(157)	479	2,292
Income from management fees	277	229	13	76	389
Payments and changes in liabilities for insurance contracts and investment contracts in retention	3,405	3,253	758	1,524	5,729
Commission, marketing, and other purchasing expenses	240	205	116	102	432
General and administrative expenses	155	146	78	73	286
Profit (loss) before taxes on income	(76)	(5)	(34)	(94)	76
Other comprehensive income (loss) before income tax	(6)	3	(53)	(17)	(5)
Comprehensive Income (loss) before income tax	(82)	(2)	(87)	(111)	71

Annual Comparison

Gains on investments materially affect the profitability of segment operations, which are characterized by a long-term accrual of significant reserves. Gains on investments are affected by capital market fluctuations, as well as changes in interest rates and the Israeli CPI, which affect the yields on marketable financial asset portfolios held against insurance reserves and contingent claims.

It is noted that a significant part of investment income is attributable to investment profit-sharing policies and did not directly influence Phoenix Holdings' results. For information concerning investment gains attributed to policyholders after management fees, see also the information concerning the weighted returns on profit-sharing policies, as detailed below.

Results for 2014 were materially affected by lower market interest rates. Due to lower interest rates, Phoenix Holdings recognized an expense in 2014 following an increase in its insurance liabilities to the amount of NIS 158 million pre-tax, and NIS 98 million post-tax.

Total variable management fees recorded in 2014 amounted to NIS 138 million, as compared to NIS 220 million in the same period of last year. This decrease was due to the decrease in the real yield in 2014, as compared to the same period of last year. In this context, it is noted that had it not been for the cumulative negative real yield on these policies as of December 31, 2012, variable management fees in the comparative period would have increased by an additional NIS 62 million.

Total fixed management fees in 2014 amounted to NIS 251 million, as compared to fixed management fees of NIS 212 million in the same period of last year. This increase was attributable to growth in the portfolio itself.

Redemptions from the average reserve of insurance policies (in annualized terms) amounted to 2.4% in 2014, similar to their rate in the same period of last year. It is noted that economic conditions, employment rates, worker salaries and market competition affect this ratio. The ratio is further affected by the prohibition, starting January 2013, on offering insurance policies with a savings component and guaranteed annuity factors to persons under 60 at the sale date.

In 2014, commissions, marketing and other purchasing expenses totaled 11.2% of the gross premiums earned, as compared to 10.3% and 10% in 2013 and 2012, respectively. The increase as compared to 2013 and 2012 was due, inter alia, to an increase in the weight of the individual insurance and risk items in the PH Group's sales mix. These insurance products are characterized by higher commissions.

In the reporting year, general and administrative expenses totaled 7.4% of the gross premiums earned, as compared to 6.2% and 5.8% in 2013 and 2012, respectively.

The year-on-year decrease in comprehensive income in 2014 was mainly due to lower market interest rates, and a decrease in variable management fees as detailed above, coupled with higher profits on risk.

Half Year Comparison

Gains on investments materially affect the profitability of segment operations, which are characterized by a long-term accrual of significant reserves. Gains on investments are affected by capital market fluctuations, as well as changes in interest rates and the Israeli CPI, which affect the yields on marketable financial asset portfolios held against insurance reserves and contingent claims.

It is noted that a significant part of investment income is attributable to investment profit-sharing policies and did not directly influence Phoenix Holdings' results. For information concerning investment gains attributed to policyholders after management fees, see also the information concerning the weighted returns on profit-sharing policies, as detailed below.

Variable management fees totaled NIS 139 million (pre-tax) in the first six months of 2015, compared with NIS 107 million (pre-tax) in the same period of last year. This growth was due to higher real yields, year-on-year.

In the second quarter of 2015, Phoenix Holdings refunded NIS 57 million in management fees, as compared to a positive figure of NIS 13 million recorded in the same period of last year. This decrease was due to negative real yields recorded by Phoenix Holdings in the second quarter of the year, as compared to positive yields recorded in the same period of last year.

Results for the first six months of 2015 and second quarter were materially affected by fluctuations on the risk-free interest rate, a Commissioner circular issued in August 2015, and changes in assumptions concerning pension exercise rates based on Phoenix Holdings' accumulated experience. The overall effect of these changes resulted in an increase of NIS 281 million and a decrease of NIS 15 million in reserves in life insurance operations in the six and three month periods ended June 30, 2015, respectively.

In this context, it is noted that results for the corresponding six and three month periods of last year were materially affected by the lower market interest rates seen in those periods. These lower interest rates increased insurance liabilities by NIS 202 million and NIS 174 million in the first half and second quarter of 2014, respectively.

Redemptions from the average reserve (in annualized terms) amounted to 2.19% in the first six months of 2015, as compared to 2.16% in the same period of last year. It is noted that economic conditions, employment rates, worker salaries and market competition affect this ratio.

Year-on-year, gains from risk were up in the first six months of 2015, mainly during the first quarter. In the second quarter of 2015, gains from risk were lower than in the same period of last year.

In the first six months of 2015, commissions, marketing and other purchasing expenses totaled 11.8% of gross premiums earned, as compared to 10.1% in the same period of last year. In the present quarter, commissions, marketing and other purchasing expenses totaled 11% of gross premiums earned, as compared to 9.7% in the same quarter of last year. The increase in the first six months of 2015 and second quarter was due, inter alia, to the composition of the sales mix, which saw a lower percentage of executive insurance policies.

In the first six months of 2015, general and administrative expenses totaled 7.6% of the gross premiums earned, as compared to 7.2% in the same period of last year. In the second quarter, general and administrative expenses totaled 7.3% of the gross premiums earned, as compared to 6.9% in the same quarter of last year.

Weighted returns on profit-sharing policies

Details concerning estimated net investment earnings attributed to profit-sharing policyholders and management fees calculated according to the Supervisor of Insurance's directives, based on insurance reserve balances and returns (NIS million):

	2014	**2013**	**2012**	**10-12/2014**	**10-12/2013**
Investment gains (losses) attributed to policyholders after management fees	1,396	2,689	2,184	(153)	782
Management fees	389	432	178	46	156

	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Investment gains (losses) attributed to policyholders after management fees	912	868	(375)	229	1,396
Management fees	277	229	13	76	389

Nominal returns on profit-sharing policies for policies issued from 1992 to 2003 were as follows:

	Policies issued up to 2004 (J Fund)				
	2014	**2013**	**2012**	**10-12/2014**	**10-12/2013**
Nominal returns before management fees	5.10%	13.21%	11.30%	(0.61%)	3.45%
Nominal returns after management fees	3.84%	11.37%	10.61%	(0.69%)	2.82%
Real returns before management fees	5.20%	11.09%	9.72%	(0.42%)	3.55%
Real returns after management fees	3.94%	9.28%	9.04%	(0.50%)	2.92%

	Policies issued up to 2004 (J Fund)				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Nominal returns before management fees	4.22%	3.67%	(0.47%)	1.08%	5.10%
Nominal returns after management fees	3.29%	2.86%	(0.38%)	0.87%	3.84%
Real returns before management fees	4.74%	3.87%	(1.57%)	0.58%	5.20%
Real returns after management fees	3.81%	3.06%	(1.48%)	0.38%	3.94%

Fluctuations in these returns derives from capital market returns in Israel and abroad, changes in the CPI, and changes in the NIS exchange rates against the key currencies.

Nominal returns on profit-sharing policies for policies issued from 2004 were as follows:

	Policies issued since 2004				
	2014	**2013**	**2012**	**10-12/2014**	**10-12/2013**
Nominal returns before management fees	4.82%	12.17%	10.52%	(0.72%)	3.39%
Nominal returns after management fees	3.52%	10.79%	9.13%	(1.01%)	3.08%
Real returns before management fees	4.92%	10.07%	8.95%	(0.53%)	3.49%
Real returns after management fees	3.62%	8.71%	7.58%	(0.82%)	3.18%

	Policies issued since 2004				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Nominal returns before management fees	3.56%	3.30%	(0.93%)	0.85%	4.82%
Nominal returns after management fees	2.94%	2.65%	(1.23%)	0.53%	3.52%
Real returns before management fees	4.08%	3.50%	(2.02%)	0.36%	4.92%
Real returns after management fees	3.45%	2.85%	(2.32%)	0.04%	3.62%

2.4.1.2 **Provident fund segment**

The PH Group manages provident funds and study funds, mainly through Excellence Provident, which manages pension and compensation funds, study funds, and central compensation funds. The PH Group also operates in this segment through The Phoenix Pension, a subsidiary of The Phoenix Insurance.

Key data from the financial results of the provident fund segment, as included in Phoenix Holdings' financial statements in the three years (NIS million):

	Provident Funds		
	2014	**2013**	**2012**
Income from management fees	190	196	220
Commission, marketing, and other purchasing expenses	39	36	33
General and administrative expenses	114	117	115
Other expenses	12	15	16
Finance expenses	—	1	7
Profit before write-down of goodwill	25	28	49
Write-down of goodwill (*)	7	36	0
Profit (loss) before taxes on income and comprehensive income	18	(8)	49

	Provident Funds				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Income from management fees	99	96	47	47	190
Commission, marketing, and other purchasing expenses	22	18	11	9	39
General and administrative expenses	58	61	29	33	114
Other expenses	6	5	3	2	12
Profit before write-down of goodwill	12	11	5	3	25
Write-down of goodwill	—	—	—	—	7
Profit before taxes on income and comprehensive income	12	11	5	3	18

(*) Included under the 'Other expenses' item in the financial statements.

Annual Comparison

In June 2012, the Supervision of Financial Services Regulations (Provident Funds) (Management Fees), 2012 were published in the Official Gazette ("the Regulations"). The Regulations stated that, as of January 2013, the maximum management fee that a provident fund management company may charge will decrease from 2% of the amount accrued for royalties in the provident fund, to 1.1%, and to only 1.05% from January 2014 onwards.

Benefit contributions collected by the provident funds managed by the PH Group in 2014, 2013, and 2012 amounted to NIS 1,568 million, NIS 1,489 million, and NIS 1,698 million, respectively.

Assets under management by the provident funds managed by the PH Group in 2014, 2013, and 2012 amounted to NIS 23 billion, NIS 22 billion, and NIS 21 billion, respectively.

Based on Ministry of Finance data[1], as of December 31, 2014, aggregate assets under management in the provident fund market amounted to a total of NIS 369 billion, as compared to NIS 347 billion on December 31, 2013, an increase of 6.3%. Growth in the provident fund segment in 2014 was due to higher capital market returns.

[1] Based on Pension Net data.

Revenues from management fees in the 2014 amounted to NIS 190 million, as compared to NIS 196 million in 2013, and NIS 220 million in 2012. The year-on-year decrease in revenues was mainly attributable to lower average management fees, due to the above legislation and increased market competition.

Following the aforesaid, in the fourth quarter of 2014, a write-down was made in goodwill attributable to provident fund operations, to the amount of NIS 7 million (in 2013 - a write-down of NIS 36 million).

The decrease in finance expenses in this segment in 2014 and 2013, as compared to 2012, was mainly attributable to settlement of liabilities.

Comprehensive income in 2014 was mainly affected by the decrease in revenues from management fees and the write-down of goodwill attributable to pension fund operations as aforesaid. Comprehensive income was also affected by a provision made following the Decision Circular.

Half Year Comparison

Contributions collected by group-managed provident funds in the first six months of 2015 amounted to NIS 1,172 million, as compared with NIS 660 million in the same period of last year, an increase of 77.6%. The increase was materially affected by one-time deposits.

Contributions collected by group-managed provident funds in the second quarter of 2015 amounted to NIS 725 million, as compared with NIS 342 million in the same period of last year, an increase of 112%. The increase was materially affected by one-time deposits.

Assets under management by group-managed provident funds amounted to NIS 24 billion as of June 30, 2015, as compared to NIS 23 billion as of December 31, 2014, an increase of 4%.

According to Ministry of Finance data, as of June 30, 2015, aggregate assets under management in the provident fund market amounted to a total of NIS 378 billion, as compared with NIS 369 billion on December 31, 2014, an increase of 2.4%.

2.4.1.3 **Pension funds**

The PH Group's pension fund operations are carried out through The Phoenix Pension, and The Phoenix Old Balanced Pension Funds, both subsidiaries of The Phoenix Insurance.

Key data from the financial results of the pension fund segment, as included in Phoenix Holdings' financial statements in the three years (NIS million):

	Pension		
	2014	**2013**	**2012**
Revenues from management fees	123	97	86
Commission, marketing, and other purchasing expenses	76	60	52
General and administrative expenses	39	33	29
Profit before taxes on income and comprehensive income	9	6	7

	Pension				
	1-6/2015	1-6/2014	4-6/2015	4-6/2014	1-12/2014
Income from management fees	67	56	35	30	123
Commission, marketing, and other purchasing expenses	41	35	21	18	76
General and administrative expenses	23	18	13	9	39
Profit before taxes on income and comprehensive income	5	5	1	3	9

Annual Comparison

Based on data of Ministry of Finance,[2] aggregate benefit contributions in the new pension fund market in 2014 amounted to a total of NIS 24,479 million, as compared to NIS 21,184 million in the same period of last year, an increase of 16%.

Benefit contributions collected by the pension funds managed by the PH Group in 2014, 2013, and 2012 amounted to NIS 2,058 million, NIS 1,617 million, and NIS 1,393 million, respectively.

Based on Ministry of Finance data[3], as of December 31, 2014, aggregate assets under management in the new pension fund market amounted to a total of NIS 188 billion, as compared to NIS 158 billion on December 31, 2013, an increase of 19%.

Assets under management by the PH Group's pension funds, as of December 31, 2014, amounted to NIS 11 billion, as compared to NIS 9 billion on December 31, 2013, an increase of 22%.

Revenues from management fees in 2014 amounted to NIS 123 million, as compared to NIS 97 million and NIS 86 million in 2013 and 2012, respectively. Management fees were up mainly due to growth in the volume of operations.

The growth in commissions and expenses in 2014 and 2013 as compared to 2012 was attributable to a general growth in operations.

Half Year Comparison

Based on Ministry of Finance data, aggregate contributions in the new pension fund market in the first six months of 2015 amounted to a total of NIS 12,937 million, as compared to NIS 11,450 million in the same period of last year, an increase of 13%.

Contributions collected by group-managed pension funds in the first six months of 2015, amounted to NIS 1,147 million, as compared to NIS 932 million in the same period of last year, an increase of 23%. Contributions collected by group-managed pension funds in the second quarter of 2015, amounted to NIS 589 million, as compared to NIS 499 million in the same period of last year, an increase of 18%.

According to Ministry of Finance data[4], as of June 30, 2015, aggregate assets under management in the new pension fund market amounted to a total of NIS 204 billion, as compared with NIS 188 billion on December 31, 2014, an increase of 8.5%.

[2] Based on Pension Net data.

[3] Based on Pension Net data.

[4] Based on Pension Net data.

Assets under management by the PH Group's pension funds, as of June 30, 2015, amounted to NIS 12 billion, as compared to NIS 11 billion on December 31, 2014, an increase of 9%.

Income from management fees in the first six- and three-month periods of 2015 amounted to NIS 67 million and NIS 35 million, respectively, as compared to NIS 56 million and NIS 30 million, respectively, in the same periods of last year. Management fees were up due to growth in the PH Group's operations.

Year-on-year, commissions and expenses were up in the first six- and three-month periods of 2015, due to growth in the PH Group's operations.

2.4.2 **Healthcare insurance segment**

Key data from the financial results of the healthcare insurance segment, as included in Phoenix Holdings' financial statements in the three years (NIS million):

	Healthcare Insurance		
	2014	**2013**	**2012**
Gross premiums	1,559	1,407	1,273
Gross premiums earned	1,555	1,410	1,288
Premiums earned in retention	1,423	1,284	1,129
Investment income, net	75	113	61
Revenues from commissions	23	25	26
Payments and changes in liabilities for insurance contracts	1,205	1,033	987
Less reinsurance	137	177	172
Payments and changes in liabilities for insurance contracts and investment contracts in retention	1,068	856	815
Commission, marketing, and other purchasing expenses	313	261	234
General and administrative expenses	89	86	76
Profit before taxes on income	50	219	92
Other comprehensive income (loss) before income tax	(9)	0	24
Comprehensive income before income tax	41	219	116

	Healthcare Insurance				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Gross premiums earned	816	747	413	376	1,555
Premiums earned in retention	754	690	383	349	1,423
Investment income, net	50	46	22	22	75
Revenues from commissions	11	11	5	6	23
Payments and changes in liabilities for insurance contracts and investment contracts	800	577	283	297	1,205
Less reinsurance	62	68	36	43	138
Payments and changes in liabilities for insurance contracts and investment contracts in retention	738	510	247	255	1,068
Commission, marketing, and other purchasing expenses	177	143	92	78	313
General and administrative expenses	52	46	27	23	89
Profit (loss) before taxes on income	(151)	48	44	22	50
Other comprehensive income (loss) before income tax	(6)	—	(23)	(7)	(9)
Comprehensive Income (loss) before income tax	(157)	48	21	15	41

Annual Comparison

In the healthcare insurance segment, gross premiums grew 10.8% year-on-year, following year-on-year growth of 10.5% in 2013. Premiums were up due to growth in premiums on personal insurance policies, continued growth in new sales, coupled with more moderate growth in premiums on collective policies. The upward trend in premiums on individual insurance policies is evident in most of the individual products offered by the PH Group.

Gains on investments affect the profitability of segment operations, where certain products (such as long-term care) are characterized by a long-term accrual of significant reserves. Gains on investments are affected by capital market fluctuations, as well as changes in interest rates and the Israeli CPI, which affect the yields on marketable financial asset portfolios held against insurance reserves and contingent claims.

Investment income including other comprehensive income amounted to NIS 66 million in the reporting year, as compared to NIS 113 million in 2013 and NIS 85 million in 2012.

Results in 2014 were affected by lower year-on-year yields as aforesaid, and Phoenix Holdings' provision following a liability adequacy test ("LAT") in individual long-term care insurance operations, to the amount of NIS 25 million in the fourth quarter of 2014, mainly driven by lower market interest rates, an increase in long-term care insurance claims, a NIS 24 million provision (mainly in the fourth quarter of 2014) following an update of morbidity assumptions in healthcare policies, and provisions made by Phoenix Holdings for several collective policies.

Results for the corresponding period of 2013 were materially affected by a cut-off agreement signed in the first quarter of 2013 between the PH Group and a reinsurer, and a reinsurance contract with another reinsurer who will serve as a reinsurer for insurance operations included under the Reinsurer Swap Agreement. Following these activities, Phoenix Holdings recorded gains of NIS 72 million (pre-tax) in the first quarter of 2013.

In 2014, commissions, marketing and other purchasing expenses totaled 20.1% of the gross premiums earned, as compared to 18.6% and 18.3% in 2013 and 2012, respectively. This increase was due to an increase in the individual policy sales mix.

In 2014, general and administrative expenses totaled 5.7% of the gross premiums earned, as compared to 6.1% and 6% in 2013 and 2012, respectively.

Half Year Comparison

In the healthcare insurance segment, gross premiums earned in the first six months of 2015 grew 9.3% as compared to the same period of last year. Year-on-year, gross premiums grew 9.7% in the second quarter. Premiums were up primarily due to growth in premiums on personal insurance contracts, continued growth in new sales, coupled with more moderate growth in premiums on collective contracts. The upward trend in premiums on individual insurance policies is evident in most of the individual products offered by the PH Group.

Results for the first six months of 2015 and the second quarter of 2015 in individual long-term care operations were materially affected by fluctuations of the risk-free interest rate curve, a Commissioner circular issued in August 2015 on LAT, and updates to assumptions concerning cancellation rates. The overall effect of these changes resulted in an increase of NIS 125 million and a decrease of NIS 57 million in reserves in healthcare insurance operations in the 6 and 3 month periods ended June 30, 2015, respectively.

Results for the first six months of 2015 and the second quarter of 2015 were also affected by weaker performance in collective operations.

Gains on investments affect the profitability of segment operations, where certain products (such as long-term care) are characterized by a long-term accrual of significant reserves. Gains on investments are affected by capital market fluctuations, as well as changes in interest rates and the Israeli CPI, which affect the yields on marketable financial asset portfolios held against insurance reserves and contingent claims.

Investment income including other comprehensive income amounted to NIS 44 million in the first six months of 2015, similar to NIS 46 million recorded in the same period of last year.

In the second quarter of 2015, investment income including other comprehensive income amounted to an overall loss of NIS 1 million, as compared to an overall income of NIS 15 million in the same period of last year.

In the first six months of 2015, commissions, marketing and other purchasing expenses totaled 21.6% of the gross premiums earned, as compared to 19.1% in the same period of last year. In the second quarter of 2015, commissions, marketing and other purchasing expenses totaled 22.3% of the gross premiums earned, as compared to 20.6% in the same quarter of last year.

In the first six months of 2015, general and administrative expenses totaled 6.4% of the gross premiums earned, as compared to 6.2% in the same period of last year. In the second quarter, general and administrative expenses totaled 6.4% of the gross premiums earned, as compared to 6.2% in the same quarter of last year.

2.4.3 **General insurance segment**

Annual Comparison

In the general insurance segment, gross premiums were up 2.7% in 2014, following year-on-year growth of 6.8% in 2013. This increase was attributable to most sectors in which the PH Group operates.

In 2014, commissions, marketing and other purchasing expenses totaled 20% of the gross premiums earned, similar to their rate in 2013, and as compared to 20.7% in 2012.

In 2014, general and administrative expenses totaled 5.3% of the gross premiums earned, as compared to 5.5% and 5.2% in 2013 and 2012, respectively.

Comprehensive income from general insurance operations amounted to NIS 286 million in 2014, as compared to NIS 366 million in 2013, and NIS 234 million in 2012.

This year-on-year decrease in comprehensive income in 2014 was mainly attributable to a decrease in investment income; a decrease in the risk-free interest rate in 2014, which led to an increase in insurance liabilities; and updates to estimates for contingent claims in liability insurance operations in the same period of 2013.

These were partially offset by improved underwriting results in auto property operations and other auto operations, mainly following inclement weather events in January and December of 2013

Half Year Comparison

Gross premiums earned in general insurance operations in the first six months of 2015 amounted to NIS 1,286 million, as compared to NIS 1,262 million in the same period of last year, an increase of 1.9%. In the second quarter of 2015, gross premiums totaled NIS 524 million, as compared to NIS 528 million in the same quarter of last year, a decrease of 0.7%.

Gross premiums earned in general insurance operations in the first six months of 2014 amounted to NIS 1,176 million, as compared to NIS 1,116 million in the same period of last year, an increase of 5.3%. In the second quarter of 2014, gross premiums totaled NIS 593 million, as compared to NIS 567 million in the same quarter of last year, an increase of 4.5%.

In the first six months of 2015, commissions, marketing and other purchasing expenses totaled 18.4% of the gross premiums earned, as compared to 17.9% in the same period of last year. In the second quarter of 2015, commissions, marketing and other purchasing expenses totaled 24% of the gross premiums earned, as compared to 22.3% in the same period of last year.

In the first six months of 2015, general and administrative expenses totaled 4.6% of the gross premiums earned, as compared to 4.8% in the same period of last year. In the second quarter of 2015, general and administrative expenses totaled 5.9% of the gross premiums earned, as compared to 5.3% in the same quarter of last year.

Comprehensive income from general insurance operations in the first six months of 2015 amounted to NIS 102 million, as compared to comprehensive income of NIS 158 million in the same period of last year. In the second quarter of 2015, comprehensive income from general insurance operations amounted to NIS 5 million, as compared to an income of NIS 64 million in the same quarter of last year.

Results from compulsory auto insurance and liability insurance operations in the first six months of 2015 and second quarter were materially affected by fluctuations of the risk-free interest rate curve. As a result, insurance liabilities in these segments increased by NIS 9 million in the first six months of 2015, and decreased by NIS 20 million in the second quarter.

It is noted that in the first six months of 2014 and in the second quarter of 2014, a decrease in the risk-free interest rate increased insurance liabilities in compulsory auto insurance and liability insurance operations by NIS 25 million and by NIS 9 million, respectively.

The year-on-year decrease in comprehensive income recorded in the first six months and in the second quarter of 2015 was mainly due to a decrease in investment income in the first six months of 2015, and weaker underwriting results in auto property insurance operations.

2.4.3.1 **Compulsory auto insurance segment**

Key data from the financial results of the compulsory auto insurance segment, as included in Phoenix Holdings' financial statements in the three years (NIS million):

	Compulsory auto insurance		
	2014	**2013**	**2012**
Gross premiums	448	425	384
Retained premiums	439	416	370
Premiums earned in retention	425	393	361
Investment income, net	100	141	68
Payments and changes in liabilities for insurance contracts in retention	324	338	268
Commission, marketing, and other purchasing expenses	45	42	40
General and administrative expenses	24	24	21
Profit before income tax	127	135	99
Other comprehensive income (loss) before income tax	(27)	6	51
Comprehensive income for the period before income tax	100	141	150

	Compulsory auto insurance				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Gross premiums	261	247	103	100	448
Retained premiums	256	242	101	98	439
Premiums earned in retention	223	206	113	105	425
Investment income, net	34	57	24	30	100
Payments and changes in liabilities for insurance contracts in retention	176	173	86	87	324
Commission, marketing, and other purchasing expenses	22	21	13	12	45
General and administrative expenses	12	12	6	6	24
Profit before income tax	49	58	35	31	127
Other comprehensive income (loss) before income tax	(4)	(3)	(35)	(12)	(27)
Comprehensive income for the period before income tax	45	55	—	19	100

Annual Comparison

Gross premiums were up 5.5% in 2014, following growth of 10.5% in 2013. This increase in gross premiums was mainly attributable to an increase in Phoenix Holdings' sales volumes along with lower rates.

In the compulsory auto insurance segment, excess income over expenses is not recognized as profit in the first three years (the "open" years) but rather is attributed to contingent claims ("accrual"). As a result, profit in this segment mainly reflects the profitability of the underwriting year that ended three years prior to the reporting year, along with accrued gains on investment, adjustments for the underwriting years released in the previous years (the "closed" years), any losses on "open" years, and operations not included in the calculation of reserves.

This segment is characterized by a relatively high level of reserves, due to the considerable time difference between receipt of the premiums and conclusion of the claim process and the accounting method of creating accruals which are included in the contingent claims item as aforesaid. Thus, returns on investments have a significant effect on the profit of these operations.

The results of the PH Group's compulsory auto insurance operations in 2014 amounted to a comprehensive income of NIS 100 million, as compared to NIS 141 million in 2013, and NIS 150 million in 2012.

"Pool" losses reduced the profits reported in 2014, 2013, and 2012 by a total of NIS 24 million, NIS 20 million, and NIS 24 million, respectively.

The year-on-year decrease in comprehensive income in 2014 was mainly attributable to a decrease in investment income, lower accruals recognized as profit for the released underwriting year as compared to last year, and a decrease in the risk-free interest rate in 2014 which led to an increase in insurance liabilities.

Half Year Comparison

Gross premiums earned in the first six months of 2015 amounted to NIS 261 million, compared with NIS 247 million in the same period of last year, an increase of 5.8%. Gross premiums earned in the second quarter of 2015 amounted to NIS 103 million, compared with NIS 100 million in the same quarter of last year, an increase of 3%. This increase was attributable to growth in Phoenix Holdings' sales.

In the compulsory auto insurance segment, excess income over expenses is not recognized as profit in the first three years (the "**open**" years) but rather is attributed to contingent claims ("accrual"). As a result, profit in this segment mainly reflects the profitability of the underwriting year that ended three years prior to the reporting year, along with accrued gains on investments, adjustments for the underwriting years released in the previous years (the "**earlier**" years), any losses on "open" years, and operations not included in the calculation of reserves.

This segment is characterized by a relatively high level of reserves, due to the considerable time difference between receipt of the premiums and conclusion of the claim process and the accounting method of creating accruals which are included in the contingent claims item as aforesaid. Thus, returns on investments have a significant effect on the profit of these operations.

The year-on-year decrease in comprehensive income recorded in the first six months of 2015 and in the second quarter of 2015 was mainly due to a decrease in investment income in the first six months of 2015.

2.4.3.2 **Auto property insurance segment**

Key data from the financial results of the auto property insurance segment, as included in Phoenix Holdings' financial statements in the three years (NIS million):

	Auto property insurance		
	2014	**2013**	**2012**
Gross premiums	832	821	763
Retained premiums	832	821	763
Premiums earned in retention	823	792	760
Investment income, net	21	33	15
Payments and changes in liabilities for insurance contracts in retention	563	561	570
Commission, marketing, and other purchasing expenses	194	187	181
General and administrative expenses	45	45	41
Profit (loss) before income tax	42	33	(18)
Other comprehensive income (loss) before income tax	(6)	1	11
Comprehensive income (loss) for the period before income tax	36	34	(7)

	Auto property insurance				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Gross premiums	459	445	194	195	832
Retained premiums	459	445	194	195	832
Premiums earned in retention	419	405	212	205	823
Investment income, net	8	14	6	7	21
Payments and changes in liabilities for insurance contracts in retention	308	281	158	143	563
Commission, marketing, and other purchasing expenses	98	93	52	49	194
General and administrative expenses	22	22	12	10	45
Profit (loss) before income tax	—	23	(3)	9	42
Other comprehensive income (loss) before income tax	(1)	(1)	(9)	(3)	(6)
Comprehensive income (loss) for the period before income tax	(1)	22	(12)	6	36

Annual Comparison

Gross premiums and premiums in retention grew by 1.3% in 2014, and by 7.6% in 2013. These increases were due to an increase in the number of policies issued by the PH Group.

Gross and retained loss ratio ("LR") amounted to 68% in 2014, as compared to an LR of 71% in 2013, and an LR of 75% in 2012.

Gross and retained combined loss ratio ("CLR") amounted to 98% in 2014, as compared to CLR of 100% in 2013, and CLR of 104% in 2012.

It is noted that, in 2013, LR and CLR were affected by flood damages incurred in that year.

Comprehensive income totaled NIS 36 million in 2014, as compared to NIS 34 million in 2013, and a loss of NIS 7 million in 2012.

Results for 2014 were mainly affected by improved underwriting results, coupled with a year-on-year decrease in investment gains.

The year-on-year improvement in comprehensive income in 2013 was attributable to growth in investment income and improved underwriting results, despite flood damage incurred in 2013.

Half Year Comparison

Gross and retained premiums earned in the first six months of 2015 amounted to NIS 459 million, as compared to NIS 445 million in the same period of last year, an increase of 3.3%. In the second quarter of 2015, gross premiums amounted to NIS 194 million, as compared to NIS 195 million in the same quarter of last year, a decrease of 0.3%.

The year-on-year decrease in comprehensive income recorded in the first six months of 2015 and the second quarter of 2015 was due to an increase in claims and a decrease in investment income.

Gross and retained LR in the first six months of 2015 amounted to 73.5%, as compared to 69.4% in the same period of last year.

Gross and retained LR in the second quarter of 2015 amounted to 74.4%, as compared to 70.1% in the same quarter of last year.

Gross and retained CLR in the first six months of 2015 amounted to 102%, as compared to 97.7% in the same period of last year.

Gross and retained CLR in the second quarter of 2015 amounted to 104.4%, as compared to 99.2% in the same quarter of last year.

LR and CLR were up due to an increase in claim payments.

2.4.3.3 **Other (non-auto) property insurance segments**

Key data from the financial results of the other general insurance segment, as included in Phoenix Holdings' financial statements in the three years (NIS million):

	Property and Other Insurance		
	2014	**2013**	**2012**
Gross premiums	669	663	623
Retained premiums	298	297	285
Premiums earned in retention	297	288	277
Investment income, net	11	3	7
Payments and changes in liabilities for insurance contracts in retention	96	144	123
Commission, marketing, and other purchasing expenses	153	152	146
General and administrative expenses	33	36	31
Profit before income tax	87	24	43
Other comprehensive income (loss) before income tax	(3)	1	5
Comprehensive income for the period before income tax	84	25	48

	Property and Other Insurance				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Gross premiums	358	372	147	155	669
Retained premiums	162	160	64	62	298
Premiums earned in retention	150	151	74	74	297
Investment income, net	3	6	2	3	11
Payments and changes in liabilities for insurance contracts in retention	58	40	27	19	96
Commission, marketing, and other purchasing expenses	78	74	40	38	153
General and administrative expenses	16	17	8	8	33
Profit before income tax	43	45	23	22	87
Other comprehensive income (loss) before income tax	(1)	(1)	(3)	(1)	(3)
Comprehensive income for the period before income tax	42	44	20	21	84

Annual Comparison

Gross premiums in the property and other insurance segment grew 1%, and 6.4% in 2013.

Comprehensive income was up in 2014, as compared to 2013, mainly due to improved underwriting results, primarily in the comprehensive apartment and business insurance segment. It is noted that results for the same period of 2013 were affected by flood damage incurred in 2013.

Gross LR amounted to 56% in 2014, as compared to LR of 61% in 2013, and LR of 46% in 2012.

Gross CLR amounted to 84% in 2014, as compared to CLR of 90% in 2013, and CLR of 75% in 2012.

Retained LR amounted to 32% in 2014, as compared to LR of 50% in 2013, and LR of 44% in 2012.

Retained CLR amounted to 74% in 2014, as compared to CLR of 93% in 2013, and CLR of 87% in 2012.

It is noted that, in 2013, LR and CLR were affected by flood damages incurred in that year.

Half Year Comparison

Gross premiums earned in the first six months of 2015 amounted to NIS 358 million, compared with NIS 372 million in the same period of last year, a decrease of 3.7%. In the second quarter of 2015, gross premiums amounted to NIS 147 million, compared with NIS 155 million in the same quarter of last year, a decrease of 5.4%. The decrease in premiums was mainly attributable to property loss operations.

Gross LR in the first six months of 2015 amounted to 53.3%, as compared to 39.2% in the same period of last year.

Gross LR in the second quarter of 2015 amounted to 59.3%, as compared to 29.9% in the same quarter of last year.

Gross CLR in the first six months of 2015 amounted to 81.5%, as compared to 67.7% in the same period of last year.

Gross CLR in the second quarter of 2015 amounted to 88.2%, as compared to 58% in the same quarter of last year.

Retained LR in the first six months of 2015 amounted to 38.7%, as compared to 26.4% in the same period of last year.

Retained LR in the second quarter of 2015 amounted to 36.9%, as compared to 26.2% in the same quarter of last year.

2.4.3.4 **Liability and other insurance segments**

Key data from the financial results of the liability and other insurance segments, as included in Phoenix Holdings' financial statements in the three years (NIS million):

	Liability and Other Insurance		
	2014	**2013**	**2012**
Gross premiums	381	360	354
Retained premiums	289	273	265
Premiums earned in retention	281	271	266
Investment income, net	63	97	46
Payments and changes in liabilities for insurance contracts in retention	166	121	220
Commission, marketing, and other purchasing expenses	74	73	72
General and administrative expenses	20	20	19
Profit before income tax	84	162	8
Other comprehensive income (loss) before income tax	(18)	4	35
Comprehensive income for the period before income tax	66	166	43

	Liability and Other Insurance				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Gross premiums	207	199	80	78	381
Retained premiums	164	161	61	57	289
Premiums earned in retention	143	138	75	72	281
Investment income, net	21	37	15	19	63
Payments and changes in liabilities for insurance contracts in retention	105	91	52	42	166
Commission, marketing, and other purchasing expenses	40	37	20	19	74
General and administrative expenses	10	10	5	4	20
Profit (loss) before income tax	18	39	20	26	84
Other comprehensive income (loss) before income tax	(2)	(3)	(22)	(8)	(18)
Comprehensive income (loss) for the period before income tax	16	36	(2)	18	66

Annual Comparison

Gross premiums in the liability insurance segments grew 5.7% in 2014, and 1.8% in 2013. This increase in gross premiums was mainly attributable to growth in the PH Group's operations.

The year-on-year decrease in comprehensive income in 2014 was mainly attributable to lower investment income, an update to Phoenix Holdings' assessments of insurance liabilities in the corresponding period of 2013, and a decrease in the risk-free interest rate in 2014 which increased insurance liabilities.

Half Year Comparison

Gross premiums earned in the first six months of 2015 amounted to NIS 207 million, as compared to NIS 199 million in the same period of last year, an increase of 4.3%. In the second quarter of 2015, gross premiums amounted to NIS 80 million, as compared to NIS 78 million in the same quarter of last year, an increase of 3%.

The year-on-year decrease in comprehensive income in the first six months of 2015 was mainly due to a decrease in investment income and lower margins on third party insurance operations.

The year-on-year decrease in comprehensive income in the second quarter of 2015 was mainly due to lower investment.

2.4.4 **Financial services segment**

Operations in this segment are carried out through Excellence.

Key data from the financial results of the financial services segment, as included in Phoenix Holdings' financial statements in the three years (NIS million):

	Financial Services		
	2014	**2013**	**2012**
Investment income (expenses), net	4	(3)	10
Income from management fees	154	148	152
Income from other financial services	203	179	178
Other income	0	0	0
Total revenues	361	324	340
Commission, marketing, and other purchasing expenses	63	54	60
General and administrative expenses	177	185	170
Other expenses	2	4	4
Finance expenses	3	11	27
Total expenses	245	254	261
Company's share in the net results of an investee	3	2	(1)
Profit before taxes on income and comprehensive income	119	73	78

	Financial Services				
	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**	**1-12/2014**
Investment income, net	3	—	1	—	4
Income from management fees	80	76	40	39	154
Income from other financial services	101	94	53	53	203
Total revenues	184	170	94	92	361
Commission, marketing, and other purchasing expenses	34	29	18	16	63
General and administrative expenses	101	87	48	42	177
Other expenses	1	1	—	—	2
Finance expenses	1	2	1	1	3
Total expenses	137	119	67	59	245
Company's share in the net results of an investee	2	1	1	—	3
Other comprehensive income (loss) before income tax	(1)	—	(1)	—	—
Comprehensive income before income tax	48	52	26	33	119

Annual Comparison

According to Excellence's financial statements, total assets under management by Excellence in the financial services segment, as of December 31, 2014, amounted to NIS 71 billion, as compared to NIS 65 billion and NIS 49 billion on December 31, 2013 and 2012, respectively.

Income from financial service operations amounted to NIS 361 million in 2014, as compared to NIS 324 million and NIS 340 million in 2013 and 2012, respectively.

Finance expenses amounted to NIS 3 million in 2014, as compared to NIS 11 million and NIS 27 million in 2013 and 2012, respectively. Finance expenses were down mainly due to a reduction in Excellence's external debt balance.

Income was up mainly due to growth in revenues from mutual funds, ETF and deposit certificate operations, and improved accounting results on ETFs as reflected in Phoenix Holdings' financial statements.

The year-on-year improvement in results in 2014 was attributable to profits from mutual fund and ETF operations, coupled with lower finance expenses as aforesaid and improved accounting results on ETFs as reflected in Phoenix Holdings' financial statements.

Half Year Comparison

Revenues from financial services totaled NIS 184 million in the first six months of 2015, compared with NIS 170 million in the same period of last year. Revenues were up across most operating segments.

Revenues totaled NIS 94 million in the first six months of 2015, compared with NIS 92 million in the same period of last year.

General and administrative expenses in the first six months of 2015 and second quarter of 2015 amounted to NIS 101 million and NIS 48 million, respectively, as compared to NIS 87 million and NIS 42 million, respectively, in the same periods of last year. This increase was due, inter alia, to higher expenses caused directly by growth in assets under management, one-time effect and expenses related to new operations.

INVESTMENT ACTIVITY

The following table sets forth the selected financial indicators of the PH Group for the relevant periods (NIS million):

OVERALL RESULTS

	H1/15	H1/14	2014	2013	2012
Profit before tax	30	356	783	1,178	418
Income (expense) tax	11	(111)	(252)	(418)	(138)
Income for the period	41	244	531	760	280
Non-controlling interests	(8)	(10)	(27)	(21)	(30)
Profit attributable to the shareholder	33	234	504	739	250

Annual comparison

As a result of the foregoing, the PH Group's profit before taxes was NIS 783 million in 2014, representing a decrease of NIS 395 million from NIS 1,178 million in 2013 and an increase of NIS 365 million from NIS 418 million in 2012.

The PH Group's income tax expense was NIS 252 million in 2014, representing a decrease of NIS 166 million from NIS 418 million in 2013.

Half year comparison

As a result of the foregoing, the PH Group's profit before taxes for the six months ended 30 June 2015 was NIS 30 million, representing a decrease of NIS 326 million from NIS 356 million for the six months ended 30 June 2014.

The PH Group's income tax for the six months ended 30 June 2015 was NIS 11 million, representing an increase of NIS 122 million from an expense tax of NIS 111 million for the six months ended 30 June 2014.

CASH FLOWS

	Unit: NIS million				
	H1/15	**H1/14**	**2014**	**2013**	**2012**
Net cash flows from/(used in) operating activities	1,787	1,019	693	998	814
Net cash flows from/(used in) investing activities	(69)	(104)	(281)	(191)	(208)
Net cash flows from/(used in) financing activities	(66)	(209)	90	(646)	(352)
Net increase/(decrease) in cash and cash equivalents	1,062	706	502	161	254

Annual comparison

In 2014, the net cash flows used in operating activities of the PH Group amounted to NIS 693 million, decreased of NIS 305 million from NIS 998 million in 2013 and of NIS 121 million from NIS 814 million in 2012.

In 2014, the net cash flows used in investing activities of the PH Group were NIS 281 million, increased of NIS 90 million compared to 2013 and of NIS 73 million compared to 2012.

In 2014, the net cash flows from financing activities of the PH Group were NIS 90 million, representing positive evolutions of NIS 736 million compared to 2013 and of NIS 442 million compared to 2012.

The PH Group's cash and cash equivalents balances increased from NIS 2,666 million at the start of 2013, NIS 2,827 million at the start of 2014, and to NIS 3,329 million at the end of 2014.

Half year comparison

The consolidated cash flows from operating activities in the first six months of 2015 amounted to NIS 1,787 million.

Consolidated cash flows used in investing activities in the first six months of 2015 amounted to NIS 69 million and included, among other things, an amount of NIS 85 million mainly used in software development and purchases, NIS 15 million used for the purchase of property, plant and equipment, NIS 7 million used for investment in associated companies, and NIS 38 million in dividends received from associates.

Consolidated cash flows from financing activities amounted to NIS 66 million in the first six months of 2015 and included, among other things, NIS 95 million used for settling financial liabilities, and NIS 126 million from receipt of financial liabilities.

The PH Group's cash and cash equivalents balances increased from NIS 3,329 million at the start of the first six months of 2015, to NIS 4,981 million at the end of the first six months of 2015.

LIQUIDITY

The PH Group's investments are subject to policies established by the board of directors and implemented by the various investment committees, subject to investment regulations.

The PH Group implemented systems to monitor its market risks. Controls are based on value at risk ("VAR") calculations and stress scenarios defined by the PH Group, using accepted methods for their implementation. The risk is measured for assets and liabilities (ALM) using accepted methodologies based on VAR calculations and stress scenarios, which are performed according to a scenario defined as the result of extreme and simultaneous changes in the main parameters of the market risks, including interest rates, exchange rates and inflation, taking into account the correlation between the various risk factors. The board of directors set limits for the risk values and receives a report on compliance with them. Routine reports summarizing the information are submitted for review to the investment committees, which convene regularly.

In addition, the investment department holds discussions and performs routine controls on positions and on market developments and changes. There is also routine control in the back office unit for the integrity and reliability of the information. In addition, there are controls for compliance with the restrictions of the board of directors, investment committees and investment regulations, which are reviewed regularly by the investment control unit.

The board of directors set overall exposure restrictions (including debentures, loans and shares), referring to the single issuer, group, geographical distribution and rating. Reports of exposures and compliance with restrictions are submitted to the investment committees and the board of directors.

The investment committees examine the cash balances of the PH Group, with an overview of the PH Group's liquidity requirements and the situation in the financial markets.

SOLVENCY MARGIN REQUIREMENT

The PH Group is subject to a number of laws and regulations regarding financial operations, including the regulatory requirements for maintaining a stipulated solvency margin and providing for certain funds and reserves.

GEARING RATIO

The gearing ratio *(Note)* of the PH Group was 94.3%, 94.6%, 94.4% and 94.3% as of 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

Note: Gearing ratio is represented by total liabilities (excluding subordinated term certificates) divided by total assets.

CHARGES ON THE PH GROUP ASSETS

There was no charge created on the assets of the PH Group's companies during the first six months ended 30 June 2015 as well as the financial year ended 31 December 2012, 2013 and 2014, respectively.

MATERIAL ACQUISITION AND DISPOSALS

There was no material acquisition or disposal of subsidiaries and associated companies of the PH Group companies during the first six months ended 30 June 2015 as well as the financial year ended 31 December 2012, 2013 and 2014, respectively.

CONTINGENT EVENTS

Owing to the nature of the insurance business, there are contingent claims and motions for certification of class actions against the PH Group. When assessing the possible outcomes of legal claims that were filed against Phoenix Holdings and its investees, the PH Group companies relied on the opinions of their legal counsel. These opinions are based on the best of their professional judgement, and take into consideration the current stage of the proceedings and the legal precedents for various matters. Since the outcomes of the claims will ultimately be determined in the courts, these outcomes could differ from the assessments.

In addition to these claims, Phoenix Holdings is exposed to unasserted legal claims, inter alia, where there is any doubt as to the interpretation of the agreement and/or the provisions of the law and/or their implementation. This exposure is brought to the attention of Phoenix Holdings and its investees in several ways, including through customer applications to PH Group entities, in particular to the PH Group's public complaints officer, through customer complaints to the public inquiries unit in the supervisor's office, and through claims (other than class action suits) filed at the court. These issues are brought to the attention of the PH Group's management insofar as the relevant entities identify that the claims could have widespread implications. When assessing the risk arising from these unasserted allegations/claims, the PH Group companies rely on internal assessments of the relevant parties and the management, which assess the prospects of a claim being filed and the chances for its success, if filed. The assessment is based on experience gained with respect to filing claims and the analysis of each claim. Most of such legal proceedings involve claims concerning insurance policies, which are already provisioned, and some additional losses arising therefrom will be indemnified either by reinsurers or by other recoveries, like salvages.

EVENTS AFTER THE FIRST SIX MONTHS OF 2015

Following the first half of 2015, there are no events to be mentioned.

CREDIT RISK

Credit risk is the risk of losses due to a borrower's default on its liabilities, or as a result of changes in credit margins on the capital market. Credit risk applies to cash and corporate debts.

In the ordinary course of its business, Excellence provides clients with credit facilities. These credit facilities are backed by marketable securities, whose price could drop, so that the collateral will no longer cover the credit facility.

In case of high volatility in the prices of the assets underlying the aforesaid collateral, the value of the customers' collateral may be compromised, significantly increasing the credit risk behind the credit facilities.

EXCHANGE RATE RISK

Currency risk is 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. Changes in foreign currency exchange rates will affect foreign currency-based assets included in the PH Group's investment portfolio. Thus, a decrease in these currencies' exchange rates would diminish the value of the foreign currency-based assets.

Excellence is exposed to changes in foreign currencies mainly through its special purpose company operations, inter alia, through the issue of foreign currency-linked bonds and/or the issue of ETF series linked to a foreign index which may then also be affected by changes in foreign currency exchange rates.

However, since the special purpose companies invest the proceeds from the issue of the above products in backing assets which track the index (including the foreign currency) and/or with the same linkage as the issued products, any net exposure to foreign currencies is minimal and does not materially affect the results of Excellence's operations.

INTEREST RATE RISK

Interest rate risk is 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. The PH Group has issued linked and NIS-based bonds and received credit facilities, whose absolute value will increase if interest rates go down. On the other hand, as part of its investment activities, the PH Group holds assets such as CPI-linked, NIS-based and foreign currency-based bonds and loans, which offset the effect of a decrease in interest rates.

As part of its financial instrument issue operations, the PH Group is exposed to interest rate risk in the period between its commitment to third parties and until the issue of the security.

EMPLOYEES

As at the end of 2014, the PH Group had 3,569 employees, an increase of 81 employees compared to 2013 and an increase of 386 employees compared to 2012. Excluding Excellence and agency employees, the PH Group's headcount increased from 1,969 employees of 2012 to 2,241 employees of 2013 and increased to 2,344 employees of 2014. There is no material change for the first half of 2015.

The additional employees were primarily intended to improve the standard of service provided for Phoenix Holdings' insurers and agencies, inter alia owing to the increase in the volume of sales and activities. The increase also stemmed from the need to provide a response to regulatory requirements and to enhance control processes. The reduction in the number of insurance agency employees, notwithstanding the increased premiums collected by those agencies, stems mainly from the operational streamlining introduced by some of the agencies.

Phoenix Holdings is a holding company and does not employ salaried workers. Most of the PH Group's employees are hired by The Phoenix Insurance and some by the other consolidated companies. The CEO of Phoenix Holdings serves also as CEO of The Phoenix Insurance and of other subsidiaries in the PH Group, and he answers to the board of directors of Phoenix Holdings.

Benefits and the nature of employment agreements

Under Phoenix Holdings's former policy, Phoenix Holdings's veteran employees did not have signed employment contracts. Commencing 2002, after legislation of the Notice to a Worker (Terms of employment) Law, 2002, new employees are given a form describing the terms of their employment, as the law requires. From 2004 onwards, labor relations were written into personal employment agreements in which the terms of employment were described, as well as associated terms, including social benefits and the rights and obligations of the employee.

Phoenix Holdings employees are entitled to provision for social benefits which are usually deposited in various policies and in pension, study and provident funds.

At The Phoenix Insurance and The Phoenix Pension, there are some positions (such as sales managers, portfolio managers, portfolio retention employees) that are entitled, in addition to the base salary, to a variable component based on the volume of the activity for which they are responsible. This variable component includes full pension contributions as well as partial contributions to a study fund.

About 32% of Phoenix Holdings's employees receive a holiday bonus (about half of the monthly salary), which is paid twice a year, for the New Year and the Passover holidays. Some employees are entitled to a company car. Salary increments and employee compensations are derived from the Phoenix Holdings's overall compensation policy, which is set by the board of directors of Phoenix Holdings.

The Phoenix Insurance is a member of the Association of Life Insurance Companies Ltd., which is a member of the Coordination Bureau of Economic Organizations, and accordingly, is subject to all the collective agreements signed by the Coordination Bureau.

The Phoenix Insurance makes agreements from time to time with sub-contractors for projects. The Phoenix Insurance also makes agreements (mainly for projects in information systems) with external companies for the provisions of various services, such as software development.

The senior managers in the PH Group are employed under personal agreement which set out the terms of their employment. Furthermore, the senior managers and other PH Group officers who are not directors receive a variable annual bonus and other benefits as provided in the personal agreements signed with them. Senior managers are also entitled to variable compensation according to the compensation policy of Phoenix Holdings and/or The Phoenix Insurance. Senior and other officers in the investment sector have a special compensation plan, as provided in Section 4.6.5 below.

Compensation Policy

A. On November 9, 2014, the general shareholders meeting of Phoenix Holdings had revised Phoenix Holdings's compensation policy for officers (based, inter alia, on the Companies Law (Amendment No. 20), 2012 and the Circular on Compensation Policies in Institutional Entities of April 2014 ("the Compensation Circular"), which includes provisions for the formulation of compensation policies that apply to officers, senior position holders and other employees of institutional entities).

B. In accordance with the Compensation Circular, Phoenix Holdings and The Phoenix Insurance maintain a compensation plan for officers and senior employees. The compensation policy is primarily based on multi-annual results, the return on capital which will be attained by Phoenix Holdings, and a series of individual parameters that are adapted to the officers and based on the work plans determined by the board every year.

C. Options plan for employees and officers: Phoenix Holdings adopted a compensation plan for employees and officers in which Phoenix Holdings may grant stock options for no payment to its employees and officers and to companies in its control.

D. Incentive plan for investment workers: In accordance with the Circular of the Commissioner of the Capital Market, which stipulated that a compensation policy is to be determined for investment workers, and in accordance with the Compensation Policy, Phoenix Holdings and The Phoenix Insurance have a multi-year compensation plan for investment workers that is designed to balance the fixed and variable compensation components and to reflect the level of risk at which the rates of return were attained with respect to each investment channel. The plan is based on a series of parameters and profitability based on cumulative results for three consecutive years, the results in the various investment channels compared to competitors, noting also the level of risk in the various channels relative to a series of parameters, and the relative level of risk.

Training Programs

Training programs are designed to maintain the professional level of Phoenix Holdings employees by providing instruction and regular updates on subjects such as changes in legislation and standardization, new laws and regulations, Phoenix Holdings's adopted enforcement scheme, enhanced service mentality and skills, changes in internal procedures, etc. In addition, Phoenix Holdings implements managerial training designed to improve the quality of management and the use of managerial tools.

LOOKING FORWARD

Long Term Savings

The PH Group wishes to increase Phoenix Holdings' market share in new sales of pension and life insurance policies, while focusing on individual products and risk by developing new products, expanding the distribution network, and expanding marketing efforts for existing products, while focusing on more profitable products.

- In light of increasing demand for pension products, Phoenix Holdings focuses on increasing its pension portfolio and expanding its sales circle to include self-employed individuals;

- Retaining and growing the customer base and the PH Group's share in the life insurance, pension and provident fund market (in provident fund operations - while focusing on the study fund market), in light of regulatory changes and possible further changes which may increase competition in this market;

- Preventing redemptions and cancellations by strengthening the customer retention unit and developing products encouraging customers to choose to continue managing their funds through the PH Group;

- Strengthening ties with Phoenix Holdings' customers and building long-term commitments, focusing on customer's financial needs and providing financial solutions to these customers even after retirement.

Health

The PH Group views its health insurance operations as a significant growth driver, since the PH Group believes that there are untapped segments in this market and demand for insurance products is gradually growing. The PH Group is set on positioning itself as a leader in the health insurance market, inter alia in terms of innovation and service, and on expanding its operations and increasing profitability while focusing on individual health insurance products. The PH Group is acting to achieve its aforesaid objective in the health insurance segment, inter alia, by launching new and attractive products, properly pricing its products, analyzing data on insurance risks, using reinsurers intelligently to transfer risk, expanding its marketing activities, diversifying and strengthening its various distribution channels, etc.

General Insurance

Phoenix Holdings is acting to increase its share of the general insurance market, while focusing on portfolio quality and profitability, and by implementing controls for improving and strengthening its underwriting systems.

Excellence

In order to achieve its goals, Excellence continues to act, inter alia, to increase the number of clients using its services, to introduce new financial products and services, and works to develop activities in financial sectors that are linked to and supplement its operations. Regulatory reforms are expected in most of Excellence's operating segments. Excellence's preparations for meeting these changes will require allocation of financial and managerial resources. Excellence may also be required to make significant investments, inter alia, in marketing, client retention, advertising and sales activities, and technological infrastructure, due to increasing competition in its various segments.

In 2015, Excellence intends to invest efforts in strengthening its activities with existing clients, secure its leadership position in its various distribution channels, and expanding its product and service offerings. The recent downward trend in management fees collected by Excellence for the various products it issues and/or manages - whether due to regulatory changes or as a result of increasing competition - is expected to level off, and may continue to erode the margins on the said products.

In 2015, Excellence will continue investing managerial resources and efforts in laying an adequate foundation for regulation, compliance and enforcement issues, including implementing an enforcement program across all the PH Group companies.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) **Long positions in the Shares, underlying shares and debentures of the Company**

Name of Director/ chief executive	Class of Shares	Number of Shares	Type of interests	Approximate percentage of Shares in issue
Guo Guangchang	Ordinary	6,145,213,473[(1)]	Corporate	71.37%
Ding Guoqi	Ordinary	14,259,320	Individual	0.17%
Qin Xuetang	Ordinary	4,472,640	Individual	0.05%
Chen Qiyu	Ordinary	4,023,000	Individual	0.05%
Xu Xiaoliang	Ordinary	190,000	Individual	0.00%
Zhang Shengman	Ordinary	160,000	Individual	0.00%
Zhang Huaqiao	Ordinary	10,000	Individual	0.00%
David T. Zhang	Ordinary	10,000	Individual	0.00%

(2) **Long positions in the shares, underlying shares and debentures of the associated corporations (within the meaning of Part XV of the SFO) of the Company**

Name of Director/chief executive	Name of associated corporation	Class of shares	Number of shares	Type of interests	Approximate percentage of shares in issue
Guo Guangchang	Fosun Holdings	Ordinary	1	Corporate	100.00%
	Fosun International Holdings	Ordinary	32,225	Individual	64.45%
	Fosun Pharma	A Shares[(2)]	114,075	Individual	0.01%
			920,641,314	Corporate	48.18%
Liang Xinjun	Fosun International Holdings	Ordinary	12,220	Individual	24.44%
Wang Qunbin	Fosun International Holdings	Ordinary	5,555	Individual	11.11%
	Fosun Pharma	A Shares[(2)]	114,075	Individual	0.01%
Qin Xuetang	Fosun Pharma	A Shares[(2)]	114,075	Individual	0.01%
Chen Qiyu	Fosun Pharma	A Shares[(2)]	114,075	Individual	0.01%

Notes:

(1) Pursuant to Division 7 of Part XV of the SFO, 6,145,213,473 Shares held by Mr. Guo Guangchang are deemed corporate interests held through Fosun Holdings and Fosun International Holdings.

(2) A Shares mean the equity securities listed on the Shanghai Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

3. DIRECTORS' INTERESTS

(a) None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

(b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

(c) None of the Directors or chief executive of the Company and their respective associates has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder of the Company.

4. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial Shareholder	Number of Shares directly or indirectly held	Approximate percentage of Shares in issue
Fosun Holdings	6,145,213,473[2]	71.37%
Fosun International Holdings[1]	6,145,213,473[2]	71.37%

Notes:

(1) Fosun International Holdings is owned as to 64.45%, 24.44% and 11.11% by Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin, respectively.

(2) Fosun International Holdings is the beneficial owner of all the issued shares in Fosun Holdings and, therefore, Fosun International Holdings is deemed, or taken to be interested in the Shares owned by Fosun Holdings for the purpose of the SFO.

(3) Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings. Mr. Guo, by virtue of his ownership of shares in Fosun International Holdings as to 64.45%, is deemed or taken to be interested in the Shares owned by Fosun Holdings for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there were not any material adverse changes in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited consolidated accounts of the Group were made up.

7. MATERIAL LITIGATION

No member of the Enlarged Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Enlarged Group, as at the Latest Practicable Date.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, Ernst & Young had no shareholding interest in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, Ernst & Young was not interested, directly or indirectly, in any assets which had since 31 December 2014 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

9. MATERIAL CONTRACTS

The following material contracts have been entered into by the Group (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this circular:

(a) the underwriting agreement dated 9 April 2014 entered into between the Company and Fosun Holdings in relation to the underwriting and certain other arrangements in respect of the rights issue. Further details are set out in the prospectus of the Company dated 25 April 2014;

(b) the placing and subscription agreement dated 12 May 2015 in relation to the placing. Further details are set out in the announcement of the Company dated 12 May 2015;

(c) the Share Purchase Agreement; and

(d) the underwriting agreement dated 10 September 2015 entered into between the Company, CMB International Capital Limited and Fosun Holdings in relation to the underwriting and certain other arrangements in respect of the rights issue. Further details are set out in the prospectus of the Company dated 5 October 2015.

Save as disclosed above, no other material contract had been entered into by the Group within the two years immediately preceding the date of this circular.

10. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Sze Mei Ming. Ms. Sze is a fellow member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The registered address of the Company is at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong.

(c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office address of the Company in Hong Kong at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong for a period of 14 days from the date of this circular:

(a) the articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(c) the PH Group's audited consolidated financial statements for the financial years ended 31 December 2013 and 2014 prepared in accordance with IFRS, and the PH Group's unaudited consolidated interim financial statements for the six months ended 30 June 2015 prepared in accordance with IFRS as set out in Appendix II to this circular;

(d) the report from Ernst & Young on the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix III;

(e) the report from Ernst & Young on the unaudited pro forma financial information of the PH Group, the full text of which is set out in Appendix II (C). The unaudited pro forma financial information of the PH Group includes the unaudited pro forma adjustment to demonstrate the significant effects to relevant financial statements of the PH Group as if the HKFRS and the accounting policies adopted by the Company had been adopted by the PH Group;

(f) the annual reports of the Company for each of the two financial years ended 31 December 2013 and 2014;

(g) the interim report of the Company for the six months ended 30 June 2015;

(h) the written consent from the expert referred to under the section headed "Qualification and Consent of Expert" in this appendix; and

(i) the circular of the Company dated 24 April 2015.