Harel Insurance Investments and Financial Services Ltd.

Interim Report as at

September 30, 2020

Contents

Board of Directors Report

Harel Insurance Investments and Financial Services Ltd.

Board of Directors Report

for the nine months ended September 30, 2020

The Board of Directors Report for the nine months ended September 30, 2020 ("the Reporting Period"), reflects the principal changes in the business position of Harel Insurance Investments & Financial Services Ltd. ("Harel Investments" or "the Company") during this period, and it was prepared assuming that the reader is also in possession of the Group's full Periodic Report for 2019 which was published on March 31, 2020 ("the Periodic Report")

The Board of Directors' Report also contains forward-looking information, as defined in the Securities Law, 1968. Forward-looking information is uncertain information concerning the future based on information in the company's possession at the time of publishing the report and which includes the company's assessments or intentions at the date of the report. Actual performance may differ substantially from the results estimated or inferred from this information. In certain instances, sections can be found that contain forward-looking information, where words such as: "the Company/the Group estimates", "the Company/the Group believes", "the Company/the Group anticipates", and the like appear, and such forward-looking information may also be worded differently.

1 Description of the Company

1.1 General

Harel Insurance Investments and Financial Services Ltd. is a public company whose shares have been traded on the Tel Aviv Stock Exchange since 1982. The Company, together with its subsidiaries, ("the Group") operates principally in the following areas:

A. In the various sectors of insurance, the Company operates through the following subsidiaries: Harel Insurance Company Ltd. (fully controlled) ("Harel Insurance"); Interasco Societe Anonyme General Insurance Company S.A.G.I (in which the Company holds 94%) ("Interasco" - which operates in non-life insurance in Greece; Turk Nippon Sigorta A.S. (fully controlled) ("Turk Nippon"), operating in Turkey; ICIC. - Israel Credit Insurance Company Ltd. (in which the Company holds 50%) ("ICIC") and EMI - Ezer Mortgage Insurance Company Ltd. (fully controlled) ("EMI").

B. In the long-term savings sector, the Company operates through the following subsidiaries that are provident fund and pension fund management companies: Harel Pension and Provident Ltd. (fully controlled) ("Harel Pension & Provident"), which manages pension and provident funds;[1] Tzva Hakeva Savings Fund - Provident Funds Management Company Ltd. (under full control) ("Tzva Hakeva Saving Fund - Provident Funds Management Company Ltd. (fully

[1] For additional information about the restructuring of Harel Pension & Provident, see Note 9 to the Financial Statements.

controlled) ("Tzva Hakeva"); LeAtid Pension Funds Management Company Ltd. (in which the Company holed 79%), which manages an old pension fund ("LeAtid").

C. In the financial services and capital market segment - the Company operates through the subsidiary Harel Finance Ltd. ("Harel Finance") (wholly controlled by the Company) and its key subsidiaries: Harel Mutual Funds Ltd. ("Harel Mutual Funds") - a mutual fund management company; Harel Finance Investment Management Ltd. ("Harel Finance Investments") - which is a licensed portfolio manager and manages investment portfolios; Harel Index Trade Ltd. - a company involved in market making for the ETFs managed by Harel Mutual Funds; Alfa Tech Investment Management Ltd., a licensed portfolio manager which manages investments for funds issued by Harel Mutual Funds using computerized models; Harel Finance Alternative R.E. Ltd., a company that serves as a general partner in the partnership Harel Finance Alternative R.E., a limited partnership registered in the USA; Harel Exchange Traded Deposit Ltd., a company that issued bonds backed by deposits.

D. In the provision of credit to medium businesses - in November 2019, the Company began to operate, through the subsidiary Hamazpen Shutaphim Laderech Ltd., in providing credit to medium businesses.

E. In the reverse mortgage sector - in August 2020, the Company, through Harel 60+ Ltd. ("Harel 60+"), a wholly owned subsidiary of Harel Insurance, began to provide loans for any purpose for those aged 60 or more.

The Company's separate operations center on the management, control and supervision of the subsidiaries, on-going planning of the Group's operations, and initiating activity and investments, both directly and through the Group's companies.

1.2 The Company's shareholders

Yair Hamburger, Gideon Hamburger and Nurit Manor are the principal shareholders in the Company (in this section: "the Shareholders"), holding 46.49% of the voting rights and the issued share capital of the Company.

The Shareholders hold the Company principally through G.Y.N. Financial Consulting & Management Ltd. 2017, a limited partnership fully owned and controlled by the Shareholders, which they hold, as limited partners, through private companies fully owned by them ("G.Y.N. Partnership") and they also hold the general partner in G.Y.N. Partnership.

2 Financial position and results of operations, equity and cash flow

2.1 Material changes in the Group's business and events in the Reporting Period

2.1.1 Effect of the COVID-19 crisis on the Group's activity

As a result of the outbreak of the COVID-19 virus at the beginning of 2020 ("the COVID-19 Crisis"), many countries around the world, Israel included, introduced a range of measures to reduce exposure to the virus, including restrictions on movement and large gatherings of people, limiting manpower in the work place, establishing guidelines for the isolation of people who may have been infected and the closure of leisure and entertainment venues. In May 2020, some of the restrictions were lifted as part of the measures to return the economy to a normal footing, but in September 2020, due to a

second wave of the virus, new restrictions were imposed, the most important of which were limitations on public gatherings and activity in the public space, which affected the scope and nature of activity in the business and private sector. The gradual lifting of these restrictions began in October 2020.

In view of the concern for the health and wellbeing of our employees, since the onset of the crisis the Group's management has taken measures to reduce the risk for the Group's employees. The Group made several decisions regarding limiting work in the Company's offices in accordance with the instructions and recommendations published by the Ministry of Health from time to time, while deploying and adapting work methods to working from home and taking stringent care to continue to provide normal, ongoing service to the Group's customers and agents.

In accordance with the regulations that require the Group to be prepared for business continuity scenarios, and thanks to the Group's strong awareness of the importance of serving its customers, and its investment in technology and digital processes over the last three years, the Group has in place solutions for providing regular, continuous service for its customers even in times of emergency and it was prepared for ongoing business activity in an adjusted format throughout the crisis period.

At the date of publication of the report, most of the Group's employees have returned to regular activity in the Company's offices, taking care to comply with the social distancing rules intended to prevent COVID-19 contagion. Some of the Group's employees continue to work in separate "bubbles" so that the work is carried out alternately from the Company's offices and via a remote connection from home.

The spread of the virus and the protective measures detailed above caused significant economic damage and negative trends in both the global and Israeli economy. The Company believes that the COVID-19 crisis is an evolving event and there is no certainty regarding its conclusion and the extent of its impact on the Group's assets and performance.

The Company's estimates with respect to the impact of the COVID-19 crisis on the Group's activity, and this information, to the extent that it is included in this report, also contain forward-looking information, as defined in the Securities Law, 1968. All or part of these estimates could materialize or materialize differently and even significantly differently, in part to the extent that changes are made in the directives issued by the competent entities in Israel and worldwide who are charged with combatting the spread of the virus.

Key effects of the COVID-19 crisis on the Group:

A. Investments and yields in the capital market

In the wake of the COVID-19 crisis, share prices plummeted in Q1 2020 in the capital markets worldwide and in Israel, foreign exchange rates fluctuated wildly and yields on corporate bonds rose due to the increase in the level of risk and uncertainty. In contrast, in the second and third quarters of 2020, share prices on the capital markets in Israel and worldwide rose significantly, more than offsetting the falling prices in Q1 2020.

Additionally, the value of the Group's AUM decreased by NIS 5 billion at September 30, 2020 compared with the end of 2019. Notably, immediately prior to publication of the financial statements, the value of the Group's AUM returned to and even surpassed its

level at the end of 2019.

Furthermore, pursuant to the mechanism prescribed in the legislative arrangement for the collection of management fees, insurance companies will only collect variable management fees on yield-dependent policies that were sold between 1991 and 2003 when sufficient investment profits are attained in respect of the assets held to cover yield-dependent liabilities that compensate for any accrued investment losses. According to the mechanism described above, due to real negative yields on profit sharing policies that were sold between 1991 and 2003, Harel Insurance did not collect variable management fees from the beginning of 2020, but only collected fixed management fees. Harel Insurance will not be able to collect variable management fees until a real positive yield is attained to cover the investment losses accumulated for the policyholders. As at September 30, 2020, the estimated non-collection of management fees due to the negative yield until a cumulative positive yield is attained was NIS 36 million before tax. Notably, after the reporting date and up to immediately prior to the date of publication of the financial statements, share prices on the capital markets continued to rise and completely offset the investment losses accumulated for the insureds. As a result, there are no longer any outstanding variable management fees which will not be collected, based on the aforementioned mechanism.

It is emphasized that the foregoing regarding developments after the date of the report is based on the information in the Company's possession close to the date of publication of the financial statements, and that these data are partial and do not include other components of investment income (losses) and the effect of the Group's other activity on its equity and assets.

B. Repercussions for the Group's business

As a result of the COVID-19 crisis, in Q1 2020, redemptions mainly of savings products, provident funds and education funds and investment contracts increased. In Q2 2020, the situation eased and redemptions returned to their normal pre-crisis levels.

Additionally, in Q1 2020, requests to make changes in investment tracks for amounts managed in provident funds and education funds and also in the pension funds increased significantly, with a noticeable shift from general / share-based channels to low-risk channels. This trend was reversed from the beginning of Q2 2020 with a marked return to the general / share-based channels.

In the mutual funds sector, after a significant increase in redemptions in Q1 2020, which peaked in March, the trend in the capital market changed and from Q2 2020 a slight increase in capital raisings was recorded.

In light of the strong volatility and lack of liquidity in the domestic capital market, from March through August 2020, requests were received to perform forced conversion of bonds that were issued by a second-tier subsidiary of Harel Finance. For additional information, see Note 9(6) to the Financial Statements.

Regarding the reinsurers with which the Group has agreements, to the best of the Company's knowledge there has been no material change for the worse in their position.

C. Effect on the Group's sales

The COVID-19 outbreak caused the markets to tumble and affected a large number of

workers who were placed on unpaid leave or made redundant. This led to a significant decrease in new sales at the beginning of the crisis, after which an impressive recovery was set in motion, reflected in the third quarter results.

Results for the first nine months of 2020 point to just a slight decrease in the sale of new policies in the long-term savings sectors, compared with the volume of sales typical of these sectors in the corresponding period last year.

In the health and life sectors, the recovery was rapid and it was followed by a significant increase in the volume of sales compared with sales in the corresponding period last year. This is partially attributable to the integration of remote sales technologies.

Sales in the pension sector almost returned to their pre-crisis level, despite the strong competition resulting from the default-option funds and the state of the economy as a result of which a large number of workers were placed on unpaid leave.

Sales in the motor insurance, homeowners and business premises sectors were not affected during this period, and their sales even increased significantly compared with the corresponding period last year. The most significant increase was recorded in the sale of the motor insurance product Harel Switch, which includes a variable payment component based on vehicle usage.

As a result of the almost total cessation of flights abroad, in part of the Reporting Period the Company did not sell travel insurance policies. During Q3 2020, the Company resumed the sale of travel insurance while excluding several destinations with high morbidity levels. Notably, the decrease in the volume of sales of these policies does not materially affect the Company's results. At this stage, the Company is unable to estimate the scope of the impact of the COVID-19 crisis on future sales.

D. Adjustments in the Group's manpower and wages

During the period in which restrictions were imposed on movement and large gatherings, most of the Company's employees worked via remote access to the Company's systems, although due to the situation and its impact on the Group's operations, in March 2020 the Company placed 900 employees on unpaid leave and other staff members were placed on vacation at the expense of their accumulated vacation days until after the Passover holiday. The Company provided all employees who were placed on unpaid leave with a one-time bonus of NIS 5,000 in order to tide them over the Passover holiday period.

Subsequently, on April 23, 2020, the Company decided to take a series of measures on matters relating to wages and manpower in the Group, as follows: 700 of the 900 employees who were placed on unpaid leave in March 2020, returned to work at the beginning of May 2020. The employment of 200 employees, accounting for 4% of the Group's 5,000 employees, was terminated.

To enable the Company's employees who had been placed on unpaid leave to return to work, the Company decided on the following measures: (1) wage cuts for a year - 20% cut in the salary of the controlling shareholders, 10% cut in the CEO's salary, 7% cut in the wages of the Company's senior executives, 7% cut in the salary paid to the directors of the Company and Harel Insurance, and this further to a request by the directors to participate in the plan and contribute their share, and following the approval of the Compensation Committee and Board of Directors; (2) cancellation of wage supplements -

in 2021 and 2022 there will be no wage supplements for any of the Group's managers and employees; (3) deduction of annual vacation days in the coming year (until May 2021), four days' vacation will be deducted from the annual vacation of all employees whose salary is higher the average wage in the economy. Two days' vacation will be deducted in the coming year from all employees whose salary is below the average wage in the economy; (4) a loan fund for employees - the Company established a fund for providing loans to the Company's employees who are in financial difficulty and whose employment in the Company was terminated.

On November 30, 2020, the Company resolved to cancel the deduction of annual vacation days from the employees, as mentioned in subsection (3) above, and to terminate the aforementioned salary cuts mentioned in subsection (1) above.

E. Other effects on the Group's results

In accordance with the accounting standards and a letter from the Capital Market, Insurance and Savings Authority dated April 19, 2020, and in accordance with the Company's procedures concerning calculation of the value of non-marketable assets, the Group assessed the value of the non-marketable assets for which there were clear indications of material impairment, while applying reasonable professional discretion. The assessment of impairment included, *inter alia*, reviewing the Group's real-estate assets in Israel, including relying on professional opinions received from external appraisers concerning the discounting rate and work assumptions on which the valuations were based. Additionally, an assessment of other financial investments was performed, including investment funds and real-estate abroad, based on the most up-to-date information available to the Company, including comments received from the asset and fund managers regarding indications of impairment. Following this assessment, in the Reporting Period the Group recorded an impairment of NIS 121 million in respect of non-marketable assets in the Nostro and an impairment of NIS 200 million in respect of profit-sharing policies. Notably, this impairment of profit-sharing policies did not directly affect the Company's results.

Additionally, the Group examined the need to update its assessment of the impairment of intangible assets, including goodwill. A revision of the assessment of the impairment before a year has passed since the previous assessment is necessary for those activities in which there are indications of impairment due to the repercussions of the COVID-19 Crisis. After examining these indications and reviewing the recoverable amounts, as necessary, it was found that the recoverable amount of the pension, provident and education activity, mutual funds and mortgage insurance activity is higher than their book value and impairment is therefore unnecessary. Regarding the portfolio management activity, in the Reporting Period the Company reduced the outstanding amount of goodwill and value of future management fees for this activity by NIS 10 million before tax.

Regarding the fixed asset balances and Deferred Acquisition Costs (DAC), the assessment performed by the Group showed that there are no indications of impairment, as noted above.

F. Cyber risks

As noted above, the COVID-19 crisis led to a significant increase in the number of

employees working from home, resulting in a cultural change that brought with it information security challenges. Working from home was carried out using a secure system which required the operation of control mechanisms on a large scale. While the Company was making the necessary arrangements for these changes, the number of cyber attacks increased so that a complex situation regarding manpower availability had to be dealt with in real time. As part of the Company's overall deployment, important steps were taken to protect the Company both with respect to infrastructure and the numerous cyber threats during this period. Throughout the period, the Company received constant updates from intelligence sources as well as from the cyber authority on phishing attacks, performing comprehensive checks of the organization's cyber immunity, all taking into account the changing threats and at the same time taking proactive action to maintain the Company's defense infrastructures. The Company reinforced the number of staff in the cyber system to provide a rapid response to requests from employees, service providers and customers. Additionally, the control and investigation system was reinforced in order to pinpoint suspicious attempts to connect remotely to the Company's network and attempts to leak information. At the same time, the Company continued to increase awareness among the Company's employees and agents of the cyber threats relevant to the COVID-19 crisis period.

G. Class actions

In view of the restrictions on activity in the economy that were imposed in the wake of the COVID-19 crisis, during the Reporting Period four actions were filed together with motions to certify them as class actions against Harel Insurance and against other insurance companies ("the Defendants") relating to motor insurance (compulsory, comprehensive and third party), and homeowners and business insurance on the grounds that the insureds in these sectors should be entitled to a refund of premiums that they ostensibly overpaid due to an alleged reduction of the risk level to which the Defendants in these policies were exposed due to the contraction of economic activity. For additional information see Note 7A to the Financial Statements. The Company believes that contrary to the arguments in these claims, the statutory and policy provisions do not require a refund of premiums as demanded in these claims.

H. Liquidity and sources of finance

See Section 2.7.2 below.

2.1.2 Retrospective application of a Commissioner's circular on the adequacy of the reserves (LAT).

On March 29, 2020, Insurance Circular 2020-1-5 was published concerning an amendment to the provisions of the consolidated circular on the measurement of liability - Liability Adequacy Test (LAT) ("the Circular"). The Circular changed the grouping of insurance products so that the LAT can be calculated for the entire life assurance segment together. According to the Circular, calculations for the long-term care sector will continue to be prepared separately. The provisions of the Circular entered into force in Q1 2020 by way of retrospective application. It is emphasized that all the effects of the Circular were expressed in the life assurance sector and the Circular had no effect on the Group's other activities and sectors. The effect of the retrospective application on results for the corresponding period and quarter last year and the results for 2019 as a whole is an

increase in comprehensive income in the life assurance sector of NIS 289 million (NIS 189 million after tax), NIS 179 million before tax (NIS 117 million after tax), and NIS 329 million before tax (NIS 218 million after tax), respectively. The effect of the retrospective application on retained earnings as at January 1, 2020, is an increase of NIS 464 million after tax. For additional information see Note 2C to the Financial Statements.

2.1.3 Application of the amendment to the provisions of the consolidated circular on the measurement of liability - liquidity premium

On June 7 an amendment to the Consolidated Circular on the Measurement of Liability - Liquidity Premium ("the Circular") was published which determines that a liquidity premium at different rates can be added to the risk-free interest rate applied in calculating the adequacy of the reserves (LAT). The circular sets an individual rate for the liquidity premium to be applied in calculating the LAT for personal lines long-term care policies and for compulsory motor and liabilities insurance. Initial application of the Circular was made in the financial statements at June 30, 2020 as an estimate in accordance with International Accounting Standard (IAS) 8. Following application of the Circular, Harel Insurance reduced the insurance liabilities in the personal lines LTC segment and in the non-life insurance segment in the Reporting Period by NIS 393 million and NIS 40 million (NIS 14 million in the compulsory motor sector and NIS 26 million in the other liabilities sector) respectively, and it increased pre-tax profit and comprehensive income before tax by the same amounts. For additional information see Note 9 to the Financial Statements.

2.1.4 Application of a circular concerning the method of allocating assets that are not at fair value when assessing the adequacy of the reserve (LAT)

On June 10 a circular was published concerning the method of allocating assets that are not at fair value when calculating the adequacy of the reserve (LAT) ("the Circular"). The purpose of the Circular is to provide clarifications on the method of implementing the provisions pertaining to an insurance company's right to account for the difference between the amortized cost and the fair value of assets, other than earmarked bonds, that are not recorded in the statement of financial position at fair value, when preparing the LAT (Unrealized Gains & Losses - "UGL"). Initial application of the Circular was made in the financial statements at June 30, 2020 as an estimate in accordance with International Accounting Standard (IAS) 8. Based on the provisions of the Circular, the Board of Directors of Harel Insurance approved the allocation policy of Harel Insurance. Following application of the Circular, assets that were previously attributed to the life assurance segment and whose fair value is greater than their book value, are now attributed to the health segment. As a result, Harel Insurance reduced the insurance liabilities in the health insurance segment in the Reporting Period by NIS 156 million and it increased pre-tax profit and comprehensive income before tax by the same amount. For additional information see Note 9 to the Financial Statements.

2.1.5 Publication of a shelf prospectus of Harel Financing & Issuing

On the publication of a shelf prospectus of Harel Financing & Issuing in February 2020, see Note 9 to the Financial Statements.

2.1.6 Restructuring - Harel Pension & Provident

On completion of the restructuring in which rights of Harel Insurance in the customer portfolios and the goodwill of the provident activity were transferred to Harel Pension & Provident, which was immediately followed by the transfer of all the holdings of Harel Insurance in Harel Pension & Provident to the Company, see Note 9 to the Financial Statements.

2.1.7 Restructuring - merger of Standard into Harel Insurance

On completion of the restructuring in which all the Company's holdings in Standard were transferred to Harel Insurance for the purpose of the merger of Standard into Harel Insurance, see Note 9 to the Financial Statements.

2.1.8 Establishment of Israel Infrastructure Fund 4 ("IIF 4")

On the establishment of IIF 4 Fund and investments by the subsidiaries in this fund, see Note 7D to the Financial Statements.

2.1.9 Agreement between Harel Insurance and Hachshara Insurance Company Ltd.

On Harel Insurance entering into an agreement with Hachshara Insurance Company Ltd., see Note 9 to the Financial Statements.

2.1.10 Full early redemption of bonds (Series 4) of Harel Financing & Issuing

On a full early redemption of Series 4 bonds that were issued by Harel Financing & Issuing, see Note 6C to the Financial Statements.

2.1.11 Annual and Special General Meeting

On May 31, 2020, an annual and special general meeting of the Company took place, with the following items on the agenda: (1) discussion of the Periodic Report for 2019; (2) appointment of external auditors for 2020 and appointing the Company's Board of Directors to determine their fee; (3) reappointment of the Company's incumbent directors, who are not external directors, for a further term of office (Yair Hamburger, Gideon Hamburger, Ben Hamburger, Yoav Manor, Doron Cohen, Josef Ciechanover and Eli Defes); (4) approval of the terms of office of Ben Hamburger who serves as Deputy Chairman of the Board of Directors; (5) appointment of Naim Najar as an external director in the Company. The general meeting approved all the items that were on the agenda.

2.1.12 Shelf prospectus of the Company

On the publication of a shelf prospectus of the Company in July 2020, see Note 9 to the Financial Statements.

2.1.13 Approval of updates to the compensation policy for the Group's financial institutions

On the approval of updates to the compensation policy for the Group's financial institutions, see Note 9 to the Financial Statements.

2.1.14 Revision of the employment conditions of a controlling shareholder's relative

On the revision of the employment conditions of a controlling shareholder's relative, see Note 9 to the Financial Statements.

2.2 Material changes in the Group's business and events after the Reporting Period

2.2.1 Special General Meeting

On October 12, 2020, a special general meeting of the Company took place the agenda of which included the following topics: (1) The appointment of Ms. Hava Friedman-Shapira for a further term of office as external director; (2) approval of a revision of the Company's compensation policy; (3) approval of employment conditions – Mr. Yair Hamburger; (4) approval of employment conditions – Mr. Gideon Hamburger; (5) approval of employment conditions – Mr. Yoav Manor. The general meeting approved all the topics that were on the agenda.

2.2.2 Revised compensation policy for the Company

On approval of a revised compensation policy, see Note 10 to the Financial Statements.

2.2.3 Approval of the employment conditions of the controlling shareholders:

On approval of the employment conditions of the Company's controlling shareholders, see Note 10 to the Financial Statements.

2.2.4 Economic Solvency Report of Harel Insurance

On October 28, 2020, the subsidiary Harel Insurance published a solvency report for data at December 31, 2019. For additional information, see Note 8 to the Financial Statements.

2.2.5 Approval of the extension of a D&O liability insurance policy

On the extension of a D&O liability policy, see Note 10 to the Financial Statements.

2.2.6 Convening of an Annual General Meeting

On November 30, 2020, a decision was made to convene a special general meeting of the Company, the agenda of which will include the appointment of Ms. Efrat Yavetz as an External Director in the Company. The meeting is convened for January 7, 2021.

2.2.7 Updated capital management plan - Harel Insurance

On the updated capital management plan of Harel Insurance, see Note 8(2) to the Financial Statements.

2.3 Developments in the macroeconomic environment of the Group

The results of the Group's operations are significantly affected by the yields attained in the capital market and by the economic, political and security situation in Israel and worldwide. Following are the key factors in the macroeconomic environment that affect the Group's activity:

2.3.1 General

The global economy showed signs of recovery in Q3 2020 in light of lower morbidity levels and lifting of the lockdown policy, notwithstanding considerable differences between countries. In the USA, the improvement was stronger than in Europe and Japan, and China's economy was particularly robust in light of its success in combatting the health crisis. The improvement in economic activity also led to an upward revision of the

International Monetary Fund's forecast, which now predicts that the global economy will contract by 4.4% in 2020, although this is still the worst figure since World War II.

Monetary policy throughout the world remained highly expansionist and the central banks continued to signal their willingness to introduce unconventional measures to accommodate the financial conditions.

2.3.2 Developments in the Israeli economy

In Q3, Israel's GDP grew rapidly by an annual rate of 37.9%. But this rapid growth was insufficient to compensate for the loss in the first half of the year leaving GDP 1.4% lower than in the corresponding quarter last year.

In Q3, the broad unemployment rate (consisting of the jobless plus those workers who were temporarily absent from their jobs due to COVID-19, and those not participating in the work force who stopped working due to dismissal in the COVID-19 period) stabilized at 11%-12%. However, following the imposition of the second lockdown, the figure shot up to 19% in the second half of September 2020.

2.3.3 Stock market

Prices on most of the stock markets around the world continued to rise in Q3 2020, supported by further monetary expansion by the central banks and governments together with the lifting of the lockdown policy.

In Q3, the MSCI World Index rose by 8% and the corresponding Emerging Markets Index rose by 9.7%. In Israel, the key share indices underperformed compared with most of the leading indices worldwide: the TA-125 index rose 1.5% and the TA-35 index was 2.6% down.

The average daily turnover of trade in shares in Israel moderated in the third quarter compared with the first half of the year but remained high at NIS 1.7 billion, a 24% increase compared with the corresponding quarter last year.

2.3.4 Bond market

Monetary policy in the different countries remained extremely expansionist in Q3 2020 and contributed to further moderating volatility in the bond market. The Bank of Israel continued to buy government bonds in the quarter, and the Bank's announcement that it would expand these purchases to include corporate bonds as well contributed to rising corporate bond indices.

In the third quarter, the general bond index was 1.1% up, the government bond index decreased by 0.8% but the corporate bond index rose by 4.4%.

The average daily turnover of trade in bonds moderated to NIS 3.6 billion compared with the previous quarter, down 3% compared with the corresponding quarter last year.

2.3.5 Mutual funds

In Q3 2020, net raisings of NIS 1.7 billion were recorded. The mutual funds specializing in foreign activity were particularly noteworthy, raising net amounts of NIS 2.5 billion which compensated for net redemptions, mainly in the mutual fund specializing in shares and money-market funds.

2.3.6 ETFs

In Q3 2020, net raisings of NIS 1.9 billion were recorded in the ETFs, mainly in the ETFs specializing in corporate bonds (NIS 1.6 billion).

2.3.7 Foreign exchange market

In Q3 2020 the shekel weakened by 0.6% against the Bank of Israel's basket of currencies; it appreciated 0.7% against the US dollar, but depreciated 3.7% against the Euro and Pound Sterling. Most of the shekel depreciation took place in September after the government announced the second lockdown in parallel with the falling stock markets.

2.3.8 Inflation

According to the last known index (August), the CPI rose by 0.1% in Q3 2020 (May 2020 - August 2020). Inflation in the last 12 months until August increased to -0.8%, still below the inflation target.

In the third quarter, transportation - communications were the key items contributing to higher prices, and this was partially offset by reductions in the price of shoes and apparel.

2.3.9 Bank of Israel interest

In the third quarter, the Bank of Israel left the interest rate unchanged at 0.1%, but continued its plan to address liquidity difficulties, ease the terms of credit in the economy and support economic activity. During the quarter, the Bank began to purchase corporate bonds as well and it mediated expansion of the outline to defer the repayment of bank loans. During the third quarter, the Bank of Israel purchased NIS 10.2 billion of government bonds and NIS 1.2 billion of corporate bonds.

2.3.10 Events after the reporting date

The Bank of Israel increased the limit of the plan for government bond purchases on the secondary market by a further NIS 35 billion. The Bank will provide loans at a fixed rate of interest of -0.1% only against increased credit that the banks will provide to small businesses (with a limit on the interest on the loans).

The government enlarged the economic program for dealing with the crisis to almost NIS 141 billion, but at the end of September 2020, actual implementation of the plan was 57%.

The world over, there was a renewed spread of the virus, mainly in countries that had lifted the closure, with the emphasis on the USA and Europe. The renewed spread of morbidity could lead restrictions on movement to be re-imposed, putting an end to the economic recovery which had just begun. In Israel the spread of the virus continued to decline rapidly and in the middle of October, the government began a gradual reopening of the economy.

In November 2020, the international pharmaceutical companies Pfizer and Moderna published preliminary results from the third and final phase of the trial with the COVID-19 vaccination, according to which the vaccination is close to 95% effective.

Joe Biden was elected president of the USA and will take up office in January 2021.

2.4 Legislation and regulation in the Group's operating segments

Description of significant changes in legislation and regulations in connection with the Group's operating segments since the Periodic Report:

2.4.1 General

2.4.1.1 Provisions of law

On November 25, 2020, the Contracts (Insurance) (Amendment no. 11) Law, 2020, ("the Amendment") passed its second and third readings. The law extends the prescription period with respect to claims for insurance benefits in life assurance in the event of death, illness and hospitalization and long-term care insurance from three to five years from the occurrence of the insured event and prescribes provisions with respect to sending notification about the prescription period to insureds as a result of the occurrence of the insured event. The Amendment will apply to insurance contracts to be drawn up or renewed on or after the commencement date.

2.4.1.2 Circulars

2.4.1.2.1 On November 26, 2020, the Commissioner published a circular concerning an amendment to the Consolidated Circular, Chapter 3, Part 4, Section 5 "Reporting to the Commissioner of the Capital Market" - an internal rating model which sets out the method of reporting to the Commissioner about ratings prepared using an internal rating model, at individual asset level.

2.4.1.2.2 On November 26, 2020, the Commissioner published a circular concerning an amendment to Consolidated Circular - Chapter 4, Section 5 - Management of Investment Assets - Internal Rating Model" (the Draft"). The amendment stipulates, *inter alia*, that the rating model of financial institutions which satisfy the conditions set out in the circular will be treated as an internal rating model that has been approved by the Commissioner, excluding those categories of credit for which an internal rating model is not recognized.

2.4.1.2.3 On October 18, 2020, the Commissioner published a circular concerning an amendment to the Consolidated Circular Chapter 4, Section 5 "Management of Investment Assets, which prescribes provisions intended to streamline investment processes. For example,: "cash equivalent" will be included in an investment package; the option for loans to be provided to insureds and plan members in investment packages; financial institutions will be exempt from obtaining investment committee approval for the repurchase (buy-back) of bonds by bond issuing companies; revision of the list of rating companies approved to rate debt from outside Israel; making permanent the temporary order allowing loans to be provided at a rate of more than thirty percent to savers with a fixed monthly source of income, as well as other temporary provisions that are in force until March 31, 2021.

2.4.1.2.4 On June 10, 2020, the Commissioner published a circular updating the provisions of the Consolidated Circular - Allocation of assets that are not at fair value when assessing the adequacy of the reserve (LAT). The circular provides clarifications

on the method of applying the provisions pertaining to an insurance company's right to account for the difference between the amortized cost and the fair value of assets, other than earmarked bonds, that are not recorded in the statement of financial position at fair value, when preparing the LAT (Unrealized Gains & Losses - "UGL"), and also updates the disclosure provisions concerning the UGL in the insurance companies financial reports, from the reports as at June 30, 2020. On the effect of the circular, see Section 2.1.4 above.

2.4.1.2.5 On June 7, 2020, the Commissioner published a circular concerning an amendment to the provisions of the Consolidated Circular on the Measurement of Liability - Liquidity Premium according to which a liquidity (or illiquidity) premium at different rates can be added to the risk-free interest rate applied in calculating the adequacy of the reserves (LAT). The circular prescribes a specific rate for the liquidity premium to be applied in calculating the LAT for personal lines long-term care policies and for compulsory motor and liabilities insurance. On the effect of the circular, see Section 2.1.3 above.

2.4.1.2.6 Since March 2020, the Commissioner has published several circulars, draft circulars and regulations aimed at providing regulatory relief for this period of the outbreak of the COVID-19 pandemic, including adapting the application of regulatory provisions so as to streamline their application by the companies and the insureds, as necessary, when dealing with the restrictions on movement and activity in this period. These include, among other things, the publication of regulations which determine that financial institutions must continue to deduct the cost of the insurance cover from the amounts accrued to the members or insureds for 12 months from the month in which the deposit period ended, unless the member instructs otherwise, and as applicable even without reference to a wage reduction, as well as circulars that determine an option to deduct an external management fee for an investment in ETFs held for trading; an option to place non-life insurance policies on hold, at the insured's request, or to renew insurance cover, as noted, before obtaining the insured's agreement; relief for members to provide confirmation of life; relief relating to various provisions concerning the work of the board of directors; the possibility of increasing the percentage of loans provided to insureds from the insured's surrender value; expansion of the range of deviation from the investment policy from which a deviation will be considered a change in the investment policy; flexibility regarding the format and scope of the economic analysis required prior to making purchases of bonds on the secondary market and postponing the date on which current analyses are to be updated; flexibility in determining alternative policy with respect to the purchase of bonds on the secondary market; deferment of the dates of implementation of various circulars that require, inter alia, automation deployment; deferment of the various dates for submitting information and reports to the Commissioner, including extending the time period for reporting about a deviation from the investment rates, as well as deferment of the date of publication and issuing periodic reports for the first quarter of 2020 by pension funds, management companies and insurance companies.

2.4.1.2.7 On April 2, 2020, the Commissioner published a circular concerning an

amendment to the Consolidated Circular - Chapter 4, Section 2, Part 5 "Management of Investment Assets". The circular sets out the conditions according to which an institutional investor who gains the controlling interest in a lending corporation or holds more than 20% of the means of control in a lending corporation, as a result of obtaining the means of control in a lending corporation through a debt arrangement, to continue to control or hold the lending corporation at this rate; the circular also prescribes a temporary order whereby institutional investors are entitled to deduct external management fees, under the conditions set out in the circular, on an investment in ETFs held for trading, that are purchased between the date of publication of the circular and June 30, 2020, but no later than December 31, 2020.

2.4.1.2.8 On March 29, 2020, the Commissioner published a circular concerning an amendment to the provisions of the Consolidated Circular on the measurement of liabilities - Liability Adequacy Test (LAT), which updates the method of allocating the different insurance products for the purpose of calculating the LAT, while making localized adjustments to the way in which the calculation is prepared in Israel, and it determines that the test will be calculated by grouping together all life assurance products although calculations for the long-term sector will continue to be made separately. On the effect of the circular, see Section 2.1.2 above.

2.4.1.2.9 On March 8, 2020, the Commissioner published a circular amending the provisions of the Consolidated Circular on Measurement and Liabilities - Interest Rate Assumption. The circular determines that for the purpose of calculating the assumed interest rate and yield, based on the risk-free interest rate curve at the date of the report, as required, from the financial statements at December 31, 2019, insurance companies will use a curve based on interest rate curves which are based on the yield to redemption of marketable Israel government bonds which are published by the company that is awarded the price quote tender, and this up to the 25th year, and from that year on the interest rate curves will be determined by extrapolation based on the Smith-Wilson method up to the last Ultimate Forward Rate (UFR) to be set for 60 years. From this point on, the forward rate will be fixed. For additional information, see Note 3C1(I)) to the 2019 financial statements.

2.4.1.2.10 On January 13, 2020, a circular was published concerning an amendment to the provisions of the Consolidated Circular regarding related party transactions. The amendment updates the provisions of Chapter 4, Part 2, Section 5 - Management of Investment Assets, and subject to certain conditions allows transactions to be performed for the purchase and sale of a non-marketable asset among institutional investors included in the same group of investors, and provided that the transaction is for the benefit of all the institutional investors included in that group.

2.4.1.3 Draft circulars

2.4.1.3.1 On October 25, 2020, a draft was published updating the Consolidated Circular

on Measurement - Professional Issues in the Application of IFRS 17 ("the Standard"). The update presents principles for application of the Standard, including by separating components in certain categories of insurance contracts; the allocation of insurance contracts into portfolios; risk adjustment for non-financial risk; the method of calculating the investment component in policies with a savings component and long-term care policies; and the method of calculating discounting interest.

2.4.1.3.2 On October 1, 2020, the Commissioner published a letter to directors of financial institutions on the use of underwriting questions in connection with COVID-19. The letter states that insurance companies may add questions about COVID-19 to their health declarations.

2.4.1.3.3 On August 18, 2020, a draft amendment to the provisions of the Consolidated Circular - Section 6, Part 3 - Long-term care insurance was published concerning investment of the assets in the fund for insureds in group long-term care policies for HMO members in non-marketable assets through a Special Purpose Company (SPC) and under the aggregate conditions set out in the draft. This with the purpose of allowing the fund's assets to be invested in non-marketable assets on the one hand, and the transfer of these assets to a new insurance company at the end of the agreement period between the HMO and the present insurance company on the other.

2.4.1.3.4 On August 12, 2020, draft provisions of the Consolidated Circular - Chapter 4, Section 5 - Management of Investment Assets, were published ("the Drafts") concerning relief in the regulatory burden applicable to financial institutions with respect to debt arrangements for non-problematic debts, extending the scope of the provisions regarding debt arrangement also to debts that were issued outside Israel and also determining conditions for investment by such institutions in hybrid bonds in and outside Israel.

2.4.1.3.5 On July 29, 2020, the Commissioner published a draft circular concerning an amendment to the enrollment in insurance which proposes determining that insurance agents must mention to candidates for insurance the names of those insurance companies that account for more than 40% of the total commissions they receive for all products of that category and that he mainly markets their products.

2.4.1.4 Instructions and clarifications

2.4.1.4.1 On September 17, 2020, the Commissioner published a letter to financial institution directors concerning the COVID-19 crisis - Announcement by the Commissioner of the Capital Market of a shift by the financial institutions to working in a limited format. According to the letter, from September 18, 2020, financial institutions must operate in accordance with the provisions of Financial Institutions Circular 2013-9-11 "Business Continuity in Financial Institutions", while implementing several emphases, including the allocation of appropriate resources so as to continue to provide services for customers in essential processes; reinforcing the ability to provide digital and telephone services; taking

measures to mitigate the risk of contagion for customers and employees, and expanding remote work by critical employees, while managing the risks entailed in this. The Commissioner published a similar letter in March 2020.

2.4.1.4.2 On June 7, 2020, the Commissioner published a roadmap for the adoption of IFRS 17 - Insurance Contracts ("the Standard" or "IFRS 17"). The roadmap determines that the Standard's initial date of application in Israel will be for quarterly and annual periods beginning on or after January 1, 2023. The roadmap also sets out the method of deployment and key time frames designed to ensure that Israel's insurance companies apply the Standard properly, *inter alia* with respect to the adaption and operation of the information systems, project management and documentation, formulation of accounting policy, performing quantitative tests and the required method of disclosure to the public. For additional information, see Note 3T3 to the 2019 Financial Statements.

2.4.1.4.3 On April 23, 2020, the Commissioner published a document concerning a "Red Flag Outline" - Provision of Credit to Solvent Companies due to the Repercussions of the COVID-19 pandemic: proposed guidelines for an outline for the modification and temporary postponement of payment schedules for loans and bonds, which were provided by financial institutions under these circumstances. The purpose of the document is to highlight the importance of dialog between financial institutions and solvent borrowers who have encountered temporary difficulties, to present a "green track" for adjusting the debt accordingly and to set out guidelines for the formulation of an outline for the modification and temporary postponement of payment schedules for loans and bonds, whether private or listed for trade, that were provided by the saving public's portfolios and Nostro portfolios managed by the financial institutions under the supervision of the Capital Market Authority, all in addition to the debts of financial institutions that formulate such an outline.

2.4.1.4.4 On April 6, 2020, the Commissioner published a position paper concerning a policy for providing a permit for holding the means of control in a financial institution to entities that manage customers' funds. The position proposes amending the policy for granting a permit to hold the means of control in a financial institution in which none of the holders of the means of control are obligated to hold a control permit under the provisions of the Supervision Laws for institutions that manage customers' funds (CM- 2019-8386), so that it will apply to the holding of a financial institution irrespective of whether or not it is a financial institution in which none of the holders of the means of control are obligated to hold a control permit or it is a financial institution with a controlling shareholder, so that the policy will apply to the holding of a financial institution irrespective of whether it is a financial institution with or without a controlling shareholder, in part so that the determination that the recipient of a holding permit will not hold more than 7.5% of the means of control in a financial institution will also apply to the recipient of a permit for holding a financial institution with a controlling shareholder,, directly and indirectly, and subject to obtaining the holding permit from the Commissioner of the Capital market Authority.

2.4.1.4.5 On April 2, 2020, the Commissioner published an instruction concerning a temporary order: Notice of the Commissioner of the Capital market, Insurance and Savings on approval for investments in special cases, which determines that financial institutions that invest in marketable bonds that are not State of Israel bonds or marketable commercial papers of the issuer, up to 25% of the total par value of the bonds in that series or of marketable commercial papers in that series, will be eligible to invest an additional 24% of the total par value of the bonds, provided that the investment is made from the funds of the institutional investor, all up to September 30, 2020 or the date of expiry of the Emergency Regulations (New limitation on the number of employees in a work place to reduce the spread of the new COVID-19 virus), 2020, or any other legislation that may replace it, whichever is earlier.

2.4.1.5 Regulations concerning Solvency

On February 16, 2020, the Commissioner published a letter for insurance company executives on a "Draft outline for implementation of the Solvency II Directives in the European format" according to which the Capital Market, Insurance and Savings Authority intends to work towards adapting the solvency regime in Israel to the Solvency II Directive and updates. The letter sets out the key operations that the authority proposes should be performed for this purpose, including formulating a framework for implementing the provisions concerning the gradual increase of the insurance reserves as well as proposed provisions concerning reports on an economic solvency regime required in the near future.

On April 16, 2020, the Commissioner published a letter to insurance company executives concerning draft principles for the calculation of a deduction for the transitional period in the solvency regime based on Solvency II. The draft letter sets out principles for calculating the deduction in the transitional period to be considered by the Commissioner when reviewing an insurance company's possible request to approve inclusion of the deduction in the transitional period when calculating the insurance reserves, as well as related instructions for the conduct of insurance companies whose Request was approved by the Commissioner.

On October 14, 2020, the Commissioner published an amendment to the Consolidated Circular concerning implementation of an economic solvency regime for insurance companies based on Solvency II. The amendment updates the transitional provisions and provisions pertaining to calculation of the economic solvency ratio and it adapts and updates the transitional provisions and provisions of the circular to the format set out in the Directive.

On October 14, 2020, the Commissioner published an update to the Consolidated Circular on Reporting to the Public - disclosure concerning an economic solvency ratio, which updates the disclosure format in the directors report and economic solvency report.

2.4.2 Life assurance and long-term savings

2.4.2.1 Provisions of law

2.4.2.1.1 On October 14, 2020, draft Supervision of Financial Services (Provident Funds) (Withdrawal of the Funds of Out-of-Work Self-Employed Members who are Obligated to Make Deposits) Regulations, 2020, were published. The draft regulations propose establishing aggregate conditions in which, where out-of-work self-employed members satisfy these conditions, them may withdraw money from an annuity provident fund not by way of annuity or by capitalizing part of the annuity to a lump sum, and from provident funds for retirement benefits.

2.4.2.1.2 On September 9, 2020, draft Supervision of Financial Services (Provident Funds) (Direct Expenses for Performing Transactions) (Amendment) Regulations, 2019 ("the Regulations"), were published. The draft regulations extend until February 29, 2021, the temporary order prescribed in Section 3A of the Regulations, which define additional categories of direct expenses for performing transactions in provident fund assets, exclude from the scope other categories of expenses, and limit certain direct expenses to 0.25% of the total revalued amount of the institutional investor's assets. The Regulations include the addition of a disclosure obligation regarding direct expenses fees for members or insureds.

On November 1, 2020, the Commissioner published a draft circular on enrollment in a pension fund or provident fund. The draft circular proposes obligating financial institutions to inform persons who wish to enroll in a provident fund as a member or insured of the fact that in addition to the management fees, direct expenses will be collected from the fund's assets as well as the rate of direct expenses that were collected in the previous year on each of the chosen investment tracks, as noted in Regulation 3B(a) of the Supervision of Financial Services (Provident Funds) (Direct Expenses for Performing Transactions) Regulations, 2008.

2.4.2.1.3 On September 2, 2020, an amendment was published to the Supervision of Financial Services (Provident Funds) (Transfer of Money Between Provident Funds) (Amendment) Regulations, 2020, whereby money may be transferred from an investment provident fund to another provident fund and that members who reach the age of retirement may move an investment provident fund to an annuity provident fund.

2.4.2.1.4 On July 29, 2020, an Economic Aid Plan Bill (Novel Coronavirus) (Temporary Order), 2020 was published. Among other things, the program includes an income tax ordinance with respect to withdrawing money from non-liquid educations funds so that for six months (from August 10, 2020 through February 9, 2021), members of the public who have accumulated money in such funds and whose income was affected as of March 1, 2020 under the criteria defined in the bill will be able to withdraw up to NIS 7,500 a month from these funds without incurring a tax liability and without affecting the usual 6-year non-withdrawal clause on money remaining in the fund.

2.4.2.1.5 On July 9, 2020, a memorandum of the Supervision of Financial Services (Pension Advice, Pension Marketing and Pension Clearing System) Law (Amendment no. 11), 2020, was published which proposes allowing banks or

their representatives who are engaged in pension marketing, to provide such advice by phone or by other digital means. On October 26, 2020, the Commissioner published a draft position of non-enforcement concerning pension advice provided by a banking corporation not at the bank's branches for existing pension advice customers. According to the draft, the Authority will not take enforcement measures against banks that provide pension advice using digital methods or by phone to existing customers, immediately prior to publication of the draft, as long as it is impossible for the bank's customers to come to the bank branches, in accordance with the regulations to be promulgated on this subject.

2.4.2.2 Circulars

2.4.2.2.1 On September 2, 2020, the Commissioner published an amendment to a circular on management fees in pension savings products, which extends from six to twelve months the minimum time period that must elapse from the date of on which payments for savings are discontinued, until financial institutions may increase the management fee rate before the end of the discount period, due to a discontinuation of payments for savings that did not occur because of the employer.

2.4.2.2.2 On June 16, 2020, the Commissioner published a circular concerning an amendment to the circular on withdrawing money from small provident fund accounts which increases those cases in which provident fund management company must send to members who have small accounts, in which the outstanding accrued amount is up to NIS 8,000 and is redeemable, a check for redeeming the money registered to the member's credit in the provident fund.

2.4.2.3 Draft circulars

2.4.2.3.1 On October 18, 2020, the Commissioner published a draft circular concerning a standard format for providing information and data in the pension savings market. Among other things, the draft circular sets out provisions for improving the infrastructure for transferring money and information between the entities operating in the market, including substantially curtailing the time for receiving information about the saver's assets, computerized enrolment of employees in pension products, computerized transfer of instructions from the license holder to the employer regarding the manner of splitting the employee's provident funds and the obligation to transfer money between provident funds through the pension clearing house.

2.4.2.3.2 On February 25, 2020, the Commissioner published a draft circular concerning the settlement of work disability claims which proposes prescribing provisions for regulating the settlement of work disability claims by insurance companies. Among other things, the draft circular proposes limiting the documents that insureds are required to provide; appointing a personal service representative for the insured; shortening the time period for handing a claim; provisions relating to providing a professional opinion by the Company's doctor; defining two external appeal instances for insureds who wish to appeal the company's decision, and provisions concerning a list of service providers for medical consultations.

2.4.3 Health insurance

2.4.3.1 Provisions of law

On July 12, 2020, amendments to the Supervision of Financial Services (Insurance) (Group Long-term Care Insurance for HMO members) Regulations, 2020, were published. The amended regulations prescribe provisions concerning the marketing of expanded layers of insurance in long-term care policies for HMO members, with respect to the sums insured as well as policy period. The marketing of these policies will be permitted under the conditions set out in the regulations, from February 1, 2021. Following the regulations, supplementary provisions were included in the circular from September 30, 2020, which amends the provisions of the Consolidated Circular - Section 6, Part 3 - Long-term care insurance.

2.4.3.2 Circular

On June 7, 2020, the Commissioner published a circular concerning an amendment to the provisions of the Consolidated Circular - Section 6, Part 3, Chapters 2, 3 and 4 - personal accident insurance, which prescribes provisions aimed at regulating the personal accident sector. Among other things, the circular stipulates that, other than in exceptional cases, the marketing of insurance cover for accidents will be sold as a stand-alone personal accident policy only, which will include a basic layer of all the coverages (death, permanent disability, fractures and burns, hospitalization days and sick days); a standard definition of an “accident”; a policy period of no more than two years; transitional provisions concerning the manner of enrolling in the policy, including a requirement for additional specific approval after the sales call ends; marketing of the policy directly and exclusively by insurance companies or licensees, and not incidental to the sale of any other insurance or transaction, except for marketing it as a rider to a life assurance policy, and that for the purpose of settling a disability claim in the policy, an expert opinion from the NII determining disability will be the effective opinion unless an examination by a specialist on behalf of the Company contradicts the findings in the expert opinion.

2.4.4 Non-life insurance

2.4.4.1 Provisions of law

On March 22, 2018, the Economic Efficiency (Legislative Amendments to Achieve Budget Targets for 2019) Law, 2018, was published which changes the mechanism for the settlement of accounts between the NII and the insurance companies regarding road accidents. Instead of the regulations to be promulgated by the Finance Minister concerning that amounts to be transferred to the National Insurance Institute for the past, discussions are currently taking place in which a draft arrangement was formulated according to which the insurance companies will pay an advance on account of past debts with respect to claims filed between 2014 and 2020 in the total amount of NIS 1 billion. This will be divided among the insurance companies so that each company will pay an advance equal to 4.0271% of the total premiums it collected for compulsory motor insurance policies (under the Motor Vehicle Insurance Ordinance [New Version], 1970), that were issued in the period 2014-2018.

2.4.4.2 Draft circular

On October 22, 2020, the Commissioner published a draft letter for insurance company directors concerning exclusions from reinsurance in the wake of COVID-19 with respect to non-life insurance. The letter proposes clarifying the principles that insurance companies must comply with when they wish to introduce an insurance plan and to include in it exclusions relating to risks from COVID-19.

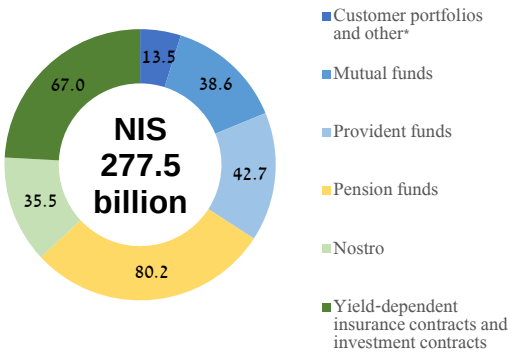
2.4.5 Financial services and capital market activity

In view of the COVID-19 pandemic and its impact on the markets, the Securities Authority published relief for the entities supervised by the ISA. Relief was provided for fund managers regarding deviation from the statutory provisions or from the fund's investment policy, on the restriction on the banks for dispersal of funds, credit leverage restriction, the value of time limited deposits, exposure to bonds that have no investment rating, deferment of reporting dates, reporting on the revaluation of bonds, etc. Relief was provided for portfolio managers regarding the quarterly reports to be sent to customers, the quarterly report to be submitted to the ISA, the opening of bank accounts not on the bank's premises, investigating the customers requirements and instructions, documenting consultation calls, and performing specialization. At the date of publication of the report, some of the aforementioned relief is no longer applicable.

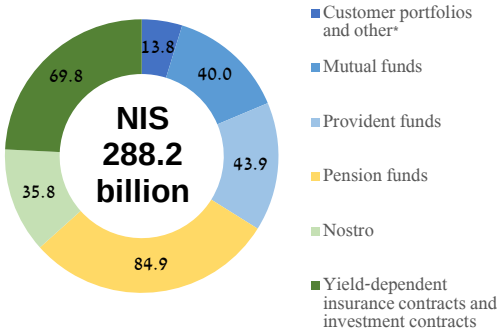
2.5 Condensed data from the consolidated financial statements of Harel Investments

The Group's AUM:

At September 30, 2020:



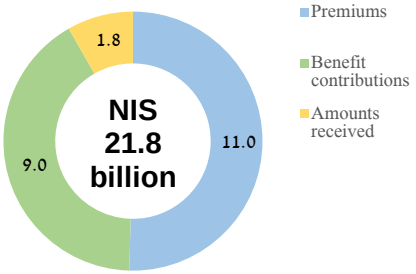
At November 26, 2020:



*Customer and other portfolios - "other" includes structured bonds and private equity funds in the amount of NIS 1 billion (NIS 1 billion as at November 26, 2020)

The assets managed by the provident funds, pension funds, mutual funds and in customers' portfolios are not included in the Company's consolidated financial statements.

Data on earned premiums, gross, benefit contributions and amounts received for investment contracts:



Amounts received in respect of investment contracts are not included within premiums but are recognized directly in liabilities for insurance contracts and investment contracts. In the Reporting Period, the amounts received for investment contracts recognized directly in investment contract reserves amounted to NIS 1.8 billion, as against NIS 2.4 billion in the corresponding period last year.

2.5.1 Comprehensive income (loss) by segment (NIS million):

		For the nine months ended September 30			For the three months ended September 30		For the year ended December 31
	Notes	2020	2019	change in %	2020	2019	2019
Life assurance and long-term savings							
Life assurance	A	233	239*	(3)	160	109*	419*
Pension	B	50	59	(15)	20	22	74
Provident	B	39	45	(13)	14	15	60
Total life assurance and long-term savings segment		**322**	**343**	**(6)**	**194**	**146**	**553**
Non-life insurance							
Compulsory motor	C	63	182	(65)	74	(8)	190
Motor property	D	79	133	(41)	22	34	159
Property and other branches	E	63	90	(30)	24	36	113
Other liabilities branches	C	13	58	(78)	41	(50)	28
Mortgage insurance		33	49	(33)	16	18	68
Total non-life insurance segment		**251**	**512**	**(51)**	**177**	**30**	**558**
Health insurance segment	F	38	(326)	-	130	(480)	(262)
Insurance companies overseas	G	(3)	21	-	(6)	10	19
Financial services	H	33	20	65	14	6	29
Not attributed to segments of operation		(53)	289	-	103	72	468
Total before tax		**588**	**859**	**(32)**	**612**	**(216)**	**1,365**
Tax expenses (tax benefit)		181	219	(17)	210	(98)	387
Other comprehensive income (loss) after tax		**407**	**640**	**(36)**	**402**	**(118)**	**978**
Return on Equity in annual terms		8%	13%*		23%	(7%)*	15%*

* See Section 2.1.2 above on the retrospective application of an insurance circular.

Results in the Reporting Period and in Q3 were affected by capital market yields in the Nostro portfolio, which were lower than in the corresponding period and corresponding quarter last year.

Results in the Reporting Period and in Q3 were affected by changes in the risk-free interest rate curve, changes in the difference between the fair value and book value of the non-marketable assets, by the application of the circular on revised liquidity premium rates added to the risk-free interest rate curve and application of the provisions of the

circular on the method of allocating assets not at their fair value when assessing the adequacy of the reserve (LAT) (the circulars entered into force in Q2. For additional information about the circulars that were applied, see Sections 2.1.3 and 2.1.4 above). The overall effect of these changes led to an increase of the insurance reserves in the Reporting Period and in Q3 of NIS 30 million before tax and NIS 21 million before tax, respectively.

Results in the corresponding period last year and in Q3 last year were affected by a sharp decrease of the risk-free interest rate curve and by changes in the difference between the fair value and book value of the non-marketable assets. The foregoing led to an increase in the insurance liabilities of NIS 820 million before tax and NIS 744 million before tax, respectively.

For additional information in connection with special effects on profit (loss), see the table in Section 2.5.2.

A. Life assurance - results in the Reporting Period were mainly affected by capital market yields as described above, and by the non-collection of variable management fees due to negative yields on the assets held to cover yield-dependent liabilities.

   Income from management fees in the Reporting Period and Q3 amounted to NIS 329 million and NIS 111 million, respectively, as against NIS 465 million and NIS 166 million in the corresponding period and corresponding quarter last year, respectively. Most of the decrease in management fees is attributable to the non-collection of variable management fees in the period as against the collection of variable management fees in the corresponding period and corresponding quarter last in the amount of NIS 150 million and NIS 58 million, respectively.

   Pursuant to the mechanism prescribed in the legislative arrangement for the collection of management fees, insurance companies will not collect variable management fees on yield-dependent policies that were sold between 1991 and 2003 until sufficient investment profits are attained in respect of the assets held to cover yield-dependent liabilities that compensate for any accrued investment losses. As at September 30, 2020, the estimate for management fees that will not be collected due to the negative yield until a cumulative positive yield is attained was NIS 36 million before tax.

   Additionally, results in the Reporting Period were affected by an update of the of the interest rate applied in calculating the reserve for annuities in payment, an update of the interest rate applied in calculating the supplementary reserve for annuity and a revised study of the age of retirement and percentage of insureds that are expected to exercise their entitlement to an annuity (take-up rate). The overall effect of these revisions was to reduce the insurance liabilities in the life assurance sector. Additionally, results in the period were influenced by a deterioration of the underwriting in the cover for work disability insurance due to an increase in the number of claims. For additional information, see the table in Section 2.5.2 (A) and (B).

B. Pension and provident– results in the Reporting Period were mainly affected by capital market yields as described above. In the provident activity, results in the Reporting Period were also affected by the erosion in the management fees rate.

C. Compulsory motor and motor liabilities sectors - results in the Reporting Period and in Q3 were affected by capital market yields, changes in the risk-free interest rate curve, and changes in the difference between the fair value and book value of the non-marketable assets as described above. Additionally, results in the Reporting Period were affected by the application of the circular on revised liquidity premium rates added to the risk-free interest rate curve which entered into force in Q2 (for information in connection with the circular which was applied, see Section 2.1.3 above). The overall effect of these changes and application of the provisions of the circular was to reduce the insurance liabilities. Results in the corresponding period last year were affected by changes in the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets. The overall effect of these changes and application of the provisions of the circular led to an increase of the insurance liabilities. For additional information, see the table in Section 2.5.2 (G).

   Additionally, results in the Reporting Period and Q3 were affected by the Supreme Court ruling regarding the discounting interest rate to apply to the National Insurance Institute in subrogation claims, which reduced the insurance liabilities. Results for the corresponding period last year were also affected by the Supreme Court decision concerning the discounting interest rate for compensation on account of personal injury in torts which reduced the insurance liabilities. For additional information, see the table in Section 2.5.2 (H).

D. Motor property (CASCO) −results in the Reporting Period and in Q3 were mainly affected by capital market yields as described above. Results in the corresponding period last year included a decrease of the insurance liabilities due to a positive development in claims in old loss years.

E. Property and other branches - results in the Reporting Period and in Q3 were mainly affected by capital market yields as described above. Additionally, results in the Reporting Period were affected by winter losses in January−February 2020. Results in the corresponding period last year and in the corresponding quarter last year were affected by a positive development in claims in old loss years.

F. Health segment - results in the Reporting Period and in Q3 were affected by capital market yields as described above.

   Personal lines long-term care - results in the Reporting Period were affected by changes in the risk-free interest rate curve, changes in the difference between the fair value and book value of the non-marketable assets, by the application of the circular on revised liquidity premium rates added to the risk-free interest rate curve and application of the provisions of the circular on the method of allocating assets not at their fair value when assessing the adequacy of the reserve (LAT) which entered into force in Q2 (for information in connection with the circulars that were applied, see Sections 2.1.3 and 2.1.4 above). The overall effect of the foregoing was to increase the insurance liabilities. Results in Q3 were affected by changes in the risk-free interest rate curve, by changes in the difference between the fair value and book value of the non-marketable assets. The overall effect the foregoing was to increase the insurance liabilities.

Additionally, results in the Reporting Period and Q3 were affected by improved underwriting due to streamlining processes and a change in the structure of costs which were partially offset by an increase in the number of claims.

Results in the corresponding period last year and corresponding quarter last year were affected by an increase in the insurance liabilities due to a sharp decrease of the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets. For additional information, see the table in Section 2.5.2 (E).

G. Insurance companies overseas - results in the Reporting Period and in Q3 were affected by capital market yields, as described above, and by depreciation of the Turkish lira.

H. Financial services segment - results in the Reporting Period were affected by significant profit in market-making activity in the mutual funds. This effect was partially offset by recording an impairment write-down which was recognized in the period in respect of portfolio management activity. For additional information, see the table in Section 2.5.2.

2.5.2 Special effects on comprehensive income (loss) in the Reporting Period (NIS million):

		For the nine months ended September 30			For the three months ended September 30		For the year ended December 31
	Notes	2020	2019	Change	2020	2019	2019
Comprehensive income (loss) for the period as published in the Financial Statements.		407	640*	(233)	402	(118)*	978*
Life assurance and long-term savings							
Effects of the interest rate	A	(30)	(14)*	(16)	-	-*	(120)*
Revised TUR assumptions	B	217	-	217	-	-	-
Application of a circular on revised mortality tables	C	-	(91)	91	-	-	(91)
Revised cancellation assumptions	D	-	-	-	-	-	(27)
Health insurance segment							
LAT and the effects of interest	E	(127)	(663)	536	(60)	(650)	(926)
Revised assumptions in personal lines health liabilities	F	-	-	-	-	-	112
Application of a circular on revised mortality tables	C	-	70	(70)	-	70	70
Non-life insurance							
Effects of the interest rate	G	97	(157)	254	39	(94)	(183)
Effect of the Supreme Court ruling regarding the discounting rate	H	80	260	(180)	80	-	260
Financial services segment							
Write-down of value of mutual fund activity	I	(10)	-	(10)	-	-	-
Total effects, before tax		227	(595)	822	59	(674)	(905)
Effect of tax		78	(203)	281	21	(230)	(309)
Total effects, after tax		149	(392)	541	38	(444)	(596)

	Notes	For the nine months ended September 30			For the three months ended September 30		For the year ended December 31
		2020	2019	Change	2020	2019	2019
Total comprehensive income after adjustment for special effects		258	1,032	(774)	364	326	1,574

* See Section 2.1.2 above concerning the retrospective application of an insurance circular.

Results in the Reporting Period and in Q3 were affected by capital market yields in the Nostro portfolio, which were lower than in the corresponding period and corresponding quarter last year.

A. In Q1 the insurance liabilities decreased by NIS 92 million before tax due to an update of the interest rate applied in calculating the reserve for annuity in payment (a decrease of NIS 134 million before tax in the liabilities for policies that include a non-yield-dependent savings component from 2004, an increase of NIS 19 million before tax in the liabilities for policies that include a savings component up to 1990, and an increase of NIS 23 million before tax in the insurance liabilities for policies that include a savings component up to 2003). Additionally, in Q2, an increase of the insurance liabilities of NIS 122 million before tax was recorded for policies that include a savings component up to 2003 due to an update of the interest rate applied in calculating the supplementary reserve for annuity. The overall effect of the foregoing is to increase the insurance liabilities by NIS 30 million.

   In the corresponding period last year, the insurance liabilities increased by NIS 14 million before tax due to an update of the interest rate applied in calculating the reserve for claims in payment for work disability cover. In 2019, an increase of NIS 120 million before tax was recorded in the insurance liabilities, mainly due to an update of the interest rate applied in calculating the reserve for annuities in payment. For additional information see Note 9(1) to the Financial Statements.

B. In the Reporting Period the insurance liabilities decreased by NIS 217 million before tax as a result of completion of the study in Q2 regarding the age of retirement and exercising of annuity integrated with the age-dependent model. For additional information see Note 9(2) to the Financial Statements.

C. The results for 2019 were influenced by the implementation of an insurance circular on “Amendment of the Provisions of the Consolidated Circular on the Measurement of Liability - Update of the demographic assumptions in life assurance and updated model for mortality improvements for insurance companies and pension funds” (“the Circular”). Following implementation of the Circular, in 2019 an increase of NIS 91 million before tax was recorded in the life assurance and long-term savings segment, and the insurance liabilities in the health insurance segment decreased by NIS 70 million before tax.

D. The results for 2019 were affected by a revised study in connection with the rate of cancellations for insureds who are expected to exercise their entitlement to an annuity (take-up rate). Due to this revision, an increase of NIS 27 million before tax was recorded in the insurance liabilities.

E. Health segment, personal lines long-term care − results in the Reporting Period were affected by changes in the risk-free interest rate curve and by changes in the difference between the fair value and book value of the non-marketable assets. The effect of the above changes was partially offset by the application of the circular on revised liquidity premium rates added to the risk-free interest rate curve and application of the provisions of the circular on the method of allocating assets not at their fair value when assessing the adequacy of the reserve (LAT) which entered into force in Q2 (for information in connection with the circulars that were applied, see Sections 2.1.3 and 2.1.4 above). The overall effect of the foregoing is an increase of the insurance liabilities in the amount of NIS 127 million before tax. In Q3, due to changes in the risk-free interest rate curve and changes in the difference between the fair value and book value of non-marketable assets, the insurance liabilities increased by NIS 60 million before tax.

   In the corresponding period last year, in Q3 last year and in 2019, an increase of NIS 663 million before tax, NIS 650 million before tax and NIS 926 million before tax, respectively, was recorded in the insurance liabilities due to a sharp decrease in the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets.

F. In 2019, Harel Insurance completed several studies in connection with the cost of claims in the personal lines health sector on coverages for medications, ambulatory care and surgery. Due to these revisions, a decrease of NIS 112 million before tax was recorded in the insurance liabilities.

G. Results in the Reporting Period were affected by changes in the risk-free interest rate curve, by changes in the difference between the fair value and book value of the non-marketable assets and by application of the circular on revised liquidity premium rates added to the risk-free interest rate curve which entered into force in Q2 (for information about the circular that was applied, see Section 2.1.3 above). The overall effect of the foregoing is a decrease of NIS 97 million before tax in the insurance liabilities (NIS 42 million before tax in the compulsory motor sector and NIS 55 million before tax in the other liabilities sector).

   In Q3, due to changes in the risk-free interest rate curve and changes in the difference between the fair value and book value of non-marketable assets, the insurance liabilities decreased by NIS 39 million before tax (NIS 10 million before tax in the compulsory motor sector and NIS 29 million before tax in the other liabilities sectors).

   In the corresponding period last year, in Q3 last year and in 2019, the insurance liabilities in non-life insurance increased by NIS 157 million before tax (NIS 56 million before tax in the compulsory motor sector and NIS 101 million before tax in the other liabilities sector), by NIS 94 million (NIS 38 million in the compulsory motor sector and NIS 56 million in the other liabilities sectors), and by NIS 183 million before tax (NIS 56 million before tax in the compulsory motor sector and NIS 127 million before tax in the other liabilities sector), respectively, as a result of a decrease of the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets.

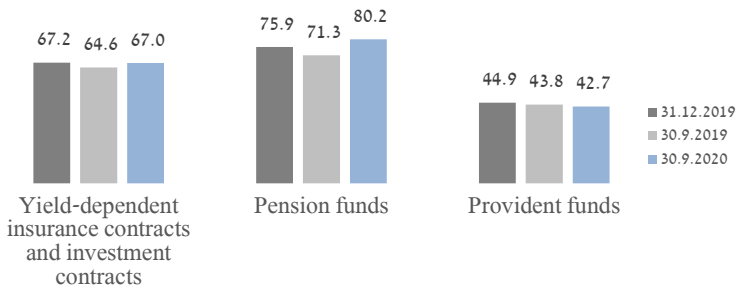
H. Results in the Reporting Period and Q3 were affected by the Supreme Court ruling regarding the discounting interest rate to apply to the National Insurance Institute in subrogation claims. As a result of the court's decision, in the Reporting Period and in Q3 a decrease of the insurance liabilities of NIS 80 million before tax was recorded (NIS 65 million before tax in the compulsory motor sector and NIS 15 million before tax in the other liabilities sector).

Results for the corresponding period last year and for 2019 were affected by the Supreme Court ruling concerning the discounting interest rate for compensation on account of personal injury in torts. As a result of the court's decision, a decrease of the insurance liabilities of NIS 260 million before tax was recorded (NIS 158 million before tax in the compulsory motor sector and NIS 102 million before tax in the other liabilities sector).

I. As a result of the COVID-19 crisis and high volumes of redemptions in portfolio management activity, in the Reporting Period the Company reduced the outstanding amount of goodwill and value of future management fees for this activity.

2.6 Other key information and effects by segment

2.6.1 Assets managed for the Group's members and policyholders in the life assurance and long-term savings segment (NIS billion):

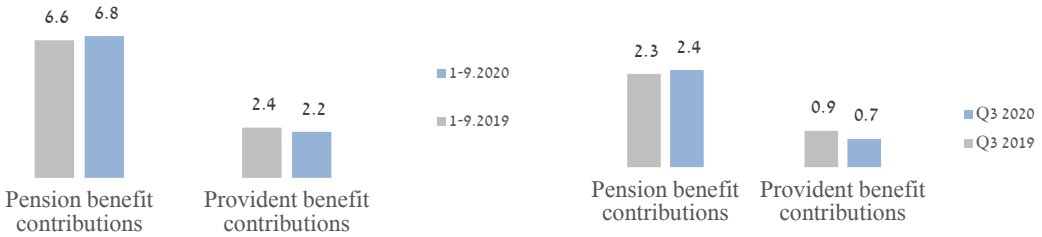


Provident funds* - the decrease in AUM in the current period is mainly due to negative accrual and to capital market yields

The assets managed by the provident funds and pension funds are not included in the Company's consolidated financial statements.

* Provident funds, education funds, central and personal severance pay funds, provident fund for sick pay, and a fund for non-contributory pension

2.6.2 Data on benefit contributions (NIS billion):



The benefit contributions in the provident funds and pension funds are not included in the Company's consolidated financial statements.

Provident - the data presented for the Reporting Period include lump-sum deposits of NIS 270 million, as against NIS 475 million in the corresponding period last year.

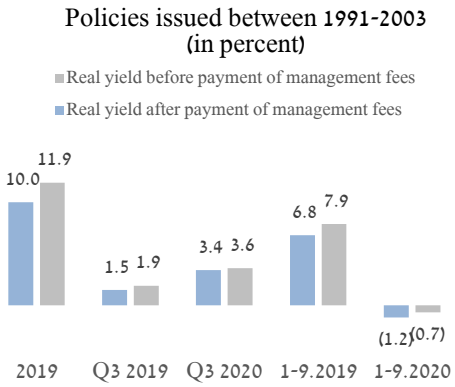
Pension - the increase in benefit contributions for the period, compared with the corresponding period last year, is mainly attributable to the enrollment of new members and an increase in the deposits made by existing customers.

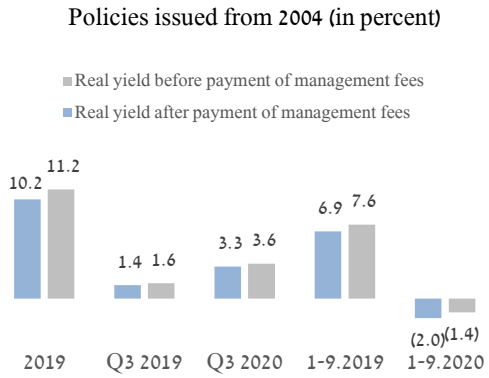
2.6.3 Life assurance

Redemptions as a percentage of the average reserve amounted to 3.4% in the Reporting Period, compared with 3.1% in the corresponding period last year and 3% in 2019.

Redemptions from average reserve in the current quarter amounted to 4.2%, compared with 3.3% in the corresponding quarter last year.

Yield-dependent policies:





The estimated amount of investment profit and management fees included in the consolidated income statement, which were credited to or debited from insureds in yield-dependent policies, and are calculated according to the Commissioner's instructions, on the basis of the quarterly yield and balances of the average insurance reserves, is as follows (NIS million):

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	**2019**	**2020**	**2019**	**2019**
Profit (loss) after management fees	(1,326)	3,744	1,847	441	5,292
Total management fees	329	465	111	166	693

2.6.4 Pension funds

The nominal yield attained by the new pension fund Harel Pension in the Reporting Period was a negative yield of 0.56%.

Total management fees collected from the pension funds managed by the Group amounted to NIS 246 million in the Reporting Period, compared with NIS 245 million in the corresponding period last year.

Total income from management fees collected by the pension funds managed by the

Group amounted to NIS 85 million in Q3, similar to the corresponding quarter last year.

2.6.5 Provident funds

The net accrual (excluding investment profit) in the provident funds in the Reporting Period was a negative NIS 1,267 million, as against positive accrual of NIS 108 million in the corresponding period last year.

Income from management fees collected from the provident funds managed by the Group amounted to NIS 184 million in the Reporting Period, as against NIS 191 million in the corresponding period last year.

Income from management fees collected from the provident funds managed by the Group amounted to NIS 61 million in Q3, as against NIS 64 million in the corresponding quarter last year.

2.6.6 Health insurance

Harel Insurance is the insurer in the group LTC policy for members of Clalit Health Services. In addition to the group LTC policy for members of Clalit Health Services, Harel provides long-term care insurance for several other groups.

In 2019 Harel Insurance announced that due to the conditions of the existing LTC policies, which in practice incorporate in their tariffs a guaranteed yield and which the Company is unable to commit to for long periods under present market conditions, and due to the fact that the reinsurers who were active in this sector have announced a discontinuation of their activity in this sector, it was decided to discontinue the sale of new personal lines LTC policies. Harel Insurance will work to obtain approval from the Commissioner of the Capital Market to market new policies that are compatible with the current market situation.

2.6.7 Non-life insurance

For information about additional financial data relating to the non-life insurance segment, by sector, see Note 4(B) to the Financial Statements.

Change in the quantity of policies in terms of exposure:

	For the nine months ended September 30		For the year ended December 31
	2020	**2019**	**2019**
Compulsory motor	4%	(14%)	(14%)
Motor property (CASCO)	10%	2%	3%
Property and other branches	2%	4%	3%
Other liabilities branches	(4%)	2%	2%

Number of policies in terms of exposure - non-life insurance activity typically involves policies for a period of up to a year. In view of the nature of the policies, quantity is a multiple of the number of policies within the policy period during the year. In other words, if underwriting is carried out for a policy with a period of less than a year, it is multiplied by the relative part of the period so that a policy for six months is half a unit. The number of policies in the previous Reporting Period was partly affected by the fact that two groups (car fleets) did not renew their compulsory motor policies with the Company.

On September 30, 2020, Harel Insurance was informed that it had been awarded 35% of the tender published by the Accountant General for motor property insurance and compulsory motor insurance of state employees for 2021, similar to the period 2019-2020. The results of the tender are not expected to significantly affect the Company's performance.

2.6.7.1 Compulsory motor

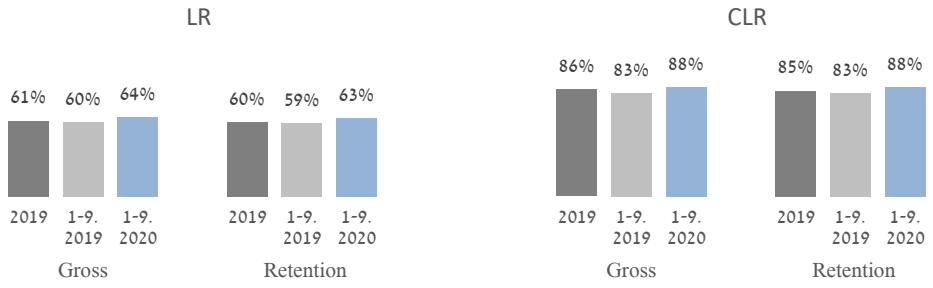
For additional information about the results for compulsory motor insurance, see Sections 2.5.1 and 2.5.2 above.

Given that car owners must insure their vehicles in accordance with the Motor Vehicle Insurance Ordinance, the owners of vehicles (usually motorcycles) who were rejected by the insurance companies may purchase insurance through the Pool (Israel pool for vehicle insurance), which operates as an insurance company to all intents and purposes. All the insurance companies which operate in the compulsory motor sector are partners in the Pool, and each company bears a share of the Pool's losses pro rata to its share of the compulsory motor insurance market for the previous year. A letter from the Pool's CEO set the Company's temporary share of Harel Insurance in the net premiums for 2020 at 12.15% (compared with 12.19% which was the Company's final share for 2019).

2.6.7.2 Motor property

For information about results of the motor property sector, see Section 2.5.1 above.

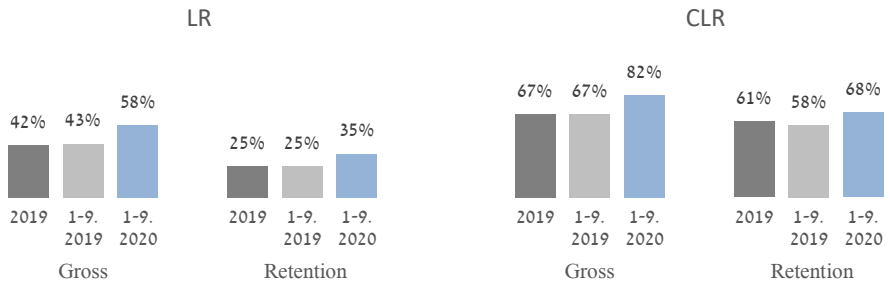
Loss ratio (LR) and combined loss ratio (CLR) in motor property insurance:



2.6.7.3 Property and other branches

For information about results of the compulsory motor sector, see Section 2.5.1 above.

Loss Ratio and Combined Loss Ratio in property and other sectors:



2.6.7.4 Other liabilities branches

For information about the results for other liabilities sectors, see Sections 2.5.1 and 2.5.2 above.

2.6.7.5 Credit insurance for mortgages

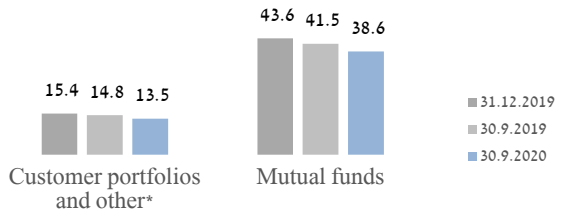
The premiums earned in credit insurance for residential mortgages are not for new sales, but in respect of sales made in the past and for which the premiums are recognized as earned premiums based on the period of coverage. In this sector, EMI has no reinsurance agreements.

2.6.8 Insurance companies overseas

The Company is the controlling shareholder (with a 94% stake) in Interasco, an insurance company operating in Greece, and it also fully controls Turk Nippon - an insurance company which operates in Turkey ("insurance companies overseas"). The insurance companies overseas operate in the non-life insurance and health insurance sectors.

2.6.9 Capital market and financial services

Assets managed for the Group's members and policyholders (NIS billion):



The assets managed in the customer portfolios include financial assets that were issued by the Group and are managed in the portfolios.

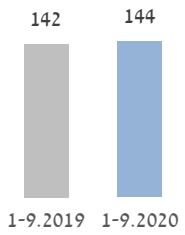
Revenues in the capital market and financial services segment amounted to NIS 168 million in the Reporting Period, compared with NIS 150 million in the corresponding period last year.

*Customer portfolios and other - "other" includes structured bonds and private equity funds in the amount of NIS 1 billion

The assets managed by the mutual funds and in customer portfolios are not included in the Company's consolidated financial statements.

Mutual fund assets include mutual funds, ETFs and certificates of deposit (CDs)

Management fees in the financial services segment (NIS million):



2.7 Liquidity and sources of finance

2.7.1 Cash flows

Net cash flows provided by operating activities amounted to NIS 653 million in the

Reporting Period. Net cash flows used in investment activity amounted to NIS 224 million. Net cash flows used in financing activity were NIS 279 million. The effect of fluctuating exchange rates on the cash balances was a positive NIS 133 million. The outcome of all the above activity is an increase of NIS 283 million in the cash balances.

2.7.2 Liquidity and financing of operations

In the Reporting Period, there were no significant changes in the Company's liquidity, financial robustness and the sources of financing available to it.

3 Market risks - exposure and management

During the Reporting Period, there were no material changes in the Company's exposure to and management of market risks compared with the Periodic Report.

There is considerable uncertainty over future repercussions of the COVID-19 pandemic on future economic activity in Israel and worldwide, on the financial markets and on various market variables. Nevertheless, the relevant risk profile is not expected to create a significant loss for the Company.

4 Corporate governance

Changes in the Board of Directors

On March 31, 2020, Mr. Udi Nissan completed three years of service as an external director in the Company.

Pursuant to the provisions of the circular "Board of Directors of a Financial Institution", external directors of a company may not serve as an independent director of a subsidiary that is a financial institution. On April 1, 2020, Mr. Udi Nissan began a second term of office as an independent director of Harel Insurance and he was therefore forced to step down as an external director in the Company.

On May 31, 2020, a General Meeting of the Company took place which approved the appointment of Mr. Naim Najar as an external director in the Company. On June 1, 2020, Mr. Naim Najar took up his position as an external director in the Company.

On October 12, 2020, the General Meeting of the Company approved the appointment of Ms. Hava Friedman-Shapira for an additional (third) three-year term of office as an external director in the Company (commencing November 18, 2020).

On November 30, 2020, a decision was made to convene a Special General Meeting of the Company, the agenda of which will include the appointment of Ms. Efrat Yavetz as an External Director in the Company. The meeting is convened for January 7, 2021.

5 Disclosure concerning the economic solvency ratio

On October 14, 2020, the Commissioner published Insurance Circular 2020-1-15 on "Amendment of the Consolidated Circular concerning Implementation of an Economic Solvency Regime for Insurance Companies Based on Solvency II" ("the New Solvency Circular"). The New Solvency Circular includes adjustments and updates made by the Capital Market, Insurance and Savings Authority ("the Authority") during the course of 2020 regarding Insurance Circular 2017-1-9 ("Solvency Circular"). The adjustments and updates in the New Solvency Circular were made further to relevant letters and drafts published during the course of 2020 and in view of the Authority's statement that it intends to work towards adapting the Economic Solvency Regime in Israel to the Solvency II directive and updates.

According to the New Solvency Circular, the transitional provisions were adapted to the format set out in the European Directive, with an option to gradually increase the reserves in respect of long-term insurance products that were sold in the past, through 2032. Based on the new transitional provisions, insurance companies may, after obtaining the Commissioner's approval, include in the calculation of the insurance reserves in the transitional period, a deduction from the insurance reserve ("the Deduction"). The Deduction is calculated in accordance with the instructions in the Deduction principles letter and it is gradually reduced from a rate of 100% on the calculation of the insurance reserves at December 31, 2019, to a rate of 0% on the calculation of the insurance reserves at December 31, 2032.This method of calculation for the transitional period replaces the previous method for the transitional period that was applied in prior periods, in which the solvency capital requirement for insurance companies in the period commencing June 30, 2017 and ending December 31, 2024, will increase gradually by 5% each year, starting with 60% of the SCR until the full SCR is reached. At December 31, 2019, this ratio is 75%. The New Solvency Circular also includes updates based on changes that were made in Europe and are relevant to the Israeli market. The New Solvency Circular and the key changes therein were applied from the date of calculation of the economic solvency ratio as at December 31, 2019.

Based on the transitional provisions, the capital surplus of Harel Insurance at December 31, 2019, is NIS 6,309 million. In accordance with the directive, the economic solvency report as at December 31, 2019 was published on October 28, 2020.

The capital surplus of Harel Insurance as at December 31, 2019, before the transitional provisions (in terms of 100% SCR), is NIS 1,447 million.

Notably, the model in its current format is extremely sensitive to changes in market and other variables, such as changes in the interest rate, changes in investment profits, revised actuarial assumptions and changes relating to the activity of Harel Insurance.

Calculations of the existing economic capital and required capital are based on forecasts and assumptions that rely principally on past experience, and they do not necessarily reflect future performance.

The Best Estimate was determined on the basis of forecasts, assessments and estimates of future events, the materialization of which is uncertain and that are beyond the Company's control, and they should be treated as "forward looking information", according to its definition in Section 32A of the Securities Law, 1968. It is possible that all or some of these forecasts, assessments and estimates will not materialize or they may materialize differently from the manner assumed in calculating the Solvency Report. Actual performance may therefore differ from the forecast.

Hereunder is information about the solvency ratio and minimum capital requirement (MCR) at December 31, 2019, based on the directives in the New Solvency circular. The economic solvency ratio is calculated in accordance with the transitional provisions, in which the transitional period is determined. Within the context of the New Solvency Circular, the transitional provisions were adapted to the format set out in the Directive, according to which the reserves in respect of long-term insurance products that were sold in the past, may be increased gradually. Accordingly, Harel Insurance adopted a new method correct for the calculation at December 31, 2019, which differs from the method of calculation applied in the calculation at December 31, 2018. The different items presented in the table above therefore cannot be compared (the different methods are detailed in Section 1.B.A of the Solvency Report:

A. Economic solvency ratio

	As at December 31	
	2019	**2018**
	(Audited)	
Equity (own funds) with respect to the solvency capital requirement (NIS million)	**15,370**	11,551
Solvency capital requirement (NIS million)	**9,061**	6,663
Surplus (NIS million)	**6,309**	4,888
Economic solvency ratio	**170%**	173%
Effect of material capital activity that took place in the period between the date of the calculation and the publication date of the economic solvency ratio report:		
Raising (redemption) of capital instruments (*)	**-**	343
Equity (own funds) with respect to the solvency capital requirement (NIS million)	**15,370**	11,894
Surplus (NIS million)	**6,309**	5,231
Economic solvency ratio	**170%**	179%

(*) In May 2020, early redemption of Series 4 bonds was performed in the amount of NIS 217 million. This redemption does not affect the recognized tier-2 capital given that there is an unutilized tier-2 balance over and above the limit for tier-2 capital.

Reasons that brought about material changes that occurred compared with comparison figures in key items

The Company's capital position at the end of 2019 was affected by its ongoing business developments, changes in market variables, revised demographic assumptions and ongoing model updates as well as an update of the Solvency directives relating to the transitional period.

Material events that took place in the period between the date of the calculation and the publication date of the report

- The outbreak and spread of COVID-19 in all parts of the world, beginning in January 2020, caused shares prices to tumble in the financial markets and to a significant reduction of economic activity. At the date of publication of the report, prices on the capital markets rose

and completely offset the Nostro investment losses, but the market has yet to return to its former level and there is considerable uncertainty regarding the pace of recovery of business activity in Israel.

- Between the reporting date and the date of publication of the report, the interest rate curve rose in the short and medium term and it declined in the longer term. The decline in the long term was offset by an increase in the VA component.

The Company's assessments regarding the repercussions of the different developments, as noted above, are forward-looking information, and they are, in part, due to the fact these assessments are preliminary and also to the uncertainty regarding the actual extent of the changes. Additionally, the foregoing is not intended to be an estimate of the solvency ratio at the date of publication of the report, which depends on the developments that may occur up to this date, as well as a range of other factors which cannot be estimated at this stage, including the effect of the business activity of Harel Insurance after December 31, 2019, changes in the mix and size of the investments and insurance liabilities as well as regulatory changes that affect the business environment.

At this stage, the Company is unable to estimate the intensity of these effects on the solvency ratio, which might be significant. Nonetheless, at the date of publication, the Company believes that these effects are not expected to affect its compliance with the regulatory capital requirements, taking the transitional provisions into account.

For information about the solvency ratio without applying the transitional provisions to the transitional period and without adjustment for equity risk and regarding the capital surplus target and limitations that apply to the Company with respect to distribution of a dividend, see Section C below.

B. Minimum Capital Requirement (MCR)

	As at December 31	
	2019	2018
	(Audited)	
	NIS million	
MCR	**2,272**	2,173
Own funds for the purpose of MCR	**11,294**	8,654

On October 28, 2020, in accordance with the Commissioner's instructions, Harel Insurance published on its website a report on its economic solvency ratio in respect of data at December 31, 2019:
https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx .

The New Solvency Circular requires a reassessment of the capital management policy of Harel Insurance, which is described in Section 8 of the Economic Solvency Report.

It is Harel Insurance's policy to hold a strong capital base to guarantee its solvency and its ability to meet its commitments towards its insureds, to ensure that it is capable of continuing its business activity and so that it can provide its shareholders with a return. At this stage, for

reasons of caution, taking note of the high level of sensitivity of the new calculation model to regulatory changes and other variables, and in the absence of adequate experience regarding the future pattern of development of the required capital and risk margin, the Board of Directors of Harel Insurance resolved not to determine a target range for the economic solvency ratio. The Board of Directors of Harel Insurance will, in future, examine the need to determine capital targets and a target range it hopes to remain within during and after the transitional period.

Nevertheless, on November 30, 2020, the Board of Directors of Harel Insurance approved a revised capital management plan and at this stage, threshold conditions were determined for a dividend distribution, which include a minimum economic solvency ratio of 135%, taking the transitional provisions into account, and a minimum solvency ratio without taking the transitional provisions into account, of 105%.

The threshold conditions are intended to allow Harel Insurance to cope with crises without significantly compromising its operations and its compliance with the applicable capital requirements. Nonetheless, the foregoing is not intended to ensure that Harel Insurance will be in compliance with the defined threshold conditions at all times.

C. Without applying the transitional provisions to the transitional period and without adjustment for equity risk:

	As at December 31	
	2019	**2018**
	(Audited)	
Equity (own funds) with respect to the solvency capital requirement (NIS million)	**12,423**	11,852
Solvency capital requirement (SCR)	**10,976**	9,940
Surplus (NIS million)	**1,447**	1,912
Economic solvency ratio	**113%**	119%
Effect of material capital transactions that took place in the period between the date of the calculation and the publication date of the economic solvency ratio report:		
Raising (redemption) of capital instruments	**-**	343
Equity (own funds) with respect to the solvency capital requirement (NIS million)	**12,423**	12,195
Surplus (NIS million)	**1,447**	2,256
Economic solvency ratio	**113%**	123%
Capital status after capital transactions in relation to the Board of Directors target:		
Economic solvency ratio target of the Board of Directors (NIS million) (*)	**11,839**	10,745
Capital surplus in relation to the target (NIS million)	**584**	1,450

(*) Including a capital buffer of NIS 863 million, over and above the solvency capital requirement (SCR)

The Board of Directors wishes to express its thanks to the Group's employees and agents for its achievements.

Yair Hamburger	Michel Siboni
Chairman of the Board of Directors	CEO

November 30, 2020

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at September 30, 2020

Somekh Chaikin
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Auditors' review report to the shareholders of Harel Insurance Investments and Financial Services Ltd.

Introduction

We have reviewed the accompanying financial information of Harel Insurance Investments and Financial Services Ltd. and its subsidiaries (hereinafter: "the Group") which include the condensed consolidated interim statement of financial position as at September 30, 2019 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine and three months ended on that date. The Board of Directors and management are responsible for the preparation and presentation of the interim financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting", and they are also responsible for the preparation of interim financial information under Chapter D of the Securities (Periodic and Immediate Reports) Regulations, 1970, to the extent that these regulations apply to companies that consolidate insurance companies and subject to the disclosure requirements issued by the Commissioner of the Capital Market, Insurance and Savings, in accordance with Supervision of Financial Services (Insurance) Law, 1981. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of consolidated companies whose assets included in the consolidation constitute 2.9% of all the consolidated assets as at September 30, 2020 and whose revenues included in the consolidation comprise 5% and 2.7% of all the consolidated revenues for the nine and three months ended on that date. Furthermore, we did not review the condensed financial information for the interim period of an equity accounted investee, in which the investment is NIS 118 million as at September 30, 2020, and the Group's share of its profits is NIS 4 million and NIS 6 million for the nine and three months, respectively, ended on that date. The condensed interim financial information for those companies was reviewed by other auditors whose review reports were furnished to us and our conclusions, to the extent that they relate to financial information for those companies, are based on the review reports of the other auditors**.**

Scope of the review

We conducted our review in accordance with Review Standard 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Entity's Auditor". A review of interim financial information consists of clarifications, mainly with persons responsible for financial and accounting matters, and applying analytical review procedures. A review is considerably more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to obtain assurance that we are aware of all the significant matters that might have been identified in an audit. We therefore do not express an audit opinion.

Conclusion

Based on our review, and on the review report of the other auditors, nothing came to our attention that might cause us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to the remark in the previous paragraph, based on our review and on the review reports of the other auditors, nothing came to our attention that might cause us to believe that the accompanying financial information does not comply, in all significant respects, with the provisions of the Pronouncement under Chapter D of the Securities (Periodic and Immediate Reports) Regulations, 1970, to the extent that these regulations apply to a corporation that consolidates insurance companies and subject to the disclosure requirements issued by the Commissioner of the Capital Market, Insurance and Savings pursuant Supervision of Financial Services (Insurance) Law, 1981.

Without qualifying our abovementioned conclusions, we direct attention to Note 7A to the above-mentioned financial information regarding the Group's exposure to contingent liabilities.

Somekh Chaikin
Certified Public Accountants (Isr)

November 30, 2020

Condensed consolidated interim statements of financial position at

	30 September		December 31
	2020	2019	2019
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Intangible assets	**1,796**	1,658	1,685
Deferred tax assets	**12**	12	12
Deferred Acquisition Costs	**2,500**	2,483	2,495
Fixed assets	**1,396**	1,407	1,399
Investments in equity accounted investees	**1,388**	1,512	1,437
Investment property for yield-dependent contracts	**1,797**	1,702	1,769
Other investment property	**2,099**	1,922	2,058
Reinsurance assets	**4,279**	4,304	4,281
Current tax assets	**3**	16*	13*
Trade and other receivables	**1,600**	1,427	1,337
Premium due	**1,384**	1,447	1,428
Financial investments for yield-dependent contracts	**60,471**	58,906	61,562
Other financial investments			
Marketable debt assets	**11,128**	10,518	11,309
Non-marketable debt assets	**14,655**	14,509	14,842
Shares	**1,481**	1,197	1,277
Other	**2,864**	2,716	2,860
Total other financial investments	**30,128**	28,940	30,288
Cash and cash equivalents for yield-dependent contracts	**3,322**	2,984	2,897
Other cash and cash equivalents	**1,914**	1,428	2,056
Total assets	**114,089**	110,148	114,717
Total assets for yield-dependent contracts	**66,985**	64,634	67,202

* Retrospective application of a new insurance circular – see Note 2C

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of financial position at (Contd.)

	30 September		December 31
	2020	2019	2019
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Equity and liabilities			
Equity			
Share capital and share premium	**359**	359	359
Treasury stock	**(123)**	(123)	(123)
Capital reserves	**900**	821	957
Retained earnings	**6,173**	5,507*	5,709*
Total equity attributed to shareholders of the Company	**7,309**	6,564	6,902
Non-controlling interests	**18**	7	18
Total equity	**7,327**	6,571	6,920
Liabilities			
Liabilities for non-yield-dependent insurance contracts and investment contracts	**28,333**	28,402*	28,619*
Liabilities for yield-dependent insurance contracts and investment contracts	**66,418**	63,911	66,539
Deferred tax liabilities	**1,145**	1,072*	1,182*
Liabilities for employee benefits, net	**282**	292	282
Current tax liabilities	**138**	29*	45*
Trade and other payables	**3,187**	3,499	3,693
Financial liabilities	**7,259**	6,372	7,437
Total liabilities	**106,762**	103,577	107,797
Total equity and liabilities	**114,089**	110,148	114,717

* Retrospective application of a new insurance circular – see Note 2C

Yair Hamburger	Michel Siboni	Arik Peretz
Chairman of the Board of Directors	CEO	CFO

Date of approval of the financial statements: November 30, 2020

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	11,044	11,377	3,674	4,015	15,104
Premiums earned by reinsurers	1,250	1,313	430	448	1,745
Earned premiums in retention	9,794	10,064	3,244	3,567	13,359
Profit (loss) from investments, net, and financing income	(553)	5,648	2,443	856	7,921
Income from management fees	909	1,051	308	369	1,487
Income from commissions	234	277	79	88	358
Total income	10,384	17,040	6,074	4,880	23,125
Payments and changes in liabilities for insurance contracts and investment contracts, gross	7,669	14,687**	4,926	4,607**	19,834**
Reinsurers' share of payments and change in liabilities for insurance contracts	968	901	335	320	1,229
Payments and changes in liabilities for insurance contracts and investment contracts in retention	6,701	13,786	4,591	4,287	18,605
Commissions, marketing expenses and other acquisition costs	1,993	2,042	655	691	2,729
General and administrative expenses	868	908	305	308	1,211
Other expenses	22	12	3	5	16
Financing expenses, net	142	122	53	16	163
Total expenses	9,726	16,870	5,607	5,307	22,724
Company's share of profits of equity accounted investees	6	103	8	14	160
Profit (loss) before taxes on income	664	273	475	(413)	561
Taxes on income (tax benefit)	202	14**	158	(165)**	104**
Profit (loss) for period	462	259	317	(248)	457
Attributed to:					
Shareholders of the Company	462	259	317	(248)	457
Non-controlling interests	-*	-*	-*	-*	-*
Profit (loss) for period	462	259	317	(248)	457
Basic and diluted earnings (loss) per share (in NIS)	2.16	1.21**	1.48	(1.16)**	2.13**

* Less than NIS 1 million

** Retrospective application of a new insurance circular – see Note 2C

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of comprehensive income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit (loss) for the period	**462**	259**	**317**	(248)**	457**
Items of other comprehensive income (loss) that after initial recognition as part of comprehensive income were or will be transferred to profit or loss					
Net change in the fair value of financial assets classified as available-for-sale	**(104)**	737	**176**	259	950
Net change in fair value of financial assets classified as available-for-sale carried over to income statement	**(152)**	(103)	**(65)**	(35)	(127)
Loss from impairment of available-for-sale financial assets transferred to income statement	**148**	26	**34**	10	31
Foreign currency translation differences for foreign activities	**(6)**	(86)	**2**	(29)	(69)
Tax benefit (income tax) attributable to available-for-sale financial assets	**33**	(225)	**(53)**	(79)	(291)
Tax benefit for items of other comprehensive income that after initial recognition as part of comprehensive income were or will be transferred to profit or loss	**(2)**	22	**(3)**	9	13
Total other comprehensive income (loss) for the period that after initial recognition as part of comprehensive income was or will be transferred to profit or loss, net of tax	**(83)**	371	**91**	135	507
Items of other comprehensive income (loss) that will not be transferred to profit or loss					
Revaluation reserve for fixed asset items	**36**	26	**(1)**	1	26
Re-measurement of a defined benefit plan	**2**	(14)	**(9)**	(9)	(7)
Tax benefit (taxes on income) for other items of comprehensive income that will not be transferred to profit or loss	**(10)**	(2)	**4**	3	(5)
Other comprehensive income (loss) for the period that will not be transferred to profit or loss, net of tax	**28**	10	**(6)**	(5)	14
Total other comprehensive income (loss) for period	**(55)**	381	**85**	130	521
Total comprehensive income (loss) for period	**407**	640	**402**	(118)	978
Attributed to:					
Shareholders of the Company	**407**	640	**402**	(118)	978
Non-controlling interests	**-***	-*	**-***	-*	-*
Total comprehensive income (loss) for period	**407**	640	**402**	(118)	978

* Less than NIS 1 million

** Retrospective application of a new insurance circular – see Note 2C

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of changes in equity

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the nine months ended September 30, 2020 (Unaudited)											
Balance as at January 1, 2020	359	875	(145)	1	(123)	(49)	275	5,709**	6,902	18	6,920
Comprehensive income (loss) for period											
Profit for the period	-	-	-	-	-	-	-	462	462	-*	462
Other comprehensive income (loss)	-	(75)	(8)	-	-	-	26	2	(55)	-*	(55)
Total comprehensive income (loss) for period	-	(75)	(8)	-	-	-	26	464	407	-*	407
Balance as at September 30, 2020	359	800	(153)	1	(123)	(49)	301	6,173	7,309	18	7,327

* Less than NIS 1 million

** Retrospective application of a new insurance circular – see Note 2C

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of changes in equity (Contd.)

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended September 30, 2020 (Unaudited)											
Balance as at July 1, 2020	359	708	(152)	1	(123)	(49)	302	5,861	6,907	18	6,925
Comprehensive income (loss) for period											
Profit for period	-	-	-	-	-	-	-	317	317	-*	317
Other comprehensive income (loss)	-	92	(1)	-	-	-	(1)	(5)	85	-*	85
Total comprehensive income (loss) for period	-	92	(1)	-	-	-	(1)	312	402	-*	402
Balance as at September 30, 2020	359	800	(153)	1	(123)	(49)	301	6,173	7,309	18	7,327

* Less than NIS 1 million

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of changes in equity (Contd.)

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the nine months ended September 30, 2019 (Unaudited)											
Balance as at January 1,2019	359	312	(89)	1	(123)	(49)	256	5,493**	6,160	6	6,166
Comprehensive income (loss) for period											
Profit for period	-	-	-	-	-	-	-	259**	259	-*	259
Other comprehensive income (loss)	-	435	(64)	-	-	-	19	(9)	381	-*	381
Total comprehensive income (loss) for period	-	435	(64)	-	-	-	19	250	640	-*	640
Transactions with shareholders recognized directly in equity											
Dividend distributed	-	-	-	-	-	-	-	(236)	(236)	-	(236)
Non-controlling interests in a newly established consolidated subsidiary	-	-	-	-	-	-	-	-	-	1	1
Balance as at September 30, 2019	359	747	(153)	1	(123)	(49)	275	5,507	6,564	7	6,571

* Less than NIS 1 million

** Retrospective application of a new insurance circular – see Note 2C

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of changes in equity (Contd.)

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended September 30, 2019 (Unaudited)											
Balance as at July 1, 2019	359	592	(133)	1	(123)	(49)	274	5,868**	6,789	7	6,796
Comprehensive income (loss) for period											
Loss for period	-	-	-	-	-	-	-	(248)**	(248)	-*	(248)
Other comprehensive income (loss)	-	155	(20)	-	-	-	1	(6)	130	-*	130
Total comprehensive income (loss) for period	-	155	(20)	-	-	-	1	(254)	(118)	-*	(118)
Transactions with owners recognized directly in equity											
Dividend distributed	-	-	-	-	-	-	-	(107)	(107)	-	(107)
Balance as at September 30, 2019	359	747	(153)	1	(123)	(49)	275	5,507	6,564	7	6,571

* Less than NIS 1 million

** Retrospective application of a new insurance circular – see Note 2C

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of changes in equity (Contd.)

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2019 (Audited)											
Balance as at January 1,2019	359	312	(89)	1	(123)	(49)	256	5,493**	6,160	6	6,166
Comprehensive income (loss) for year											
Profit for the year	-	-	-	-	-	-	-	457**	457	-*	457
Other comprehensive income (loss)	-	563	(56)	-	-	-	19	(5)	521	-*	521
Total comprehensive income (loss) for the year	-	563	(56)	-	-	-	19	452	978	-*	978
Transactions with shareholders recognized directly in equity											
Dividend distributed	-	-	-	-	-	-	-	(236)	(236)	-	(236)
Non-controlling interests in a newly established consolidated subsidiary	-	-	-	-	-	-	-	-	-	12	12
Balance as at December 31, 2019	359	875	(145)	1	(123)	(49)	275	5,709	6,902	18	6,920

* Less than NIS 1 million

** Retrospective application of a new insurance circular – see Note 2C

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of cash flows

		For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2020	2019	2020	2019	2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Annex	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activity						
Before taxes on income	A	772	60	816	71	(175)
Taxes paid		(119)	(161)	(36)	(79)	(186)
Net cash from (used for) operating activities		653	(101)	780	(8)	(361)
Cash flows from investment activity						
Investment in investees, net		(14)	(70)	(2)	(39)	(118)
Proceeds from the sale of an investment in an equity accounted investee		56	88	-	1	132
Investment in fixed assets		(33)	(38)	(7)	(9)	(51)
Investment in intangible assets		(242)	(186)	(95)	(68)	(252)
Dividend and interest received from an investee		9	22	2	8	193
Proceeds from sale of fixed assets and intangible assets		-	-	-	-	1
Net cash used for investment activity		(224)	(184)	(102)	(107)	(95)
Cash flows from financing activity						
Proceeds of issuance of liability notes, net		-	594	-	-	1,384
Repayment of liability notes		(216)	(40)*	-	-	(71)*
Payment for purchase of ETNs and covered warrants, net		-	(33)	-	-	(33)
Short-term credit from banks, net		-	(121)	-	(25)*	(121)
Repayment of loans from banks and others		(39)	(141)*	-	-	(153)*
Long-term loans received from financial institutions		-	-	-	-	190*
Repayment of lease liabilities		(24)	-	(8)	-	(31)
Dividend paid to the Company's shareholders		-	(343)	-	(107)	(343)
Net cash from (used for) financing activity		(279)	(84)	(8)	(132)	822
Effect of exchange rate fluctuations on cash balances and cash equivalents		133	77	91	25	(117)
Increase (decrease) in cash and cash equivalents		283	(292)	761	(222)	249
Retained cash and cash equivalents at beginning of the period	B	4,953	4,704	4,475	4,634	4,704
Retained cash and cash equivalents at end of the period	C	5,236	4,412	5,236	4,412	4,953

* Reclassified

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of cash flows (contd.)

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Annex A - Cash flows from operating activities before taxes on income (1), (2), (3)					
Profit (loss) for the period	462	259*	317	(248)*	457*
Items not involving cash flows:					
Company's share of profits of equity accounted investees	(6)	(103)	(8)	(14)	(160)
Net losses (profits) from financial investments for yield-dependent insurance contracts and investment contracts	1,562	(3,794)	(1,937)	(388)	(5,285)
Losses (profits) net, from other financial investments					
Marketable debt assets	(7)	9	(58)	49	1
Non-marketable debt assets	76	(5)	(2)	90	11
Shares	(4)	(15)	(34)	7	(48)
Other investments	68	(572)	(35)	(148)	(542)
Financing expenses (income) for financial liabilities, net	(455)	879	(243)	1,266**	905
Change in fair value of investment property for yield-dependent contracts	16	(50)	7	(41)	(113)
Change in fair value of other investment property	(28)	(55)	1	(34)	(172)
Depreciation and amortization					
Fixed assets	72	85	24	29	118
Intangible assets	131	106	46	34	145
Change in liabilities for non-yield-dependent insurance contracts and investment contracts	(162)	1,241*	(382)	601*	1,482*
Change in liabilities for yield-dependent insurance contracts and investment contracts	(121)	7,169	2,332	1,626	9,797
Change in reinsurance assets	(23)	(8)	6	12	9
Change in DAC	(13)	(15)	11	10	(29)
Income tax expenses (income)	202	14*	158	(165)*	104*
Changes in other statement of financial position items:					
Financial investments and investment property for yield-dependent insurance contracts and investment contracts					
Purchase of investment property	(44)	(24)	(4)	(3)	(28)
Net sales (acquisitions) of financial investments	(898)	(3,241)	304	(1,133)	(4,269)
Other financial investments and investment property					
Purchase of investment property	(13)	(20)	(1)	(7)	(39)
Net sales (acquisitions) of financial investments	725	(2,080)	313	(1,440)	(3,102)
Premiums due	19	(32)	24	(2)	(18)
Trade and other receivables	(325)	11	30	(289)	86
Cash and cash equivalents pledged for holders of ETNs	-	35	-	-	35
Trade and other payables	(465)	254	(60)	248	471
Liabilities for employee benefits, net	3	12	7	11	9
Total adjustments required to present cash flows from operating activities	310	(199)	499	319	(632)
Total cash flows from (used for) operating activity before taxes on income	772	60	816	71	(175)
Material non-cash activity					
Initial application of IFRS 16 (Note 3A)	-	63	-	-	63

* Retrospective application of a new insurance circular – see Note 2C
** Reclassified

(1) Cash flows from operating activities include net the purchase and sale, net, of financial investments and real estate investment attributable to activity in insurance contracts and investment contracts.
(2) As part of the operating activities, interest received was presented at NIS 516 million (for the nine months ended September 30, 2019 an amount of NIS 1,169 million and for 2019 as a whole an amount of NIS 835 million) and interest was paid in the amount of NIS 89 million (for the nine months ended September 30, 2019 an amount of NIS 61 million and for 2019 as a whole an amount of NIS 160 million).
(3) As part of the operating activities, a dividend received from other financial investments was presented in the amount of NIS 18 million (for the nine months ended September 30, 2019, an amount of NIS 251 million and for 2019 as a whole an amount of NIS 295 million).

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Condensed consolidated interim statements of cash flows (contd.)

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Annex B - Cash and cash equivalents at beginning of period					
Cash and cash equivalents for yield-dependent contracts	**2,897**	3,083	**2,640**	2,905	3,083
Other cash and cash equivalents	**2,056**	1,621	**1,835**	1,729	1,621
Retained cash and cash equivalents at beginning of the period	**4,953**	4,704	**4,475**	4,634	4,704
Annex C - Cash and cash equivalents at end of period					
Cash and cash equivalents for yield-dependent contracts	**3,322**	2,984	**3,322**	2,984	2,897
Other cash and cash equivalents	**1,914**	1,428	**1,914**	1,428	2,056
Retained cash and cash equivalents at end of the period	**5,236**	4,412	**5,236**	4,412	4,953

The Notes accompanying the condensed consolidated interim financial statements are an integral part thereof.

Note 1 - General

A. The reporting entity

Harel Insurance Investments and Financial Services Ltd. ("the Company") is an Israeli resident company, which was incorporated in Israel, and whose shares are traded on the Tel Aviv Stock Exchange. The Company's official address is 3 Abba Hillel Silver Street, Ramat Gan.

The Company is a holding company whose main holdings are in subsidiaries comprising insurance and finance companies. The condensed consolidated interim financial statements, as at September 30, 2020, include those of the Company and its consolidated subsidiaries ("the Group"), the Company's rights in jointly controlled entities and the Group's rights in affiliated companies.

The condensed consolidated interim financial statements mainly reflect assets and liabilities and operations of the subsidiary insurance companies and were therefore prepared in a format similar to the format in which interim financial statements of insurance companies are prepared.

B. Outbreak of the COVID-19 virus

As a result of the outbreak of the COVID-19 virus at the beginning of 2020 (“the COVID-19 Crisis”), many countries around the world, Israel included, introduced a range of measures to reduce exposure to the virus, including restrictions on movement and large gatherings of people, limiting manpower in the work place, establishing guidelines for the isolation of people who may have been infected and the closure of leisure and entertainment venues. In May 2020, some of the restrictions were lifted as part of the measures to return the economy to a normal footing, but in September 2020, due to a second wave of the virus, new restrictions were imposed, the most important of which were limitations on public gatherings and activity in the public space, which affected the scope and nature of activity in the business and private sector. The gradual lifting of these restrictions began in October 2020.

The spread of the virus and the protective measures detailed above caused significant economic damage and negative trends in both the global and Israeli economy. The Company believes that the COVID-19 crisis is an evolving event and there is no certainty regarding its conclusion and the extent of its impact on the Group’s assets and performance.

In the wake of the COVID-19 crisis, in the first quarter of 2020 share prices plummeted in the capital markets worldwide and in Israel, foreign exchange rates fluctuated wildly and yields on corporate bonds rose due to the increase in the level of risk and uncertainty. In contrast, in the second and third quarters of 2020, share prices on the capital markets in Israel and worldwide rose significantly, more than offsetting the falling prices in Q1 2020.

Additionally, the value of the Group’s AUM decreased by NIS 5 billion at September 30, 2020 compared with the end of 2019. Notably, immediately prior to publication of the financial statements, the value of the Group’s AUM returned to and even surpassed its level at the end of 2019.

Furthermore, pursuant to the mechanism prescribed in the legislative arrangement for the collection of management fees, insurance companies will only collect variable management fees on yield-dependent policies that were sold between 1991 and 2003 when sufficient investment profits are attained in respect of the assets held to cover yield-dependent liabilities that compensate for any accrued investment losses. According to the mechanism described above, due to real negative yields on profit sharing policies that were sold between 1991 and 2003, Harel Insurance only collected fixed management fees and did not collect variable management fees from the beginning of 2020. Until a real positive yield is attained to cover the investment losses accumulated on the policyholders’ investments, Harel Insurance will not be able to collect variable management fees. As at September 30, 2020, the estimated non-collection of management fees due to the negative yield until a cumulative positive yield is attained was NIS 36 million before tax. Notably, after the reporting date and up to immediately prior to the date of publication of the financial statements, share prices on the capital markets continued to rise and completely offset the investment losses accumulated for the insureds. As a result, there are no longer any outstanding variable management fees which will not be collected, based on the aforementioned mechanism.

Note 1 – General (contd.)

B. Outbreak of the COVID-19 virus (contd.)

It is emphasized that the foregoing regarding developments after the date of the report is based on the information in the Company's possession close to the date of publication of the financial statements, and that these data are partial and do not include other components of investment income (losses) and the effect of the Group's other activity on its equity and assets.

As a result of the COVID-19 crisis redemptions increased in Q1 2020, mainly of savings products, provident funds and education funds, insurance contracts and investment contracts. In Q2 2020, the number of redemptions moderated and they returned to their normal pre-crisis levels.

Additionally, in Q1 2020, requests to make changes in investment tracks for amounts managed in provident funds and education funds and also in the pension funds increased significantly, with a noticeable shift from the general / share-based channels to low-risk channels. This trend was reversed from the beginning of Q2 2020 with a marked return to the general / share-based channels.

In the mutual funds sector, after a significant increase in redemptions in Q1 2020, which peaked in March, the trend in the capital market changed and from Q2 2020 a slight increase in capital raisings was recorded.

In light of the strong volatility and lack of liquidity in the domestic capital market, from March through August 2020, requests were received to perform forced conversion of bonds that were issued by a second-tier subsidiary of Harel Finance. For additional information, see Note 9(6) to the Financial Statements.

In accordance with the accounting standards and a letter from the Capital Market, Insurance and Savings Authority dated April 19, 2020, and in accordance with the Company's procedures concerning calculation of the value of non-marketable assets, the Group assessed the value of non-marketable assets for which there were clear indications of material impairment, while applying reasonable professional discretion. The assessment of impairment included, *inter alia*, reviewing the Group's real-estate assets in Israel, including relying on professional opinions received from external appraisers concerning the discounting rate and work assumptions on which the valuations were based. Additionally, an assessment of other financial investments was performed, including investment funds and real-estate abroad, based on the most up-to-date information available to the Company, including comments received from the asset and fund managers regarding indications of impairment. Following this assessment, in the Reporting Period Harel Insurance recorded an impairment of NIS 121 million for non-marketable assets in the Nostro and NIS 200 million for profit-sharing policies. Notably, this impairment of profit-sharing policies has no direct impact on the Company's results.

Additionally, the Group examined the need to update its assessment of the impairment of intangible assets, including goodwill. A revision of the assessment of the impairment before a year has passed since the previous assessment is necessary for those activities in which there are indications of impairment due to the repercussions of the COVID-19 Crisis. After examining these indications and reviewing the recoverable amounts, as necessary, it was found that the recoverable amount of the pension, provident and education activity, mutual funds and mortgage insurance activity is higher than their book value and impairment is therefore unnecessary. Regarding the portfolio management activity, in the Reporting Period the Company reduced the outstanding amount of goodwill and the book value of future management fees for this activity by NIS 10 million.

Regarding the fixed asset balances and Deferred Acquisition Costs (DAC), the assessment performed by the Group showed that there are no indications of impairment, as noted above.

Note 2 - Basis of preparation

A. Statement of compliance with International Financial Reporting Standards

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 - Financial Reporting for Interim Periods and in accordance with the requirements of the Pronouncements issued by the Commissioner of the Capital Market, Insurance and Savings (“the Commissioner”) and in accordance with the Supervision of Financial Services (Insurance) Law, 1981 ("the Supervision Law"), and they do not include all the information required in full annual financial statements. They should be read together with the financial statements as at and for the year ended December 31, 2019 ("the Annual Financial Statements"). Moreover, the interim consolidated financial statements were prepared in accordance with the provisions of Chapter D of the Securities (Periodic and Immediate Reports) Regulations, 1970, insofar as these regulations apply to a company that consolidates insurance companies.

The condensed consolidated interim financial statements were approved for publication by the Company's Board of Directors on November 30, 2020.

B. Use of estimates and discretion

Preparation of the condensed consolidated interim financial statements in accordance with IAS 34 and in accordance with the Supervision Law and subsequent regulations requires the Group's management to use its discretion in evaluations, estimates and assumptions, including actuarial assumptions and estimates ("Estimates") which affect application of the accounting policy, the value of assets and liabilities, and amounts of revenues and expenses. It should be clarified that actual results are liable to be different from these estimates. The main estimates included in the financial statements are based on actuarial assessments and external evaluations.

When formulating the accounting estimates used in the preparation of the Group's financial statements, the Company's management is required to make assumptions regarding circumstances and events which involve considerable uncertainty. In applying its discretion in determining the estimates, the Company's management bases itself on past experience, various facts, external factors, and reasonable assumptions, including future expectations, to the extent that they can be assessed, based on the appropriate circumstances for each estimate.

The estimates and their underlying assumptions are reviewed on a current basis. Changes in accounting estimates are recognized during the period in which the estimates were amended and in every future affected period.

The assessments and discretion that management uses to apply the accounting policy in preparing the condensed consolidated interim financial statements are mainly consistent with those used in the preparation of the Annual Financial Statements, and except for the information below, there was no change in the assumptions that significantly affects the reserves.

In connection with the revised discounting interest rate used to calculate the insurance liabilities, see Note 9(1); in connection with the revised model for determining the age of retirement as a result of new studies conducted by the Company, see Note 9(2); in connection with the application of circulars concerning the measurement of liabilities - liquidity premium and the manner of allocating assets not at their fair value when calculating the adequacy of the reserves (LAT), see Notes 9(3) and 9(4), respectively; in connection with a Supreme Court decision regarding the discounting interest rate that will apply to the National Insurance Institute for subrogation claims, see Note 9(7).

C. Retrospective application of a new insurance circular

On March 29, 2020, Insurance Circular 2020-1-5 was published concerning an amendment to the provisions of the consolidated circular on the measurement of liability - Liability Adequacy Test (LAT) (“the Circular”). The Circular alters the grouping of insurance products so that the LAT can be calculated for the entire life assurance segment together. According to the Circular, calculations for the long-term care sector will continue to be prepared separately. The provisions of the Circular entered into force in Q1 2020 by way of retrospective application. Following are the effects of the Circular on the comparison figures in the Group’s consolidated, interim financial statements. It is emphasized that all the effects of the Circular were expressed in the life assurance sector and the Circular had no effect on the Group’s other activities and sectors.

Note 2 - Basis of preparation (contd.)

C. Retrospective application of a new insurance circular (contd.)

1. Effect of the circular on the Statement of Financial Position:

	As at September 31, 2019		
	As reported in the past (Unaudited)	The change	As reported in these financial statements
	NIS million	NIS million	NIS million
Liabilities			
Liabilities for non-yield-dependent insurance contracts and investment contracts	29,082	(680)	28,402
Deferred tax liabilities	1,015	57	1,072
Current tax liabilities	8	21	29
Assets			
Current tax assets	183	(167)	16
Equity			
Retained earnings	5,072	435	5,507

	As at December 31, 2019		
	As reported in the past (Unaudited)	The change	As reported in these financial statements
	NIS million	NIS million	NIS million
Liabilities			
Liabilities for non-yield-dependent insurance contracts and investment contracts	29,339	(720)	28,619
Deferred tax liabilities	1,133	49	1,182
Current tax liabilities	11	34	45
Assets			
Current tax assets	186	(173)	13
Equity			
Retained earnings	5,245	464	5,709

2. Effect of the circular on equity:

	As at January 1, 2019		
	As reported in the past (Unaudited)	The change	As reported in these financial statements
	NIS million	NIS million	NIS million
Retained earnings	5,247	246	5,493

Note 2 - Basis of preparation (contd.)

C. Retrospective application of a new insurance circular (contd.)

3. Effect of the circular on the Statement Income and Other Comprehensive Income:

	For the nine months ended September 30, 2019		
	As reported in the past (Unaudited)	The change	As reported in these financial statements
	NIS million	NIS million	NIS million
Payments and changes in liabilities for insurance contracts and investment contracts, gross	14,976	(289)	14,687
Taxes on income (tax benefit)	(86)	100	14
Basic and diluted earnings per shares (NIS)	0.33	0.88	1.21

	For the three months ended September 30, 2019		
	As reported in the past (Unaudited)	The change	As reported in these financial statements
	NIS million	NIS million	NIS million
Payments and changes in liabilities for insurance contracts and investment contracts, gross	4,786	(179)	4,607
Tax benefit	(227)	62	(165)
Basic and diluted loss per shares (NIS)	(1.70)	0.54	(1.16)

	For the year ended December 31, 2019		
	As reported in the past (Unaudited)	The change	As reported in these financial statements
	NIS million	NIS million	NIS million
Payments and changes in liabilities for insurance contracts and investment contracts, gross	20,163	(329)	19,834
Taxes on income (tax benefit)	(7)	111	104
Basic and diluted earnings per share (NIS)	1.11	1.02	2.13

D. Functional and presentation currency

The condensed consolidated interim financial statements are presented in New Israel Shekels (NIS), which is the Company's functional currency. The financial information is presented in NIS million and rounded to the nearest million.

E. Reclassification

In some of the cash flows from financing activity items in the Consolidated Interim Statement of Cash Flows, comparison figures of insignificant amounts were reclassified. These reclassifications did not affect the net cash flows provided by (used in) the financing activity.

Note 3 - Significant accounting principles

The Group's accounting policies in these condensed consolidated interim financial statements are the policies applied in the annual financial statements, except as noted in Note 2C.

A. New standards not yet adopted

Amendments to IFRS 17 – *Insurance Contracts* ("IFRS 17")

In June 2020, the International Accounting Standards Board published a series of amendments to IFRS 17 on various subjects, including the addition of relief on the transitional provisions, method of accounting for reinsurance contracts, expected recovery of DAC from renewals of insurance contracts, from contract service profit relating to investment activity and more. The aforementioned amendments will become applicable on the initial date of application of the Standard which is scheduled for January 1, 2023.

The Group has begun but not yet completed assessment of the implications of the Standard in general and the above amendments in particular for the financial statements.

Amendment to IAS-37 – Provisions, Contingent Liabilities and Contingent Assets - Cost of Fulfilling a Contract ("the Amendment")

Under the Amendment, in assessing whether a contract is onerous, the costs of fulfilling the contract to be considered are those costs attributed directly to the contract, e.g.: incremental costs, as well as an allocation of other costs relating directly to fulfilling the contract. The Amendment will be applied retrospectively from January 1, 2022, for contracts for which the obligation has not yet terminated. Early adoption is possible. At the time of application of the Amendment, comparison figures will not be restated but the opening balance of the surpluses on the initial date of application will be adjusted by the amount of the cumulative effect of the Amendment.

The Group has not yet begun to examine the effects of the Amendment on the financial statements.

B. Seasonality

1. Life assurance, health insurance and financial services

   The revenues from life and health insurance premiums are not characterized by seasonality. Nevertheless, due to the fact that the deposits for life assurance enjoy tax benefits, a considerable part of new sales takes place mainly at the end of the year. The revenues from the finance services segment are not characterized by seasonality.

2. Non-life insurance

   The turnover of revenues from premiums gross in non-life insurance is characterized by seasonality, stemming mainly from motor insurance of various groups of employees and vehicle fleets of businesses, where the date of renewal is generally in January, and from various policies of businesses where the renewal dates are generally in January or in April. The effect of this seasonality on reported profit is neutralized through the provision for unearned premiums.

   The components of other expenses such as claims, and the components of other revenues such as revenues from investments do not have a distinct seasonality and there is therefore no distinct seasonality in profit.

Note 4 - Operating segments

The note on Operating Segments includes several segments that constitute strategic business units of the Group. The strategic business units include different products and services and the allocation of resources and evaluation of performance are managed separately. The basic products in each segment are similar in principle with respect to their significance, the way they are distributed, the mix of customers, nature of the regulatory environment and also long-term demographic and economic features that are derived from exposure with features similar to insurance risks. Likewise, the results of the portfolio of investments held against insurance liabilities may significantly affect profitability.

Segment performance is measured based on the profits of the segments before taxes on income. The results of inter-company transactions are eliminated in the framework of the adjustments for preparation of the condensed consolidated interim financial statements. The Group operates in the following segments:

1. Life assurance and long-term savings

This segment includes the Group's insurance activities in the life assurance branches and the Group's operations in managing pension and provident funds.

2. Health insurance

This segment includes the Group’s insurance activities in illness and hospitalization branches, personal accidents, long-term care, foreign workers, travel insurance and dental insurance. The policies sold in the framework of these insurance branches cover the range of losses incurred by the insured as a result of illness and/or accidents, including long-term care and dental treatment. Health insurance policies are offered to individuals and to groups.

3. Non-life insurance

This segment comprises five sub-segments:

Motor property (Casco): includes the Group's activities in the sale of insurance policies in the motor vehicle insurance branch ("motor property"), which covers loss sustained by a vehicle owner due to an accident, and/or theft and/or liability of the vehicle owner or the driver for property damage caused to a third party in an accident.

Compulsory motor: includes the Group's activities in the insurance sector pursuant to the requirements of the Motorized Vehicle Insurance Ordinance (New Version) - 1970 ("compulsory motor"), which covers corporal damage resulting from the use of a motor vehicle under the Compensation for Road Accident Victims Law, 1975.

Other liabilities branches: includes the Group's activities in the sale of policies covering the insured’s liability to a third party (excluding cover for liabilities in the compulsory motor sector, as described above). This includes, inter alia, the following insurance branches: employers’ liability, third-party liability, professional liability, directors' and officers' liability (D&O), and insurance against liability for defective products.

Property and other branches: this sector includes the Group's insurance activities in all property branches excluding motor property (e.g. liabilities, homeowners, etc.).

Mortgage insurance business: this sector includes the Group's insurance activities in the residential mortgage credit branch (monoline branch). The purpose of this insurance is to provide indemnity for loss caused as a result of non-payment of loans (default) given against a first mortgage on a single real estate property for residential purposes only, and after disposing of the property that serves as collateral for the loans.

4. Insurance companies overseas

The overseas segment consists of the activity of Interasco and Turk Nippon, insurance companies abroad that are wholly owned by the Company.

5. Financial services

The Group's activities in the capital and financial services market take place through Harel Finance. Harel Finance is engaged through companies controlled by it, in the following activities:

- Management of mutual funds.
- Management of securities for private customers, corporations, and institutional customers in the capital markets in Israel and abroad.

Note 4 - Operating segments (contd.)

6. Not attributed to operating segments and other

Activities that are not attributed to operating segments include mainly activities of insurance agencies and of capital activities by the consolidated insurance companies.

Note 4 - Operating segments (Contd.)

A. Information about reportable segments

	For the nine months ended September 30, 2020 (Unaudited)							
	Life Assurance and Long-Term Savings	Health Insurance	Non-life insurance	Insurance companies overseas	Financial Services	Not Allocated To Operating Segments and other	Adjustments and Offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	4,449	3,692	2,527	379	-	-	(3)	11,044
Premiums earned by reinsurers	123	246	813	71	-	-	(3)	1,250
Premiums earned in retention	4,326	3,446	1,714	308	-	-	-	9,794
Profit (loss) from investments, net, and financing income	(730)	(1)	59	28	24	69*	(2)	(553)
Income from management fees	759	1	-	-	144	5	-	909
Income from commissions	32	13	156	16	-	98**	(81)	234
Total income	4,387	3,459	1,929	352	168	172	(83)	10,384
Payments and changes in liabilities for insurance contracts and investment contracts, gross	2,908	2,859	1,621	284	-	-	(3)	7,669
Reinsurers' share in payments and changes in liabilities for insurance contracts	73	331	519	48	-	-	(3)	968
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	2,835	2,528	1,102	236	-	-	-	6,701
Commissions, marketing expenses and other acquisition costs	783	674	505	80	-	32***	(81)	1,993
General and administrative expenses	419	200	28	18	118	87****	(2)	868
Other expenses	5	-	-	3	13	1***	-	22
Financing expenses, net	5	9	1	1	4	122	-	142
Total expenses	4,047	3,411	1,636	338	135	242	(83)	9,726
Company's share of profits (losses) of equity accounted investees	(3)	(3)	(9)	-	-	21	-	6
Profit (loss) before income tax	337	45	284	14	33	(49)	-	664
Other comprehensive loss, before income tax	(15)	(7)	(33)	(17)	-	(4)	-	(76)
Total comprehensive income (loss) before income tax	322	38	251	(3)	33	(53)*****	-	588
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,662	6,460	9,577	639	-	-	(5)	28,333
Liabilities in respect of yield dependent insurance contracts and investment contracts	60,975	5,443	-	-	-	-	-	66,418

* Total profit from investments is in respect of the assets held to cover the equity of the Group's financial institutions.

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, NIS 80 million are commissions paid to these agents by the Group's financial institutions.

*** For the activity of the insurance agencies that are fully owned by the Group.

**** Of the total general and administrative expenses, NIS 52 million is for expenses of the activity of the Group's insurance agencies.

***** Total comprehensive income before income tax for the activity of the Group's insurance agencies was approximately NIS 15 million.

Note 4 - Operating segments (Contd.)

A. Information about reportable segments (Contd.)

	For the three months ended September 30, 2020 (Unaudited)							
	Life Assurance and Long-Term Savings	Health Insurance	Non-life insurance	Insurance companies overseas	Financial Services	Not Allocated To Operating Segments and other	Adjustments and Offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	1,476	1,232	845	122	-	-	(1)	3,674
Premiums earned by reinsurers	41	95	273	22	-	-	(1)	430
Premiums earned in retention	1,435	1,137	572	100	-	-	-	3,244
Profit from investments, net and financing income	2,108	206	40	5	5	80*	(1)	2,443
Income from management fees	257	-	-	-	49	2	-	308
Income from commissions	16	4	49	5	-	21**	(16)	79
Total income	3,816	1,347	661	110	54	103	(17)	6,074
Payments and changes in liabilities for insurance contracts and investment contracts, gross	3,272	1,110	449	96	-	-	(1)	4,926
Reinsurers' share in payments and changes in liabilities for insurance contracts	25	159	133	19	-	-	(1)	335
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	3,247	951	316	77	-	-	-	4,591
Commissions, marketing expenses and other acquisition costs	254	208	182	26	-	1***	(16)	655
General and administrative expenses	148	72	11	6	38	31****	(1)	305
Other expenses	1	-	-	1	1	-	-	3
Financing expenses (income), net	3	5	(2)	1	1	45	-	53
Total expenses	3,653	1,236	507	111	40	77	(17)	5,607
Company's share of profits (losses) of equity accounted investees	4	-	(6)	-	-	10	-	8
Profit (loss) before income tax	167	111	148	(1)	14	36	-	475
Other comprehensive income (loss), before income tax	27	19	29	(5)	-	67	-	137
Total comprehensive income (loss) before income tax	194	130	177	(6)	14	103*****	-	612
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,662	6,460	9,577	639	-	-	(5)	28,333
Liabilities in respect of yield dependent insurance contracts and investment contracts	60,975	5,443	-	-	-	-	-	66,418

* Total profit from investments is in respect of the assets held to cover the equity of the Group's financial institutions.

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, NIS 15 million are commissions paid to these agents by the Group's financial institutions.

*** For the activity of the insurance agencies that are fully owned by the Group.

**** Of the total general and administrative expenses, NIS 16 million is for expenses of the activity of the Group's insurance agencies.

***** Total comprehensive income before income tax for the activity of the Group's insurance agencies was approximately NIS 5 million.

Note 4 - Operating segments (Contd.)

A. Information about reportable segments (Contd.)

	For the nine months ended September 30, 2019 (Unaudited)							
	Life Assurance and Long-Term Savings	Health Insurance	Non-life insurance	Insurance companies overseas	Financial Services	Not Allocated To Operating Segments and other	Adjustments and Offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	4,802	3,664	2,530	384	-	-	(3)	11,377
Premiums earned by reinsurers	119	310	808	79	-	-	(3)	1,313
Premiums earned in retention	4,683	3,354	1,722	305	-	-	-	10,064
Profit from investments, net and financing income	4,731	449	192	52	8	218*	(2)	5,648
Income from management fees	901	3	-	-	142	5	-	1,051
Income from commissions	33	53	155	17	-	162**	(143)	277
Total income	10,348	3,859	2,069	374	150	385	(145)	17,040
Payments and changes in liabilities for insurance contracts and investment contracts, gross	9,081 [1]	3,628	1,677	304	-	-	(3)	14,687
Reinsurers' share in payments and changes in liabilities for insurance contracts	90	297	453	64	-	-	(3)	901
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	8,991	3,331	1,224	240	-	-	-	13,786
Commissions, marketing expenses and other acquisition costs	781	737	504	85	-	78***	(143)	2,042
General and administrative expenses	430	207	26	17	125	105****	(2)	908
Other expenses	6	-	-	1	4	1***	-	12
Financing expenses (income), net	6	13	(25)	-	1	127	-	122
Total expenses	10,214	4,288	1,729	343	130	311	(145)	16,870
Company's share of profits of equity accounted investees	9	18	60	-	-	16	-	103
Profit (loss) before income tax	143	(411)	400	31	20	90	-	273
Other comprehensive income (loss), before income tax	200	85	112	(10)	-	199	-	586
Total comprehensive income (loss) before income tax	343	(326)	512	21	20	289*****	-	859
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,938 [1]	5,991	9,818	659	-	-	(4)	28,402
Liabilities in respect of yield dependent insurance contracts and investment contracts	58,683	5,228	-	-	-	-	-	63,911

1 Retrospective application of a new insurance circular - see Note 2C.
* Total profit from investments is in respect of the assets held to cover the equity of the Group's financial institutions.
** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, NIS 142 million are commissions paid to these agents by the Group's financial institutions.
*** For the activity of the insurance agencies that are fully owned by the Group.
**** Of the total general and administrative expenses, NIS 73 million is for expenses of the activity of the Group's insurance agencies.
***** Total comprehensive income before income tax for the activity of the Group's insurance agencies was approximately NIS 11 million.

Note 4 - Operating segments (Contd.)

A. **Information about reportable segments (Contd.)**

	For the three months ended September 30, 2019 (Unaudited)							
	Life Assurance and Long-Term Savings	Health Insurance	Non-life insurance	Insurance companies overseas	Financial Services	Not Allocated To Operating Segments and other	Adjustments and Offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	1,772	1,256	858	130	-	-	(1)	4,015
Premiums earned by reinsurers	39	106	280	24	-	-	(1)	448
Premiums earned in retention	1,733	1,150	578	106	-	-	-	3,567
Profit from investments, net and financing income	711	63	25	19	2	37*	(1)	856
Income from management fees	315	1	-	-	51	2	-	369
Income from commissions	13	14	49	6	-	54**	(48)	88
Total income	2,772	1,228	652	131	53	93	(49)	4,880
Payments and changes in liabilities for insurance contracts and investment contracts, gross	2,325 [1]	1,514	675	94	-	-	(1)	4,607
Reinsurers' share in payments and changes in liabilities for insurance contracts	16	86	209	10	-	-	(1)	320
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	2,309	1,428	466	84	-	-	-	4,287
Commissions, marketing expenses and other acquisition costs	261	244	183	24	-	27***	(48)	691
General and administrative expenses	143	70	9	11	44	32****	(1)	308
Other expenses	2	-	-	-	2	1	-	5
Financing expenses (income), net	(2)	(1)	(9)	-	1	27	-	16
Total expenses	2,713	1,741	649	119	47	87	(49)	5,307
Company's share of profits (losses) of equity accounted investees	10	3	(3)	-	-	4	-	14
Profit (loss) before income tax	69	(510)	-	12	6	10	-	(413)
Other comprehensive income (loss), before income tax	77	30	30	(2)	-	62	-	197
Total comprehensive income (loss) before income tax	146	(480)	30	10	6	72*****	-	(216)
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,938 [1]	5,991	9,818	659	-	-	(4)	28,402
Liabilities in respect of yield dependent insurance contracts and investment contracts	58,683	5,228	-	-	-	-	-	63,911

1 Retrospective application of a new insurance circular - see Note 2C

* Total profit from investments is in respect of the assets held to cover the equity of the Group's financial institutions.

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, NIS 48 million are commissions paid to these agents by the Group's financial institutions.

*** For the activity of the insurance agencies that are fully owned by the Group.

**** Of the total general and administrative expenses, NIS 24 million is for expenses of the activity of the Group's insurance agencies.

***** Total comprehensive income before income tax for the activity of the Group's insurance agencies was approximately NIS 3 million.

Note 4 - Operating segments (Contd.)

A. **Information about reportable segments (Contd.)**

	For the year ended December 31, 2019 (Audited)							
	Life Assurance and Long-Term Savings	Health Insurance	Non-life insurance	Insurance companies overseas	Financial Services	Not Allocated To Operating Segments and other	Adjustments and Offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	6,255	4,922	3,405	526	-	-	(4)	15,104
Premiums earned by reinsurers	160	392	1,091	106	-	-	(4)	1,745
Premiums earned in retention	6,095	4,530	2,314	420	-	-	-	13,359
Profit from investments, net and financing income	6,651	624	235	65	13	336*	(3)	7,921
Income from management fees	1,281	4	-	-	194	8	-	1,487
Income from commissions	37	68	205	22	-	210**	(184)	358
Total income	14,064	5,226	2,754	507	207	554	(187)	23,125
Payments and changes in liabilities for insurance contracts and investment contracts, gross	12,281 [1]	4,779	2,367	411	-	-	(4)	19,834
Reinsurers' share in payments and changes in liabilities for insurance contracts	112	404	638	79	-	-	(4)	1,229
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	12,169	4,375	1,729	332	-	-	-	18,605
Commissions, marketing expenses and other acquisition costs	1,038	962	698	114	-	101***	(184)	2,729
General and administrative expenses	561	275	35	26	172	145****	(3)	1,211
Other expenses	8	-	-	3	4	1***	-	16
Financing expenses (income), net	6	16	(27)	-	2	166	-	163
Total expenses	13,782	5,628	2,435	475	178	413	(187)	22,724
Company's share of profits of equity accounted investees	17	24	74	-	-	45	-	160
Profit (loss) before income tax	299	(378)	393	32	29	186	-	561
Other comprehensive income (loss), before income tax	254	116	165	(13)	-	282	-	804
Total comprehensive income (loss) before income tax	553	(262)	558	19	29	468*****	-	1,365
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,979 [1]	6,175	9,810	660	-	-	(5)	28,619
Liabilities in respect of yield dependent insurance contracts and investment contracts	61,137	5,402	-	-	-	-	-	66,539

1 Retrospective application of a new insurance circular - see Note 2C

* Total profit from investments is in respect of the assets held to covert the equity of the Group's financial institutions.

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, NIS 182 million are commissions paid to these agents by the Group's financial institutions.

*** For the activity of the insurance agencies that are fully owned by the Group.

**** Of the total general and administrative expenses, approximately NIS 93 million is for expenses of the activity of the Group's insurance agencies.

***** Total comprehensive income before income tax for the activity of the Group's insurance agencies was approximately NIS 14 million.

Note 4 - Operating segments (Contd.)

B. Additional information about the non-life insurance segment

	For the nine months ended September 30, 2020 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	Mortgage insurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	473	707	778	701	(3)	2,656
Reinsurance premiums	5	11	601	259	-	876
Premiums in retention	468	696	177	442	(3)	1,780
Change in outstanding unearned premium, in retention	44	65	10	(44)	(9)	66
Premiums earned in retention	424	631	167	486	6	1,714
Profits from investments, net, and financing income	18	4	10	24	3	59
Income from commissions	-	3	120	33	-	156
Total income	442	638	297	543	9	1,929
Payments and changes in liabilities for insurance contracts, gross	278	408	420	544	(29)	1,621
Reinsurers' share of payments and change in liabilities for insurance contracts	(10)	9	361	159	-	519
Payments and changes in liabilities for insurance contracts in retention	288	399	59	385	(29)	1,102
Commissions, marketing expenses and other acquisition costs	68	150	168	119	-	505
General and administrative expenses	7	7	6	6	2	28
Financing expenses, net	-	-	-	1	-	1
Total expenses (income)	363	556	233	511	(27)	1,636
Company's share of losses of equity accounted investees	(4)	(1)	-	(4)	-	(9)
Profit before income tax	75	81	64	28	36	284
Other comprehensive loss before income tax	(12)	(2)	(1)	(15)	(3)	(33)
Total comprehensive income before income tax	63	79	63	13	33	251
Liabilities for insurance contracts, gross, as at September 30, 2020	2,570	560	974	5,223	250	9,577
Liabilities for insurance contracts, retention, as at September 30, 2020	2,489	549	171	3,268	250	6,727

* Property and other branches primarily include results of property loss insurance and comprehensive homeowners insurance, operations of which account for 78% of total premiums earned from these branches.

** Other liabilities branches include mainly results from third-party insurance and professional liability which account for 75% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

B. Additional information about the non-life insurance segment (Contd.)

	For the three months ended September 30, 2020 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	Mortgage insurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	112	195	253	151	(1)	710
Reinsurance premiums	2	3	194	71	-	270
Premiums in retention	110	192	59	80	(1)	440
Change in outstanding unearned premium, in retention	(22)	(25)	1	(83)	(3)	(132)
Premiums earned in retention	132	217	58	163	2	572
Profits from investments, net, and financing income	13	3	4	18	2	40
Income from commissions	-	1	37	11	-	49
Total income	145	221	99	192	4	661
Payments and changes in liabilities for insurance contracts, gross	47	142	120	151	(11)	449
Reinsurers' share of payments and change in liabilities for insurance contracts	(5)	3	103	32	-	133
Payments and changes in liabilities for insurance contracts in retention	52	139	17	119	(11)	316
Commissions, marketing expenses and other acquisition costs	25	60	56	41	-	182
General and administrative expenses	2	1	2	5	1	11
Financing income, net	(1)	-	-	(1)	-	(2)
Total expenses (income)	78	200	75	164	(10)	507
Company's share of losses of equity accounted investees	(3)	(1)	-	(2)	-	(6)
Profit before income tax	64	20	24	26	14	148
Other comprehensive income before income tax	10	2	-	15	2	29
Total comprehensive income before income tax	74	22	24	41	16	177
Liabilities for insurance contracts, gross, as at September 30, 2020	2,570	560	974	5,223	250	9,577
Liabilities for insurance contracts, retention, as at September 30, 2020	2,489	549	171	3,268	250	6,727

* Property and other branches primarily include results of property loss insurance and comprehensive homeowners insurance, operations of which account for 80% of total premiums earned from these branches.

** Other liabilities branches include mainly results from third-party insurance and professional liability which account for 66% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

B. Additional information about the non-life insurance segment (Contd.)

	For the nine months ended September 30, 2019 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	Mortgage insurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	554	692	778	677	(3)	2,698
Reinsurance premiums	6	10	597	246	-	859
Premiums in retention	548	682	181	431	(3)	1,839
Change in outstanding unearned premium, in retention	88	88	11	(60)	(10)	117
Premiums earned in retention	460	594	170	491	7	1,722
Profits from investments, net, and financing income	69	15	12	82	14	192
Income from commissions	-	4	122	29	-	155
Total income	529	613	304	602	21	2,069
Payments and changes in liabilities for insurance contracts, gross	339	362	313	686	(23)	1,677
Reinsurers' share of payments and change in liabilities for insurance contracts	(9)	10	270	182	-	453
Payments and changes in liabilities for insurance contracts in retention	348	352	43	504	(23)	1,224
Commissions, marketing expenses and other acquisition costs	69	138	171	126	-	504
General and administrative expenses	6	6	6	5	3	26
Financing income, net	(10)	(2)	(1)	(12)	-	(25)
Total expenses (income)	413	494	219	623	(20)	1,729
Company's share of the profits of equity accounted investees	24	5	2	29	-	60
Profit before income tax	140	124	87	8	41	400
Other comprehensive income, before income tax	42	9	3	50	8	112
Total comprehensive income before income tax	182	133	90	58	49	512
Liabilities for insurance contracts, gross, as at September 30, 2019	2,676	604	934	5,302	302	9,818
Liabilities for insurance contracts, retention, as at September 30, 2019	2,552	590	175	3,142	302	6,761

* Property and other branches primarily include results of property loss insurance and comprehensive homeowners insurance, operations of which account for 78% of total premiums earned from these branches.

** Other liabilities branches include mainly results from third-party insurance and professional liability which account for 74% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

B. Additional information about the non-life insurance segment (Contd.)

	For the three months ended September 30, 2019 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	Mortgage insurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	135	185	249	147	(1)	715
Reinsurance premiums	3	2	193	82	-	280
Premiums in retention	132	183	56	65	(1)	435
Change in outstanding unearned premium, in retention	(21)	(22)	(1)	(95)	(4)	(143)
Premiums earned in retention	153	205	57	160	3	578
Profits from investments, net, and financing income	8	2	3	9	3	25
Income from commissions	-	1	38	10	-	49
Total income	161	208	98	179	6	652
Payments and changes in liabilities for insurance contracts, gross	155	126	106	301	(13)	675
Reinsurers' share of payments and change in liabilities for insurance contracts	-	5	100	104	-	209
Payments and changes in liabilities for insurance contracts in retention	155	121	6	197	(13)	466
Commissions, marketing expenses and other acquisition costs	27	54	56	46	-	183
General and administrative expenses	1	1	2	3	2	9
Financing income, net	(3)	(1)	(1)	(4)	-	(9)
Total expenses (income)	180	175	63	242	(11)	649
Company's share of losses of equity accounted investees	(1)	(1)	-	(1)	-	(3)
Profit (loss) before income tax	(20)	32	35	(64)	17	-
Other comprehensive income, before income tax	12	2	1	14	1	30
Total comprehensive income (loss) before income tax	(8)	34	36	(50)	18	30
Liabilities for insurance contracts, gross, as at September 30, 2019	2,676	604	934	5,302	302	9,818
Liabilities for insurance contracts, retention, as at September 30, 2019	2,552	590	175	3,142	302	6,761

* Property and other branches primarily include results of property loss insurance and comprehensive homeowners insurance, operations of which account for 81% of total premiums earned from these branches.

** Other liabilities branches include mainly results from third-party insurance and professional liability which account for 64% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

B. Additional information about the non-life insurance segment (Contd.)

	For the year ended December 31, 2019 (Audited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	Mortgage insurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	647	854	983	968	(4)	3,448
Reinsurance premiums	7	13	755	316	-	1,091
Premiums in retention	640	841	228	652	(4)	2,357
Change in outstanding unearned premium, in retention	26	36	(1)	(5)	(13)	43
Premiums earned in retention	614	805	229	657	9	2,314
Profits from investments, net, and financing income	83	18	15	101	18	235
Income from commissions	-	5	160	40	-	205
Total income	697	828	404	798	27	2,754
Payments and changes in liabilities for insurance contracts, gross	492	498	413	997	(33)	2,367
Reinsurers' share of payments and change in liabilities for insurance contracts	(9)	15	357	275	-	638
Payments and changes in liabilities for insurance contracts, in retention	501	483	56	722	(33)	1,729
Commissions, marketing expenses and other acquisition costs	101	198	234	165	-	698
General and administrative expenses	8	9	8	7	3	35
Financing income, net	(11)	(2)	(1)	(13)	-	(27)
Total expenses (income)	599	688	297	881	(30)	2,435
Company's share of the profits of equity accounted investees	30	6	2	36	-	74
Profit (loss) before income tax	128	146	109	(47)	57	393
Other comprehensive income, before income tax	62	13	4	75	11	165
Total comprehensive income before income tax	190	159	113	28	68	558
Liabilities for insurance contracts, gross, as at December 31, 2019	2,662	539	884	5,437	288	9,810
Liabilities for insurance contracts, retention, as at December 31, 2019	2,545	526	158	3,306	288	6,823

* Property and other branches primarily include results of property loss insurance and comprehensive homeowners insurance, operations of which account for 78% of total premiums earned from these branches.

** Other liabilities branches include mainly results from third-party insurance and professional liability which account for 77% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

C. Additional information about the life assurance and long-term savings segment

	For the nine months ended September 30, 2020 (Unaudited)				For the nine months ended September 30, 2019 (Unaudited)			
	Provident	Pension	Life assurance	Total	Provident	Pension	Life assurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	-	-	4,449	4,449	-	-	4,802	4,802
Premiums earned by reinsurers	-	-	123	123	-	-	119	119
Premiums earned in retention	-	-	4,326	4,326	-	-	4,683	4,683
Profit (loss) from investments, net, and financing income	-	1	(731)	(730)	-	2	4,729	4,731
Income from management fees	184	246	329	759	191	245	465	901
Income from commissions	-	-	32	32	-	-	33	33
Total income	184	247	3,956	4,387	191	247	9,910	10,348
Payments and changes in liabilities for insurance contracts and investment contracts, gross	2	10	2,896	2,908	2	10	9,069*	9,081
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	73	73	-	-	90	90
Payments and changes in liabilities for insurance contracts and investment contracts in retention	2	10	2,823	2,835	2	10	8,979	8,991
Commissions, marketing expenses and other acquisition costs	72	89	622	783	74	94	613	781
General and administrative expenses	66	94	259	419	67	89	274	430
Other expenses	4	1	-	5	5	1	-	6
Financing expenses, net	-	-	5	5	-	-	6	6
Total expenses	144	194	3,709	4,047	148	194	9,872	10,214
Company's share of profits (losses) of equity accounted investees	-	-	(3)	(3)	-	-	9	9
Profit before income tax	40	53	244	337	43	53	47	143
Other comprehensive income (loss) before income tax	(1)	(3)	(11)	(15)	2	6	192	200
Total comprehensive income before income tax	39	50	233	322	45	59	239	343

* Retrospective application of a new insurance circular – see Note 2C

Note 4 - Operating segments (Contd.)

C. Additional information about the life assurance and long-term savings segment (Contd.)

	For the three months ended September 30, 2020 (Unaudited)				For the three months ended September 30, 2019 (Unaudited)			
	Provident	Pension	Life assurance	Total	Provident	Pension	Life assurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	-	-	1,476	1,476	-	-	1,772	1,772
Premiums earned by reinsurers	-	-	41	41	-	-	39	39
Premiums earned in retention	-	-	1,435	1,435	-	-	1,733	1,733
Profit from investments, net, and financing income	-	1	2,107	2,108	-	-	711	711
Income from management fees	61	85	111	257	64	85	166	315
Income from commissions	-	-	16	16	-	-	13	13
Total income	61	86	3,669	3,816	64	85	2,623	2,772
Payments and changes in liabilities for insurance contracts and investment contracts, gross	1	3	3,268	3,272	1	4	2,320	2,325
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	25	25	-	-	16	16
Payments and changes in liabilities for insurance contracts and investment contracts in retention	1	3	3,243	3,247	1	4	2,304*	2,309
Commissions, marketing expenses and other acquisition costs	24	31	199	254	25	32	204	261
General and administrative expenses	22	31	95	148	23	28	92	143
Other expenses	-	1	-	1	1	1	-	2
Financing expenses (income), net	-	-	3	3	-	-	(2)	(2)
Total expenses	47	66	3,540	3,653	50	65	2,598	2,713
Company's share of profits of equity accounted investees	-	-	4	4	-	-	10	10
Profit before income tax	14	20	133	167	14	20	35	69
Other comprehensive income before income tax	-	-	27	27	1	2	74	77
Total comprehensive income before income tax	14	20	160	194	15	22	109	146

* Retrospective application of a new insurance circular – see Note 2C

Note 4 - Operating segments (Contd.)

C. Additional information about the life assurance and long-term savings segment (Contd.)

	For the year ended December 31, 2019 (Audited)			
	Provident	Pension	Life assurance	Total
	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	-	-	6,255	6,255
Premiums earned by reinsurers	-	-	160	160
Earned premiums in retention	-	-	6,095	6,095
Profit from investments, net, and financing income	-	2	6,649	6,651
Income from management fees	257	331	693	1,281
Income from commissions	-	-	37	37
Total income	257	333	13,474	14,064
Payments and changes in liabilities for insurance contracts and investment contracts, gross	2	13	12,266*	12,281
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	112	112
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	2	13	12,154	12,169
Commissions, marketing expenses and other acquisition costs	99	128	811	1,038
General and administrative expenses	91	122	348	561
Other expenses	7	1	-	8
Financing expenses, net	-	-	6	6
Total expenses	199	264	13,319	13,782
Company's share of profits of equity accounted investees	-	-	17	17
Profit before income tax	58	69	172	299
Other comprehensive income before income tax	2	5	247	254
Total comprehensive income before income tax	60	74	419	553

* Retrospective application of a new insurance circular – see Note 2C

Note 4 - Operating segments (Contd.)

C. Additional information about the life assurance and long-term savings segment (Contd.)

Results by policy category

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			from 2004		Risk (life) that was sold as a stand-alone policy		
	Until 1990 (1)	Up to 2003	Not yield-dependent	Yield dependent	Personal lines	Group	Total
For the nine months ended September 30, 2020 (Unaudited)				NIS million			
Gross premiums	66	660	-	2,727	890	112	4,455
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(6)
Total							4,449
Amounts received for investment contracts recognized directly in insurance reserves	-	-	41	1,783	-	-	1,824
Financial margin including management fees - in terms of comprehensive income (2)	16	99	127	230	-	-	472
Payments and changes in liabilities for insurance contracts, gross	229	388	(131)	2,333	382	74	3,275
Payments and change in liabilities for investment contracts	-	-	6	(385)	-	-	(379)
Total comprehensive income (loss) from life assurance business	43	(19)	125	1	59	24	233
For the three months ended September 30, 2020 (Unaudited)							
Gross premiums	21	214	-	911	297	35	1,478
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(2)
Total							1,476
Amounts received for investment contracts recognized directly in insurance reserves	-	-	41	474	-	-	515
Financial margin including management fees - in terms of comprehensive income (2)	45	34	15	77	-	-	171
Payments and changes in liabilities for insurance contracts, gross	128	1,029	6	1,573	87	19	2,842
Payments and change in liabilities for investment contracts	-	-	6	420	-	-	426
Total comprehensive income (loss) from life assurance business	32	(14)	4	34	89	15	160

(1) The products issued through 1990 (including increases in respect of these products) are mainly yield guaranteed and are partially backed by earmarked bonds.

(2) The financial margin does not include the Company's other revenues which are collected as a percentage of the premium and it is calculated before deducting expenses for management of investments. The financial margin in policies with a guaranteed yield is based on actual revenues from investments in the reporting year, net of a factor of the guaranteed yield rate for the year, multiplied by the average reserve for the year. The financial margin for policies that are not yield dependent that were issued from 2004 also includes the effect of the change in the discounting rate used for calculating the insurance liabilities. Regarding this, income from investments also includes the change in the fair value of available-for-sale financial assets which is recognized in the statement of comprehensive income. In yield-dependent policies, the financial margin is the fixed and variable management fees which are calculated based on the yield and the average balance of the insurance reserves.

Note 4 - Operating segments (Contd.)

C. Additional information about the life assurance and long-term savings segment (Contd.)

Results by policy category (Contd.)

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			from 2004		Risk (life) that was sold as a stand-alone policy		
	Until 1990 (1)	Up to 2003	Not yield-dependent	Yield dependent	Personal lines	Group	Total
For the nine months ended September 30, 2019 (Unaudited)				NIS million			
Gross premiums	76	693	-	3,042	868	125	4,804
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(2)
Total							4,802
Amounts received for investment contracts recognized directly in insurance reserves	-	-	15	2,364	-	-	2,379
Financial margin including management fees - in terms of comprehensive income (2)	181	242	(74)	223	-	-	572
Payments and changes in liabilities for insurance contracts, gross	419*	2,531	210	4,306	484	128	8,078
Payments and change in liabilities for investment contracts	-	-	(1)	992	-	-	991
Total comprehensive income (loss) from life assurance business	153*	96	(80)	52	24	(6)	239
For the three months ended September 30, 2019 (Unaudited)							
Gross premiums	26	231	-	1,178	292	42	1,769
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							3
Total							1,772
Amounts received for investment contracts recognized directly in insurance reserves	-	-	4	817	-	-	821
Financial margin including management fees - in terms of comprehensive income (2)	93	88	(52)	78	-	-	207
Payments and changes in liabilities for insurance contracts, gross	51*	501	94	1,362	144	39	2,191
Payments and change in liabilities for investment contracts	-	-	-	129	-	-	129
Total comprehensive income (loss) from life assurance business	96*	51	(56)	(2)	19	1	109

* Retrospective application of a new insurance circular – see Note 2C

(1) The products issued through 1990 (including increases in respect of these products) are mainly yield guaranteed and are partially backed by earmarked bonds.

(2) The financial margin does not include the Company's other revenues which are collected as a percentage of the premium and it is calculated before deducting expenses for management of investments. The financial margin in policies with a guaranteed yield is based on actual revenues from investments in the reporting year, net of a factor of the guaranteed yield rate for the year, multiplied by the average reserve for the year. The financial margin for policies that are not yield dependent that were issued from 2004 also includes the effect of the change in the discounting rate used for calculating the insurance liabilities. Regarding this, income from investments also includes the change in the fair value of available-for-sale financial assets which is recognized in the statement of comprehensive income. In yield-dependent policies, the financial margin is the fixed and variable management fees which are calculated based on the yield and the average balance of the insurance reserves.

Note 4 - Operating segments (Contd.)

C. Additional information about the life assurance and long-term savings segment (Contd.)

Results by policy category (Contd.)

For the year ended December 31, 2019 (Audited)	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			from 2004		Risk (life) that was sold as a stand-alone policy		
	Until 1990 (1)	Up to 2003	Not yield-dependent	Yield dependent	Personal lines	Group	Total
	NIS million						
Gross premiums	99	921	-	3,925	1,161	158	6,264
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(9)
Total							6,255
Amounts received for investment contracts recognized directly in insurance reserves	-	-	18	3,311	-	-	3,329
Financial margin including management fees - in terms of comprehensive income (2)	258	388	(96)	305	-	-	855
Payments and changes in liabilities for insurance contracts, gross	536*	3,554	257	5,741	629	147	10,864
Payments and change in liabilities for investment contracts	-	-	-	1,402	-	-	1,402
Total comprehensive income (loss) from life assurance business	209*	192	(112)	64	59	7	419

* Retrospective application of a new insurance circular – see Note 2C

(1) The products issued through 1990 (including increases in respect of these products) are mainly yield guaranteed and are partially backed by earmarked bonds.

(2) The financial margin does not include the Company's other revenues which are collected as a percentage of the premium and it is calculated before deducting expenses for management of investments. The financial margin in policies with a guaranteed yield is based on actual revenues from investments in the reporting year, net of a factor of the guaranteed yield rate for the year, multiplied by the average reserve for the year. The financial margin for policies that are not yield dependent that were issued from 2004 also includes the effect of the change in the discounting rate used for calculating the insurance liabilities. Regarding this, income from investments also includes the change in the fair value of available-for-sale financial assets which is recognized in the statement of comprehensive income. In yield-dependent policies, the financial margin is the fixed and variable management fees which are calculated based on the yield and the average balance of the insurance reserves.

Note 4 - Operating segments (Contd.)

D. Additional information about the health insurance segment

Results by policy category

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
			NIS million		
For the nine months ended September 30, 2020 (Unaudited)					
Gross premiums	569	1,084	1,794	210	3,657
Payments and changes in liabilities for insurance contracts, gross	579	1,059	1,008	213	2,859
Total comprehensive income (loss) from health insurance business	(27)	(82)	177	(30)	38
For the three months ended September 30, 2020 (Unaudited)					
Gross premiums	188	364	603	79	1,234
Payments and changes in liabilities for insurance contracts, gross	166	529	356	59	1,110
Total comprehensive income (loss) from health insurance business	95	(26)	62	(1)	130

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
			NIS million		
For the nine months ended September 30, 2019 (Unaudited)					
Gross premiums	564	1,018	1,725	356	3,663
Payments and changes in liabilities for insurance contracts, gross	1,044	1,314	1,043	227	3,628
Total comprehensive income (loss) from health insurance business	(435)	(48)	143	14	(326)
For the three months ended September 30, 2019 (Unaudited)					
Gross premiums	189	346	582	152	1,269
Payments and changes in liabilities for insurance contracts, gross	706	375	351	82	1,514
Total comprehensive income (loss) from health insurance business	(534)	(1)	37	18	(480)

* Of this, personal lines premiums in the amount of NIS 1,242 million and NIS 425 million for the nine and three months ended September 30, 2020, respectively (personal lines premiums of NIS 1,370 million and NIS 494 million, for the nine and three months ended September 30, 2019, respectively), and group premiums of NIS 762 million and NIS 257 million for the nine and three months ended September 30, 2020, respectively (group premiums in the amount of NIS 711 million and NIS 240 million, for the nine and three months ended September 30, 2019, respectively).

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

Note 4 - Operating segments (Contd.)

D. Additional information about the health insurance segment (contd.)

Results by policy category (contd.)

For the year ended December 31, 2019 (Audited)	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
	NIS million				
Gross premiums	755	1,377	2,327	472	4,931
Payments and changes in liabilities for insurance contracts, gross	1,429	1,754	1,289	307	4,779
Total comprehensive income (loss) from health insurance business	(573)	(35)	332	14	(262)

* Of this, personal lines premiums in the amount of NIS 1,829 million, and group premiums in the amount of NIS 970 million.

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

Note 5 - Taxes on income

1. The tax rates applicable to the income of the Group companies

On December 29, 2016, the Economic Efficiency (Legislative Amendments for Implementation of the Economic Policy for Fiscal Years 2017 and 2018) Law, 2016, was published in the Official Gazette. Among other things, the law prescribes that corporate tax rate will be reduced from 25% to 23% in two stages. The first stage, to 24%, will be effective from January 2017 and the second stage to 23% will be effective from January 2018 and thereafter.

Current taxes for the reported period are calculated in accordance with the tax rates below.

The statutory tax rates applicable to financial institutions, including the Company's subsidiaries which are financial institutions, from 2018 and thereafter, are as follows: corporate tax 23%, profit tax 17%, namely tax at a weighted rate of 34.19%.

2. Agreement with the tax authorities

On November 5, 2020, sector-based agreements were signed for 2017-2019 between the Israel Insurers Association and the Tax Authority (“the Sector-based Agreements”). There is no change in the Sector-based Agreements for these years compared with agreements from previous years, except for the following:

A. Provision in respect of the implementation of the Winograd Committee recommendations -

The Sector-based Agreements stipulated that the provision made by insurance companies in their financial statements in 2016-2018 regarding implementation of the Winograd Committee recommendations published in 2015 for assessing the discounting interest rate according to the National Insurance Institute regulations, most of which were cancelled in 2019, will be recognized for tax purposes as follows: in 2016, a tax adjustment will be made for 10% of the reduced provision recorded in 2019 ("the Tax Adjustment "). If the correction for the Tax Adjustment is more than 10% of the increased provision in 2016, then in 2016 10% of the increased provision will be adjusted in 2016 and the balance between the Tax Adjustment and this amount will be adjusted in 2017 (and together with the Tax Adjustment, hereinafter: the "Aggregate Tax Adjustment”). The Aggregate Tax Adjustment will be recognized as an expense in 2019.

B. Change in accounting policies regarding calculation of the LAT -

On March 29, 2020, the Capital Market Authority published Insurance Circular 2020-1-5 concerning an amendment to the provisions of the consolidated circular on the measurement of liability - Liability Adequacy Test (LAT). The provisions of the Circular entered into force in Q1 2020 by way of retrospective application (see also Note 2C). The Sector-based Agreements stipulated that the effects of the Circular originating in 2019 will be adjusted for tax purposes in 2019, whereas the other effects will be adjusted for tax purposes in 2020.

The Group’s financial results were not and are not expected to be significantly affected from the agreement. The financial statements were prepared in accordance with the principles of the agreement.

Note 6 - Financial instruments

A. Assets for Yield-dependent contracts

1. Information about assets held to cover insurance contracts and investment contracts, presented at fair value through profit and loss:

	As at September 30		As at December 31
	2020	2019	2019
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Investment property	**1,797**	1,702	1,769
Financial investments			
Marketable debt assets	**21,542**	22,159	22,614
Non-marketable debt assets (*)	**14,699**	14,393	14,876
Shares	**11,302**	10,324	11,298
Other financial investments	**12,928**	12,030	12,774
Total financial investments	**60,471**	58,906	61,562
Cash and cash equivalents	**3,322**	2,984	2,897
Other	**1,395**	1,042	974
Total assets for yield-dependent contracts **	**66,985**	64,634	67,202
Payables	**98**	169	485
Financial liabilities ***	**252**	194	149
Financial liabilities for yield-dependent contracts	**350**	363	634
(*) Of which, assets measured at adjusted cost	**467**	554	518
Fair value of debt assets measured at adjusted cost	**518**	617	581

** Including net assets (assets net of financial liabilities) in the amount of NIS 4,480 million, NIS 4,486 million, and NIS 4,602 million as at September 30, 2020 and 2019, and at December 31, 2019, respectively, for a liability attributable to a group long-term care portfolio in which most of the investment risks are not borne by the insurer.

*** Mainly derivatives and futures contracts.

Note 6 - Financial instruments (Contd.)

A. Assets for Yield-dependent contracts (Contd.)

2. Fair value hierarchy of financial assets

The following table presents an analysis of the assets held against insurance contracts and investment contracts that are presented at fair value through profit or loss. The different levels are defined as follows:

Level 1 – fair value measured by use of quoted prices (not adjusted) on an active market for identical instruments.
Level 2 – fair value measured by using observed data, direct and indirect, which are not included in Level 1 above.
Level 3 – fair value measured by using data which are not based on observed market data.

	As at September 30, 2020 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	18,366	3,176	-	21,542
Non-marketable debt assets	-	13,063	1,169	14,232
Shares	8,794	6	2,502	11,302
Other	7,999	69	4,860	12,928
Total	35,159	16,314	8,531	60,004

	As at September 30, 2019 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	18,954	3,205	-	22,159
Non-marketable debt assets	-	13,075	764	13,839
Shares	7,823	8	2,493	10,324
Other	7,758	377	3,895	12,030
Total	34,535	16,665	7,152	58,352

	As at December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	19,436	3,178	-	22,614
Non-marketable debt assets	-	13,344	1,014	14,358
Shares	8,783	7	2,508	11,298
Other	8,454	262	4,058	12,774
Total	36,673	16,791	7,580	61,044

Note 6 - Financial instruments (Contd.)

A. Assets for Yield-dependent contracts (Contd.)

3. Financial assets measured at level-3 fair value hierarchy

For the nine and three month periods ended September 30, 2020 (Unaudited)

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2020	1,014	2,508	4,058	7,580
Total profits (losses) that were recognized:				
In profit and loss (*)	32	76	87	195
Interest and dividend receipts	(37)	(32)	(149)	(218)
Purchases	295	147	1,084	1,526
Sales	-	(197)	(170)	(367)
Redemptions	(221)	-	(50)	(271)
Transfers to Level 3 *	87	-	-	87
Transfers from Level 3 *	(1)	-	-	(1)
Balance as at September 30, 2020	1,169	2,502	4,860	8,531
Of which total unrealized profits for the period in respect of financial assets held correct at September 30, 2020 (*)	31	62	83	176

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at July 1, 2020	1,099	2,474	4,421	7,994
Total profits (losses) that were recognized:				
In profit and loss (*)	32	56	228	316
Interest and dividend receipts	(7)	(11)	(55)	(73)
Purchases	139	19	337	495
Sales	-	(36)	(53)	(89)
Redemptions	(96)	-	(18)	(114)
Transfers to Level 3 *	2	-	-	2
Balance as at September 30, 2020	1,169	2,502	4,860	8,531
Of which total unrealized profits for the period in respect of financial assets held correct at September 30, 2020 (*)	34	42	226	302

* For securities whose rating changed

Note 6 - Financial instruments (Contd.)

A. Assets for Yield-dependent contracts (Contd.)

3. Financial assets measured at level-3 fair value hierarchy (Contd.)

For the nine and three month periods ended September 30, 2019 (Unaudited)

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1,2019	506	2,531	3,790	6,827
Total profits (losses) that were recognized:				
In profit and loss (*)	4	(41)	(107)	(144)
Interest and dividend receipts	(25)	(56)	(162)	(243)
Purchases	558	211	633	1,402
Sales	-	(152)	(215)	(367)
Redemptions	(170)	-	(44)	(214)
Transfers from Level 3 *	(109)	-	-	(109)
Balance as at September 30, 2019	764	2,493	3,895	7,152
Of which total unrealized profits (losses) for the period in respect of financial assets held correct at September 30, 2019 (*)	4	(25)	(108)	(129)

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at July 1, 2019	614	2,347	3,924	6,885
Total profits (losses) that were recognized:				
In profit and loss (*)	(10)	22	(94)	(82)
Interest and dividend receipts	(10)	(5)	(54)	(69)
Purchases	215	131	219	565
Sales	-	(2)	(93)	(95)
Redemptions	(45)	-	(7)	(52)
Balance as at September 30, 2019	764	2,493	3,895	7,152
Of which total unrealized profits (losses) for the period in respect of financial assets held correct at September 30, 2019 (*)	(5)	23	(90)	(72)

* For securities whose rating changed.

Note 6 - Financial instruments (Contd.)

A. Assets for Yield-dependent contracts (Contd.)

3. Financial assets measured at level-3 fair value hierarchy (contd.)

For the year ended December 31, 2019 (Audited)

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1,2019	506	2,531	3,790	6,827
Total profits (losses) that were recognized:				
In profit and loss (*)	21	18	(23)	16
Interest and dividend receipts	(31)	(212)	(214)	(457)
Purchases	833	455	991	2,279
Sales	-	(284)	(421)	(705)
Redemptions	(206)	-	(65)	(271)
Transfers from Level 3 *	(109)	-	-	(109)
Balance as at December 31, 2019	1,014	2,508	4,058	7,580
Of which total unrealized profits (losses) for the period in respect of financial assets held correct at December 31, 2019 (*)	19	38	(20)	37

* Mainly for securities whose rating changed.

Note 6 - Financial instruments (Contd.)

B. Other financial investments

1. Non-marketable debt assets and held-to-maturity investments – book value against fair value

	As at September 30 (Unaudited)		As at December 31 (Audited)	As at September 30 (Unaudited)		As at December 31 (Audited)
	Book Value			Fair Value		
	2020	2019	2019	2020	2019	2019
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Loans and receivables:						
Earmarked bonds	**5,207**	4,993	5,214	**7,195**	6,992	7,344
Non-marketable, non-convertible debt assets, excluding bank deposits	**7,272**	7,216	7,361	**8,178**	8,197	8,375
Bank deposits (*)	**2,176**	2,300	2,267	**2,223**	2,368	2,330
Total non-marketable debt assets	**14,655**	14,509	14,842	**17,596**	17,557	18,049
Investments held to maturity:						
Marketable non-convertible debt assets	**67**	98	80	**68**	102	83
Total investments held to maturity	**67**	98	80	**68**	102	83
Total	**14,722**	14,607	14,922	**17,664**	17,659	18,132
Impairments recognized in profit and loss (in aggregate)	**51**	21	21			
(*) Of which debt assets measured at fair value	**1,774**	1,530	1,689			

Note 6 - Financial instruments (Contd.)

B. Other financial investments (Contd.)

2. Fair value hierarchy of financial assets

The following table presents an analysis of financial instruments measured at fair value on a periodic basis, using a valuation method based on the fair value hierarchy. See Note 6A (2) for a definition of the different levels.

	As at September 30, 2020 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	9,769	1,292	-	11,061
Non-marketable debt assets	-	1,774	-	1,774
Shares	1,157	-	324	1,481
Other	1,177	26	1,661	2,864
Total	12,103	3,092	1,985	17,180

	As at September 30, 2019 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	9,276	1,144	-	10,420
Non-marketable debt assets	-	1,530	-	1,530
Shares	869	-	328	1,197
Other	973	190	1,553	2,716
Total	11,118	2,864	1,881	15,863

	As at December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	10,042	1,187	-	11,229
Non-marketable debt assets	-	1,689	-	1,689
Shares	902	-	375	1,277
Other	1,135	112	1,613	2,860
Total	12,079	2,988	1,988	17,055

Note 6 - Financial instruments (Contd.)

B. Other financial investments (Contd.)

3. Financial assets measured at level-3 fair value hierarchy

For the nine and three-month periods ended September 30, 2020 (Unaudited)

	Fair-value measurement on reporting date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at January 1, 2020	375	1,613	1,988
Total profits (losses) that were recognized:			
In profit and loss (*)	2	47	49
In other comprehensive income	(38)	(41)	(79)
Interest and dividend receipts	(1)	(47)	(48)
Purchases	108	283	391
Sales	(122)	(169)	(291)
Redemptions	-	(25)	(25)
Balance as at September 30, 2020	324	1,661	1,985
(*) Of which total unrealized profits for the period for financial assets held at September 30, 2020	-	38	38

	Fair-value measurement on reporting date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at July 1, 2020	396	1,550	1,946
Total profits (losses) that were recognized:			
In profit and loss (*)	-	57	57
In other comprehensive income	(21)	(8)	(29)
Interest and dividend receipts	-	(17)	(17)
Purchases	17	100	117
Sales	(68)	(20)	(88)
Redemptions	-	(1)	(1)
Balance as at September 30, 2020	324	1,661	1,985
(*) Of which total unrealized profits (loss) for the period for financial assets held at September 30, 2020	(1)	54	53

Note 6 - Financial instruments (Contd.)

B. Other financial investments (Contd.)

3. Financial assets measured at level-3 fair value hierarchy (contd.)

For the nine and three-month periods ended September 30, 2019 (Unaudited)

	Fair-value measurement on reporting date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at January 1,2019	266	1,547	1,813
Total profits (losses) that were recognized:			
In profit and loss (*)	(3)	39	36
In other comprehensive income	9	(72)	(63)
Interest and dividend receipts	(1)	(50)	(51)
Purchases	59	168	227
Sales	(2)	(70)	(72)
Redemptions	-	(9)	(9)
Balance as at September 30, 2019	328	1,553	1,881
(*) Of which total unrealized profits (loss) for the period for financial assets held at September 30, 2019	(3)	39	36

	Fair-value measurement on reporting date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at July 1, 2019	314	1,568	1,882
Total profits (losses) that were recognized:			
In profit and loss (*)	(4)	10	6
In other comprehensive income	3	(39)	(36)
Interest and dividend receipts	-	(13)	(13)
Purchases	16	56	72
Sales	(1)	(26)	(27)
Redemptions	-	(3)	(3)
Balance as at September 30, 2019	328	1,553	1,881
(*) Of which total unrealized profits (loss) for the period for financial assets held at September 30, 2019	(4)	10	6

Note 6 - Financial instruments (Contd.)

B. Other financial investments (Contd.)

3. Financial assets measured at level-3 fair value hierarchy (contd.)

For the year ended December 31, 2019 (Audited)

	Fair-value measurement on reporting date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at January 1,2019	266	1,547	1,813
Total profits (losses) that were recognized:			
In profit and loss (*)	(4)	75	71
In other comprehensive income	40	(27)	13
Interest and dividend receipts	(2)	(69)	(71)
Purchases	77	264	341
Sales	(2)	(147)	(149)
Redemptions	-	(30)	(30)
Balance as at December 31, 2019	375	1,613	1,988
(*) Of which total unrealized profits (loss) for the period for financial assets held at December 31, 2019	(5)	76	71

Note 6 - Financial instruments (Contd.)

C. Financial liabilities

1. Financial liabilities presented at amortized cost – book value against fair value

	As at September 30		As at December 31	As at September 30		As at December 31
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	Book Value			Fair Value		
	2020	2019	2019	2020	2019	2019
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Loans from banks *	**491**	349	530	**509**	376	557
Loans from related parties	**-**	12	12	**-**	12	12
Bonds *	**5,146**	5,225	6,091	**5,642**	5,791	6,670
Total financial liabilities presented at amortized cost	**5,637**	5,586	6,633	**6,151**	6,179	7,239
Subordinated liability notes issued for compliance with the capital requirements	**4,518**	3,986	4,739			

* Including subordinated liability notes

2. Interest rates used to determine the fair value

	As at September 30		As at December 31
	2020	2019	2019
Loans	**2.12%**	1.96%	1.87%
Bonds	**1.24%**	0.87%	0.95%

Note 6 - Financial instruments (Contd.)

C. Financial liabilities (Contd.)

3. Financial liabilities measured at fair value hierarchy

The following table presents an analysis of financial liabilities presented at fair value. For a definition of the levels, see Note 6A(2)

	As at September 30, 2020 (Unaudited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	35	483	518
Short sales (2)	984	120	1,104
Total financial liabilities	1,019	603	1,622

	As at September 30, 2019 (Unaudited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	71	464	535
Short sales (2)	251	-	251
Total financial liabilities	322	464	786

	As at December 31, 2019 (Audited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	49	464	513
Short sales (2)	291	-	291
Total financial liabilities	340	464	804

(1) Derivative financial instruments held to cover the insurance liabilities as part of the Group's policy for asset and liability management ("ALM"). Of the above, NIS 266 million, NIS 340 million and NIS 364 million as at September 30, 2020 and 2019 and at December 31, 2019, respectively, are included in the non-yield-dependent liabilities, and the balance is included in the Group's yield-dependent liabilities. Most of the amount is attributable to management of exposure by means of derivatives to foreign currency and to the CPI. To cover these liabilities, the financial institutions deposited collateral in accordance with the conditions set out in the contract. The Group's financial institutions have approved credit facilities for their derivative activity. Pursuant to the foregoing, the Group's financial institutions deposited NIS 894 million, NIS 818 million and NIS 755 million as at September 30, 2020 and 2019 and at December 31, 2019, respectively, as collateral to cover their liabilities attributable to this activity (these collaterals are presented under trade receivables).

(2) Harel Finance, a subsidiary of the Company, operates through subsidiaries involved in the short sale of government bonds (Israeli and foreign) and places the proceeds of the sales in deposit until the bond maturity date. In the Reporting Period, these companies made short sales of NIS 520 million within the context of this activity. The balance of the backing amounts as at September 30, 2020, was NIS 804 million. After the date of the report a short sale of NIS 250 million, net, was performed.

Note 6 - Financial instruments (Contd.)

C. Financial liabilities (Contd.)

4. Additional information

1. Financial covenants

   For information relating to the financial covenants in respect of significant loans that the Company took from banks and non-bank corporations, see Note 25 to the annual financial statements. As at September 30, 2020, the Company is in compliance with the financial covenants that were determined.

2. Full, early redemption of bonds (Series 4) of Harel Financing & Issuing

   On May 11, 2020, Harel Financing & Issuing, a second-tier subsidiary of the Company, resolved to make full, early redemption, of the Series 4 bonds it had issued, which was implemented on May 31, 2020.

3. On bonds that were issued by a second-tier subsidiary of Harel Finance, see Note 9.

D. Information about level 2 and level 3 fair-value measurement

The interest rates used to determine the fair value of non-marketable debt assets

The fair value of non-marketable debt assets measured at fair value by way of profit or loss and of non-marketable debt assets, where information about the fair value is given for disclosure purposes only, is determined by discounting the estimated cash flows they are expected to produce. The discounting rates are based on an allocation of the negotiable market into deciles consistent with the yield to maturity of the debt asset, and determining the position of the non-marketable asset on those deciles, and this in accordance with the risk premium stemming from the prices of transactions/issues on the non-negotiable market. The price quotes and interest rates used for the discounting are determined by Mirvah Hogen, a company that provides price quotes and interest rates for financial institutions for the revaluation of non-marketable debt assets.

Note 7 - Contingent liabilities and commitments

A. Contingent Liabilities

There is a general exposure which cannot be evaluated and/or quantified resulting, inter alia, from the complexity of the services provided by the Group to its insured and its customers. The complexity of these arrangements embodies, *inter alia*, the potential for interpretive and other arguments, due to information gaps between the Group's companies and the other parties to the insurance contacts and the Group's other products, pertaining to the long series of commercial and regulatory conditions, including claims relating to the way in which the money of members and policyholders is invested. It is impossible to anticipate in advance the types of arguments that might be raised in this field, and the exposure resulting from these and other allegations in connection with the Group's products raised within the framework of different legal proceedings, *inter alia*, through the litigation mechanism set forth in the Class Actions Law.

New interpretations of the information in insurance policies and long-term term pension products may, in some instances, affect the Group's future profits in respect of the existing portfolio, in addition to the exposure inherent in requirements to compensate customers for past activity. Likewise, there is an element of exposure due to regulatory changes and instructions issued by the Commissioner, in circulars that are in force and in draft circulars that are still under discussion, as well as in the Commissioner’s Position Papers and Decisions in Principle on various topics, some of which have far-reaching legal and operational ramifications. This exposure is particularly strong in pension savings and long-term insurance, including health insurance. In these sectors, agreements with the policyholders, members and customers are over a period of many years during which there may be policy changes, regulatory changes and changes in the law, including in case law. These rights are managed through complex automated systems, and in view of these changes they must be constantly adjusted. All these create considerable operational and mechanization exposure in these areas of activity. The Group’s financial institutions have an enforcement plan according to which they review compliance with the regulatory provisions and take action to correct any deficiencies found.

Among these regulatory changes, in 2011 the Commissioner published a circular concerning data optimization of the rights of members of financial institutions. The circular details the activity framework that a financial institution must carry out to ensure that members' rights are reliably, and fully recorded in the information systems, and that they are available and retrievable. The circular prescribes stages for implementation of the optimization project, which is scheduled for completion on June 30, 2016. At this date, the Company has completed the optimization activity for most of the issues that were included in the work plan. Nevertheless, several issues remain that will continue to be dealt with even after the date scheduled for completion of the project. Furthermore, in accordance with the requirements of the circular, the Company also performs ongoing optimization and preserves the optimization activity conducted as part of the project.

In addition, there is a general exposure due to complaints issued from time to time to the Capital Markets, Insurance and Savings Authority against financial institutions in the Group, regarding the rights of insured relating to the insurance policies and/or the law. These complaints are handled on a current basis by the public complaints division within the financial institutions. The decisions of the Capital Market, Insurance and Savings Authority on these complaints, if and to the extent that any decision is made, might be made across the board and apply to large groups of insureds. Additionally, sometimes, the complaining entities even threaten to take action regarding their complaints in the form of class actions. At this time, it is impossible to estimate whether there is any exposure for such complaints and it is not possible to estimate whether the Capital Market, Insurance and Savings Authority will issue an across-the-board decision on these complaints and/or if class actions will be filed as a result of such processes, and it is impossible to estimate the potential exposure to such complaints. Therefore, no provision for this exposure has been included. Furthermore, as part of the policy applied by the Capital Market, Insurance and Savings Authority to enhance the controls and audits of financial institutions, from time to time the Authority conducts in-depth audits of a variety of activities of the Group's financial institutions. As a result of these audits, the Ministry of Finance may impose fines and/or financial penalties and it may also order that changes should be made with respect to various operations, both in the past and in the future. Regarding instructions with respect to past activity, the Capital Market, Insurance and Savings Authority might request the restitution of money or a change in conditions vis-à-vis policyholders and/or fund members which may impose financial liabilities on the Company's subsidiaries and/or increase the exposure of the subsidiaries that are insurers to a broader range of insurance events to be covered on account of these instructions, in policies that were issued.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

As part of the audits conducted by the Capital Market, Insurance and Savings Authority, during the Reporting Period several in-depth audits were and are being conducted of the health insurance and personal accident, long-term care and non-life insurance sectors, customer service, claims settlement and actuarial practice.

Within the context of investments made by the Group companies in debt assets, the investing companies are signed on indemnity notes of unlimited amounts vis-a-vis the trustees of the debt assets. In these indemnity notes, the Group companies (as well as the other investors in those debt assets), undertook towards the trustees to indemnify the trustees for any expense that may be imposed on them during the handling of the debt arrangements, insofar as they handle such arrangements and insofar as the said expense is not paid by the company which owns the assets. The Group companies hold several debt assets that are in an arrangement process. The exposure relating to the indemnity notes that were given in respect of these debt assets is insignificant.

In connection with a merger of the insurance activity of Dikla into Harel Insurance, and based on a request by Clalit Health Services which is Dikla's main customer and where, as part of the agreement with Clalit Dikla provides operating and management services for the Supplementary Health Services Plan and the Long-term Care plan for Clalit's members, Harel Insurance signed an indemnity note in which it undertook to indemnify Clalit Health Services for losses sustained by Clalit if and insofar as any losses are sustained, as a result of a spin-off of operations, under the conditions set out in the indemnity note.

Following is information about the exposure to class actions and motions to recognize claims as class actions filed against the Company and/or companies in the Group.

For motions to certify legal actions as class actions as detailed below, where, in management's opinion based *inter alia* on legal opinions that it received, it is more likely than not that the defense arguments of the Company (or subsidiary) will be dismissed and certification of the action as a class action will be accepted, or where there is a 50% or more chance that in the final outcome the Company's (or subsidiaries) arguments will be accepted, where it is reasonable that a proposed compromise settlement, that does not include a significant undertaking for monetary payment will be accepted, no provision has been included in the financial statements. Regarding motions to approve a legal action, fully or partly, as class action with respect to a claim, where it is more reasonable than not that the Company's defense arguments are likely to be dismissed, the financial statements include provision to cover the exposure estimated by the Company's management and/or the managements of subsidiaries. In the opinion of the Company's management, based, *inter alia*, on legal opinions it received, the financial statements include adequate provision, where such provision is necessary, to cover the estimated exposure by the Company and/or subsidiaries.

On motions to approve actions as class actions under Sections 43, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57 and 58 below, it is not possible at this early stage to estimate the chances that the applications will be approved as a class action and therefore no provision was included in the financial statements for these claims.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

1. In January 2008, an action was filed in the Tel Aviv District Court against the subsidiary Harel Insurance and against four additional insurance companies (hereinafter together: “the Defendants”) together with an application for its certification as a class action. The subject of the action is a claim that the respondents unlawfully collected "sub-annual factor payments" (a fee that insurance companies are allowed to collect when the amount of the annual premium is paid in several installments). The plaintiffs claim damages in the amount of NIS 1,683.54 for each year of insurance. The plaintiffs estimate that the total claim for the entire class that they wish to represent against all defendants is about NSI 2.3 billion, of which about NIS 307 million is against Harel Insurance. On February 1, 2010, the court approved a request for a procedural arrangement between the parties, whereby the plaintiff will strike out from the motion and the action the claim that Harel Insurance collected a sub-annual factor fee exceeding the rate permitted in policies that were issued before 1992 as well. As instructed by the court, the plaintiff submitted an amended claim and request for its certification as a class action. On December 29, 2013 the Commissioner submitted a position that supports the position of the Defendants that there is no impediment to collecting sub-annual policy factors, on the savings component of life insurance combined savings and other term policies, including long-term care, work disability and accidental disability. On July 19, 2016, the Tel Aviv District Court approved the claim as a class action in connection with the collection of a sub-annual factor on the premium component which is known as the policy factor and on the savings component in combined savings and life assurance policies, and in connection with the collection of a sub-annual policy factor in health, disability, critical illness, work disability and long-term care policies. In December 2016, a motion was filed for permission to appeal the decision of Tel Aviv District Court. Following a decision of the Supreme Court from January 2017, the respondents responded to the motion for permission to appeal the decision to certify the action as a class action and it was heard by a panel of judges. In April 2017, the Supreme Court accepted the request for a stay of implementation that was filed by the Defendants and it determined that the hearing would be put on hold until a decision has been made on the motion for permission to appeal and on the appeal. On May 31, 2018, the Supreme Court accepted the motion for permission to appeal, heard it as an appeal and accepted it, reversing the ruling of the District Court and dismissing the motion for certification of the action as a class action. On June 26, 2018, a motion was served to Harel Insurance to hold a further hearing on the judgment, that the plaintiffs filed in the Supreme Court. In its decision from July 2, 2019, the Supreme Court instructed that another hearing on the judgment should take place before a panel of seven judges. In November 2019, the Attorney General announced that he would present himself at the proceeding and in February 2020, he submitted his position supporting the judgment and the trend reflected therein for strengthening the weight that should be given to the regulator’s professional position in the interpretation of his instructions and that in his view, there is no room for intervention in the ruling made in the judgment which is the subject of the proceeding with respect to adopting the interpretive position of the Capital Market Authority. In July 2020 another hearing on the judgment took place before a panel of seven judges.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

2. In April 2010, an action and application for its certification as a class action was filed in the Petach Tikva Central District Court against the subsidiary Harel Insurance and against four additional insurance companies (hereinafter together: "the Defendants"). The subject of the legal action is the allegation that in the event of a discontinuation of insurance in any month, after the insurance premium for that month was collected by the Defendants in advance, the defendants allegedly did not reimburse the insured the proportionate, surplus share of the premiums for that month, or alternatively they allegedly repaid the insurance premium in nominal values only. In the opinion of the applicants, the total damages to all members of the group, cumulatively claimed against all defendants, amount to NIS 225 million for a ten-year period (the plaintiffs did not attribute any specific amount to each of the Defendants separately). The amount of the plaintiffs' personal claim against Harel Insurance is NIS 80. In December 2011, the court instructed that the plaintiffs' allegations should be struck out in connection with Section 28.A of the Contracts (Insurance) Law and in connection with a policy of policyholders that has partially or temporarily expired. In November 2014, the Commissioner's opinion was submitted to the court, that the provisions of the policy are binding with respect to the manner of collecting the premium after the death of the insured or in the period following cancellation of the policy, and that the actuarial opinion submitted to the court by the Defendants is insufficient to confirm that the Defendants priced the policy in such a way as provides evidence that they took into account the fact that the premiums would not be returned to the insureds for the period after the death of the insured or after the policy cancellation. On June 23, 2015, the Lod-Center District Court partially certified litigation of the claim as a class action. The court certified the claim against Harel Insurance as a class action, but only with respect to the inclusion of interest and linkage differences at the time of restitution of premiums that were collected in the months after the month in which the insurance contract was cancelled or after the occurrence of the insured event. In September 2016, a compromise settlement was submitted for the court's approval. Accordingly, it was agreed, inter alia, that Harel Insurance will donate 60% of its total refund in relation to the first cause, as defined in the compromise settlement and as per report of the reviewer to be appointed to review the compromise settlement, and 80% of the total refund amount in respect of the second cause, as defined in the compromise settlement and as per the report of the reviewer to be appointed, as noted. Furthermore, the compromise settlement prescribes provisions with respect to future conduct in cases of the cancellation of policies which are the subject of the claim. Validity of the compromise settlement is contingent on the court's approval. In March 2017, the Attorney General submitted his position on the compromise settlement to the government. The opinion includes various comments including, among others, that a reviewer should be appointed to review the compromise settlement before it is approved and he asked to submit a supplementary position after the professional opinion of the reviewer has been received and examined. In June 2017, the court appointed a reviewer for the compromise settlement. In December 2019, the reviewer's opinion was submitted to the court in relation to Harel Insurance in which the compromise settlement is appropriate, fair and reasonable, when taking into account the affairs of the class members.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

3. In May 2011, an action was filed in the Central Region District Court against the subsidiary Harel Insurance and three other insurance companies (hereinafter together: “the Defendants”), together with a motion for certification as a class action. The subject of the action is an allegation that the Defendants allegedly unlawfully collect a payment called a "policy factor" and/or "other management fees" at a considerable rate of the premium paid without their consent or knowledge and without compliance with a condition that enables such collection in the policy instructions. The plaintiffs argue that according to instructions issued by the Commissioner, companies were allowed to charge a policy factor under certain conditions; however they also claim that in addition to the Commissioner's authorization, the Defendants must stipulate collection of the policy factor in a contractual agreement with the policyholder. According to the plaintiffs, the total loss claimed for all members of the group against all the Defendants is NIS 2,325 million, and against Harel Insurance, based on its share of the market, is NIS 386 million. On June 10, 2015, the parties filed an application in the court to approve a compromise settlement. The court appointed a reviewer for the compromise settlement. Under the proposed compromise settlement, the Defendants undertook to reimburse the class members with a total amount of one hundred million shekels for the collection of a policy factor in the past. Harel Insurance’s share of this amount is NIS 14 million. Additionally, each of the Defendants undertook to deduct the future collection for the policy factor from the members of this group at a rate of 25% relative to the actual amount collected. The Defendants also undertook to pay compensation to the class plaintiff and cover the cost of his lawyer’s fees, of an amount to be decided upon by the court. In its decision from November 21, 2016, the court dismissed the compromise settlement and approved litigation of part of the claim as a class action on the grounds of a breach of the insurance policy on account of collection of the policy factor fee with no legal basis in a manner that compromises the insured’s accrued savings, starting from seven years prior to the date of filing the claim. The relief to be claimed as part of the class action will be to remedy of the breach by way of revising the insured’s accrued savings by the additional amount of savings that would have been accrued if the policy factor had not been collected or by compensating the insured by the aforesaid amount. In addition, from now on, the policy factor will no longer be collected. The class in whose name the class action is litigated comprises insureds of the Defendants who have combined life assurance and savings policies that were drawn up between 1992-2003, where the savings accrued by the insureds was compromised on account of the collection of the policy factor. In May 2017, the Defendants filed a motion in the Supreme Court for permission to appeal this decision, in which context the compromise settlement was dismissed and the motion to certify the claim as a class action was partially approved. In September 2018, the Attorney General’s response was filed to the motion for permission to appeal, according to which his position is that the Central District Court was correct in its decision not to approve the compromise settlement and to partially approve the motion to certify the action as a class action. In February 2019, the motion for permission to appeal was struck out, after the Defendants accepted the Supreme Court’s recommendation to withdraw the motion for permission to appeal, while maintaining all their arguments and rights. The parties are conducting a mediation process.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

4. In July 2012, an action was filed against the subsidiary Harel Insurance in the Tel Aviv District Court, together with an application for its certification as a class action against the subsidiary Harel Insurance and against the IDF Disabled Veterans Organization (hereinafter together: “the Defendants”). The subject of the class action claim is that in a group life insurance policy issued to members of the IDF Disabled Veterans Organization a certain insurance coverage ostensibly exists which was intended for cases where the insurance event takes place in the year between the age of 75 and 76 in the life of the insured, while Harel Insurance only provides insurance coverage for insurance events occurring up to the age of 75. The plaintiff estimates the amount of the claim for all group members he wishes to represent at NIS 46 million. On June 5, 2014, the Tel Aviv District Court certified hearing of the claim as a class action. The group which was approved is all the beneficiaries of the IDF Disabled Veterans Organization who died between 2006 and 2012, when the insureds were aged between 75 and 76, and who suffered an insured event during that year and did not receive insurance benefits from Harel Insurance. On July 6, 2014, the Defendants filed an application for permission to appeal this decision in the Supreme Court. In November 2014, the Supreme Court ordered a stay of proceedings in the Tel Aviv District Court until another decision is made. As recommended by the court, the Defendants withdrew their application for appeal in December 2015. Consequently, the stay of proceedings in the District Court was suspended. In its decision from March 20, 2016, the Tel Aviv District Court instructed that the group should be enlarged to include the beneficiaries of IDF veterans who died between 2013 and 2016 as well. The court instructed that the Commissioner’s position on the dispute which is the subject of the action should be accepted. In September 2018, the Commissioner’s position was accepted, whereby given that the dispute relates to the interpretation of the policy documents, the Capital Market Authority does not see fit to express its opinion on the matter.
5. In December 2012, a claim was filed against the subsidiary Harel in the Aviv District Court, together with an application for certification as a class action. The subject of the claim is that Harel ostensibly pays the monthly LTC insurance benefit to customers insured under a group policy of the Israel Teachers Union ("the Policy") according to the CPI known at the beginning of the month, rather than the CPI known at the date of payment. In addition, it is claimed that Harel ostensibly pays the LTC benefit without linking it to the base CPI given in the Policy, but rather to a CPI that was published two months later, and this, ostensibly, in breach of the provisions of the Policy. The plaintiff does not mention the total sum that it claims for all members of the group. In December 2018, the parties filed a motion in the court to approve a compromise settlement in which it was agreed that insureds in the policy would receive index differences for long-term care benefits that were calculated not in accordance with the base index defined in the policy, and that index differences will be paid in respect of long-term care benefits that were calculated not in accordance with the known index on the date of payment in policies that stipulated that the payment will be linked to the known index on the date of payment. Furthermore, provisions were prescribed concerning the way in which payments to the class members will be made in the future. Validity of the compromise settlement is contingent on the court’s approval. In July 2019, the Attorney General submitted his position on the compromise settlement. The opinion includes various comments including, among others, that a reviewer should be appointed to review the compromise settlement before it is approved and comments relating to the way in which the refund will be made to the class members, and he also requested submittal of an additional opinion after the professional opinion of the reviewer has been received and examined. In August 2020, an amended compromise agreement was submitted for the court’s approval, in accordance with the court’s comments. In October 2020, the Attorney General’s position was submitted to the court in which he has no comments on the amended compromise agreement he leaves the decision to the discretion of the court.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

6. In May 2013, an action was filed in the Tel Aviv District Court together with an application for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel ostensibly refrains from paying insurance benefits to its policyholders together with linkage differences and interest, from the date of occurrence of the insured event up to the payment date of the insurance benefits. The total loss claimed for all members of the group amounts to sums varying from NIS 168 million to NIS 807 million. The mediation process conducted by the parties was unsuccessful and litigation of the action was returned to the court. On August 30, 2015, the Tel Aviv District Court partially accepted the motion for certification, such that conducting of the claim as a class action was approved with respect to the argument concerning non-payment of interest as required under Section 28(A) of the Insurance Contract Law ("the Law"), and the motion was dismissed insofar as it relates to the argument that Harel Insurance does not link the insurance benefits in accordance with the provisions of Section 28(A) of the Law. The plaintiffs estimate that the overall loss claimed for all members of the group in relation to the Company according to the amended statement of claim amounts to NIS 120 million. In October 2015, an application was filed for permission to appeal the decision to certify the application as a class action. In accordance with the court's recommendation, in August 2016 the Defendants withdrew the application for permission to appeal.
7. In April 2014, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Dikla Insurance Agency Ltd. (in its previous name Dikla Insurance Company Ltd. ("Dikla")). The subject of the action is the allegation that Dikla ostensibly pays insurance benefits to insureds in the group health insurance policy "Mushlam for Pensioners" run for pensioners of Clalit Health Services and their families ("the Policy") based on the index known at the beginning of the month, and not according to the index known on the date of payment, in contravention of the provisions of the law ("primary cause"), and that Dikla has allegedly increased the premiums for insureds in the policy without any foundation and ostensibly in contravention of the provisions of the Policy and the law ("secondary cause"). The total loss claimed for all members of the group amounts to NIS 21.5 million (NIS 19 million for the primary cause and NIS 2.5 million for the secondary cause).
8. In April 2014, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the consolidated subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance pays the holders of Hiyunit profit-sharing policies for work disability and long-term care insurance ("the Policy") monthly compensation (which consists of monthly compensation and the outstanding bonus), which is ostensibly calculated in contravention of the Policy provisions, and that Harel Insurance, allegedly, does not pay the policyholders the bonus they have accrued up to the date of payment of the first monthly compensation according to the Policy. The total loss claimed for all members of the Group that the plaintiff wishes to represent amounts to NIS 381 million. In March 2019, the Tel Aviv District Court certified litigation of the claim as a class action ("the Decision"). The class in whose name the class action is to be litigated is all insureds in profit-sharing life-assurance policies managed by Harel Insurance, in which the insurance benefits are paid based on an Rm formula. On July 17, 2019, Harel Insurance filed an application for permission to appeal the decision in the Supreme Court. On July 22, 2019, Harel Insurance was served with an appeal in the Supreme Court which was filed by the plaintiff in the motion for certification, on that part of the decision in which the District Court ruled not to certify litigation of the claim as a class action on the grounds of deception and that the definition of the class in the class action did not also include past insureds, including beneficiaries and heirs of insureds in the insurance policies in respect of which the claim had been certified as a class action. In October 2019, the Supreme Court ordered a stay of proceedings before the District Court until further notice.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

9. In June 2014, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Dikla Insurance Agency Ltd. (in its previous name Dikla Insurance Company Ltd. ("Dikla")) The subject of the action is the argument that under the provisions of the group long-term care insurance policy for members of Clalit Health Services Supplementary Long-term Care Plus ("the Policy"), Dikla fails to pay insureds who require long-term care insurance benefits for the days in which they were hospitalized in a general or rehabilitation hospital, and that these days are not included in the number of days for calculating the waiting period determined in the policy, and this ostensibly in contravention of the Commissioner' instructions and the provisions of the law. The plaintiff estimates the total loss claimed for all members of the Group that it wishes to represent at NIS 35 million. The court passed the motion to accept the Commissioner's position regarding the disputes that are the subject of the motion for certification of the action as a class action. In January 2016, the Commissioner's position was submitted which stated that the policy definition of the insured event does not violate the instructions of the Capital Market, Insurance and Savings Authority and that the policy which is the subject of the claim was approved separately by the Capital Market, Insurance and Savings Authority. In December 2018, the court dismissed the motion to certify the claim as a class action on the grounds that non-payment of the insurance benefits in respect of the hospitalization period is contrary to the Commissioner's instructions, but it approved the conducting of the action as a class action on the grounds of a breach of an insurance circular on the subject of fair disclosure to insureds when they are enrolled in a health insurance policy. The class in whose name the class action is to be conducted is all Dikla policyholders who purchased long-term care insurance after October 1, 2001, who were entitled to claim insurance benefits in the period between May 29, 2011 and May 29, 2014, and where the proper disclosure form attached to the purchased policy does not mention or refer to the section that states that the date of occurrence of the insured event is the date on which the insured first becomes eligible, or the date on which the insured was discharged from a general or rehabilitation hospital, whichever is later. In May 2019, Dikla filed a motion in the Supreme Court for permission to appeal the decision. In June 2019, the plaintiff in the motion for certification filed an appeal in the Supreme Court against the District Court's ruling not to certify litigation of the claim as a class action on the grounds that non-payment of the insurance benefits for the hospitalization period contravenes the Commissioner's instructions and also that, as argued by the plaintiff, the court did not rule on the additional argument of breach of contract.

10. In July 2014, a motion for certification of a claim as a class action was filed in the Lod-Center District Court against the subsidiary Harel Pension and Provident Ltd. (in its previous name: Harel Pension Fund Management Ltd.) ("Harel Pension & Provident") and against four other pension fund management companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants raise the management fees paid by pension fund members from the cumulative savings (accrued balance) to the maximum rate permitted by law on the date on which the members become pensioners, receive their old-age pension and they are no longer able to move their pension savings. In this way, the Defendants ostensibly apply the contractual right to which they are entitled under the provisions of the pension fund articles, in an unacceptable manner, in bad faith and contrary to the provisions of the law. According to the plaintiffs, the total loss claimed for all members of the group that the plaintiffs wish to represent, amounts to NIS 48 million against all the Defendants. The court passed the application to the Commissioner for his opinion on the questions arising from the motion for certification. In September 2017, the Commissioner's position was submitted supporting the Defendants' position whereby the rate of the management fees collected from members during the savings period is not equal to the rate of the management fees collected from post-retirement annuity recipients, given that they relate to two different periods and have different characteristics. The post-retirement management fees are reset at the time of retirement and unrelated to the rate prior to retirement. This is therefore not considered an increase in the management fees but rather setting the rate of the management fees for the period of retirement. The "Management Fees Circular" which relates to the management companies' obligation to notify their members does not apply to the setting of management fees for pensioners; and the obligation to give notice of a change in the management fees by virtue of the circular does not apply to the management companies with respect to annuity recipients. The mediation process that the parties conducted was not successful and hearing of the action was returned to the court.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

11. In November 2014, a motion for certification of a claim as a class action was filed against the subsidiary Harel Insurance and Standard Insurance Ltd. and against other insurance companies and insurance agencies (together: "the Defendants") in the Lod-Center District. The subject of the action is the allegation that when the holders of Isracard and CAL credit cards call the sales call centers run by the Defendants in order to activate an overseas travel insurance policy that they are entitled to receive free of charge ("the Basic Policy"), the Defendants ostensibly then sell these customers riders or extensions to the Basic Policy, in practice selling them complete, standard policies that provide cover from the first shekel and include coverages that overlap the cover included in the Basic Policy. This, at full cost and without deducting the value of the Basic Policy. The plaintiffs argue that the Respondents are therefore misleading the insureds, in breach of the disclosure obligations, operating in contravention of the law and practicing unjust enrichment. According to the action, the total loss claimed for all members of the Group that the plaintiffs wish to represent is estimated at NIS 270 million. In August 2018, the parties filed a motion in the court to certify a compromise settlement in which it was agreed that Harel Insurance will make available to the eligible class members, as they are defined in the compromise settlement, a defined quantity of days of travel insurance free of charge, that can be utilized in accordance with the provisions of the compromise settlement. The validity of the compromise settlement is contingent on the court's approval. In November 2019, the Attorney General submitted his position in relation to the compromise settlement, whereby the compromise settlement should not be approved in its present format and that it must be amended in conformity with his comments. In April 2020, the court gave its decision on the motion to approve the compromise settlement whereby, at this time, in view of the current uncertainty and travel ban between most countries in the world, it is impossible to say that this would be a fair ruling on the dispute, at this stage, from the perspective of the class members. This, without negating the arrangement of itself as being worthy, fair and reasonable from the perspective of the class members.
12. In August 2015, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Dikla Insurance Agency Ltd. (in its previous name Dikla Insurance Company Ltd. ("Dikla")). The subject of the action is the claim that when settling claims in long-term care, Dikla ostensibly separates the activities of daily living for different parts of the body for the purpose of investigating whether the insured event has occurred, by performing a literal, quantitative review of the insured's ability to perform each of the ADLs. This in a manner that renders the content of the Commissioner's meaningless, whereby their assessment is purely quantitative and contrary to the Commissioner's position on this matter from January 2015. The plaintiffs argue that Dikla is therefore in breach of the provisions of the insurance policy, that it provides a misleading description of the insurance transaction, practices unjust enrichment and is in breach of a statutory obligation. The personal loss claimed by the plaintiff is estimated at NIS 59,000 while the total loss claimed for all members of the Group that the plaintiff wishes to represent is estimated at NIS 75.6 million.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

13. In September 2015, an action was filed in the Lod-Center District Court together with an application for its certification as a class action against the subsidiaries Harel Insurance and Dikla Insurance Agency Ltd. (in its previous name Dikla Insurance Company Ltd. (“Dikla”)) and against three other insurance companies (henceforth together: “the Defendants”). The subject of the action is the allegation that the Defendants allegedly adopted an interpretive approach whereby in order to recognize an insured in the investigation of a claim for long-term care as one who suffers from incontinence, this condition must be the outcome of a urological or gastroenterological illness or ailment only. This, ostensibly, in contravention of the provisions of the insurance policy. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate it to be hundreds of millions of shekels. The mediation process conducted by the parties was unsuccessful and the hearing of the action was returned to the court. In April 2020, the Central District Court approved litigation of the claim as a class action against Harel Insurance, Dikla and against two other insurance companies, on the grounds of breach of the long-term care insurance contract that resulted in non-payment or under payment of the long-term care benefits due to the failure to recognize the insureds as being eligible to points for the ADL of control of bowel and bladder function. The group in whose name the class action is being conducted is anyone who had long-term care insurance that was sold by one of the Defendants against whom the action was approved as a class action and who suffered from an inability to independently control bowel or bladder functions as a result of a combination of defective control of these functions that has not reached the stage of organic loss of control with deteriorated functional condition, and nevertheless did not receive from the Defendants against whom the claim was approved as a class action (as applicable) points for the ADL of “control of bowel and bladder function” in an assessment of their claim for receiving long-term care benefits, in a manner that led to an infringement of their rights to insurance compensation in the period between September 8, 2012 and the date of approval of the action as a class action. The parties are conducting a mediation process.

14. In September 2015, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Harel Pension and Provident Ltd. (in its previous name: Harel Pension Funds Management Ltd) ("Harel Pension & Provident") and against four other companies (“hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants were ostensibly in breach of their fiduciary duties towards the members of the provident funds they manage by paying commissions to the insurance agents at a rate derived from the management fees they collect from the members, thereby compensating the agents by an amount that increases in line with the increase in the management fees. Their argument is that the Defendants ostensibly practiced unjust enrichment by creating a mechanism aimed at increasing the management fees in favor of the agents and management companies. The plaintiffs estimate the loss for all members of the group they wish to represent in the amount of NIS 300 million per annum since 2008 and in total by approximately NIS 2 billion.

15. In February 2016, an action and application for its certification as a class action was filed in the Lod-Center District Court against Harel Pension and Provident Ltd. (in its previous name: Harel Pension Funds Management Ltd) ("Harel Pension & Provident") and against four other pension fund management companies (“the Defendants”). The subject of the action is the allegation that the Defendants begin to collect management fees at the maximum rate permitted by law from the recipients of disability and survivors allowances when they begin to receive the allowances so that they are no longer able to move their money to another pension fund, without giving them advance notice. This ostensibly in breach of the applicable voluntary disclosure obligation, in breach of statutory duties and duties of trust, agency and caution, taking unfair advantage through mala fides in a contractual right, practicing unjust enrichment and behavior as a cartel. The plaintiff has not quantified the total loss claimed for all members of the group that it wishes to represent, although her initial estimate is about a billion shekels against all the Defendants. In January 2018, the court ordered the transfer of the hearing to the District Labor Court.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

16. In February 2016, an action was filed in the Lod-Center District Court, together with a motion for its certification as a class action, against the subsidiary Harel. The subject of the action is the allegation that the position of Harel Insurance is that comprehensive insurance for vehicles such as taxis does not cover impairment, including impairment caused as a result of an insured event, this ostensibly in contravention of the policy provisions and that Harel Insurance is therefore in breach of the agreement between itself and its policyholders, it practices unjust enrichment and is in breach of the enhanced obligations that apply to it as an insurance company, including that it misleads its customers. The plaintiff estimates the amount of the loss caused to all members of the group it seeks to represent in the amount of NIS 10 million. In March 2017, the court approved the plaintiff's application to amend the definition of the group so as to include insureds who had purchased a policy for a heavy-goods or commercial vehicle weighing more than 3.5 tons (including taxis) and not only insureds who had purchased policies for taxis. The parties have entered into a mediation process. In May 2020, a motion was filed in the Lod-Center District Court to certify a compromise settlement in the application and action. As part of the compromise settlement, it was agree, inter alia, that Harel Insurance will pay insureds who are eligible for payment, according to their definition in the compromise settlement, compensation calculated according to the mechanism set out in the compromise settlement. Validity of the compromise settlement is contingent on the court's approval.
17. In March 2016, an action was filed in the Lod-Center District Court against the Company, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance allegedly pays money to the beneficiaries of life assurance policyholders by virtue of the life assurance policies, where the money is linked to the CPI from the date on which the Company becomes aware of the insured's death and the money is not linked to the relevant investment index for the investment track chosen by the insured. The plaintiff argues that Harel Insurance is therefore in breach of the agreement between the Company and its policyholders, practices unjust enrichment, is in breach of a statutory obligation and in breach of the obligation to provide disclosure. The personal loss claimed by the plaintiff is estimated at NIS 33,729 thousand. The plaintiff has not quantified the total loss claimed for all members of the group that she wishes to represent, although she estimates it to be tens of millions of shekels. In February 2017, the court passed the motion to accept the Commissioner' position on the questions arising from the motion for certification. In May 2017, the Commissioner submitted his position whereby monies in pension savings that are payable to beneficiaries as a result of death during the work period are not insurance benefits and are not covered by Section 28 of the Insurance Contracts Law, and that from now on Harel Insurance must also link the savings to the investment index in the period after the insured's death and until the money is transferred to the beneficiaries. The Commissioner also noted that in his opinion, in this case, unjust enrichment does not apply. In November 2019, the parties filed a motion in the court to certify a compromise settlement in which it was agreed, inter alia, that Harel Insurance will pay compensation to the class members who were defined in the compromise settlement at a rate prescribed in the compromise settlement for alleged loss with respect to the difference between the total amount of savings had they been linked to the investment index to which the money was linked prior to the death of the insured, net of management fees, and the amount that was actually paid, and that from the date specified in the compromise settlement, Harel Insurance will manage the savings in the policies of the class members defined in the compromise settlement even after the insured's death, in the investment track in which they were managed before his death. Validity of the compromise settlement is contingent on the court's approval.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

18. In August 2016, an action was filed in the Lod-Center District Court, together with an application for its certification as a class action, against Harel Pension and Provident Ltd. (in its previous name: Harel Pension Funds Management Ltd) ("Harel Pension & Provident"). The subject of the action is the allegation that in addition to management fees, Harel Pension & Provident ostensibly collects payment from its members for a component relating to investment management expenses (a component of direct expenses for performing transactions), which is permissible by law, although in this case Harel neglected to include provision in the contract allowing it do so. The plaintiff argues that Harel Pension is therefore in breach of the provisions of the pension fund articles and the onerous fiduciary obligations and duty of disclosure that apply to it, it negotiates in bad faith and gives its customers a misleading description. The plaintiff estimates the total loss claimed for all members of the group that it wishes to represent amounts to approximately NIS 132 million. In April 2017, the court ordered the transfer of the hearing of the motion to the Tel Aviv District Labor Court. In February 2018, the court instructed the Commissioner to submit his position in relation to the proceeding. In June 2018, the position of the Capital Market Authority was submitted supporting the position of Harel Pension & Provident. In September 2020, instructed a stay of proceedings in the case until a ruling is given on the motion for permission to appeal in the matter of direct expenses in Migvan Personal Investments savings policies, in which context the district court approved litigation of the action as a class action against Harel Insurance.

19. In September 2016, an action was filed in the Central Region District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly collects payment from the holders of the Harel savings policy “Harel Varied Personal Investments” for a component relating to investment management expenses which may be collected by law, but without contractual agreement in the policy conditions allowing it to collect this component. According to the plaintiff, Harel Insurance is therefore fundamentally in breach of the policy provisions, in breach of the fiduciary obligation applicable to it and misleads its policyholders. The plaintiff estimates the overall loss caused to all members of the group it seeks to represent in the amount of NIS 27.8 million. In May 2019, the Tel Aviv Central District Court approved litigation of the claim as a class action on the grounds of a breach of the insurance policy due to the unlawful collection of investment management expenses. The class in whose name the class action is to be litigated is all holders of the Migvan Personal Investment policy of Harel Insurance at the present time and in the seven years preceding the date of filing the motion. In September 2019, Harel Insurance filed a motion for permission to appeal the decision in the Supreme Court. In November 2019, the Supreme Court ruled that a response must be submitted to the motion for permission to appeal and it instructed the Attorney General to submit his position on the motion in writing. In August 2020, the Attorney General announced that he would appear at the motion for permission to appeal and he submitted his position on the motion for permission to appeal to the effect that the plaintiffs should be granted permission to appeal, the motion for permission to appeal and the actual appeal should be accepted, the decision approving litigation of the claim as a class action should be nullified and the motion for certification should be denied.

20. In September 2016, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the consolidated subsidiary Harel Insurance and against three other insurance companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly collect high premiums from the insureds for health insurance policies that include cover that the insureds apparently do not need as they have supplementary health insurance from their HMOs. The plaintiffs also argue that the Defendants neglect to disclose to the insureds that this cover is in fact redundant and/or that they condition one type of service on another since they do not allow the insureds to purchase a limited version of the policy which includes only coverage that is not included in the HMO supplementary health insurance, thus creating a situation of multiple insurance. The plaintiffs argue that the Defendants are therefore in breach of the duty of utmost good faith which applies to them, are in breach of a statutory obligation, in breach of the provisions of the law, in breach of an agreement, mislead their policyholders and practice unjust enrichment. The overall loss claimed for all members of the class that the plaintiffs wish to represent against Harel Insurance is NIS 2.2 billion, and against all the Defendants the amount is NIS 4.45 billion. In October 2020, the Tel Aviv District Court denied the motion for certification

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

Par. 20 (contd.)

of the action as a class action. In November 2020, Harel Insurance was served with an appeal on the judgment which the plaintiffs in the motion for certification filed in the Supreme Court.

21. In October 2016, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the consolidated subsidiary Harel Insurance Company Ltd. The subject of the action is the allegation that until the annual report for 2015, Harel Insurance ostensibly neglected to disclose to its policyholders, who purchased long-term care insurance with a variable premium, what premium they will be charged from the age of 65, despite the fact that, according to the plaintiff, the premium on this policy increases by hundreds of percent at the age of 65. The plaintiff argues that Harel Insurance is therefore in breach of a statutory obligation and in breach of the obligation to provide disclosure, in breach of agreement, acts in bad faith, practices unjust enrichment and acts negligently. The plaintiff further argues that charging insureds for future premiums based on tariffs that are unknown to them is a discriminatory condition in a standard contract. The plaintiff has not quantified the total loss claimed for all members of the group that she wishes to represent against Harel Insurance, although she estimates it to be millions of shekels. In July 2017, the court approved the plaintiff's application to amend the motion for certification so that it also addresses the claim whereby Harel Insurance ostensibly neglected to present to its policyholders before the date of enrolment in the policy, the premium they would pay from the age of 65, despite the fact that it is obligated to do so according to the Commissioner's circular. In August 2017, an amended motion was filed for certification of the action as a class action. The subject of the amended motion is the allegation that Harel Insurance ostensibly neglected to present to its policyholders who have long-term care insurance with a variable premium, in the enrolment form and/or in the general conditions of the policy, the premium they would pay from the age of 65 onwards, before they enrolled in the insurance. In March 2019, the court ordered the transfer of the application for obtaining the Commissioner's position with respect to the dispute which is the subject of the motion for certification. In November 2019, the Commissioner's position was received according to which the provisions of Circular 2001/9 "Fair Disclosure for Insureds Enrolling in Health Insurance Policies" ("the Circular") issued by the Authority as well as the statutory provisions, obligate insurers to inform candidates for insurance at the time of purchasing the insurance of the way in which premiums may change, but the text of the Circular does not address the question of how this obligation must be fulfilled prior to enrollment and whether the obligation must be fulfilled in writing.

22. In October 2016, an action was filed in the Jerusalem District Labor Court together with a motion for its certification as a class action against the second-tier subsidiary, Tzva Hakeva (Regular Army) Saving Fund – Provident Funds Management Company Ltd. ("Tzva Hakeva"). The subject of the action is the allegation that Tzva Hakeva ostensibly collects investment management expenses from fund members which is permissible by law, but without contractual agreement in the policy conditions allowing it to collect these expenses. The plaintiff argues that Tzva Hakeva therefore acts in contravention of the provisions of law and the special fiduciary obligation that applies to it. The plaintiff estimates the overall loss caused to all members of the class it seeks to represent in the amount of NIS 30.1 million. In January 2018, it was decided to consolidate the hearing with other pending motions for certification of a class action relating to direct expenses in provident funds and education funds. In February 2018, the court ruled that the Commissioner's position should be accepted regarding the proceeding. In May 2018, the Commissioner's position supporting the Defendants was submitted to the court, in which financial institutions may collect direct expenses from members or insureds even if this is not explicitly noted in the financial institution's articles of association, provided that such action is taken in accordance with the provisions of the Supervision of Financial Services (Provident Funds) (Direct Expenses for Performing Transactions) Regulations, 2008 ("the Regulations"). In his position, the Commissioner noted that it is also relevant, with the necessary changes, for insurance companies that manage yield-dependent insurance.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

23. In December 2016, an action was filed against the subsidiary Harel Insurance in the Tel Aviv District Court, together with a motion for its certification as a class action. The subject of the action is the allegation that Harel Insurance ostensibly unlawfully reduces payment of the premiums for insureds in accidental disability policies for insured events relating to disability of the limbs, eyes and ears, based on a table of disability rates that is set out in the policy, which is different from the table of disabilities in the National Insurance Institute Regulations and based on an adjustment formula set out in the policy. The personal loss claimed by the plaintiff is NIS 12,500 and he estimates the overall loss claimed for all members of the group that he seeks to represent at NIS 100 million. In May 2020, the Tel Aviv District Court certified litigation of the claim as a class action based on the argument that the mechanism for calculating the insurance compensation and the calculation formula are not mentioned in the policy and are not known to the insureds on the date of signing the policy. The group in whose name the class action is to be conducted is any person who purchased the standard Harel Insurance policy for accidental disability in the three years preceding the filing of the motion for certification and up to the present time, and who received reduced insurance benefits or did not receive any payment, in 12 cases of disability, both absolute and not absolute. In June 2020, Harel Insurance filed a motion for permission to appeal the decision in the Supreme Court. In July 2020, the Supreme Court ruled that a response must be submitted to the motion for permission to appeal. In November 2020, the Supreme Court determined that the motion for permission to appeal will be heard by a panel of judges.

24. In January 2017, an action was filed in the Lod-Center District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance does not disclose (itself or through the insurance agents acting on its behalf) to its motor insurance policyholders, who are about to move up into another age or driving experience bracket during the policy period, that they are able to update the age of the driver or the number of years of driving experience and receive a premium refund. As a result these policyholders are overpaying their premiums due to the fact that the premium was not revised during the policy period following the change of age or years of driving experience. The plaintiffs estimate the loss caused to the members of the class they wish to represent to be at least NIS 12.25 million.

25. In February 2017, an action was filed in the Tel Aviv District Court together with an application for its certification as a class action against the subsidiary Harel Pension and Provident Ltd. and against the subsidiary Harel Insurance (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants collect various payments for setting up and/or handling loans and this, ostensibly, contrary to the statutory provisions, without legal authorization and in contravention of the Commissioner’s position. The plaintiff estimates the loss caused to the class members that it wishes to represent at NIS 5.9 million. In January 2020, the parties filed a motion to certify a compromise settlement in the Tel Aviv District Court, in which it was agreed, inter alia, that the Defendants will transfer an amount equal to 75% of the handling fees they had collected, as they are defined in the compromise settlement, in the relevant period, plus linkage and interest differences, to the relevant provident funds which had provided the loans on which handling fees had been collected, or to the relevant track, as defined in the compromise settlement with respect to a loan from policyholders’ money. Validity of the compromise settlement is contingent on the court’s approval. In October 2020, the Attorney General submitted his position regarding the compromise settlement, whereby the compromise settlement should not be approved in its present format in view of the format for refunding the provident fund money rather than granting individual compensation.

26. In February 2017, an action was filed in the Tel Aviv District Court (“the Economic Department”) together with a motion for its certification as a class action against the subsidiary Harel Pension and Provident Ltd.(“Harel Pension & Provident”) and against another management company (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants collect various payments for handling loans from their members who take loans, and this, ostensibly, contrary to the statutory provisions and contrary to the position of the Commissioner. The plaintiffs estimate the loss caused to the members of the group they wish to represent at NIS 44.75 million. In its decision from April 2017, the court ruled that the Economic Department does not have the relevant jurisdiction to hear the motions for certification and that the action will be heard as a civil proceeding. In January 2020, the parties filed a motion to certify a compromise settlement in the Tel Aviv District Court, in which it was agreed, *inter alia*, that the Defendants

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

Par. 26 (contd.)

will transfer an amount equal to 75% of the handling fees they had collected, as they are defined in the compromise settlement, in the relevant period, plus linkage and interest differences, to the relevant provident funds which had provided the loans in respect of which handling fees had been collected, or to the relevant track, as defined in the compromise settlement regarding a loan from policyholders' money. Validity of the compromise settlement is contingent on the court's approval. In October 2020, the Attorney General submitted his position regarding the compromise settlement, whereby the compromise settlement should not be approved in its present format in view of the format for refunding the provident fund money rather than granting individual compensation.

27. In March 2017, an action was filed in the Jerusalem District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension and Provident Ltd. (Harel Pension & Provident). The subject of the action is the allegation that until the end of 2015, Harel Pension ostensibly collected from members of Harel Otzma Taoz Provident Fund, investment management expenses which is permissible by law, but without contractual agreement in the policy conditions that allow it to collect these expenses. The plaintiff estimates the total loss caused to all members of the class it wishes to represent in the amount of NIS 127.1 million. In January 2018, it was decided to consolidate the hearing with other pending motions for certification of a class action relating to direct expenses in provident funds and education funds. In February 2018, the court ruled that the Commissioner's position should be accepted regarding the proceeding. In May 2018, the Commissioner's position supporting the Defendants was submitted to the court, in which financial institutions may collect direct expenses from members or insureds even if this is not explicitly noted in the financial institution's articles of association, provided that such action is taken in accordance with the provisions of the Supervision of Financial Services (Provident Funds) (Direct Expenses for Performing Transactions) Regulations, 2008 ("the Regulations"). In his position, the Commissioner noted that it is also relevant, with the necessary changes, for insurance companies that manage yield-dependent insurance.
28. In September 2017, an action was filed in the Jerusalem District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against 12 other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that in cases where the Defendants pay amounts ruled against them by judicial authorities after the date set for their settlement, the Defendants allegedly do not add linkage differences, interest and linked interest as required, under the provisions of Section 5(b) to the Adjudication of Interest and Linkage Law, 1961 ("the Law"). The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, however they estimate it to be tens of millions of shekels. The parties are conducting a mediation process.
29. In December 2017, an action was filed in the Jerusalem District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance, against two other insurance companies, against Clalit Health Services ("Clalit") and against Maccabi Healthcare Services ("Maccabi") ("the Defendants"). The subject of the action is the allegation that the Defendants ostensibly refuse to provide long-term care insurance for people on the autism spectrum or they set out unreasonable conditions for accepting them to the insurance, without their decisions being based on any statistical actuarial or medical data that is relevant to the insured risk and without providing a reason for their decision, as required by law. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, however they estimate it to be tens to hundreds of millions of shekels. In June 2019, the court ordered the application to be submitted for obtaining the Attorney General's position on questions arising from the application for certification. In January 2020, the Attorney General announced that his position was the same as the one he had submitted in a parallel case and which supports the arguments of Harel Insurance.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

30. In January 2018, an action was filed in the Central District Court against the subsidiary Harel Insurance and against five other insurance companies (hereinafter together: "the Defendants"), together with a motion for its certification as a class action. The subject of the action is the allegation that the Defendants ostensibly unlawfully refrain unlawfully from paying insurance benefits to insureds, to third parties and beneficiaries for the VAT component that applies to the cost of damages in those instances where the damage was not actually repaired. The plaintiff estimates the overall loss argued for all members of the class that she wishes to represent against Harel Insurance in the amount of NIS 19,381,031 for each year and the period for which it wishes to claim is from June 4, 2001, and alternatively from 7 years before the previous claim was filed and/or 7 years before the date of filing this motion. The grounds of the action and motion for certification are the same as those for which a previous action and motion for its certification were filed against the Defendants. On January 3, 2018 the Supreme Court dismissed an appeal on a ruling of the Lod-Center District Court dated February 20, 2017, in which the motion was struck out.

31. In March 2018, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension and Provident Ltd. ("Harel Pension & Provident") and against five other management companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants do not make it clear to members who join the pension funds that they manage, who have no survivors, that they do not need insurance cover for death and there is therefore no reason for them to enroll in the insurance track that includes insurance cover for death; furthermore, they do not clearly inform these new members that two years after the enrolment date they will automatically be transferred to a track that includes cover for death and that if their family status does not change, they must inform the fund that they have no interest in this insurance. The plaintiffs mention that they are unable to estimate the total loss claimed for all members of the class they wish to represent. In October 2020, the court accepted the request of the Israel Consumer Council to be included in the proceeding as amicus curiae (friend of the court).

32. In April 2018, an action was filed in the Lod-Center District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly pays insureds who have policies for surgery that do not provide compensation at a rate of half the expenses saved if the surgery is performed by the HMOs, but they receive an undertaking for payment of this compensation for amounts that are actually less than half of the expenses subsequently saved by the company, and it is therefore ostensibly in breach of its undertaking towards them. The plaintiff estimates the total loss claimed by all members of the class it wishes to represent to be more than NIS 7 million.

33. In June 2018, a claim was filed in the Jerusalem District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance and against another insurance company (hereinafter together: "the Defendants'). The subject of the action is the allegation that the Defendants refuse to recognize surgery performed for which there is a medical need as an insured event under the conditions of their health insurance policies, on the grounds that it is preventive surgery. The plaintiff has not estimated the total loss claimed by all members of the class that it wishes to represent. In September 2020, the court instructed that the Commissioner's position on the issues arising from the motion for certification should be accepted.

34. In December 2018, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance, against two other insurance companies (hereinafter together: "the Defendant Insurance Companies") and against four banks (hereinafter together "the Defendant Banks"). The subject of the action is the allegation that the Defendant Insurance Companies ostensibly issue structural insurance policies to the owners of buildings that are pledged for the purpose of a mortgage guarantee, despite the fact that when the policies are issued a policy guaranteeing the same building with respect to the same period already exists, whether through the same insurance company or through another insurance company. This, ostensibly, in breach of the explicit statutory provisions while misleading the insureds. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent to be a nominal amount of NIS 280 million.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

35. In February 2019, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance asked insureds in a group policy for the employees of Israel Electric, who received insurance benefits from which tax was not withheld at source, to return the amounts it had paid for these tax payments. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 3 million. In July 2020, Harel Insurance filed a motion for summary abandonment of the motion for certification of the claim as a class action. In September 2020, the court accepted the motion filed by Harel Insurance for summary abandonment of the motion for certification of the action as a class action, and it instructed that the motion for certification should be summarily dismissed. On November 8, 2020, Harel Insurance was served with an appeal on the judgment which the plaintiff filed in the Supreme Court.

36. In June 2019, an action was filed in the Tel Aviv Labor Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly collects payment from insureds in life assurance policies that include insurance in the event of death and a savings component (managers insurance), for a component relating to “investment management expenses”, the collection of which is permissible by law, but without contractual agreement in the policy conditions allowing it to collect this component. The applicant estimates the overall loss caused to all members of the class it seeks to represent in the amount of NIS 365.3 million.

37. In June 2019, an action was filed in the Tel Aviv-Jaffa District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against three other insurance companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly refrain from paying interest on insurance benefits to their insureds, from 30 days after the claim is filed. This action and application covers the same grounds as those in a previous action and application for certification as a class action (“the First Claim”) which was partially certified as a class action on August 30, 2015 (“the Certification Decision”) by the Tel Aviv District Court and is currently being heard in its own right (see Section (A)(7) above), but they refer to a different period from the one for which the First Claim was certified and it was filed by the plaintiffs for reasons of caution and in parallel with their request to broaden the group represented in the First Claim also to the period from the issuing of the Certification Decision until the judgment is actually given. The applicants estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance at about NIS 90 million, and against all the Defendants in the amount of NIS 264.4 million. In July 2020, the Tel Aviv District Court ordered a stay of proceedings until a verdict is issued on the first claim.

38. In July 2019, an action was filed in the Jerusalem District Labor Court, together with an application for its certification as a class action, against the subsidiary Harel Pension and Provident Ltd. (“Harel Pension & Provident”). The subject of the action is the allegation that in addition to management fees, Harel Pension & Provident ostensibly collects payment from the members of Harel Education Fund for a component relating to investment management expenses, which is permissible by law, but is not supported in the agreement in the education fund articles. The applicant estimates the overall loss caused to all members of the class it seeks to represent in the amount of NIS 56.8 million.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

39. In August 2019, an action was filed against the Company in the Tel Aviv District Court, together with an application for its certification as a class action. The subject of the action is the allegation that the Company does not, ostensibly, comply with the statutory provisions relating to the location of members with whom contact has been lost and relating to the location and notification of beneficiaries and heirs of members who are deceased. It is further alleged the Company ostensibly collected excess management fees in a manner contrary to the statutory provisions. The applicants do not quantify the overall loss claimed for all members of the class they wish to represent, but they estimate it to be tens or even hundreds of millions of shekels. In February, 2020, the Company filed a motion for summary abandonment of the motion for certification of the claim as a class action. In September 2020, a motion was filed to amend the motion for certification in which the plaintiffs asked to replace the respondent to Harel Pension and Provident Ltd. and to add another class applicant. In its decision from November 2020, the court denied the motion to amend the motion for certification and it suggested that the parties file a joint motion for abandonment.
40. In August 2019, an action was filed in the Lod-Central District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against two other insurance companies (hereinafter: “the Defendants”). The subject of the action is the allegation that in property insurance policies for mechanical engineering equipment (“the Equipment”), the Defendants ostensibly determine the value of the Equipment for the purpose of calculating the insurance premium without considering the age of the Equipment, whereas in cases of total loss they ostensibly determine the amount of the insurance compensation according to the real value of the Equipment on the date of occurrence of the insured event, taking into account the age of the Equipment. The applicants do not quantify the overall loss claimed for all members of the class they wish to represent, but they estimate it to be millions of shekels.
41. In October 2019, an action was filed in the Jerusalem Magistrates Court together with a motion for its certification as a class action against the consolidated subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly rejects travel insurance claims relating to the cancellation or curtailing of overseas travel due to the death or hospitalization of a close relative, based on exclusions in the policy that allegedly do not comply with the provisions of the Contracts (Insurance) Law, 1981 and allegedly are not included in the policy schedule that Harel Insurance sends to insureds. The plaintiff estimates the overall loss caused to all members of the class he wishes to represent at about a million and a half shekels.
42. In December 2019, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the consolidated subsidiary Harel Insurance. The subject of the action is the allegation that, at the time of the purchase, Harel Insurance ostensibly only disclosed to its policyholders who purchased Magen 1 life assurance policies with a variable premium and/or Harel LeAtid work disability policies, the premium to be paid only for a few years and not for the entire policy period. The plaintiff does not quantify the total loss caused to all members of the class it wishes to represent but he estimates the loss at hundreds of millions of shekels. In October 2020, the parties informed the court of their agreement to enter into a mediation process.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

Actions filed in the Reporting Period

43. In January 2020, an action was filed in the Beersheba District Court, together with a motion for its certification as a class action, against the consolidated subsidiary Harel Insurance and against Kranot Hashotrim Be'Israel Ltd. (Israel Police funds). The subject of the action is the allegation that Harel Insurance ostensibly failed to provide its insureds who hold group life assurance with the insurance policy and that it ostensibly neglected to disclose to them changes that were made in the policy incidental to renewal of the policy. The plaintiffs did not quantify the financial loss alleged for all members of the classes they wish to represent, but they estimate the overall non-financial loss for all the class members at NIS 400 million.

44. In January 2020, an action was filed in the Central District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against two other insurance companies and a roadside assistance / breakdown service company (hereinafter together: "the Defendants"). The action alleges that the Defendants ostensibly provide their customers with substitute windshields that are not original and are not standard certified, and this ostensibly in contravention of their undertakings towards their customers in the agreements with them. The plaintiffs do not quantify the overall loss claimed for all members of the classes they wish to represent, but they estimate that it is substantially more than NIS 2.5 million.

45. In April 2020, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the consolidated subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly refuses to indemnify insureds in health insurance policies that entitle the insureds to indemnity for expenses for tests during pregnancy more than once in each pregnancy. This, ostensibly, in contravention of the provisions of the insurance policy. The plaintiff estimates the total loss claimed for all members of the group she wishes to represent to be at least NIS 5.75 million.

46. In April 2020, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the consolidated subsidiary Harel Insurance and against twelve other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants must refund to holders of their motor insurance and homeowners insurance policies part of the premiums which they ostensibly overpaid, in view of the alleged significant reduction of the risk that the Defendants undertook when they determined the premiums in these policies. This following the outbreak of the COVID-19 pandemic and the subsequent restrictions on movement and activity that were imposed and which allegedly led to a much lower volume of traffic and travel and consequently a significant decrease in bodily injury and damage to property. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 95 million, and against all the Defendants in the amount of NIS 886 million.

47. In April 2020, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against the consolidated subsidiary Harel Insurance and against eleven other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies premiums that were ostensibly overpaid by the policyholders in view of the supposedly substantial reduction of the risk level to which the Defendants are exposed from March 2020 in view of the contraction of economic activity due to the outbreak of the COVID-19 pandemic and subsequent reduced volume of traffic. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 130 million, and against all the Defendants in the amount of NIS 1.2 billion. In June 2020, the court instructed that hearing of the motion should be transferred to the Tel Aviv District Court.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

Actions filed in the Reporting Period (Contd.)

48. In April 2020, an action was filed in the Central District Court, together with a motion for its certification as a class action against the consolidated subsidiary Harel Insurance, against six other insurance companies and against the company that manages the pool for compulsory motor insurance ("the Pool) (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies premiums that were ostensibly overpaid by the policyholders in view of the supposedly drastic reduction of the risk level to which the Defendants are exposed in light of the dramatic decrease in the number of claims filed with the Defendants due to the contraction of economic activity as a result of the outbreak of the COVID-19 pandemic and alleged subsequent reduced volume of traffic on the roads and percentage of road accidents in Israel. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 110 million, and against all the Defendants in the amount of NIS 720 billion. In June 2020, the court instructed that hearing of the motion should be transferred to the Tel Aviv District Court.
49. In April 2020, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against the consolidated subsidiary Harel Insurance and against six other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants do not refund the holders of their business insurance policies premiums for employers liability and third-party insurance that were ostensibly overpaid by the policyholders in view of the alleged substantial reduction of the risk level to which the Defendants are exposed from March 2020 in light of the significant contraction of economic activity by the businesses due to the outbreak of the COVID-19 pandemic and subsequent restrictions on economic activity. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 19 million, and against all the Defendants in the amount of NIS 81 million.
50. In April 2020, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against an additional insurance company (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly refuse to extend the validity of the insurance cover for insureds in work disability insurance (P.H.I.) that was purchased before 2017 and in which the policy period terminates at age 65, and to pay them insurance benefits up to the age of retirement which in 2004 increased to 67 for salaried employees and 70 for the self-employed. The plaintiff estimates the overall loss caused to all members of the class it wishes to represent against the Defendants at about a NIS 540 million.
51. In May 2020, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Pension and Provident Ltd. ("Harel Pension & Provident") and against nine other management companies ("the Defendants"). The subject of the action is the allegation that the Enforcement and Collection Authority collects excess payments from attachment applicants and transfers them to the Defendants, ostensibly unlawfully, in respect of online requests for attachments which are submitted with respect to several provident funds managed by one management company. The plaintiff does not quantify the total loss claimed with respect to all members of the class it wishes to represent. In October 2020, Harel Pension and Provident filed a motion for summary abandonment of the motion for certification of the claim as a class action.
52. In May 2020, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Pension and Provident Ltd. ("Harel Pension & Provident") and against thirteen other management companies ("the Defendants"). The subject of the action is the allegation that the Defendants ostensibly classify part of the provisions for their customers to the education funds that they manage as tax-liable provisions, despite the fact that they are not such. The plaintiffs have not quantified the loss claimed for all members of the class they wish to represent, but they estimate it, on the low side, in the amount of hundreds of millions of shekels.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

Actions filed in the Reporting Period (Contd.)

53. In June 2020, an action was filed in the Central Region District Court together with a motion for its certification as a class action against the consolidated subsidiary Harel Insurance and against the subsidiary Harel Pension and Provident Ltd. ("Harel Pension & Provident) (hereinafter together "the Defendants"). The subject of the action is the allegation that as part of loan agreements between the Defendants and their customers, in loans that are linked to the Consumer Price Index ("the CPI"), it was allegedly determined that if the CPI decreases, principal and interest payments will not fall below their value as specified in the loan repayment schedule. This, ostensibly, in contravention of the law and which constitutes, as argued by the plaintiff, a discriminatory condition in a standard contract. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 3 million.
54. In July 2020, an action was filed in the Lod-Center District Court, together with an application for its certification as a class action, against the consolidated subsidiary Harel Insurance and against four other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly do not reduce the insurance premiums for insureds determined with exclusions on account of a pre-existing medical condition despite the fact that the exclusions allegedly reduce the insurance risk relative to the risk in policies for insureds for whom similar exclusions were not determined. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 760 million, and against all the Defendants in the amount of NIS 1.9 billion.
55. In August 2020, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the consolidated subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly conditions the investigation of claims for disability in personal accident policies on the submittal of a medical opinion for the insureds and that it refuses to reimburse the insureds for the cost of the professional opinion and this, ostensibly in contravention of the policy provisions and also the allegation that Harel Insurance assesses each of the claim components separately, in contravention of the statutory provisions. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate that it is more than NIS 3 million.
56. In August 2020, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance allegedly does not pay insureds and/or beneficiaries with Mashlim LeGimlai group supplementary long-term care insurance the maximum sums insured specified in the policy for a long-term care condition to pensioners who belong to the Israel Pensioners Association. The plaintiff has not estimated the total loss claimed by all members of the class that it wishes to represent.
57. In September 2020, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance allegedly does not disclose to the holders of its personal accident insurance the exact scope of the insurance cover for surgery due to accidental orthopedic injury to the shoulder, ankle and knee and that it does not indemnify policyholders whose claims were approved only after intervention by a lawyer, for legal expenses that were incurred as a result of such intervention. The plaintiff has not quantified the total loss claimed by all members of the class that it wishes to represent.
58. In September 2020, an action was filed against the consolidated subsidiary Harel Insurance in the Tel Aviv District Court, together with an application for its certification as a class action. The subject of the action is the allegation that Harel Insurance allegedly does not disclose to its travel insurance policyholders that the limitation relating to baggage insurance with respect to the maximum amount of compensation for loss or theft of an item also applies to the loss or theft of a valuable item. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent in the amount of NIS 447 million.

Note 7 - Contingent liabilities and commitments (Contd.)

A. Contingent Liabilities (Contd.)

Actions filed in the Reporting Period (Contd.)

Summary table:

The following table summarizes the amounts claimed as part of the contingent applications for the approval of class actions, actions that were approved as a class action, and other significant claims against the Company and/or subsidiaries, as specified by the claimants in the suits they filed. It should be clarified that the amount claimed does not necessarily constitute the amount of exposure estimated by the Company, given that these are the claimants' estimates and they will be investigated during the judicial process.

Type	Number of claims	Amount claimed NIS million
Actions certified a class action:		
Amount pertaining to the Company and/ or subsidiaries is specified	7	1,096
Claim relates to several companies and no specific amount was attributed to the Company and/ or subsidiaries	1	225
Claim amount is not specified	1	
Pending requests for certification of actions as class actions:		
Amount pertaining to the Company and/ or subsidiaries is specified	25	5,732
Claim relates to several companies and no specific amount was attributed to the Company and/ or subsidiaries	6	4,138
Claim amount is not specified	18	

The total provision for claims filed against the Company as noted above as at September 30, 2020 and December 31, 2019 amounts to NIS 123 million and NIS 134 million, respectively.

Note 7 - Contingent liabilities and commitments (Contd.)

B. Other contingent liabilities that were settled in the Reporting Period

1. In June 2004, a claim was filed in the Tel Aviv District Court together with an application to certify it as a derivative claim against the subsidiary Yedidim Holdings Management (1994) Ltd. (hereinafter: "Yedidim"), the former Chairman and CEO of Yedidim, and against an additional subsidiary, Harel Pension Funds Management Services (1987) Ltd., which on the date of filing the claim was the controlling shareholder in Yedidim (hereinafter together: “the Defendants”), by the minority shareholders Leatid Pension Fund Management Ltd., which at the time of filing the claim was a subsidiary of Yedidim (hereinafter: "LeAtid") for an amount of NIS 15,605 thousand. The subject of the claim is compensation for Atidit Pension Fund Ltd. (hereinafter: "Atidit"), a pension fund managed by LeAtid, for the use of Atidit’s various resources, such as: the use of the operating infrastructure and goodwill, the use of Adidit’s property, for taking a continuing pension fund and loss of profits. In addition, the plaintiffs claim royalties of NIS 3,177 thousand as part of their personal claim. In July 2010, after investigations had been conducted and written summaries had been submitted as part of the motion to approve the derivative claim, the Court accepted and granted the plaintiffs the option of suing the Defendants in LeAtid's name in respect of rights which they claim LeAtid is entitled to. In August 2015, the court dismissed the plaintiffs’ arguments in the matter of the derivative claim and it ruled that they are precluded from making any claim regarding rights stemming from the establishment of the new pension fund and that LeAtid is not entitled to compensation for the use of Atidit’s resources for the purpose of setting up the new fund. The court accepted the plaintiffs’ personal claim for royalties. In October 2015, the plaintiffs appealed the ruling on the derivative claim in the Supreme Court, in which they asked for the ruling to be cancelled and the derivative claim to be accepted, and alternatively to return the case to the District Court for a hearing on the subject of the loss. In September-December 2015, LeAtid transferred to the plaintiffs the amounts that in its opinion reflect the full amount that it owes the plaintiffs under the provisions of the judgment. However the plaintiffs argued that the amount transferred is not the final amount to which they are entitled according to the judgment. Accordingly, the court appointed an expert to rule on the financial issues that are in dispute. The main point of the dispute between the parties concerns the interest to be added to the principal. At a meeting held with the appointed expert, additional disagreements emerged between the parties. Accordingly, a petition was filed in the court on behalf of the plaintiffs in which they asked that the expert also address the issue of commissions on account of which there is a dispute. Following a hearing on the subject, the parties reached agreement whereby the expert will also review the issue of the commissions, and with respect to the interest, the court was asked to rule on the dispute between the parties. In August 2016, the court handed down its decision accepting the position of the Defendants whereby the interest according to which the expert will perform the review and will calculate the royalties is the interest in respect of arrears in transferring money from the banking system. In relation to the personal claim, in January 2017, the court-appointed expert submitted a partial opinion on the subject of royalties and on the subject of directors’ fees. Following the expert’s decision on these matters, an amount of approximately NIS 322,000 was paid to the plaintiffs. The expert has not yet completed his opinion on the subject of the commissions where the parties have agreed that he will also address this matter. In May 2017, a hearing took place in the District Court on the outline of the expert’s review relating to the commissions, at the end of which the parties agreed on an outline for completion of his position. In February 2018, the expert submitted his final expert opinion to the court in which he dismissed the Defendants arguments on the subject of the commissions. In March 2018, the plaintiffs appealed the opinion of the court-appointed expert which addresses payment of the commissions to which the plaintiffs are entitled. In May 2018, the Defendants filed a response to the appeal. The gap between the positions of the parties on that date was NIS 171,000 (including interest). The appeal was heard in July 2018, after which the parties reached agreements whereby the Company will pay the plaintiffs NIS 110,000 and the plaintiffs will waive their claims within the context of the appeal. In October 2018, the Company filed an appeal in the Supreme Court on the section pertaining to the personal claim. The appeal centered on two components - dismissal of the arguments regarding lowering of the interest rates, and dismissal of the arguments regarding the offset. In February 2020, a hearing was held on the parties’ appeals, in which both parties accepted the court’s recommendation and retracted their appeals. Accordingly, both appeals were dismissed.

Note 7 - Contingent liabilities and commitments (Contd.)

C. Claims that were settled in the Reporting Period

1. In November 2015, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Dikla Insurance Agency Ltd. (under its previous name Dikla Insurance Company Ltd.) ("Dikla") and against Clalit Health Services ("Clalit") (hereinafter together: "the Defendants"). The subject of the action was the group long-term care insurance policy for members of Clalit Health Services - Supplementary Plus LTC ("the Policy"). The plaintiff argues that where rights are transferred from one period of entitlement ("the First Entitlement Period") to another entitlement period ("the Second Entitlement Period"), in which the insured is eligible for insurance that are less than the benefits in the First Entitlement Period, and when the transition between the entitlement periods occurs after the first day of a calendar month, insurance benefits are paid according to the reduced amount, for the entire month in which the transfer took place ("Grounds for the First Claim"). The plaintiff argued that he is therefore deprived of insurance benefits, equal to the amount of the difference between the insurance benefits for the First Period and the insurance benefits for the Second Period, multiplied by the proportional part of the month for which he is entitled to insurance benefits in respect of the First Entitlement Period. The plaintiff further argued that group members who survived the entire cumulative periods of entitlement did not receive any insurance benefits for the proportional missing part of the first calendar month of their entitlement and that they are entitled to receive insurance benefits for that proportional part of the month ("Grounds for the Second Claim"). The plaintiff argues that in this manner, Dikla practiced unjust enrichment, was in breach of the provisions of the Insurance Contracts Law, 1981, the Supervision of Financial Services (Insurance) Law, 1981 and the provisions of the insurance policy. In November 2016, the plaintiff filed a motion for a partial ruling on the motion for certification. In March 2017, the court dismissed the plaintiff's motion for a partial ruling on the motion for certification. At a hearing that took place in July 2017, the court approved the parties' agreement to terminate the proceeding in the outline in which context the Company's external auditors were appointed as experts for the court to perform a due diligence of the process of refunding the payment by Dikla. In January 2018, the reviewer's opinion was submitted to the court. In October 2018, and further to Dikla's announcement that it had taken action to rectify the fault described in the Cause of the First Claim and to the payment of differences to eligible policyholders and that the parties had agreed to the method of terminating the proceeding, the Tel Aviv District Court certified the action as a class action in the Cause for the First Claim and it dismissed the motion for certification of the action as a class action with respect to the Cause of the Second Claim Additionally, attorneys fees and compensation of insignificant amounts were awarded to the plaintiff. Subsequently, on February 27, 2020, a ruling was given on the action instructing the contribution of the outstanding amounts that Dikla had been unable to pay to the eligible parties on account of the First Claim and which fully exhausts the arguments and claims in respect of this claim and a verdict in respect of the Cause of the Second Claim, which was dismissed.

2. In September 2016, an action was filed in the Lod-Center District Court together with an application for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly fails to disclose on its website complete and accurate information about the maximum amounts of indemnification to which health insurance policyholders are entitled for surgery-related expenses which are covered in the health insurance policies that it sells. According to the plaintiff the purpose of this is to reduce the amounts of indemnification owed to its insureds. The plaintiff argues that Harel Insurance is therefore in breach of contract, in breach of the instructions of the Commissioner, that it refrains from providing proper disclosure of the amounts of indemnity to which insureds are entitled and acts fraudulently. In June 2017, the parties filed a motion in the court to approve a compromise settlement in which the method of calculating the insurance compensation was agreed for members of the class who, after the date of approval of the arrangement, will submit an insurance claim for indemnity in respect of expenses for surgery they underwent, as well as a mechanism for supplementing the amounts of insurance compensation for class members, who received such indemnity in the past. In November 2017, the Attorney General's position was submitted to the court in which he does not oppose the compromise settlement. In his position, the Attorney General made several remarks relating to the agreement, he expressed his support for the parties' motion to appoint a reviewer for the agreement and he asked to submit a supplementary position after receiving the reviewer's opinion. In November 2017, the court appointed a reviewer for the compromise settlement. In August 2018, the reviewer's opinion was submitted to the court whereby the compensation mechanism defined in the compromise settlement is fair and reasonable. In May 2019, a revised compromise settlement was submitted for the court's approval.

Note 7 - Contingent liabilities and commitments (Contd.)

C. Claims that were settled in the Reporting Period (Contd.)

Par. 2 (contd.)

In November 2019, the Attorney General's position was submitted to the court according to which the State's professional entities did not see fit to express an opinion, either positive or negative, in relation to the motion to approve the compromise settlement. On March 15, 2020, the court validated the revised compromise settlement as a judgment.

3. In March 2016, an action was filed in the Tel Aviv District Labor Court against Standard Insurance Ltd. ("Standard"), together with an application for its certification as a class action ("Application for Approval"). The subject of the action was the argument that Standard allegedly neglected to provide its employees with the rights prescribed in the Extension Order in the import, export and wholesale trade industry ("Extension Order in the Import Industry"), but did so only in accordance with the extension orders and general laws that apply to all workers in the economy, including that it deposited payments for them in a pension in accordance with the general extension order in the economy relating to pensions ("General Extension Order") and not in accordance with the Extension Order in the Import Industry, that it did not pay them vacation differences and payments for the holidays and elective days by virtue of the Extension Order in the Import Industry, and that it did not deposit pension contributions for them for the holidays, vacation and sick-pay component in accordance with the Extension Order in the Import Industry. This, according to the plaintiff, in breach of their rights under the wage protection laws. In March 2020, an agreed motion for abandonment of the Motion for Certification against Standard by the plaintiff was filed in the Tel Aviv District Labor Court in which the court was asked to approve the plaintiff's abandonment of the Motion for Certification and the action. On March 16, 2020, the Labor Court approved the plaintiff's motion to abandon the Motion for Certification.

4. In May 2019, an action was filed in the Tel Aviv Magistrates Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly refuses to give insureds who have received insurance cover for a test through the Oncotest laboratory in connection with cancer once, insurance cover for an additional test in the Oncotest labs. In January 2020, an agreed motion for abandonment of the motion for certification against Harel Insurance by the plaintiff was filed in the Tel Aviv Magistrate's Court in which the court was asked to approve the plaintiff's abandonment of the motion for certification and the action and to instruct that the motion for certification be struck out and that the plaintiff's personal claim should be dismissed. In April 2020, the court approved the plaintiff's application to abandon the motion for certification, and it ordered the dismissal of her personal claim and to strike out the application for certification. Furthermore, the court awarded the plaintiff and her attorney compensation and lawyers' fees of insignificant amounts.

5. In January 2017, an action was filed in the Tel Aviv District Labor Court together with a motion for its certification as a class action against the subsidiary Dikla Insurance Agency Ltd. ("Dikla"). The subject of the action was the allegation that Dikla ostensibly deposited payments for pension for its employees in accordance with the general extension order in the economy relating to pensions ("General Extension Order") and not in accordance with the extension order in the import, export and wholesale commerce industry ("Extension Order in the Import Industry"), despite its ostensible obligation to operate in accordance with the Extension Order in the Import Industry. In March 2020, an agreed motion for abandonment of the motion for certification against Dikla by the plaintiff was filed in the Tel Aviv District Labor Court in which the court was asked to approve the plaintiff's abandonment of the motion for certification and the action. In April, 2020, the Labor Court approved the plaintiff's motion to abandon the motion for certification.

6. In September 2017, an action was filed against the consolidated subsidiary Harel Insurance in the Tel Aviv District Court, together with application motion for its certification as a class action. The subject of the action is the allegation that Harel Insurance pays its insureds monthly annuities on a date later than the date specified in the policies and without the addition of interest for the overdue payment. In February 2019, the court instructed that the hearing should be transferred to the District Labor Court. In May 2020, the applicant filed an agreed motion for abandonment of the motion for certification against Harel Insurance in the Tel Aviv District Court in which the court was asked to approve the applicant's abandonment of the motion for certification and the action and to instruct that the motion for certification be struck out and also to dismiss the applicant's personal claim. As part of the motion for abandonment, Harel Insurance agreed to bring forward the date of payment of the monthly annuity for members of the class as they are defined in the compromise settlement and to pay a benefit to the applicant and lawyers' fees to his attorney, of insignificant

Note 7 - Contingent liabilities and commitments (Contd.)

C. Claims that were settled in the Reporting Period (Contd.)

Par. 6 (contd.)

amounts, subject to the court's approval. In June 2020, the Tel Aviv District Labor Court approved the applicant's application to abandon the motion for certification, and it ordered the dismissal of his personal claim and to strike out the application for certification. Furthermore, the court awarded the applicant and his attorney compensation and lawyers' fees of insignificant amounts.

7. In December 2016, an action was filed in the Lod-Center District Court, together with an application for its certification as a class action, against the subsidiary Harel Pension and Provident Ltd. ("Harel Pension & Provident"). The subject of the action is the allegation that Harel Pension & Provident allegedly raises the management fees collected from its members in the comprehensive pension fund without sending the members notification, as required by law, and that when the members' money is deposited in the general pension fund due to an excess of cumulative deposits in the comprehensive pension fund over and above the limit prescribed by law, it allegedly charges them management fees at a rate which is higher than the management fee rate they pay in the comprehensive pension fund, without informing them of such. The hearing on the application for certification was transferred to the Labor Court. In April 2019, the Tel Aviv District Labor Court granted partial approval for litigation of the action as a class action on the question of the management fees that were collected from members for whom money was deposited in the general pension fund, due to a surplus of cumulative deposits in the comprehensive pension fund over and above the limit prescribed by law, and it dismissed the plaintiffs' other arguments. The class in whose name the class action is to be conducted is any member of Harel Pension & Provident, for whom a general pension fund was opened in the period from December 12, 2009 through April 30, 2019, after the limit for statutory deposits in the comprehensive pension fund had been exceeded, and who was automatically charged, even without receiving notice of such, the maximum possible management fees by law for his deposits in the general fund, even if under the discount arrangement that was in force for his affairs, he would have been eligible for a discount on the management fees in the comprehensive fund. The parties are conducting a mediation process. In January 2020, the parties filed a motion in the court to certify a compromise settlement in which it was agreed, *inter alia*, that Harel Pension & Provident will pay the class members, as they were defined in the certification decision, an amount derived from the difference between the management fees actually collected from them and the fees that would have been collected from them had the relevant management fees been applied in the general fund, and the yield in respect thereof, in accordance with the mechanism set out in the compromise settlement. In July 2020, the Attorney General submitted his position with respect to the compromise settlement, to the effect that the compromise settlement should not be approved in its present format and that it must be amended in conformity with his comments. In August 2020, the Tel Aviv District Labor Court validated the compromise settlement as a court ruling, thus ruling compensation and lawyers fees for the plaintiff and his attorneys.

8. In October 2017, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the consolidated subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance allegedly collects premiums from its insureds for a qualifying period, even though the insured does not receive insurance cover during this period. In May 2020, the applicant filed a motion in the Tel Aviv District Court to approve his abandonment of the motion for certification against Harel Insurance. In August 2020, the Tel Aviv District Court approved the applicant's motion to abandon the motion for certification, and it ordered the dismissal of his personal claim and to strike out the motion for certification.

Note 7 - Contingent liabilities and commitments (Contd.)

Claims settled after the Reporting Period

9. In July 2013, an action was filed in the Lod-Center District Court together with an application for its certification as a class action against the consolidated subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance allegedly refrained from publishing full information on its website in connection with the sums insured payable as compensation to policyholders when the surgery is paid for by another entity who is not the insurer, and this ostensibly in contravention of the provisions of a circular issued by the Commissioner of Insurance - "Details of Insurance Benefits in Healthcare Insurance Plans", and with the purpose, ostensibly, of reducing the amounts of compensation owed to policyholders according to the policies. In March 2016, a compromise settlement was submitted for the court's approval. In June 2016, an amended compromise agreement was submitted for the court's approval, based on the court's comments. In September 2016, the Attorney General's position was submitted to the court according to which he does not oppose the compromise settlement and leaves approval of the decision in the court's hands. The Attorney General's position included several remarks relating to the wording of the arrangement. In January 2017, the court appointed a reviewer for the compromise settlement. In November 2017, the reviewer's opinion was submitted to the court according to which the compensation mechanism defined in the compromise settlement is fair and reasonable. In August 2018, at the court's request, the reviewer's supplementary opinion was submitted on various matters, according to which the compensation mechanism defined in the compromise settlement is fair and reasonable. In March 2019, a revised compromise settlement was submitted for the court's approval. In August 2019, the Attorney General's position was submitted to the court, in which he repeated some of the comments he had made in his position from September 2016 and he also included additional comments regarding the way in which the refund to the class members should be made. In March 2020, a revised compromise settlement was submitted for the court's approval. In October 2020, the court validated the amended compromise settlement as a judgment, in which context, among other things, agreement was reached regarding the method of calculating the special compensation that Harel Insurance will pay eligible members of the group, following approval of the compromise settlement, for receiving compensation for surgery at a private hospital which is fully or partially funded by the HMO and that Harel Insurance will pay those class members who received special compensation between July 30, 2010, and the date of approval of the compromise settlement, an amount to supplement the special compensation they received, based on the calculations that are set out in the compromise settlement. As agreed in the compromise settlement, Harel Insurance will pay compensation to the class plaintiffs and lawyers fees to their attorneys of an amount to be ruled by the court.

10. In October 2013, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the consolidated subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly refrains from paying compensation to insureds who performed surgery that was fully or partially paid for by their HMOs, at a rate of half the amount saved on the full cost of the surgery due to the participation of the HMOs. In March 2016, a compromise settlement was submitted for the court's approval. In June 2016, an amended compromise agreement was submitted for the court's approval, based on the court's comments. In September 2016, the Attorney General's position was submitted to the court in which he does not oppose the compromise settlement and leaves approval of the decision in the court's hands. The Attorney General's position included several remarks relating to the wording of the arrangement. In January 2017, the court appointed a reviewer for the compromise settlement. In November 2017, the reviewer's opinion was submitted to the court according to which the compensation mechanism defined in the compromise settlement is fair and reasonable. In August 2018, at the court's request, the reviewer's supplementary opinion was submitted on various matters, according to which the compensation mechanism defined in the compromise settlement is fair and reasonable. In March 2019, a revised compromise settlement was submitted for the court's approval. In August 2019, the Attorney General's position was submitted to the court, in which he repeated some of the comments he had made in his position from September 2016 and he also included additional comments regarding the way in which the refund to the class members should be made. In March 2020, a revised compromise settlement was submitted for the court's approval. In October 2020, the court validated the amended compromise settlement as a judgment, in which context, among other things, agreement was reached regarding the method of calculating the special compensation that Harel Insurance will pay eligible members of the group, following approval of the compromise settlement for receiving compensation for surgery at a private hospital which is

Note 7 - Contingent liabilities and commitments (Contd.)

Claims settled after the Reporting Period (Contd.)

Par. 10 (contd.)

fully or partially funded by the HMO and that Harel Insurance will pay those class members who received special compensation between July 30, 2010, and the date of approval of the compromise settlement, an amount supplementing the special compensation they received, based on the calculations that are set out in the compromise settlement. As agreed in the compromise settlement, Harel Insurance will pay compensation to the class plaintiffs and lawyers fees to their attorneys of an amount to be ruled by the court.

11. In April 2008, an action was filed in the Jerusalem District Labor Court against the consolidated subsidiary Harel Insurance and against three other insurance companies (hereinafter together: "the Defendants"), together with a motion for its certification as a class action. The subject of the action was the allegation that the Defendants generally credit women policyholders reaching the age of retirement, in respect of old managers' insurance policies that were sold until 2000, with a lower monthly benefit than the benefit received by male insureds with the same data, on the grounds that women have a higher life expectancy. In contrast, the Defendants collect the same term (pure life) assurance premiums from the women as they collect from the men, despite the fact that the mortality rate for women, during the risk cover period, is ostensibly lower. The plaintiffs argued that this conduct discriminates against female policyholders, in contravention of the statutory provisions. On August 17, 2014, the Jerusalem District Labor Court certified litigation of the action as a class action. The group that was certified for the class action consisted of women who have or had an insurance policy with the four Defendants, and for whom no distinction was made between the tariff for men and women in the calculation of the risk premium. In December 2014, the Defendants filed a motion for permission to appeal this ruling in the Jerusalem National Labor Court. Concurrently, the District Labor Court accepted the Defendants' application for a stay of proceedings until a decision is made on the motion for permission to appeal. In April 2015, the National Labor Court decided to grant the Defendants permission to appeal the decision. Within the context of the hearing on the appeal, the court instructed that the material should be submitted to the Commissioner of Insurance to obtain his position. In December 2016, the Commissioner's position was submitted to the court supporting the position of the insurance companies that the action should not be heard as a class action given that it does not involve unacceptable discrimination. On December 3, 2019, the National Labor Court accepted the Defendants' appeal and nullified the decision of the Tel Aviv District Labor Court from August 17, 2014 to approve conducting the claim as a class action. On December 30, 2019, the court instructed dismissal of the plaintiffs' personal claims. In May 2020, the plaintiffs in the motion for certification of a class action filed a petition to grant a provisional order in the Supreme Court sitting as the High Court of Justice (HCJ), in which HCJ was asked to instruct the respondents, including the Defendants, the National Labor Court, the Jerusalem District Labor Court and the Capital Market, Insurance and Savings Authority, to explain why HCJ should not order nullification of the judgment and reinstate the District Labor Court's decision in which litigation of the action as a class action was approved. On June 10, 2020, HCJ denied the petition to grant a decree nisi, determining that there was no justification for its intervention. In July 2020, in a motion to certify as a class action the petitioners filed a motion to hold a further hearing on the decision of the HCJ. In November 2020, the Supreme Court denied the motion to hold another hearing.

D. Transactions with related parties

Approval to invest in and establish the IIF 4 partnership

In April 2020, subsidiaries of the Company that are financial institutions ("the Subsidiaries") entered into a transaction in which they undertook to invest in the IIF 4 Fund, a fourth infrastructure fund in the IIF Group, a total of USD 80 million, of which up to USD 73.6 million was money belonging to members managed by the Group's financial institutions. The Company holds (directly and indirectly) 49% of the General Partner and Harel Insurance and the Group's financial institutions hold percentages of the fund as limited partners. Harel Insurance and the Group's financial institutions will not be required to pay the fund managers management fees or success fees in respect of their investment as limited partners.

Note 8 - Capital requirements and management

1. Solvency II based economic solvency regime

On October 14, 2020, the Commissioner published Insurance Circular 2020-1-15 on "Amendment of the Consolidated Circular concerning Implementation of an Economic Solvency Regime for Insurance Companies Based on Solvency II" ("the New Solvency Circular"). The New Solvency Circular includes adjustments and updates made by the Capital Market, Insurance and Savings Authority ("the Authority") during the course of 2020 regarding Insurance Circular 2017-1-9 ("Solvency Circular"). The adjustments and updates in the New Solvency Circular were made further to relevant letters and drafts published during the course of 2020 and in view of the Authority's statement that it intends to work towards adapting the Economic Solvency Regime in Israel to the Solvency II directive and updates. Based on the New Solvency Circular, with the Commissioner's approval, companies may adopt a new method of calculation during the transitional period. According to the New Solvency Circular, the transitional provisions were adapted to the format set out in the European Directive, with an option to gradually increase the reserves in respect of long-term insurance products that were sold in the past, until 2032. Based on the new transitional provisions, insurance companies may, after obtaining the Commissioner's approval, include a deduction from the insurance reserve ("the Deduction") in the calculation of the insurance reserves in the transitional period. The Deduction is calculated in accordance with the instructions in the letter concerning the Deduction principles and it is reduced from a rate of 100% when calculating the insurance reserves at December 31, 2019, to a rate of 0% when calculating the insurance reserves at December 31, 2032. This method of calculation for the transitional period replaces the previous method for the transitional period that was applied in prior periods, in which the capital required to maintain an insurance company's solvency in the period commencing June 30, 2017 and ending December 31, 2024, will increase gradually by 5% each year, starting with 60% of the SCR until the full SCR is achieved. At December 31, 2019, this ratio is 75%. The New Solvency Circular also includes updates based on changes that were made in Europe and are relevant to the Israeli market. The Circular and the key changes therein were applied from the date of calculation of economic solvency as at December 31, 2019.

On October 14, 2020, the Commissioner published a circular updating the disclosure format required in the periodic reports and on the websites of the insurance companies regarding the Solvency II based economic solvency regime ("the New Disclosure Circular"). The New Disclosure Circular includes adjustments and updates made by the Authority in the required disclosure format regarding a Solvency II based economic solvency regime in Chapter 1, Part 4, Section 5 of the Consolidated Circular ("the Disclosure Circular"). The New Disclosure Circular broadens the scope of the disclosure in the solvency report with respect to aspects of changes in the capital surplus, sensitivity tests, capital management and restrictions on the distribution of dividends. This circular becomes applicable from the economic solvency report as at December 31, 2019, except for the additions regarding changes in the capital surplus and sensitivity tests, which will become applicable from the economic solvency reports as at December 31, 2020 and December 31, 2021.

On October 28, 2020, in accordance with the Commissioner's instructions, Harel Insurance published a report on the economic solvency ratio ("the Solvency Report") in respect of data at December 31, 2019, on its website: https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx. According to the report, Harel Insurance has a capital surplus even without taking the transitional provisions into account.

The calculation prepared by Harel Insurance for data at December 31, 2019 was reviewed in accordance with the International Standard on Assurance Engagements (ISAE) 3400 – Examination of Prospective Financial Information. This standard is relevant for audits of the solvency calculation and it is not part of the auditing standards applicable to financial reports. A special report prepared by the external auditors emphasized that the forecasts and assumptions are, in principle, based on past experience, as it emerges from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and changes in the economic environment, past information does not necessarily reflect future performance. In some cases, the information is based on assumptions about future events and management activity that do not necessarily materialize or that may materialize differently from the assumptions that formed the basis for the information.

Note 8 - Capital requirements and management (contd.)

Par. 1 (contd.)

Moreover, actual performance could differ significantly from the information, given that the combination of scenarios of events could materialize in a significantly different manner from the assumptions in the information.

The special report prepared by the external auditors noted that they did not examine the reasonability of the Deduction amount in the transitional period as at December 31, 2019, other than to check that the Deduction does not exceed the projected discounted amount of the risk margin and the solvency capital ratio in respect of life and health risk for existing business in the transitional period, based on the future pattern of development of the required capital that affects calculation of the expected release of equity, as well as the release of the projected risk margin, as specified in the provisions concerning calculation of the risk margin. Likewise, attention is drawn to the information in the Solvency Report regarding the uncertainty that stems from regulatory changes and exposure to contingent liabilities whose effect on the solvency ratio cannot be estimated.

Notably, the model in its current format is extremely sensitive to changes in market and other variables, such as changes in the interest rate, changes in investment profits, revised actuarial assumptions and changes relating to the activity of Harel Insurance.

2. Capital management policy of Harel Insurance

The New Solvency Circular requires a reassessment of the capital management policy of Harel Insurance, which is described in Section 8 of the Economic Solvency Report.

It is Harel Insurance's policy to hold a strong capital base to guarantee its solvency and its ability to meet its commitments towards its insureds, to ensure that it is capable of continuing its business activity and so that it can provide a return for its shareholders. At this stage, for reasons of caution, taking note of the strong sensitivity of the new calculation model to regulatory changes and other variables, and in the absence of adequate experience regarding the future pattern of development of the required capital and risk margin, the Board of Directors of Harel Insurance resolved not to determine a target range for the economic solvency ratio. The Board of Directors of Harel Insurance will, in future, examine the need to determine capital targets and a target range which it hopes to remain within during and after the transitional period.

Nevertheless, on November 30, 2020, the Board of Directors of Harel Insurance approved a revised capital management plan and at this stage, threshold conditions were determined for a dividend distribution, which include a minimum economic solvency ratio of 135%, taking the transitional provisions into account, and a minimum solvency ratio without taking the transitional provisions into account, of 105%.

The threshold conditions are intended to allow Harel Insurance to cope with crises without significantly compromising its operations and its compliance with the applicable capital requirements. Nonetheless, the foregoing will not guarantee that Harel Insurance will be in compliance with the defined threshold conditions at all times.

3. In accordance with a permit to control and hold the means of control in insurers and management companies, the Company undertook, at all times, to supplement the equity of the insurance companies that are included among the financial institutions it controls, including ICIC, to the amount prescribed in the Supervision of Financial Services (Insurance) (Minimum Equity Required of Insurers) Regulation, 1998, or any other regulation or law that may replace them, and also to supplement at all times the equity of the provident fund and pension fund management companies it controls, to the amount prescribed in the Income Tax (Rules for the Approval and Management of Provident Funds) Regulations, 1965, or any other regulation or law that may replace them. This undertaking is irrevocable and will remain in force as long as the Company controls the financial institutions, directly or indirectly. Additionally, the Company undertook to inject NIS 120 million into Harel Insurance should the latter fail to satisfy the regulatory capital requirements applicable to it in accordance with the Solvency model (SCR including transitional provisions). This undertaking is irrevocable and will remain in force until March 2022.

Note 8 - Capital requirements and management (contd.)

4. Subsidiaries that manage mutual funds and investment portfolios are obligated to hold minimum equity in accordance with the directives of the Israel Securities Authority. The companies work continuously to comply with this requirement. At September 30, 2020, the subsidiaries are in compliance with these requirements.

Note 9 - Material events in the Reporting Period

1. Revision of the discounting interest rates used to calculate the insurance liabilities

   Life assurance

   Due to the revised interest rate used to calculate the reserve for annuity in payment, Harel Insurance reduced the insurance liabilities in the life assurance and long-term savings segment in Q1 2020 by NIS 92 million before tax (a decrease of NIS 134 million before tax in the liabilities for policies that include a non-yield-dependent savings component from 2004, an increase of NIS 19 million before tax in the liabilities for policies that include a savings component up to 1990, and an increase of NIS 23 million before tax in the insurance liabilities for policies that include a savings component up to 2003), and it increased pre-tax profit and comprehensive income before tax by the same amount.

   Additionally, due to a revision of the interest rate used to calculate the supplementary reserve for annuity, in Q2 2020, Harel Insurance increased the insurance liabilities in the life assurance and long-term savings segment for policies that include a savings component until 2003 by NIS 122 million before tax and it reduced the pre-tax profit and comprehensive income before tax by the same amount.
   The overall effect of the foregoing is to increase the insurance liabilities in the Reporting Period in the life assurance and long-term savings segment by NIS 30 million before tax.
   In the corresponding period last year, due to a revision of the interest rate used to calculate the reserve for claims in payment in the cover for work disability, Harel Insurance increased the insurance liabilities in the life assurance and long-term savings segment by NIS 14 million before tax, and it reduced pre-tax profit and comprehensive income before tax by the same amount.

   Health

   Due to changes in the risk-free interest rate curve and changes in the difference between the fair value and book value of non-marketable assets, and also following application of the circular on the updated liquidity premium rate which is added to the risk-free interest rate curve, and application of the provisions of the circular on the method allocating assets not at their fair value when testing the adequacy of the reserves (LAT) (for information about the effect of the circular that entered into force in Q2 2020, see Notes 9(3) and 9(4) below), Harel Insurance increased its insurance liabilities in the health insurance segment in the personal lines long-term care (LTC) sector by NIS 127 million before tax and it reduced pre-tax profit and comprehensive income before tax by the same amount. In Q3 2020, due to changes in the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets, Harel Insurance increased its insurance liabilities in the health insurance segment in the personal lines LTC sector by NIS 60 million before tax and it reduced pre-tax profit and comprehensive income before tax by the same amount.

   In the corresponding period and Q3 last year, due to the sharp decline of the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets, Harel Insurance increased its insurance liabilities in the health insurance segment in the personal lines LTC sector by NIS 650 million before tax and it reduced pre-tax profit and comprehensive income before tax by the same amount. Additionally, due to the decline of the interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets, Harel Insurance increased the reserve for claims in payment in the personal lines and group long-term care sectors in the corresponding period last year by NIS 13 million and it reduced pre-tax profit and comprehensive income before tax by the same amount.

Note 9 - Material events in the Reporting Period (Contd.)

1. Revision of the discounting interest rates used to calculate the insurance liabilities (contd.)

Non-life insurance

Due to changes in the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets, and following application of the circular on the updated liquidity premium rate which is added to the risk-free interest rate curve (for information about the effect of the circular which entered into force in Q2 2020, see Note 9(3) below), Harel Insurance reduced its insurance liabilities in the non-life insurance segment in the Reporting Period by NIS 97 million before tax (NIS 42 million before tax in the compulsory motor sector and NIS 55 million in the other liabilities sectors) and it increased pre-tax profit and comprehensive income before tax by the same amount. In Q3 2020, due to changes in the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets, Harel Insurance reduced its insurance liabilities in the non-life insurance segment by NIS 39 million before tax (NIS 10 million before tax in the compulsory motor sector and NIS 29 million before tax in the other liabilities sectors), and it increased pre-tax profit and comprehensive income before tax by the same amount.

In the corresponding period last year, due to the decline of the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets, Harel Insurance increased its insurance liabilities in the non-life insurance segment by NIS 157 million before tax (NIS 56 million before tax in the compulsory motor sector and NIS 101 million before tax in the other liabilities sectors), and it reduced pre-tax profit and comprehensive income by the same amount. In the third quarter last year, due to the decline of the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets, Harel Insurance increased its insurance liabilities in the non-life insurance segment by NIS 94 million before tax (NIS 38 million before tax in the compulsory motor sector and NIS 56 million before tax in the other liabilities sectors), and it reduced pre-tax profit and comprehensive income by the same amount..

The effect on the financial results is set out below:

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Increase in the insurance liabilities as a result of the effects of the interest rate - life assurance	(30)	(14)*	-	-*	(120)*
Increase in the insurance liabilities as a result of the LAT and effects of the interest rate - health insurance	(127)**	(663)	(60)	(650)	(926)
Decrease (increase) in the insurance liabilities due to the effects of the interest rate - non-life insurance	97**	(157)	39	(94)	(183)
Total effect of the interest rate on profit and comprehensive income before tax	(60)	(834)	(21)	(744)	(1,229)
Total effect of the interest rate on profit and comprehensive income after tax	(39)	(549)	(14)	(490)	(809)

* Retrospective application of a new insurance circular - see Note 2C

** Including the application of a circular on revised liquidity premium rates which is added to the risk-free interest rate curve and application of the provisions of a circular on the method of allocating assets not at their fair value when calculating the LAT - see Notes 9(3) and 9(4), respectively.

Note 9 - Material events in the Reporting Period (contd.)

2. Revised study regarding the age of retirement and exercising of annuity integrated with the age-dependent model

   In Q2 2020, Harel Insurance completed the revision of a study regarding the age of retirement and exercising of annuity integrated with the age-dependent model. As a result of the revised study and light of experience accumulated on this subject, it was found that the annuity take up rates vary in line with the age at which the insured actually retires. Consequently, different retirement rates and annuity take-up rates were determined for each age group, instead of the use of fixed rates. Following this revision, Harel Insurance reduced the insurance liabilities in the life assurance and long-term savings segment in the Reporting Period by NIS 217 million before tax and it increased pre-tax profit and comprehensive income before tax by the same amount.

3. Amendment of the provisions of the consolidated circular on the measurement of liability - liquidity premium ("the Circular")

   On June 7, 2020, the Circular was published which determines that a liquidity premium at different rates can be added to the risk-free interest rate applied in calculating the adequacy of the liabilities (LAT). The circular sets an individual rate for the liquidity premium to be applied in calculating the LAT for personal lines long-term care policies and for compulsory motor and liabilities insurance. According to the Circular, a liquidity premium of 80% may be added to the risk-free interest rate both for a yield discount and for a discounting interest discount, for personal lines long-term care policies, compulsory motor insurance and liabilities insurance. The circular will be applied for the first time in the financial statements at June 30, 2020 as a change in the accounting estimate in accordance with International Accounting Standard (IAS) 8. Following application of the circular Harel Insurance reduced the insurance liabilities in the personal lines LTC sector and in the non-life insurance segment in the Reporting Period by NIS 393 million before tax and NIS 40 million before tax, respectively (NIS 14 million in the compulsory motor sector before tax and NIS 26 million before tax in the other liabilities sector), and it increased pre-tax profit and comprehensive income before tax by the same amount.

4. Circular concerning he method of allocating assets that are not at fair value when calculating the LAT ("the Circular").

   On June 10, 2020, the Circular was published the purpose of which is to provide clarifications on the method of implementing the provisions pertaining to an insurance company's right to account for the difference between the amortized cost and the fair value of assets, other than earmarked bonds, that are not recorded in the statement of financial position at fair value, when preparing the LAT (Unrealized Gains & Losses - "UGL"). According to these provisions, if there is an exogenous limitation (such as regulatory instructions) or endogenous limitation (such as an administrative limitation) with respect to distribution of the assets to cover certain reserves, the assets will be allocated to certain liabilities on the basis of these limitations. Otherwise, the allocation will be made in accordance with a documented allocation procedure to be determined by the company or in proportion to the size of the reserve. The circular will be applied for the first time in the financial statements at June 30, 2020 as a change in the accounting estimate in accordance with International Accounting Standard (IAS) 8. Based on the provisions of the circular, the Board of Directors of Harel Insurance approved the allocation policy of Harel Insurance. Following application of the circular, assets that were previously attributed to the life assurance segment and whose fair value is greater than their book value, are now attributed to the health segment. As a result, Harel Insurance reduced the insurance liabilities in the health insurance segment in the Reporting Period by NIS 156 million before tax and it increased pre-tax profit and comprehensive income before tax by the same amount.

5. Publication of a shelf prospectus by Harel Financing & Issuing

   On February 24, 2020, Harel Financing & Issuing published a shelf prospectus bearing the date February 25, 2020. By virtue of this shelf prospectus, Harel Financing & Issuing will be able to place different categories of securities, in accordance with the statutory provisions. This shelf prospectus replaced a previous shelf prospectus of Harel Financing & Issuing from February 2017, which was in force until February 2020.

Note 9 - Material events in the Reporting Period (contd.)

6. Bonds issued by a second-tier subsidiary of Harel Finance

   (a) In 2019, Harel Exchange Traded Deposit Ltd. ("Harel Exchange Traded Deposit"), which is a wholly owned second-tier subsidiary of Harel Finance, issued Series 1 bonds in the total amount of NIS 1,349 million par value by means of a prospectus ("Series 1 bonds"). The Series 1 bonds, which received a preliminary rating of Aaa from Midroog, are not linked to the CPI and bear interest at the Bank of Israel rate plus 0.24%, and they are due for repayment as a lump sum on August 5, 2024. As collateral for the Series 1 bonds, the proceeds of the issue are held in deposits in pledged accounts in banks in Israel, in accordance with the conditions of the prospectus. The bond conditions allow the bond holders to perform a forced sale of the bonds to Harel Exchange Traded Deposit, after giving advance notice and payment of a conversion fee, as specified in the Deed of Trust. On February 10, 2020, an additional expansion of Series 1 bonds was performed in the amount of NIS 122 million par value.

   In the period March through August 2020, requests were received to perform forced conversion in the amount of NIS 957 million par value Series 1 bonds that were implemented in full. The total aforementioned conversions account for 65% of the total series at the reporting date. Harel Exchange Traded Deposit worked to perform the conversion in accordance with the provisions of the Deed of Trust.

   (b) On January 22, 2020, Harel Exchange Traded Deposit issued Series 2 bonds in the amount of NIS 110 million par value ("Series 2 bonds"). The Series 2 bonds, which received a preliminary rating of Aaa from Midroog, are not CPI-linked and bear interest at a fixed annual rate of 1.2%, are due for repayment as a lump sum on January 24, 2027. As collateral for the bonds, the proceeds of the issue are held in deposits in pledged accounts in banks in Israel, in accordance with the conditions of the prospectus.

7. Discounting interest on NII allowances

   Further to the information in Note 3C2I to the Company's Financial Statements as at December 31, 2019, in September 2020, the Supreme Court ruled that the provision – whereby the discounting interest rate for compensation due to bodily injury in torts will remain 3% (unless a need to change it is proven, based on the mechanism set out by the Kaminetz Committee) – is presumed also to apply to NII subrogation claims. Accordingly, and based on the professional opinion of its external legal advisors, in Q3 2020, Harel Insurance reduced its insurance liabilities in the non-life insurance segment by NIS 80 million before tax (NIS 65 million before tax in the compulsory motor sector and NIS 15 million before tax in the other liabilities sectors), and it increased pre-tax profit and comprehensive income before tax by the same amount.

8. Changes in the composition of the Company's Board of Directors

   On March 31, 2020, Mr. Udi Nissan completed three years of service as an external director in the Company.

   Pursuant to the provisions of the circular "Board of Directors of a Financial Institution", external directors of a company may not serve as an independent director of a subsidiary that is a financial institution. On April 1, 2020, Mr. Udi Nissan began a second term of office as an independent director of Harel Insurance and he was therefore forced to step down as an external director in the Company.

   On June 1, 2020, Mr. Naim Najar took up his position as an external director in the Company.

   After the reporting date, on October 12, 2020, the general meeting of the Company approved the appointment of Ms. Hava Friedman-Shapira for an additional (third) three-year term of office as an external director in the Company (commencing November 18, 2020).

9. Restructuring - Harel Pension & Provident

   On April 1, 2020, the restructuring by the Group entered into force in which the rights of Harel Insurance in the customer portfolios and the goodwill of the provident activity were transferred to Harel Pension & Provident, and this was immediately followed by the transfer of all the holdings of Harel Insurance in Harel Pension & Provident to the Company. The transfer of these holdings to the Company as part of the Restructuring was accounted for as a dividend in kind from Harel Insurance to the Company, from distributable profits. The restructuring was implemented in accordance with the provisions of Section 104A and 104C of the Income Tax Ordinance. This restructuring did not affect the Company's consolidated financial statements.

Note 9 - Material events in the Reporting Period (contd.)

10. Restructuring - transfer of all the share capital of Standard to Harel Insurance for the purpose of the merger of Standard into Harel Insurance

    In February 2020, the relevant organs of the Company, Harel Insurance and Standard approved the merger in which all the Company's holdings in Standard were transferred to Harel Insurance against an allocation of shares of Harel Insurance to the Company. This was performed as part of the restructuring of the Group, the final outcome of which is that Standard will be fully merged with and into Harel Insurance and Standard will be dissolved. The merger of Standard facilitates concentration of the Company's marketing activity and it is part of the strategic measures being implemented by the Group to concentrate similar activity and simplify the Group's organizational structure. As a preliminary measure and integral part of the merger, on January 1, 2020, all the employees of Standard were moved to Harel Insurance with full continuity of rights and in accordance with their employment conditions in Standard. The merger entered into force on April 1, 2020, in which context Harel Insurance allocated 424,929 ordinary NIS 1 par value shares from its registered capital to the Company.

11. Agreement with Hachshara Insurance Company Ltd.

    On May 18, 2020, Harel Insurance entered into agreement with Hachshara Insurance Company Ltd. ("Hachshara") in which Harel Insurance will provide operating services for Hachshara's pension portfolio ("the Past Portfolio"), and it will also provide software house services and service bureau services for the Past Portfolio and for the insurance portfolio of Hachshara in the health, long-term care, risk, mortgage, and critical illness sectors, personal lines best invest and Amendment 190 sectors, as it is on the date of signing the agreement and as it will be during the period of the agreement, as well as new sales in the pension sector and work disability sector (to the extent that Hachshara decides to resume the sale of these policies ("the New Portfolio") (hereinafter together: "the Services"). In order to provide the aforesaid services, Harel Insurance will provide Hachshara with a user license for its computer systems as specified in the agreement, and this in addition to developing data interfaces for the existing systems of Hachshara ("the Computer Systems"). On October 18, 2020, confirmation was received from the Commissioner that does not oppose this agreement. Harel Insurance will operate the Past Portfolio in the Computer Systems for Hachshara, except for processes that require business decisions relating to the Past Portfolio which will continue to be performed by Hachshara. Management of the data in Hachshara's Past Portfolio and New Portfolio in the Computer Systems will take place with permissions that are separate from the other activity of Harel Insurance.

    Hachshara will remain the owners of the Past Portfolio and the New Portfolio and it will bear full and exclusive responsibility towards any third parties regarding all aspects of decision making as the insurer in connection with the services, including responsibility towards the authorities, responsibility for the financial statements and their content, investment management, money laundering, Solvency management, actuarial practice, internal audit and Commissioner's audits, etc. Additionally, Hachshara will bear sole and full responsibility for demands, claims fines or any administrative and legal proceedings, if there are any, in connection with the aforementioned portfolios, and Harel Insurance will not bear any responsibility for them.

    With respect to provision of the services, Harel Insurance will be a material outsourcing provider, and in this context it will allow Hachshara to monitor provision of the services, including that it will allow access by several of Hachshara's functionaries (the legal advisor, CFO, internal auditor, risk manager and external auditors) to information pertaining to the services located within Harel Insurance, with reasonable cooperation and appropriate availability for this purpose.

    Pursuant to the provisions of the agreement the agreement period is not limited in time. Nevertheless, as of 2029, the parties will be able to terminate the agreement and/or discontinue some of the services by giving advance notice in writing and subject to the provisions of the agreement.
    The annual consideration to be received by Harel Insurance for the services will be NIS 28.5 million in the first eight years of the engagement, after which the consideration will be reduced to NIS 14 million and adjusted each year to the scope of the services provided

12. On the full early redemption of bonds (Series 4) of Harel Financing & Issuing in the Reporting Period, see Note 6C.

Note 9 - Material events in the Reporting Period (contd.)

13. Annual and Special General Meeting

    On May 31, 2020, an annual general meeting of the Company took place, with the following items on the agenda: (1) discussion of the Periodic Report for 2019; (2) appointment of external auditors for 2020 and appointing the Company's Board of Directors to determine their fee; (3) reappointment of the Company's incumbent directors, who are not external directors, for a further term of office (Yair Hamburger, Gideon Hamburger, Ben Hamburger, Yoav Manor, Doron Cohen, Josef Ciechanover and Eli Defes); (4) approval of the terms of office of Ben Hamburger who serves as Deputy Chairman of the Board of Directors; (5) appointment of Naim Najar as an external director in the Company. The general meeting approved all the items that were on the agenda of the general meeting.

14. On approval to invest in and establish the IIF 4 partnership, see Note 7D.

15. Roadmap for the adoption of International Financial Reporting Standard 17 (IFRS 17) - *Insurance Contracts* ("the Roadmap")

    Further to the information in Note 3T(3) to the Company's annual financial statements, on June 7, 2020, the Commissioner published the roadmap for the adoption of IFRS 17 ("the Standard" or "IFRS 17") which determines that the initial date of application of the standard in Israel will apply from quarterly and annual periods commencing January 1, 2023. The roadmap also determines the key preparatory measures and time frames that, in the opinion of the Capital Market, Insurance and Savings Authority, are required to ensure deployment by Israel's insurance companies for the proper application of IFRS 17, including with respect to adapting and operating their information systems, project management and documentation, the formulation of accounting policy, performing quantitative tests and the required methods of disclosure to the public.

16. Publication of a shelf prospectus by the Company

    On July 22, 2020, the Company published a shelf prospectus dated July 23, 2020. By virtue of this shelf prospectus, the Company will be able to place different categories of securities, in accordance with the statutory provisions.

17. Reverse mortgage activity through the establishment of Harel 60+

    In August 2020, the Company, through Harel 60+ Ltd. ("Harel 60+"), a wholly owned subsidiary of Harel Insurance, began to operate in the sector of loans for any purpose for those aged 60 or more.

18. Approval of updates to the compensation policy for the Group's financial institutions

    In view of the experience gained in applying the Present Compensation Policy for the financial institutions and the changes proposed in the compensation policy of Harel Investments, in August 2020 the Compensation Committee and boards of directors of the financial institutions approved updates to the compensation policy of the financial institutions.

    Following are the principal changes made in the compensation policy:

    Introductory clauses and definitions: Several updates and clarifications were made, *inter alia*, as a result of the updates to the compensation indices and threshold conditions.

    Frequency of conducting an audit of implementation of the compensation policy: In accordance with the decision of the Compensation Committee, the frequency of the audit was revised from once in three years to once in two years.

    Deviation that will not be construed as a deviation from the policy: A comment was added to the effect that a deviation of up to 10% from the amounts, ranges and conditions specified in the policy document will not be construed as a deviation from the provisions of the compensation policy, but that such deviation must be approved by the Compensation Committee.

    Ratio of fixed and variable components: The specific reference to the ratio of fixed and variable components in the compensation for the CFO, Corporate Counsel and key functionaries in control positions was deleted so that the scope of the fixed components in the compensation for each key functionary will not be less than 50% (instead of a ratio of 60% and 70%, respectively, in the Present Compensation Policy).

Note 9 - Material events in the Reporting Period (contd.)

18. Approval of updates to the compensation policy for the Group's financial institutions (contd.)

Projected annual cost of employment: The clause was revised so that the projected annual cost of the employment of senior officers and employees in the Group will not exceed a cost of employment for which the projected annual expense, based on a full-time position, is 35 times the projected annual expense for the lowest compensation paid to a full-time Harel Insurance employee in the calendar year preceding the year for which the projected cost of employment of such senior officer or employee is calculated. The previous wording stipulated that the Compensation Committee and board of directors must approve any deviation from the limitation of the projected annual cost of NIS 2.5 million.

Threshold conditions: Two minimum threshold conditions for entitlement to the annual bonus were revised so that instead of the currently prescribed threshold conditions relating to return on equity, the following conditions must be satisfied: (1) compliance with the equity required from Harel Insurance by the Commissioner in the calendar year preceding the date of payment, except if the Compensation Committee and board of directors believe that the inability to meet this requirement is due to an exogenous and significant event that affected Israel's entire insurance industry; and (2) compliance with covenants towards banks and bond holders against which Harel Investments took loans as well as compliance by Harel Financing & Issuing with the financial covenants of the bond series issued by it. The other threshold conditions remain unchanged. Additionally, a stipulation was added that the threshold conditions for the annual bonus plan will not be satisfied if comprehensive income before tax is not positive.

Maximum annual performance-linked bonus: No change was made in the maximum performance-linked bonus limit, however an emphasis was added whereby despite the aforementioned limit, the Compensation Committee and Board of Directors may approve a maximum bonus of 2 additional salaries, for special reasons. Additionally, it was determined that if the bonus is to be given to a senior officer who is embarking on a new area of activity, the Compensation Committee and Board of Directors will examine the need to adjust the scope and composition of the variable compensation.

Discretionary component: The conditions in the clause relating to the discretionary component were revised and, among other things, it was stipulated that the discretionary component may be paid (which does not exceed three monthly salaries) even if the threshold conditions and/or specific targets for payment of the variable bonus were not satisfied. This provision will also apply with respect to senior officers in control positions.

Update of performance indices: A comment was added to the effect that if significant regulatory changes are made, as a result of which the Compensation Committee believes that the indices for assessing performance should be altered, the Compensation Committee and board of directors will be authorized to alter them even after they have been determined.

CPI linkage: A provision was added that bonus amounts paid in installments will be linked to the CPI, where the lower threshold is the known index on the date of the installment and they will bear interest at an annual rate of 2%.

Special bonuses: The special bonus clause was updated so that the overall budget will be NIS 5 million per year instead of NIS 3 million and the bonus limit for a key functionary will be NIS 350,000 instead of NIS 250,000.

Capital (lump-sum) bonus: In accordance with the compensation policy of Harel Investments, the provision referring to the compensation policy of Harel Investments according to which entitlement to the capital bonus, if any, is limited exclusively to the Company's CEO, was cancelled.

Directors and Officers (D&O) Liability insurance: An adjustment was made to correspond with the position of the Securities Authority, allowing D&O insurance to be purchased in the future even if the premiums are higher than those known on the date of the approval, and the clause relating to the purchase of D&O liability insurance was cancelled based on the approval of the general meeting.

Increased severance pay: The need to wait three years from the date of the approval for the purpose of granting increased severance pay to senior executives in eligible positions was cancelled. The minimum employment period defined in the policy remains unchanged.

Employment relationships: The provision that employment relationships will be terminated without prior notice on the date on which the employee reaches retirement age was cancelled.

Note 9 - Material events in the Reporting Period (contd.)

Par. 18 (contd.)

Individual parameters for determining the annual bonus: Revisions were made to Appendix A to the compensation policy which set out the individual parameters for determining the annual bonus for senior officers and key functionaries.

19. Revised agreement with a relative of a controlling shareholder in the Company

As approved by the Company's Compensation Committee and Board of Directors on May 27, 2019 and May 30, 2019, Mr. Idan Tamir, grandson of Mr. Yair Hamburger, one of the controlling shareholders in the Company who is also Chairman of the Company's Board of Directors, is employed as an analyst in the subsidiary Harel Finance for a monthly salary of NIS 8,500.

Under the provisions of Regulation 1B(a)(4) of the Companies (Relief in Transactions with Interested Parties) Regulations, 2000, ("the Relief Regulations"), on August 13, 2020 and on August 31, 2020, the Company's Compensation Committee and Board of Directors, respectively, approved an agreement between the subsidiary Harel Insurance and Mr. Idan Tamir, according to which Mr. Tamir will be employed as a project manager in the digital division commencing September 1, 2020.

Within the context of the move to his new position as project manager in the digital division of Harel Insurance, Mr. Tamir will be entitled to a monthly salary of NIS 10,250 plus a refund for travel expenses and other social benefits as generally applicable to employees of this rank in Harel Group (it is emphasized that the other employment conditions will remain unchanged).

As part of the approval of the agreement, the Compensation Committee and Board of Directors confirmed that the agreement is in compliance with the provisions of Regulation 1B(a)(4) of the Relief Regulations, given that the monthly salary payable to Mr. Tamir does not exceed the average monthly wage in the economy, and that it is reasonable given the scope of employment, nature of the position and Mr. Tamir's qualifications to perform the job.

20. Credit provided to Hamazpen

Pursuant to the information in Note 38E(9) in the annual financial statements concerning an agreement in which Harel Insurance will provide credit to Hamazpen Shutaphim Laderech Ltd. ("Hamazpen"), a subsidiary of the Company, at September 30, 2020, the balance of the credit provided by Harel Insurance to Hamazpen was NIS 129 million.

Note 10 – Material Events after the Reporting Period

1. Special General Meeting of the Company

   On October 12, 2020, a special general meeting of the Company took place. The meeting agenda included the following topics: (1) The appointment of Ms. Hava Friedman-Shapira for a further term of office as external director; (2) approval of a revision of the Company's compensation policy; (3) approval of employment conditions - Mr. Yair Hamburger (no change compared with the current employment conditions); (4) approval of employment conditions - Mr. Gideon Hamburger (no change compared with the current employment conditions); (5) approval of employment conditions - Mr. Yoav Manor (no change compared with the current employment conditions). The general meeting approved all the items listed on the meeting agenda. For information about the topics, see Sections 2 and 3 below.

2. Approval of the Company's revised compensation policy

   The Company's compensation policy that was in force until October 2020 is detailed in Note 38B to the financial statements for 2019 which were published on March 31, 2020 (Reference: 2020-01-033318) ("the Previous Compensation Policy").

   In light of the experience the Company has gained in applying the Previous Compensation Policy and changes in its regulatory and business environment, on October 12, 2020 the Company's general meeting approved updates to the compensation policy, in accordance with the provisions of Section 267A of the Companies Law, so that it is consistent with the aforesaid changes and will be effective and effectual for the purpose of implementing its objectives ("the Revised Compensation Policy").

   Prior to the approval by the general meeting, on August 13, 2020 and on August 31, 2020, the Company's Compensation Committee and Board of Directors, respectively, approved the Revised Compensation Policy. The Revised Compensation Policy will remain in force for three years from the date of approval by the general meeting (or for a longer period, if so determined in accordance with the provisions of the Companies Law).

   The key changes made in the Company's Revised Compensation Policy, compared with the Previous Compensation Policy, are as follows:

   <u>Foreword and definitions</u>: Clauses in the forward and definitions in the compensation policy were updated and simplified.

   <u>Entities that approve changes in the compensation</u>: Reference to the Company's relevant organs that are competent to approve changes in the compensation conditions were added.

   <u>Ratio of fixed and variable components</u>: The scope of the fixed components in the compensation of Company officers was updated to a minimum of 50% (instead of a minimum of 45% in the Previous Compensation Policy). Additionally, the specific reference to the ratio of fixed and variable components in the compensation for the CFO and Corporate Counsel as well as in the compensation for officers in control positions was eliminated so that the scope of the fixed components for all senior officers will not be less than 50% (instead of a minimum ratio of 60% and 70%, respectively, in the Previous Compensation Policy).

   <u>Deviation that will not be construed as a deviation from the policy</u>: Pursuant to the current option in the law, a comment was added to the effect that a deviation of up to 10% from the amounts, ranges and conditions specified in the policy document will not be construed as a deviation from the provisions of the compensation policy, but that such deviation must be approved by the Compensation Committee.

   <u>Maximum annual performance-linked bonus</u>: An emphasis was added whereby despite the performance-linked bonus limit (6 salaries), the Compensation Committee and Board of Directors may approve a maximum bonus of 2 additional salaries, for special reasons. Additionally, it was determined that if the bonus is to be given to a senior officer who is embarking on a new area of activity, the Compensation Committee and Board of Directors will examine the need to adjust the scope and composition of the variable compensation.

   <u>Discretionary component</u>: The conditions in the clause relating to the discretionary component were revised and, among other things, it was determined that the sum of the discretionary component will not exceed three monthly salaries a year and it was stipulated that it may also be paid even if the threshold conditions and/or specific targets for payment of the variable bonus are not satisfied. This provision also applies to senior officers in control positions.

Note 10 – Material Events after the Reporting Period (Contd.)

Par. 2 (contd.)

Threshold conditions for the payment of bonuses and limitations on the bonus amounts: The minimum threshold conditions for entitlement to the annual bonus were revised so that instead of the currently prescribed threshold conditions relating to the return on equity, the following conditions must be satisfied: (1) compliance with the equity that the Commissioner requires Harel Insurance to hold in the calendar year preceding the date of payment, except if the Compensation Committee and Board of Directors believe that the inability to meet this requirement is due to an external and significant event that affected Israel's entire insurance industry; and (2) compliance with covenants towards banks and bond holders against which the Company took loans and also that Harel Financing & Issuing must comply with the financial covenants of the bond series it issued. The limitation on the sum of the annual performance-linked annual bonuses payable to the Company's senior officers was updated to 3% of comprehensive income before tax (instead of 5.5% in the Previous Compensation Policy).

CPI linkage: A provision was added whereby bonus amounts that are paid in installments will be linked to the CPI, where the lower threshold is the known index on the date of the scheduling and that these bonus amounts will bear interest at an annual rate of 2%.

Special bonuses: The clause regarding special bonuses was revised so that the overall budget is NIS 2 million per annum instead of NIS 1.5 million and that the bonuses will be paid on the basis of a joint decision of the CEO and Chairman of the Board and will be brought to the attention of the Compensation Committee immediately after the grant (instead of the requirement for approval by the Compensation Committee and Board of Directors).

Capital (lump-sum) bonus: The provision whereby the entitlement to the capital bonus, if any, is limited exclusively to the Company's CEO, was eliminated.

Directors and Officers (D&O) Liability insurance: The provisions of the compensation policy with respect to D&O insurance should were adjusted to correspond with the Companies (Relief on Transactions with Interested Parties) Regulations, 2000, with respect to the entity approving the entering into agreement for D&O insurance (Compensation Committee and Board of Directors instead of the General Meeting) and to correspond with the position of the Securities Authority, so that D&O insurance may be purchased in the future even if the premiums are higher than those known on the date of the approval.

Increased severance pay: The need to wait three years from the date of the approval for the purpose of granting increased severance pay to senior executives in eligible positions was cancelled. The minimum employment period defined in the policy remains unchanged.

Employment relationship: The provision that employment relationships will be terminated without prior notice on the date on which the employee reaches retirement age was cancelled.

Additionally, specific clauses relating to compensation for the Company's former CEO were deleted.

3. Approval of the employment conditions of the Company's controlling shareholders:

At the Company's General Meeting which took place on October 12, 2020, the employment conditions of the Company's controlling shareholders were re-approved. The approval of the general meeting was preceded by the approval of the Compensation Committee and Board of Directors on August 13, 2020 and August 31, 2020, respectively. The re-approval did not involve any change in the employment conditions of the controlling shareholders. The employment conditions that were approved are consistent with the Company's compensation policy. The provisions of the new employment conditions for the controlling shareholders will be effective from December 1, 2020, for an undefined period. Notwithstanding the foregoing, the parties may terminate the agreement at any time, by giving 30 days advance notice.[1]

[1] Notably, under existing law at the date of this report, the agreement with Mr. Yair Hamburger, Mr. Gideon Hamburger and Mr. Yoav Manor must be re-approved three years after the commencement of the agreement (three years from December 1, 2020), given that they are the Company's controlling shareholders, unless the law changes and/or Mr. Yair Hamburger, Mr. Gideon Hamburger and Mr. Yoav Manor are no longer included among the controlling shareholders.

Note 10 – Material Events after the Reporting Period (Contd.)

Par. 3 (contd.)

Information about the employment conditions of the Company's controlling shareholders:

Mr. Yair Hamburger

Mr. Yair Hamburger has been head of Harel Insurance and Finance Group since its establishment. Yair Hamburger has served as Chairman of the Company's Board of Directors since its establishment and chairman of Harel Insurance. Additionally, Yair Hamburger holds the following positions in Harel Group: member of the board of directors of Interasco Societe Anonyme General Insurance Company S.A.G.I. in Greece; member of the board of directors of Turk Nippon Sigorta S.A. in Turkey; Chairman of the board of directors of Harel Financing & Issuing; member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Mutual Funds Ltd.; member of the non-yield dependent (Nostro) investment committee of the Group's financial institutions and a director in other companies in the Group. Mr. Yair Hamburger serves in the Company and its subsidiaries in a full-time capacity and does not hold any other business positions beyond those in Harel Group.

Mr. Yair Hamburger's salary: For serving the Company, and in accordance with his employment conditions approved by the Company's general meeting on November 12, 2020, Yair Hamburger is entitled to a monthly salary of NIS 160,000 (NIS 161,112 correct to the reporting date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year.

In accordance with an immediate report of the Company dated April 23, 2020 (reference: 2020-01-041034), Mr. Yair Hamburger took a 20% cut in salary for a year in the framework of a series of company-wide measures decided upon as part of the Company's way of coping with the COVID-19 crisis.[2]

Fringe benefits: Mr. Yair Hamburger is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 675,265 at December 31, 2019). Should Mr. Hamburger choose to buy a more expensive car, he will pay the difference in cost. Yair Hamburger is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Yair Hamburger is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Yair Hamburger is entitled to 13 days convalescence a year. Yair Hamburger is entitled to 22 days paid vacation a year. Unutilized vacation days, including in respect of the period of Yair Hamburger's employment from the commencement date of his employment for the Company will be accumulated and may be redeemed when his employment terminates. Mr. Yair Hamburger is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment for the Company terminates. Yair Hamburger is not entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Mr. Yair Hamburger is not entitled to any additional remuneration for serving as a director in Group companies. Yair Hamburger is entitled to a letter of indemnity which was first granted to him as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and like the Company's other senior officers, and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers.

Annual bonus: Mr. Yair Hamburger is not entitled to an annual bonus.

Conditions of termination of employment: When the employment relationship ends, for any reason whatsoever, Mr. Yair Hamburger will be entitled to compensation equal to the severance pay to which he is entitled by law in the event of dismissal, net of any amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Mr. Hamburger ("Severance Pay"). Upon termination of his employment in the Company, Yair Hamburger is entitled to double severance pay, i.e. an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the compensation policy for the Group's financial institutions, part of the additional compensation (over and above the 100%) ("the Retirement Bonus") that is accrued for the period of employment after December 31, 2016, in accordance with the provisions of the compensation policy of the Group's financial institutions, will be paid in installments, as follows: one third of the deferred amount will

[2] On November 30, 2020, the Company resolved to discontinue this salary cut.

Note 10 – Material Events after the Reporting Period (Contd.)

Par. 3 (contd.)

be paid 12 months from the end of the year in which Mr. Yair Hamburger retires; one third of the deferred amount will be paid 24 months from the end of the year in which Mr. Yair Hamburger retires; one third of the deferred amount will be paid 42 months from the end of the year in which Mr. Yair Hamburger retires. Deferred amounts will be paid on the above-mentioned dates, subject to satisfying all the following conditions: (1) no errors were found in the calculation of the bonus amount and it did not transpire that the bonus was given based on a risk level that, in retrospect, did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the applicable capital requirements; (3) in the last (quarterly or annual) financial statements published prior to the date of payment, Harel Insurance presents comprehensive income. If neither of these last two conditions is met, the payment will be postponed to such time as the conditions are met. It is stipulated that the advance notice period is 30 days. Mr. Yair Hamburger will not be entitled to an adjustment period or any adjustment fee.

Non-competition undertaking: Yair Hamburger undertook not to compete with the Company and its business, continues, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment in the Company.

Mr. Gideon Hamburger

Mr. Gideon Hamburger has held senior positions in the Harel Group since its establishment. Gideon Hamburger currently holds the following key positions in Harel Group: member of the Company's Board of Directors and Company president; member of the board of directors of Interasco Societe Anonyme General Insurance Company S.A.G.I. in Greece; member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Financing & Issuing. Additionally, Mr. Gideon Hamburger in involved in reinsurance matters both for Harel Insurance and the Group's other insurance companies. Gideon Hamburger serves in the Company and its subsidiaries in a full-time capacity and does not hold any other business positions other than those in Harel Group.

Mr. Gideon Hamburger's salary: For serving the Company, and in accordance with his employment conditions approved by the Company's general meeting on October 12, 2020, Gideon Hamburger is entitled to a monthly salary of NIS 127,000 (NIS 127,779 correct to the reporting date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year.

In accordance with an immediate report of the Company dated April 23, 2020 (reference: 2020-01-041034), Mr. Gideon Hamburger took a 20% cut in salary for a year within the framework of a series of company-wide measures decided upon as part of the Company's way of coping with the COVID-19 crisis.[3]

Fringe benefits: Mr. Gideon Hamburger is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 675,265 at December 31, 2019). Should Gideon Hamburger choose to buy a more expensive car, he will pay the difference in cost. Gideon Hamburger is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Gideon Hamburger is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Gideon Hamburger is entitled to 13 days convalescence a year. Gideon Hamburger is entitled to 22 days annual paid vacation. Unutilized vacation days, including in respect of the period of Mr. Gideon Hamburger's employment from the date his employment for the Company commenced, will be accumulated and may be redeemed when his employment terminates. Mr. Gideon Hamburger is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment for the Company terminates. Gideon Hamburger is not entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Mr. Gideon Hamburger is not entitled to any additional remuneration for serving as a director in Group companies. Gideon Hamburger received a letter of indemnity as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers.

[3] On November 30, 2020, the Company resolved to discontinue this salary cut.

Note 10 – Material Events after the Reporting Period (Contd.)

Par. 3 (contd.)

Annual bonus: Mr. Gideon Hamburger is not entitled to an annual bonus.

Termination of employment conditions: When the employment relationship ends for any reason whatsoever, Gideon Hamburger will be entitled to compensation equal to the severance pay to which he is entitled by law in the event of dismissal, net of the amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Mr. Hamburger ("Severance Pay"). Upon termination of his employment in the Company, Gideon Hamburger is entitled to double severance pay, i.e. an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the compensation policy of the Group's financial institutions, part of the additional compensation (over and above the 100%) ("the Retirement Bonus") that is accrued in the period of employment after December 31, 2016, in accordance with the provisions of the revised compensation policy of the Group's financial institutions, will be paid in installments, as follows: one third of the deferred amount will be paid 12 months from the end of the year in which Mr. Gideon Hamburger retires; one third of the deferred amount will be paid 24 months from the end of the year in which Mr. Gideon Hamburger retires; one third of the deferred amount will be paid 42 months from the end of the year in which Mr. Gideon Hamburger retires. Deferred amounts will be paid on the above-mentioned dates, subject to satisfying all the following conditions: (1) no errors were found in the calculation of the bonus amount and it did not transpire that the bonus was given based on a risk level that, in retrospect, did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the applicable capital requirements; (3) in the last (quarterly or annual) financial statements published prior to the date of payment, Harel Insurance presents comprehensive income. If neither of the last two conditions is met, the payment will be postponed to such time as the conditions are met. It is stipulated that, as noted above, the advance notice period is 30 days. Gideon Hamburger will not be entitled to an adjustment period or to any adjustment fee.

Non-competition undertaking: Gideon Hamburger undertook not to compete with the Company and its business, continues, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment by the Company.

Mr. Yoav Manor

Yoav Manor has filled senior positions in the Group since its establishment. Yoav Manor holds the following positions in Harel Group: Executive Chairman of the board of directors of Harel Hamishmar Computers Ltd.; member of the board of directors of the Company; member of the board of directors of Harel Insurance Ltd.; member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Financing & Issuing and a director in other Group companies. Yoav Manor serves in the Company and its subsidiaries in a full-time capacity and does not hold any other business positions beyond those in Harel Group.

Mr. Yoav Manor's salary: For serving the Company and in accordance with his employment conditions approved by the general meeting on October 12, 2020, Yoav Manor is entitled to a monthly salary of NIS 127,000 (NIS 127,779 correct to the reporting date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year.

In accordance with an immediate report of the Company dated April 23, 2020 (reference: 2020-01-041034), Mr. Yoav Manor took a 20% cut in salary for a year in the framework of a series of company-wide measures decided upon as part of the Company's way of coping with the COVID-19 crisis.[4]

Fringe benefits: Mr. Yoav Manor is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 675,265 at December 31, 2019). Should Yoav Manor choose to buy a more expensive car, he will pay the difference in cost. Yoav Manor is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to

[4] On November 30, 2020, the Company resolved to discontinue this salary cut.

Note 10 – Material Events after the Reporting Period (Contd.)

Par. 3 (contd.)

generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Yoav Manor is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Yoav Manor is entitled to 13 days convalescence a year. Yoav Manor is entitled to 22 days annual paid vacation. Unutilized vacation days, including in respect of the period of Mr. Yoav Manor's employment from the commencement date of his employment for the Company, will be accumulated and may be redeemed when his employment terminates. Mr. Yoav Manor is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment in the Company terminates. Yoav Manor will not be entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Yoav Manor will not be entitled to any additional remuneration for serving as a director in Group companies. Yoav Manor received a letter of indemnity as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers.

Annual bonus: Yoav Manor is not entitled to an annual bonus.

Termination of employment conditions: When the employment relationship ends for any reason whatsoever, Mr. Yoav Manor will be entitled to compensation equal to the severance pay to which he is entitled by law in the event of dismissal, net of the amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Yoav Manor ("Severance Pay"). Upon termination of his employment in the Company, Yoav Manor is entitled to double severance pay, i.e. an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the compensation policy of the Group's financial institutions, part of the additional compensation (over and above the 100%) ("the Retirement Bonus") which is accrued for the period of employment after December 31, 2016, in accordance with the revised compensation policy of the Group's financial institutions will be paid in installments as follows: one third of the deferred amount will be paid 12 months from the end of the year in which Yoav Manor retires; one third of the deferred amount will be paid 24 months from the end of the year in which Yoav Manor retires; one third of the deferred amount will be paid 42 months from the end of the year in which Yoav Manor retires. Deferred amounts will be paid on the above-mentioned dates, subject to satisfying all the following conditions: (1) no errors were found in the calculation of the amount of the bonus and it did not transpire that the bonus was given based on a risk level that in retrospect did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the applicable capital requirements; (3) in the last (quarterly or annual) financial statements published prior to the date of payment, Harel Insurance presents comprehensive income. If neither of the last two conditions is met, the payment will be postponed to such time as the conditions are met. It is stipulated that, as noted above, the advance notice period is 30 days. Mr. Yoav Manor will not be entitled to an adjustment period or any adjustment fee.

Non-competition undertaking: Mr. Yoav Manor undertook not to compete with the Company and its business, continues, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment by the Company.

4. Economic Solvency Report of Harel Insurance

On October 28, 2020, the subsidiary Harel Insurance published a solvency report for data at December 31, 2019. For additional information, see Note 8.

Note 10 – Material Events after the Reporting Period (Contd.)

5. Approval of the extension of a D&O liability insurance policy

   The Directors and Officers (D&O) liability policy applies to incumbent senior officers of the Company and its subsidiaries and officers who may serve the Company and/or the subsidiaries from time to time (including senior officers who are deemed controlling shareholders or their relatives).

   On October 31, 2020, the Compensation Committee and Board of Directors of the Company approved the renewal of an agreement with the subsidiary Harel Insurance regarding a D&O liability insurance policy, commencing November 1, 2020 for one year, which covers directors and officers of the Company and other companies in Harel Group, including individuals who may be considered controlling shareholders in the Company in which the sum insured will be USD 150 million. Additionally, the Compensation Committee and Board of Directors gave advance approval for the purchase of an additional layer of insurance of up to USD 15 million. The cost of the annual premium for this cover and the deductible are in accordance with market conditions and are determined on the basis of proposals that Harel Insurance received from reinsurers. The cost is not material for the Company.

6. Initial Public Offering (IPO) of Ecoppia Scientific Ltd. (“Ecoppia”)

   On November 24, 2020, Ecoppia, in which Harel Insurance has a holding, completed an initial public offering of its shares at a pre-money valuation of USD 300 million, which reflects an indicative value increase of NIS 100 million before tax for Harel Insurance. Trading in Ecoppia shares commenced on November 29, 2020.

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HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD

ANNEXES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Annex A - Annex A - Information about assets for other financial investments in the Group

A. Other financial investments

	As at September 30, 2020 (Unaudited)				
	Presented at fair value through profit or loss	Available for sale	Held to maturity	Loans and Receivables	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable debt assets (a1)	161	10,900	67	-	11,128
Non-marketable debt assets (*)	1,774	-	-	12,881	14,655
Shares (a2)	42	1,439	-	-	1,481
Other (a3)	129	2,735	-	-	2,864
Total other financial investments	2,106	15,074	67	12,881	30,128

	(**) As at September 30, 2019 (Unaudited)				
	Presented at fair value through profit or loss	Available for sale	Held to maturity	Loans and Receivables	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable debt assets (a1)	205	10,215	98	-	10,518
Non-marketable debt assets (*)	1,530	-	-	12,979	14,509
Shares (a2)	2	1,195	-	-	1,197
Other (a3)	273	2,443	-	-	2,716
Total other financial investments	2,010	13,853	98	12,979	28,940

	(**) As at December 31, 2019 (Audited)				
	Presented at fair value through profit or loss	Available for sale	Held to maturity	Loans and Receivables	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable debt assets (a1)	187	11,043	79	-	11,309
Non-marketable debt assets (*)	1,689	-	-	13,153	14,842
Shares (a2)	4	1,273	-	-	1,277
Other (a3)	167	2,693	-	-	2,860
Total other financial investments	2,047	15,009	79	13,153	30,288

(*) For information about non-marketable debt assets at the level of the consolidated financial statements of Harel Investments, see Note 6B – Financial Instruments.

(**) The numbers were reclassified.

Annex A - Information about assets for other financial investments in the Group (Contd.)

A1. Marketable debt assets

	Book value			Amortized cost		
	As at September 30		As at December 31	As at September 30		As at December 31
	2020	2019 (*)	2019 (*)	2020	2019 (*)	2019 (*)
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Government bonds	**5,907**	5,378	6,023	**5,566**	5,112	5,714
Other debt assets:						
Other non-convertible debt assets	**5,221**	5,140	5,286	**5,017**	4,831	4,953
Total marketable debt assets	**11,128**	10,518	11,309	**10,583**	9,943	10,667
Impairments recognized in profit and loss (in aggregate)	**7**	-	-			

A2. Shares

	Book value			Cost		
	As at September 30		As at December 31	As at September 30		As at December 31
	2020	2019 (*)	2019 (*)	2020	2019 (*)	2019 (*)
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable shares	**1,157**	869	903	**866**	679	677
Non-marketable shares	**324**	328	374	**259**	256	272
Total shares	**1,481**	1,197	1,277	**1,125**	935	949
Impairments recognized in profit and loss (in aggregate)	**100**	104	89			

A3. Other financial investments

	Book value			Cost		
	As at September 30		As at December 31	As at September 30		As at December 31
	2020	2019 (*)	2019 (*)	2020	2019 (*)	2019 (*)
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable financial investments	**1,178**	973	1,134	**1,145**	948	1,095
Non-marketable financial investments	**1,686**	1,743	1,726	**1,350**	1,241	1,254
Total other financial investments	**2,864**	2,716	2,860	**2,495**	2,189	2,349
Impairments recognized in profit and loss (in aggregate)	**121**	149	127			
Derivative financial instruments presented in financial liabilities	**266**	340	364			

Other financial investments include mainly investments in ETFs, trust fund participation notes, investment funds, financial derivatives, forward contracts, options and structured products.

(*) The numbers were reclassified.

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD.

SEPARATE FINANCIAL INFORMATION FROM THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at September 30, 2020

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arbaa Street, P.O. Box 609
Tel-Aviv 61006

Telephone: 03-684 8000
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To:

The shareholders of Harel Insurance Investments and Financial Services Ltd.

Subject: Special auditors' report on separate interim financial information in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) - 1970

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, of Harel Insurance Investments and Financial Services Ltd. (hereinafter: "the Company") as at September 30, 2020, for the nine and three-month periods ended on that date. The separate interim financial information is the responsibility of the Company's Board of Directors and Management. Our responsibility is to express a conclusion on this separate interim financial information, based on our review.

We did not review the separate interim financial information of investee companies, in which the investments amount to NIS 754 million as at September 30, 2020, and where the Company's profit from these investees amounts to NIS 35 million and NIS 17 million for the nine and three months, respectively, ended on that date. The financial statements of those companies were reviewed by other auditors whose review reports were furnished to us, and our conclusion, to the extent that it relates to the financial statements of those companies, is based on the review reports of the other auditors.

Scope of the review

We conducted our review in accordance with Review Standard 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Entity's Independent Auditor". A review of separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit conducted in accordance with generally accepted auditing standards, and it therefore does not enable us to obtain assurance that we would become aware of all the significant matters that might be identified in an audit. We therefore do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that leads us to believe that the accompanying separate interim financial information was not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants

November 30, 2020

Condensed Separate Interim Financial Information on Financial Position at

	September 30		December 31
	2020	2019	2019
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Fixed assets	**26**	29	28
Investments in equity accounted investees	**6,720**	6,073*	6,407*
Loans to investee companies	**351**	353	352
Investment property	**25**	23	23
Other receivables	**35**	12	25
Other financial investments	**610**	398	591
Cash and cash equivalents	**98**	98	77
Total assets	**7,865**	6,986	7,503
Capital			
Share capital and premium on shares	**359**	359	359
Treasury stock	**(123)**	(123)	(123)
Capital reserves	**900**	821	957
Retained earnings	**6,173**	5,507*	5,709*
Total capital	**7,309**	6,564	6,902
Liabilities			
Deferred tax liabilities	**1**	1	2
Liabilities for employee benefits, net	**18**	18	17
Other payables	**41**	47	41
Current tax liabilities	**2**	5	9
Financial liabilities	**494**	351	532
Total liabilities	**556**	422	601
Total liabilities and equity	**7,865**	6,986	7,503

* Retrospective application of a new insurance circular – see Note 2

Yair Hamburger	Michel Siboni	Arik Peretz
Chairman of the Board of Directors	CEO	CFO

Date of approval of the financial statements: November 30, 2020

The additional information accompanying the separate financial statements is an integral part thereof.

Condensed Separate Interim Financial Information on Profit and Loss

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profits from investments, net, and financing revenues	10	21	2	5	24
Revenues from management fees	87	89	28	30	129
Total revenues	97	110	30	35	153
General and administrative expenses	12	12	3	3	15
Financing expenses	14	11	5	4	15
Total expenses	26	23	8	7	30
Company's shares in profits (losses) of investee companies	407	191*	300	(270)*	362*
Profit (loss) before income tax	478	278	322	(242)	485
Taxes on income	16	19	5	6	28
Profit (loss) for period ended attributed to the Company's shareholders	462	259	317	(248)	457

* Retrospective application of a new insurance circular – see Note 2

The additional information accompanying the separate financial statements is an integral part thereof.

Condensed Separate Interim Information on Comprehensive Income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit (loss) for the period	**462**	259*	**317**	(248)*	457*
Other comprehensive income (loss) items that after initial recognition under comprehensive income were or will be transferred to profit or loss					
Net change in fair value of financial assets classified as available for sale	**(6)**	8	**3**	2	8
Net change in fair value of financial assets classified as available for sale transferred to the statement of profit or loss	**1**	(1)	**-**	(1)	(1)
Foreign currency translation differences for foreign activity	**(12)**	(12)	**(5)**	-	(20)
Group's share in the comprehensive income (loss) of investees	**(40)**	387	**88**	129	535
Tax benefit (taxes on income) attributable to available-for-sale financial assets	**1**	(1)	**(1)**	-	(1)
Total other comprehensive income (loss) for the period that after initial recognition as part of comprehensive income was or will be transferred to profit or loss, net of tax	**(56)**	381	**85**	130	521
Other items of comprehensive income that will not be transferred to profit or loss					
Remeasurement of a defined benefit plan	**1**	-	**-**	-	-
Other comprehensive income for the period that will not be transferred to profit or loss, net of tax	**1**	-	**-**	-	-
Other comprehensive income (loss) for the period, net of tax	**(55)**	381	**85**	130	521
Total comprehensive income (loss) for the period attributed to the Company's shareholders	**407**	640	**402**	(118)	978

* Retrospective application of a new insurance circular – see Note 2

The additional information accompanying the separate financial statements is an integral part thereof.

Condensed Separate Interim Information on Changes in Equity

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the nine months ended September 30, 2020 (Unaudited)									
Balance as at January 1, 2020	359	875	(145)	1	(123)	(49)	275	5,709*	6,902
Comprehensive income (loss)									
Profit for the period	-	-	-	-	-	-	-	462	462
Other comprehensive income (loss)	-	(75)	(8)	-	-	-	26	2	(55)
Total comprehensive income (loss) for the period	-	(75)	(8)	-	-	-	26	464	407
Balance as at September 30, 2020	359	800	(153)	1	(123)	(49)	301	6,173	7,309

* Retrospective application of a new insurance circular – see Note 2

The additional information accompanying the separate financial statements is an integral part thereof.

Condensed Separate Interim Information on Changes in Equity (contd.)

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended September 30, 2019 (Unaudited)									
Balance as at July 1, 2020	359	708	(152)	1	(123)	(49)	302	5,861	6,907
Comprehensive income (loss)									
Profit for period	-	-	-	-	-	-	-	317	317
Other comprehensive income (loss)	-	92	(1)	-	-	-	(1)	(5)	85
Total comprehensive income (loss) for period	-	92	(1)	-	-	-	(1)	312	402
Balance as at September 30, 2020	359	800	(153)	1	(123)	(49)	301	6,173	7,309

The additional information accompanying the separate financial statements is an integral part thereof.

Condensed Separate Interim Information on Changes in Equity (contd.)

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the nine months ended September 30, 2019 (Unaudited)									
Balance as at January 1,2019	359	312	(89)	1	(123)	(49)	256	5,493*	6,160
Comprehensive income (loss)									
Profit for period	-	-	-	-	-	-	-	259*	259
Other comprehensive income (loss)	-	435	(64)	-	-	-	19	(9)	381
Total comprehensive income (loss) for period	-	435	(64)	-	-	-	19	250	640
Transactions with shareholder recognized directly in equity									
Dividend distributed	-	-	-	-	-	-	-	(236)	(236)
Balance as at September 30, 2019	359	747	(153)	1	(123)	(49)	275	5,507	6,564

* Retrospective application of a new insurance circular – see Note 2

The additional information accompanying the separate financial statements is an integral part thereof.

Condensed Separate Interim Information on Changes in Equity (contd.)

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended September 30, 2019 (Unaudited)									
Balance as at July 1, 2019	359	592	(133)	1	(123)	(49)	274	5,868*	6,789
Comprehensive income (loss)									
Loss for period	-	-	-	-	-	-	-	(248)*	(248)
Other comprehensive income (loss)	-	155	(20)	-	-	-	1	(6)	130
Total comprehensive income (loss) for period	-	155	(20)	-	-	-	1	(254)	(118)
Transactions with shareholder recognized directly in equity									
Dividend distributed	-	-	-	-	-	-	-	(107)	(107)
Balance as at September 30, 2019	359	747	(153)	1	(123)	(49)	275	5,507	6,564

* Retrospective application of a new insurance circular – see Note 2

The additional information accompanying the separate financial statements is an integral part thereof.

Condensed Separate Interim Information on Changes in Equity (contd.)

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2019 (Audited)									
Balance as at January 1,2019	359	312	(89)	1	(123)	(49)	256	5,493*	6,160
Comprehensive income (loss)									
Profit for the year	-	-	-	-	-	-	-	457*	457
Other comprehensive income (loss)	-	563	(56)	-	-	-	19	(5)	521
Total comprehensive income (loss) for the year	-	563	(56)	-	-	-	19	452	978
Transactions with shareholders recognized directly in equity									
Dividend distributed	-	-	-	-	-	-	-	(236)	(236)
Balance as at December 31, 2019	359	875	(145)	1	(123)	(49)	275	5,709	6,902

* Retrospective application of a new insurance circular – see Note 2

The additional information accompanying the separate financial statements is an integral part thereof.

Condensed Separate Interim Information on Cash Flows

		For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2020	2019	2020	2019	2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Annex	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activity						
Before taxes on income	A	70	78	32	27	101
Taxes paid		(23)	(17)	(7)	(7)	(21)
Net cash provided by operating activities		47	61	25	20	80
Cash flows from investing activities						
Investment in investees		-	(5)	-	(1)	(29)
Proceeds from sale of fixed assets		-	1	-	1	1
Dividend from investees		27	142	6	-	143
Financial investments, net		(26)	35	1	80	(158)
Loans and capital notes of investees that were repaid (provided)		-	(2)	-	2	(1)
Repayment of loans and capital notes provided to investees		15	15	-	15	15
Net cash provided by (used for) investment activity		16	186	7	97	(29)
Cash flows from financing activity						
Dividend paid to the Company's shareholders		-	(343)	-	(107)	(343)
Repayment of loans from banks and others		(39)	(41)	-	-	(53)*
Loans received from banks and others		-	-	-	-	190*
Repayment of lease liabilities		(3)	-	(2)	-	(3)
Net cash used for financing activity		(42)	(384)	(2)	(107)	(209)
Increase (decrease), net in cash and cash equivalents		21	(137)	30	10	(158)
Cash and cash equivalents at beginning of the period		77	235	68	88	235
Cash and cash equivalents at end of the period		98	98	98	98	77

* Reclassified

The additional information accompanying the separate financial statements is an integral part thereof.

Condensed Separate Interim Information on Cash Flows (contd.)

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Annex A - Cash flows from operating activities before taxes on income					
Profit (loss) for the period attributed to the Company's shareholders	462	259*	317	(248)*	457*
Items not involving cash flows					
Company's share of losses (profits) of equity accounted investees	(407)	(191)*	(300)	270*	(362)*
Net losses (profits) from financial investments	4	(7)	3	(4)	(7)
Change in fair value of investment property	(2)	(1)	-	-	(1)
Financing expenses (income), net	(2)	(4)	(2)	(3)	2
Taxes on income	16	19	5	6	28
Depreciation and amortization	2	1	1	-	1
Changes in other balance sheet items					
Other receivables	(10)	1	9	3	(12)
Other payables	6	-	(1)	3	(5)
Liabilities for employee benefits, net	1	1	-	-	-
Total adjustments required to present cash flows provided by operating activities	(392)	(181)	(285)	275	(356)
Total cash flows provided by operating activities, before taxes on income	70	78	32	27	101

* Retrospective application of a new insurance circular – see Note 2

The additional information accompanying the separate financial statements is an integral part thereof.

NOTE 1 - Method of preparing the separate financial information

A. General

The following is condensed separate interim financial information from the Group's Condensed Consolidated Interim Financial Statements as at September 30, 2020 ("Consolidated Statements") which are published as part of the Periodic Reports ("Condensed Separate Interim Financial Information"), which are presented in accordance with the provisions of Regulation 38D ("the Regulation") and the Tenth Schedule to the Securities (Periodic and Immediate Reports) Regulations, 1970 ("Schedule no. 10"), concerning the condensed separate, interim financial information of the Company. This condensed, separate interim financial information should be read in conjunction with the separate financial information as at December 31, 2019, and with the consolidated financial statements.

B. Definitions

The Company	-	Harel Insurance Investments & Financial Services Ltd.
Consolidated companies / subsidiaries	-	Companies, including partnerships, whose reports are fully consolidated, directly or indirectly, with the reports of the Company.
Investee companies	-	Consolidated companies and companies, including partnerships, in which the Company's investment therein is included, directly or indirectly, in the financial statements on the equity basis.
Date of the Report	-	The date of the Statement of Financial Position

C. Method of preparing the financial information

The separate financial information was prepared in accordance with the accounting policy detailed in Note 1 to the Company's separate annual financial statements.

NOTE 2 - Basis of Preparation

Retrospective application of a new insurance circular

On March 29, 2020, Insurance Circular 2020-1-5 was published concerning an amendment to the provisions of the consolidated circular on the measurement of liability - Liability Adequacy Test (LAT) ("the Circular"). The Circular changed the grouping of insurance products so that the LAT can be calculated for the entire life assurance segment together. According to the Circular, calculations for the long-term care sector will continue to be prepared separately. The provisions of the Circular entered into force in Q1 2020 by way of retrospective application. Following are the effects of the Circular on the comparison figures in the financial data from the Condensed Separate Interim Financial Information.

(1) Effect of the Circular on the Statement of Financial Position:

	As at September 30, 2019		
	As reported in the past (Unaudited)	Change	As reported in these financial statements
	NIS million	NIS million	NIS million
Assets			
Investments in equity accounted investees	5,638	435	6,073
Equity			
Retained earnings	5,072	435	5,507

	As at December 31, 2019		
	As reported in the past (Audited)	Change	As reported in these financial statements
	NIS million	NIS million	NIS million
Assets			
Investments in equity accounted investees	5,943	464	6,407
Equity			
Retained earnings	5,245	464	5,709

(2) Effect of the Circular on equity:

	As at January 1, 2019		
	As reported in the past (Audited)	Change	As reported in these financial statements
	NIS million	NIS million	NIS million
Retained earnings	5,247	246	5,493

NOTE 2 - Basis of Preparation (contd.)

Retrospective application of a new insurance circular (contd.)

(3) Effect of the Circular on the Statement of Profit and Loss and Other Comprehensive Income:

	For the nine months ended September 30, 2019		
	As reported in the past (Unaudited)	Change	As reported in these financial statements
	NIS million	NIS million	NIS million
Company's share of profits of equity accounted investees	2	189	191

	For the three months ended September 30, 2019		
	As reported in the past (Unaudited)	Change	As reported in these financial statements
	NIS million	NIS million	NIS million
Company's share of losses of equity accounted investees	(387)	117	(270)

	For the year ended December 31, 2019		
	As reported in the past (Unaudited)	Change	As reported in these financial statements
	NIS million	NIS million	NIS million
Company's share of profits of equity accounted investees	144	218	362

NOTE 3 - Affiliations, agreements, and material transactions with investee companies

1. In accordance with a permit to control and hold the means of control in insurers and fund management companies, the Company undertook, at all times, to supplement the equity of the insurance companies included among the financial institutions that it controls, including ICIC, to the amount prescribed in the Supervision of Financial Services (Insurance) (Minimum Equity Required of Insurers) Regulation, 1998, or any other regulation or law that may replace them, and also to supplement at all times the equity of the provident fund and pension fund management companies it controls, to the amount prescribed in the Income Tax (Rules for the Approval and Management of Provident Funds) Regulations, 1965, or any other regulation or law that may replace them. This undertaking is irrevocable and will remain in force as long as the Company controls the financial institutions, directly or indirectly. Additionally, the Company undertook to inject NIS 120 million into Harel Insurance to the extent that Harel Insurance fails to comply with the regulatory capital requirements applicable to it according to the Solvency model (SCR including Transitional Provisions). This undertaking is irrevocable and will remain in force until March 2022.
2. On June 8, 2020, the Board of Directors of Harel UK approved the distribution of a dividend in the amount of USD 100,000. The Board of Directors made its decision after taking into account the financial performance of Harel UK. The dividend was paid on June 22, 2020.
3. In the Reporting Period, Harel Mutual Funds Ltd., a subsidiary of Harel Finance, a company wholly owned by the Company, made partial repayment of a capital note in the amount of NIS 15 million. The repayment was made from the independent sources of Harel Mutual Funds Ltd.
4. On approval to invest in and establish the IIF 4 Partnership, see Notes 7 and 9 to the Consolidated Financial Statements.

NOTE 4 – Material Events in the Reporting Period

1. On the effects of the outbreak of the COVID-19 pandemic on the Group, see Note 1 to the Consolidated Financial Statements.
2. On changes in the composition of the Company's Board of Directors, see Note 9 to the Consolidated Financial Statements.
3. On a restructuring of Harel Pension & Provident, see Note 9 to the Consolidated Financial Statements.
4. On a restructuring - transfer of all the share capital of Standard to Harel Insurance for the purpose of the merger of Standard into Harel Insurance, see Note 9 to the Consolidated Financial Statements.
5. On an Annual and Special General Meeting of the Company, see Note 9 to the Consolidated Financial Statements.
6. On the publication of a shelf prospectus by the Company, see Note 9 to the Consolidated Financial Statements.

NOTE 5 – Material Events after the Reporting Period

1. On a Special General Meeting of the Company, see Note 10 to the Consolidated Financial Statements.
2. On approval of a revised compensation policy for the Company, see Note 10 to the Consolidated Financial Statements.
3. On approval of the employment conditions of the Company's controlling shareholders, see Note 10 to the Consolidated Financial Statements.
4. On approval of the extension of a D&O liability insurance policy, see Note 10 to the Consolidated Financial Statements.

Harel Insurance Investments and Financial Services Ltd.

Report concerning the effectiveness of internal control over financial reporting and disclosure

Quarterly report concerning the effectiveness of the internal control over financial reporting and disclosure as per Regulation 38C(a)

Management, under the oversight of the Board of Directors of Harel Insurance Investments and Financial Services Ltd. ("the Company"), is responsible for defining and maintaining due internal control over the Company's financial reporting and disclosure.

In this instance, management consists of:

A. Mr. Michel Siboni - CEO of the Company, CEO of Harel Insurance Company Ltd., and Chairman of the Boards of Directors of the Group's subsidiaries that are financial institutions.

B. Mr. Arik Peretz - the Company's VP Finance, Deputy CEO and Head of the Finance and Resources Division of Harel Insurance Company Ltd., director in EMI Ezer Mortgage Insurance Ltd.

C. Ms. Nataly Mishan-Zakai - General Counsel to the Company and the Group's companies, deputy CEO of Harel Insurance Company Ltd.

D. Mr. Sami Babecov - VP of the Company and manager of the Group's investments, deputy CEO and manager of the investment division of Harel Insurance Company Ltd.

E. Ms. Osnat Manor Zisman - Internal Auditor of the Company and companies in the Group.

F. Mr. Tal Kedem - CEO of Harel Finance Holdings Ltd.

Internal control over financial reporting and disclosure includes the Company's existing controls and procedures that were planned by the general manager and the most senior financial officer or are monitored by them or by the person who actually performs these duties, under the oversight of the Company's board of directors. The purpose of these controls and procedures is to provide a reasonable measure of assurance as to the reliability of financial reporting and the preparation of the financial statements pursuant to the provisions of the law, and to ensure that the information that the Company is required to disclose in its published reports in accordance with the provisions of the law, is collected, processed, summarized and reported on the dates and in the format prescribed by law.

Among other things, the internal control consists of controls and procedures designed to ensure that the information that the Company is required to disclose, as noted, is accumulated and submitted to the Company's management, including to the CEO and most senior financial officer, or to the person who actually performs these duties, so as to ensure that decisions are made at the appropriate time, with respect to the disclosure requirement.

Due to its inherent limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that a misstatement or omission of information in the report can be prevented or detected.

With respect to the assessment of the internal control over financial reporting, Harel Insurance Company Ltd. and the Company’s subsidiaries are financial institutions governed by the instructions of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance.

In relation to the internal control in the aforementioned subsidiaries, the Company applies the following instructions:

- Financial Institutions Circular 2010-9-7 from November 2010 - "Internal control over financial reporting – attestations, statements, and disclosures";
- Financial Institutions Circular 2010-9-6 from November 2010 – "Management's responsibility for the internal control over financial reporting - Amendment" (amendment to Financial Institutions Circular 2009-9-10);
- Financial Institutions Circular 2009-9-10, from June 2009 – "Management's responsibility for the internal control over financial reporting".

In the quarterly report concerning the effectiveness of the internal control over financial reporting and disclosure that was included in the quarterly report for the period ended June 30, 2020 (hereinafter – the last quarterly report on internal control), the internal control was found to be effective.

Prior to the date of the report, the Board of Directors and management received no information regarding any event or matter that might change the assessment of the effectiveness of the internal control, as found in the last quarterly report on internal control;

At the date of the report, based on the information in the last quarterly report on internal control, and based on information submitted to management and the Board of Directors, as noted above, the internal control is effective.

Certification

I, Michel Siboni, hereby certify that:

1. I have reviewed the quarterly report of Harel Insurance Investments and Financial Services Ltd. (hereinafter - the Company) for Q3 2020 ("the Reports");
2. Based on my knowledge, the Reports contains no misstatement of a material fact nor do they omit any statement of a material fact necessary to ensure that the presentations that they contain, in light of the circumstances under which such presentations were included, shall not be misleading with respect to the period covered in the Reports;
3. Based on my knowledge, the financial statements and other financial information contained in the Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and periods covered in the Reports;
4. Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee of the Company:
   A. Any significant deficiencies and material weaknesses in the determination or application of the internal control over financial reporting and disclosure that might reasonably compromise the Insurance Company's ability to record, process, summarize and report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of the law; and –
   B. Any fraud, whether material or immaterial, that involves the General Manager (CEO) or any person directly accountable to him or other employees who hold a significant role in the internal control over financial reporting and disclosure;
5. I, myself or together with others in the Company:
   A. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of ensuring that material information relating to the Company, including its subsidiaries as they are defined in the Securities (Annual Financial Reports) Regulations, 2010, is brought to my attention by others in the Company and the subsidiaries, particularly during the preparation of the Report; and -
   B. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of providing a reasonable measure of certainty as to the reliability of the financial reporting and to ensure that the financial reports are prepared in accordance with the provisions of the law, including in accordance with generally accepted accounting standards;
   C. No event or matter which took place during the period between the date of the last report (quarterly or periodic, as applicable) and the date of this report was brought to my attention, that might alter the conclusion of the Board of Directors and Management in relation to the effectiveness of the Company's internal control over financial reporting and disclosure.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person, under any law.

November 30, 2020

Michel Siboni

CEO

Certification

I, Arik Peretz, hereby certify that:

1. I have reviewed the interim financial statements and other financial information contained in the interim financial statements of Harel Insurance Investments and Financial Services Ltd. ("the Company") for Q3 2020 ("the Reports" or "the Interim Reports");

2. Based on my knowledge, the interim financial statements and other financial information contained in the Interim Reports contain no misstatement of a material fact nor do they omit any statement of a material fact necessary to ensure that the statements they contain, in light of the circumstances under which such statements were included, shall not be misleading with respect to the period covered in the Reports;

3. Based on my knowledge, the Interim Reports and other financial information contained in the Interim Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and for the periods covered in the Reports;

4. Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee of the Company:

   A. Any significant deficiencies and material weaknesses in the determination or application of the internal control over financial reporting and disclosure to the extent that it relates to the interim financial statements and to any other information contained in the Interim Reports, that might reasonably compromise the Company's ability to record, process, summarize or report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of the law; and –

   B. Any fraud, whether material or immaterial, that involves the General Manager (CEO) or any person directly accountable to him or other employees who hold a significant role in the internal control over financial reporting and disclosure;

5. I, myself or together with others in the Company:

   A. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of ensuring that material information relating to the Company, including its subsidiaries as they are defined in the Securities (Annual Financial Reports) Regulations, 2010, is brought to my attention by others in the Company and the subsidiaries, particularly during the preparation of the Report; and -

   B. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of providing a reasonable measure of certainty as to the reliability of the financial reporting and to ensure that the financial reports are prepared in accordance with the provisions of the law, including in accordance with generally accepted accounting standards;

   C. No event or matter that took place during the period between the date of the last report (quarterly or periodic, as applicable) and the date of this report, in relation to the interim financial statements and to any other financial information contained in the Interim Financial Reports, was brought to my attention, that might, in my opinion, alter the conclusion of the Board of Directors and Management in relation to the effectiveness of the Corporation's internal control over financial reporting and disclosure.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person, under any law.

November 30, 2020

Arik Peretz

CFO