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The Phoenix Holdings Ltd.

Monitoring Report | January 2022

This credit rating report is a translation of a report that was written in Hebrew for a debt issued in Israel.

The binding version is the one in the original language.

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The Phoenix Holdings Ltd.

Series Rating	Aa3.il	Outlook: Positive

Midroog affirms the Aa3.il rating of bonds (Series 3, 4, 5 and 6) issued by The Phoenix Holdings Ltd. (the "Company") and changes the outlook from stable to positive.

Outstanding bonds rated by Midroog:

Series	ISIN	Rating	Outlook	Final Maturity
3	7670201	Aa3.il	Positive	31/07/2027
4	7670250	Aa3.il	Positive	31/07/2028
5	7670284	Aa3.il	Positive	01/05/2030
6	7670334	Aa3.il	Positive	31/12/2032

Summary of Rating Rationale

The Company's rating is supported by its control of the Phoenix Insurance Company Ltd. ("**Phoenix Insurance**" or the "**Insurer**") (Aa1.il, stable) and by high financial flexibility, reflected in interest service and leverage ratios that are favorable for the rating. Notwithstanding the improvement in the Company's liquidity profile, which is characterized by a favorable debt service ratio (DSCR[1] including liquidity reserves), the financial policy is unfavorable for the rating.

The Company has a holdings portfolio that is relatively concentrated in the insurance and finance sector, its main holdings (wholly controlled by the Company) being Phoenix Insurance, Excellence Investments Ltd. ("**Excellence**") (through The Phoenix Investments Ltd.), The Phoenix Pension and Provident Fund Ltd.[2] ("**Phoenix Pension and Provident Fund**") and The Phoenix Insurance Agencies (1989) Ltd. ("**Phoenix Agencies**"), which constitute the major part of the investees' value on the books.

In the last year, the Company continued to operate in line with the strategic plan, completing structural changes and creating value in some of the investees. Thus, the spin-off of Phoenix Pension and Provident Fund from Phoenix Insurance to the Company, by way of a dividend in kind, was completed, as was the acquisition of Halman Aldubi Investment House Ltd. ("**Halman Aldubi**") and the merger of Halman Aldubi Provident funds Ltd. (“Halman Aldubi Provident”) into Phoenix Pension and Provident Fund. Nevertheless, we believe that in the short and medium term, Phoenix Pension and Provident Fund will not distribute dividends, given the expected increase in its capital requirements, due to the organic growth in its operations, along with the aforesaid merger of Halman Aldubi, as well as the taking of loans

[1] Dividends, management fees and interest from investees net of general and administrative expenses for principal and interest payments.

[2] As of today, the Company holds directly 84% of Phoenix Pension and Provident Fund and 16% through its stake Halman Aldubi Investment House Ltd.

from the Company. The Company has several other holdings that contribute to portfolio diversification, the largest among them being Gamma Management and Clearing Ltd. ("**Gamma**") (Aa3.il, Stable), which operates in the area of nonbank credit mainly through credit voucher clearing and financing against deferred instruments and against real estate assets. During the year, Gamma shares were listed on the Tel Aviv Stock Exchange following completion of the secondary offering by its shareholders and an initial public offering was conducted. At the same time, Phoenix Investments acquired additional Gamma shares, such that after acquisition of the acquired shares and an additional issuance of shares to Gamma employees, Phoenix Investments holds some 60% of the Company's issued capital and voting rights, becoming the controlling shareholder of the Company.

Under our base scenario for the years 2022-2023, we foresee cumulative revenues (in the coming two years) amounting to NIS 750-800 million, deriving mainly from current dividends received from Phoenix Insurance, Phoenix Agencies and Excellence for a cumulative total of NIS 720 million, as well as from annual interest payments totaling NIS 22 million on an Additional Tier 1 capital instrument issued to the Company by the Insurer. Additionally, we estimate that Phoenix Insurance will be able to continue maintaining an adequate margin from the regulatory requirements, enabling the continued distribution of dividends within the forecast period in line with the set policy, despite the decline in the interest rate curve in the last quarter of 2021, which will adversely affect the solvency ratio, although we believe that this effect will be offset to a certain extent by a reinsurance transaction that was signed by Phoenix Insurance and by the positive returns recorded in 2021. We note that the spin-off of the management company also is expected to support the solvency ratio over time, in light of a decrease in intangible assets (DAC and goodwill), which will support a reduction in the Insurer's capital requirements. Uses include mainly principal and interest payments amounting to a cumulative NIS 95-100 million in the coming two years, and without assuming additional material investments during the forecast period. Under this scenario, the interest coverage ratio[3] (ICR) and liquidity ratio (DSCR+cash) are expected to be in the range of 12.0 and 21.0, respectively, which are favorable for the rating and support the positive outlook for the Company. Additionally, the current debt service coverage ratio (DSCR) is expected to be in the range of 3.0-3.5, supporting the Company's financial flexibility and enabling continued building of the liquidity buffer, along with the continued distribution of dividends by the Company to the shareholders according to the set policy. The Company's liquidity profile is favorable for the rating, after it was issued in 2021 by Phoenix Insurance (through Phoenix Capital Issues) an Additional Tier 1 capital instrument for NIS 1.02 billion, in lieu of an Additional Tier 1 capital instrument for NIS 850 million that had previously been issued to it by Phoenix Insurance. Midroog expects that the Company will continue to maintain significant liquidity reserves over time, also in view of the existing debt size, which, too, could support the realization of the positive outlook. In our estimation, the Company has high financial flexibility, supported by a low LTV ratio, which we estimate will be in the range of 7%-8%, under several scenarios regarding the value of the holdings, which has been characterized by a significant upswing in

[3] Ratio of dividends received net of general and administrative expenses to interest payments.

the recent period, inter alia in light of the effects described above. At the same time, the debt coverage to FFO ratio in the years 2022-2023 is expected to be in the range of 3.0-4.0, reflecting a good free cash flow relative to the amount of debt, considering the Company's substantial liquidity buffer.

The Company's financial policy is unfavorable for the rating, reflecting a degree of business appetite for mergers and acquisitions and for leveraged transactions, with no expectation for a decrease in the level of debt in the coming years. However, the financial policy is supported by adequate management of market risks and liquidity, while the Company has an annual dividend distribution policy at 30% of the total distributable profit according to the annual consolidated financial statements.

Rating Outlook

The positive rating outlook reflects our assessment that over recent years there has been an improvement in the holdings portfolio profile of the Company, which was also manifested by an improvement in the financial profile and in the Insurer's capacity to maintain a good financial profile. Our assessment is that implementation of the strategic plan coupled with the recent structural changes in the Group, have contributed to a certain improvement in the investee portfolio mix, and in the permanent visibility of receipts from the other investees, except the Insurer. However, the Insurer's stability and financial strength will continue to be a key anchor in the Company's rating. There has also been further improvement in the Company's financial profile, expressed in a material increase in the Company's valuation following the creation of value in some of the investees, in line with said strategic plan, coupled with its improved liquidity stemming from the issuance of a hybrid Tier 1 capital instrument (traded on the TACT Institutional trading platform) by the Insurer, valued at NIS 1,026 million, and this in lieu of the redemption of capital instruments (non-marketable) issued to it previously, in the amount of NIS 850 million. At this point, however, there is high degree of uncertainty regarding the impact of the spread of the coronavirus on the economic environment and finance sector in general, and the Company in particular.

Factors that could lead to a rating upgrade:

- **Permanent significant increase in current debt service capacity over time**
- **Significant decrease in the Company's debt size over time**
- **Continued maintenance of significant liquid reserves**
- **Maintenance of a stable and conservative financial policy**

FACTORS THAT COULD LEAD TO A RATING DOWNGRADE:

- **Continuing deterioration in the Insurer's financial position and/or lowering of the Insurer's rating.**
- **Significant erosion of the visibility of dividends from the investees.**
- **Continuing increase in the leverage and repayments burden, affecting the Company's financial flexibility.**

The Phoenix Holdings Ltd. (Separate) – Key Financial Indicators (NIS in millions)

	30/09/2021	30/09/2020	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Investments in investees	9,599	8,159	9,053	7,451	7,093	[1]6,209
Cash and liquidity balances[2]	943	87	59	179	140	102
Total assets	10,555	8,253	9,132	7,646	7,246	[1]6,326
Equity	9,087	7,128	7,970	6,636	6,446	[1]5,709
Financial debt	1,444	1,125	1,124	1,010	800	617
Net debt/total investment in investees	5%	13%	12%	11%	9%	8%
Liquidity/debt[2]	65%	8%	5%	18%	18%	16%
Net profit	1,352	520	1,169	271	651	710
Total comprehensive income	1,557	494	1,353	664	512	869
Dividend received	763	-	-	250	0	-
Dividend paid	(380)	-	-	(250)	(120)	-

[1] Before the effect of the amendment to the LAT circular published in March 2020; [2] Excluding liquidity reserves of The Phoenix Agencies and Excellence Investments, which are included in the calculation in the liquidity requirements for purposes of the rating.

DETAILED RATING CONSIDERATIONS

A CONTROLLING HOLDING IN PHOENIX INSURANCE IS A MATERIAL CONSIDERATION IN THE RATING; THE COMPANY'S ACTIVITIES TO DIVERSIFY THE HOLDINGS PORTFOLIO IS A POSITIVE FACTOR IN THE RATING, BUT IT IS STILL RELATIVELY CONCENTRATED IN THE FINANCE SECTOR

The Company has a holdings portfolio that is relatively concentrated in the insurance and finance sector, its main holdings (wholly controlled by the Company) being Phoenix Insurance ((IFS) Aa1.il, stable), Excellence (through Phoenix Investments), Phoenix Pension and Provident Fund, and Phoenix Agencies, which constitute the major part of the investees' value on the books and a material part of the receipts for debt service (dividends and interest).

The rating of Phoenix Insurance reflects a strong business profile, marked by significant size, relatively good diversification of business lines and an extensive distribution system, all of which support its revenue generation capacity. Phoenix Insurance also has favorable profitability relative to the peer group[4], backed by excess underwriting profitability, which supports the creation of a capital buffer and a loss-absorbing capacity that is adequate for its rating. The Insurer has an adequate liquidity profile, which is supported by a relatively long duration of liabilities, but its financial flexibility is unfavorable, given the relatively high financial leverage.

Excellence is an investment house, which, as of September 30, 2021, has NIS 64 billion in assets under management (AUM), mainly ETFs and mutual funds. Excellence posted in the first nine months of 2021 revenues of NIS 320 million and a pre-tax profit of NIS 85 million. As part of its strategy implementation, Excellence worked to ramp up its activity, primarily by growing its private client portfolio in brokerage and by not collecting management fees, for a fixed period of time, in several mutual funds in KSM ETF Holdings Ltd. ("**KSM**"). In view of this, we expect short-term moderation of profitability, but these actions are projected to support future generation of revenues, as a function of KSM's potential returns relative to competitors.

In the long-term savings sector, the Company operates primarily through Phoenix Pension and Provident Fund, which was transferred to the Company in June 2021 by a distribution of shares from Phoenix Insurance by way of a dividend in kind. During that year, the Company continued to operate in line with the strategic plan to increase its activities also in the long-term savings sector, inter alia, by the acquisition of Halman Aldubi (100% directly and indirectly[5]) and the merger of Halman Aldubi Provident Fund with and into Phoenix Pension and Provident Fund in October 2021. Phoenix Pension and Provident Fund has NIS 112 billion under management as of November 30, 2021, with the growth in managed assets in the past year (2020: NIS 70 billion) stemming mainly from the aforesaid merger coupled with the positive returns during this period. The activities of the Group's agencies are coordinated through Phoenix Agencies, which includes the activities of the agencies under agreement and the other consolidated insurance agencies. Phoenix Agencies continues to show steady growth, expressed in increased revenues and pre-tax profit of NIS 405 and NIS 170 million, respectively, in the first nine months of 2021, compared to NIS 294 and NIS 122 million, respectively, in the same period a year ago. This growth was mainly attributable to an upswing in operations and the acquisition of new agencies. In our assessment, Phoenix Agencies will be able to continue supporting the service of the Company's debt, in light of material capital surpluses, a relatively high cash flow generation capacity, and a dividend policy of distributing 80% of profits.

[4] Harel Insurance Company, Migdal Insurance Company, Clal Insurance Company, and Menora Mivtachim Insurance.

[5] In the framework of the merger of the companies, the Company allocated to Halman Aldubi Investment House 1.3 million shares accounting for 16% of the investment in The Phoenix Pension and Provident Fund in the merged entity. Thus, as of today, the Company holds directly 84% of The Phoenix Pension and Provident Fund and an additional 16% through a holding in Halman Aldubi Investment House.

The Company has several additional holdings that contribute to portfolio diversification, the largest among them being Gamma, which operates in the area of non-bank credit, mainly through credit voucher clearing, and financing against deferred instruments and against real estate assets. During the year, Gamma shares were listed on the Tel Aviv Stock Exchange following completion of the secondary offering by its shareholders, and an initial public offering was conducted. At the same time, Phoenix Investments acquired additional Gamma shares, such that after acquisition of the acquired shares and an additional issuance of shares to Gamma employees, Phoenix Investments holds some 60% of the Company's issued capital and voting rights, becoming the controlling shareholder of the Company.

We note that the Company is expected to continue acting to implement the strategic plan for value appreciation through the execution of structural changes in the holdings, with the aim of enhancing synergies in its activities. These are manifested by the decision of Halman Aldubi's board of directors to distribute a dividend in kind of: 1. the agencies held by it[6] under Phoenix Agencies; 2. a dividend in kind of Halman Aldubi IEC Gemel Ltd.; 3. distribution of 16% of the shares it holds in Phoenix Pension and Provident Fund. These are subject to court approval, since Halman Aldubi does not meet the profit test. The Company concurrently approved the transfer of its holding in Halman Aldubi to Phoenix Investments, and Phoenix Investments approved the transfer of its holdings in the alternative funds it holds to Halman Aldubi. As a result, Halman Aldubi is expected to coordinate the sector of alternative funds and act to enhance growth in this sector.

A GOOD PROBABILITY FOR CONTINUED DISTRIBUTION OF DIVIDENDS BY THE INSURER, AS A FUNCTION OF ITS ABILITY TO MAINTAIN AN ADEQUATE MARGIN FROM REGULATORY RESTRICTIONS; THE VISIBILITY OF DIVIDENDS FROM THE OTHER INVESTEES REMAINS RELATIVELY GOOD

The Company is significantly dependent on dividends distributed by its major investees to finance its debt service and current operations. The structure of liabilities and regulatory capital of Phoenix Insurance establishes several debt tiers that are senior to the Company's financial debt, with the most senior debt being the Insurer's obligations to policyholders, followed by subordinated debt. Only when there is certainty that the Insurer has the ability to serve its obligations, dividend distributions are possible to service the Company's financial debt.

Furthermore, the local insurance and long-term savings sector is subject to regulation aimed at maintaining the stability and financial strength of the companies, while striving to safeguard the insured's rights. Thus, the operations of Phoenix Insurance are subject to many restrictions and controls, including on dividend distributions and management of equity sources. As a result, the Company's control over the capacity for dividend distribution by the Insurer also depends on exogenous factors, and thus is relatively limited. A key condition for potential dividend distribution is meeting a solvency ratio of at least 100% as per the Solvency 2 Directive (without taking into account the phase-in period, and without adjustment for the equities scenario), subject to the solvency ratio targets set by the Insurer's board of directors. The minimum economic solvency ratio target, taking into account the

[6] Halman Aldubi Pension Insurance Agency (2005) Ltd. and Quality Pension Insurance Agency (2017) Ltd.

phase-in provisions, was set at 135%, while the minimum solvency ratio without taking into account the transitional period provisions was set at 108% (instead of 105%, as of June 30, 2021), which is set to reach 135% after the phase-in period. The board of directors of Phoenix Insurance also approved a target range for the economic solvency ratio, between 150%-170%, which the Company is seeking to maintain during and after the phase-in period, considering the deduction during the phase-in period and its gradual reduction. At the same time, the solvency ratio of Phoenix Insurance based on Solvency 2 provisions (excluding phase-in provisions) stood at 116%, as of December 31, 2020, and when taking into account phase-in provisions, stood at 192% as of the same date, with these ratios providing a margin from the aforementioned targets. Moreover, during 2021, there were equity transactions by Phoenix Insurance that included a dividend distribution[7] of NIS 700 million, a dividend distribution in kind by Phoenix Pension and Provident Fund, and issuance of an Additional Tier 1 capital instrument, amounting to NIS 200 million. Some were based on a calculation (unaudited) of the solvency ratio made by the Insurer, as of June 30, 2021, according to which the economic solvency ratio, taking into account the phase-in provisions, stood at 196%, and the economic solvency ratio, without applying the transition provisions to the phase-in period, and without adjusting for an equities scenario, stood at 120%. These ratios provide an appropriate margin from the regulatory requirement and from the board of directors' targets. We expect that Phoenix Insurance will continue to maintain an adequate margin from the regulatory requirements, enabling further dividend distributions within the forecast period, in line with the set policy, despite the decline in the interest rate curve in the last quarter of 2021, which will impact negatively on the solvency ratio. However, in our assessment, this impact will be offset to a certain extent by a reinsurance transaction signed by Phoenix Insurance and by positive returns that characterized 2021. We would note that spin-off of the management company is also expected to support the solvency ratio over time, due to the decrease in intangible assets (DAC and goodwill), which will support reduction of its capital requirements. Our assumption that the Insurer will continue to distribute dividends is also based on the dividend distribution policy approved in October 2020 by the Insurer's board of directors, whereby it was decided that the Insurer will distribute an annual dividend ranging between 30%-50% of its overall distributable profit according to the annual consolidated financial statements, so long as Phoenix Insurance meets the aforementioned minimum economic solvency ratio targets based on the Solvency 2 directive. The Company also has several assets with relatively good dividend visibility, including Excellence and Phoenix Agencies, owing to liquid reserves, significant surpluses and a capacity to generate positive current cash flows. Nevertheless, we expect that in the short and medium term, Phoenix Pension and Provident Fund will not distribute dividends, given the growth in activity which will increase its capital requirements, due, inter alia, to the merger of Halman Aldubi Gemel and the taking of loans from the Company.

[7] In respect of profits for the years 2019-2020 and the first half of 2021.

DEBT SERVICE RATIOS THAT ARE FAVORABLE FOR THE RATING AND SUPPORTED BY DIVERSIFICATION OF REVENUE SOURCES

The structure of the current amortization schedule is expected to be comfortable in the short to medium term, in light of the rescheduling and extension of the duration of the debt in the last two years. The burden of annual payments (principal and interest) is expected to be in the range of NIS 50-60 million per year in the years 2022-2024, and NIS 130-135 million per year in the years 2025-2027. We note that following the acquisition of Halman Aldubi and in view of the anticipated increase in the capital requirements of Phoenix Pension and Provident Fund, the Company provided Halman Aldubi with a loan in a cumulative amount of NIS 94 million and Phoenix Pension and Provident Fund with a loan in a cumulative amount of NIS 205 million. The annual principal and interest payments were set back to back with the terms of the bonds (Series 5 and 6) issued by the Company, and they too support servicing of the debt in the forecast period.

Under out baseline scenario for the years 2022-2023, we foresee cumulative revenues (in the coming two years) amounting to NIS 750-800 million, deriving mainly from current dividends received from Phoenix Insurance, Phoenix Agencies and Excellence for a cumulative total of NIS 720 million, as well as from interest payments totaling NIS 22 million on an Additional Tier 1 capital instrument issued to the Company by the Insurer. In 2021, Phoenix Insurance paid out a significant one-time dividend of NIS 700 million on the profits for the years 2019-2020 and the first half of 2021, and we believe it will continue to distribute dividends in line with the distribution policy defined as aforesaid, as long as the margin from the board of directors' target enables this. Uses include mainly principal and interest payments amounting to a cumulative NIS 95-100 million in the coming two years, and without assuming additional material investments within the forecast period. Under this scenario, the interest coverage ratio (ICR) and liquidity ratio (DSCR+cash) are expected to be in the range of 12.0 and 21.0, respectively, which are favorable for the rating and support the positive outlook for the Company. Additionally, the current debt service coverage ratio (DSCR) is expected to be in the range of 3.0-3.5, supporting financial flexibility and enabling building of the liquidity buffer, along with the continued distribution of dividends by the Company to the shareholders in line with the set policy.

Since the Company is the sole underlying asset of the parent company – Belenus, and, in our estimation, the main debt servicing source for the debt taken to acquire control of Belenus, the Company is expected to pay out an annual dividend at a rate of 30% per year, according to the dividend policy set as aforesaid, to cover the interest payments on the parent company's debt. Nevertheless, we note that the loan taken by Belenus includes mechanisms allowing it cash flow flexibility that does not depend on the timing and extent of the distribution of dividends from the Company.

HIGH FINANCIAL FLEXIBILITY BACKED BY LEVERAGE AND COVERAGE RATIOS THAT ARE FAVORABLE FOR THE RATING

As noted, in recent years the Company has acted to diversify its revenue sources, but in parallel it has increased the level of debt (separate), which as of September 30, 2021 stood at NIS 1,432 million, reflecting an increase over December 31, 2020 (NIS 1,120 million), following an expansion of bonds

(Series 4 and 5) in consideration of NIS 350 million, which was used to purchase all the shares of Halman Aldubi and to increase the controlling stake in Gamma. At the same time, in January 2022 the Company issued bonds (Series 6) for a total of NIS 300 million, for early repayment in full of bonds (Series 3) in the same amount. As a result, we expect the adjusted net debt (considering the Company's liquidity reserves) to stand at NIS 590 million as of the end of 2021, yielding a relatively low LTV ratio, which we estimate will be in the range of 7%-8%, under several scenarios regarding the value of the holdings, which has been characterized by a significant upswing in the recent period (as of the report date, an increase of 60% over the value as of December 31, 2020). This ratio is favorable for the Company's rating and supports its financial flexibility and ability to refinance debt in case of need. Additionally, the above level of debt, along with the structure of the amortization schedule and expected dividend distribution, as mentioned above, yields a projected debt to FFO coverage ratio in the range of 3.0-4.0 in the years 2022-2023, reflecting a good free cash flow relative to the amount of debt. The Company's financial flexibility is also positively affected by high accessibility to the financing entities, by ownership and control of the principal investees, by the absence of effective covenants for the bonds, and by a negative charge on its assets. Nevertheless, in this scenario we do not foresee a significant reduction in the amount of gross debt of the Company, while, apart from the issuance of bonds (Series 6) in January 2022, no significant increase in the level of debt was taken into account within the forecast period, also in light of the Company's existing liquidity reserves.

FAVORABLE LIQUIDITY PROFILE FOR THE RATING, BACKED BY SIGNIFICANT LIQUIDITY RESERVES; HOWEVER, IN OUR ASSESSMENT, THE FINANCIAL POLICY IS UNFAVORABLE FOR THE RATING

In examining the Company's liquidity buffer and debt service capacity, we have also taken into account the liquidity reserves existing in Phoenix Investments and Phoenix Agencies (separate) (including adjustments to the securities portfolios of the above companies) as well as our assessment of the liquidity management for the three companies together. As of September 30, 2021, the Company together with Phoenix Investments and Phoenix Agencies (separate) has liquidity reserves of NIS 1,225. This buffer grew significantly, after Phoenix Insurance (through Phoenix Capital Issues) issued to the Company an Additional Tier 1 capital instrument for NIS 1.02 billion, in lieu of an Additional Tier 1 capital instrument for NIS 850 million that had previously been issued to it by Phoenix Insurance. Apart from this, the liquidity buffer consists mostly of cash balances and the securities portfolio, which is characterized by a comparatively reasonable market risk profile.

We expect the liquidity reserves to stand at NIS 1,500 million at the end of 2021, which is high in relation to the total gross debt. However, in light of the relatively low marketability of these instruments, which are traded on the TACT Institutional trading platform, we have applied significant adjustments to them in the calculation of the coverage ratios and in the net debt calculation. Midroog expects that the Company will continue to maintain significant liquidity reserves over time, also in view of the existing debt size, which, too, could support the realization of the positive outlook assigned to the Company.

The Company's financial policy is unfavorable for the rating, reflecting a degree of business appetite for mergers and acquisitions and for leveraged transactions, with no expectation for a decrease in the level of debt in the coming years. However, the financial policy is supported by adequate management of market risks and liquidity, while the Company has an annual dividend distribution policy at 30% of the total distributable profit according to the annual consolidated financial statements.

Rating Scorecard

		As of September 30, 202		Midroog Forecast[1]	
Category	**Parameters**	**Measurement[1]**	**Score**	**Measurement**	**Score**
Holdings portfolio profile	Investees' credit risk profile	-	Aa.il	-	Aa.il
	Visibility of cash flows from investees and restrictions on dividend distributions % retail revenues	-	A.il	-	A.il
	Portfolio concentration attributes	-	Baa.il	-	Baa.il
Financial profile	Adjusted financial debt/adjusted asset value	6%	Aaa.il	7%	Aaa.il
	ICR	33%	Aaa.il	12%	Aaa.il
	Financial debt/FFO	1	Aaa.il	3	Aa.il
	Financial flexibility	-	Aa.il	-	Aa.il
	DSCR+cash	9	Aaa.il	21	Aaa.il
	Financial policy	-	Aa.il	-	A.il
Derived rating					**Aa.il**
Actual rating					**Aa3.il**

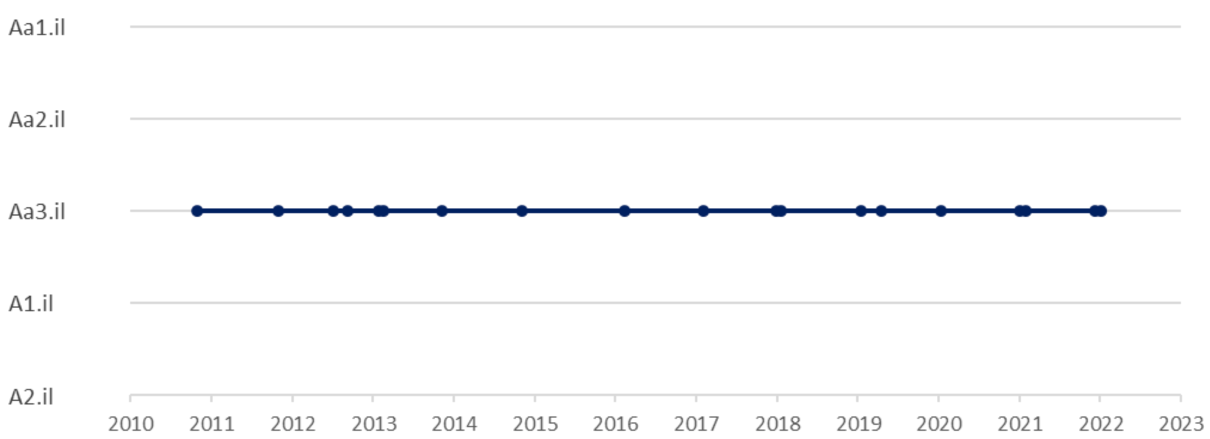
[1] The metrics shown in the table are after adjustments by Midroog and are not necessarily identical to those presented by the Company. The Midroog forecast includes Midroog's assessments with respect to the issuer as presented in its baseline scenario and forecast, and not the issuer's assessments.

Company Profile

The Phoenix Holdings Ltd. ("**Phoenix Holdings**") is a public company whose shares are traded on the Tel Aviv Stock Exchange. On November 3, 2019, the Delek Group sold 32.5% of the share capital of Phoenix Holdings to Belenus Lux SARL, a company controlled by Centerbridge Partners LP and Gallatin Point Capital LLC ("**Belenus**"), in consideration of NIS 1.6 billion. As of that date, the Company's controlling shareholder is Belenus – a company established and registered in Luxembourg. Accordingly, the percentage of holdings of the Funds in the Company's issued and paid-up share capital is 32.97%. Another significant shareholder is Mayer Cars and Trucks Ltd. (SHR Group) (5.53%). Additionally, in the course of the year, Universal Motors Israel Ltd. ("**UMI**") acquired 2.3% of the Company's share capital. The remaining shares are held by the public. The Company holds the entire share capital of The Phoenix Insurance Company Ltd., the entire share capital of The Phoenix Agencies Ltd. as of April 2019, the entire share capital of The Phoenix Investments and Finance Ltd., which owns the investment house Excellence

Investments Ltd., Gamma Management and Clearing Ltd. (60%), which specializes in finance, management and discounting of credit card vouchers, as well as other holdings. The Company also holds, directly and indirectly, 100% of the shares of The Phoenix Pension and Provident Fund and 100% of the share capital of Halman Aldubi Investment House Ltd. The Company's CEO is Mr. Eyal Ben Simon, and the Chairman of the Board is Mr. Benjamin Gabbay.

Rating History



Related Reports

The Phoenix Holdings Ltd. – Related Reports

The Phoenix Insurance Company Ltd. – Related Reports

Rating of Holding Companies – Methodology Report, January 2021

Rating of Life, Health and P&C Insurance Companies – Methodology Report, December 2017

Table of Relationships and Holdings

Midroog Rating Scales and Definitions

The reports are published on the Midroog website at www.midroog.co.il

General Information

Date of rating report:	January 17, 2022
Date of last revision of the rating:	December 15, 2021
Date of first publication of the rating:	November 1, 2010
Rating commissioned by:	The Phoenix Holdings Ltd.
Rating paid for by:	The Phoenix Holdings Ltd.

Information from the Issuer

Midroog relies in its ratings inter alia on information received from competent personnel at the issuer.

Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il are those that, in Midroog judgment, have highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il are those that, in Midroog judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.
B.il	Issuers or issues rated B.il are those that, in Midroog judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il are those that, in Midroog judgment, have extremely weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il are those that, in Midroog judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
C.il	Issuers or issues rated C are those that, in Midroog judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

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