Harel Insurance Investments and Financial Services Ltd.

Interim Report as at

June 30, 2021

This document is an English translation of the Hebrew version of the Company's periodic report for Q2 2021 and is for informational purposes only. The Hebrew version of the reports is the binding version.

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Board of Directors Report

Harel Insurance Investments and Financial Services Ltd.

Board of Directors Report

for the six months ended June 30, 2021

The Board of Directors Report for the six months ended June 30, 2021 ("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 2020 which was published on March 21, 2021 ("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").[1]

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. (under full control) ("Harel Pension & Provident"), which manages pension and provident funds; Tzva Hakeva Savings Fund - Provident Funds Management Company Ltd. (under full control) ("Tzva Hakeva"); LeAtid Pension Funds Management Company

[1] For additional information about completion of the restructuring of the Group in which the holding in EMI was transferred from Harel Insurance to the Company, see Section 2.2.2 below.

Ltd. (in which the Company has a controlling interest of 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. (under full control) and its principal subsidiaries: Harel Mutual Funds Ltd. - a mutual fund management company; Harel Finance Investment Management Ltd. - 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 the Company began operates through a subsidiary, Hamazpen Shutaphim Laderech Ltd. (in which it has a 70% stake).

E. In the reverse mortgage sector the Company operates through Harel 60+ Ltd. (”Harel 60+”), a wholly owned subsidiary of Harel Insurance, providing loans for any purpose for those aged 60 or more.

The Company's separate activity centers 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 46.52% 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 The COVID-19 virus

For additional information about the effect of the COVID-19 crisis on the Group’s business operations, see Section 2.2 in the Company’s Board of Directors Report as at December 31, 2020, and also Section 2.2.1 below.

2.1.2 Midroog rating

On a rating for the Company by Midroog, see Note 6 to the Financial Statements.

2.1.3 Dividend distribution policy

On February 28, 2021, the Company’s Board of Directors approved a dividend distribution

policy whereby the Company will distribute a dividend of at least 30% of the comprehensive income according to its annual consolidated financial statements.

Additionally, on February 28, 2021, the board of directors of the subsidiary Harel Insurance approved a dividend distribution policy in which the Company will distribute a dividend of at least 35% of the comprehensive income according to the annual consolidated financial statements of Harel Insurance, and this as long as Harel Insurance is in compliance with the minimum targets for solvency based on Solvency II (minimum solvency was set at 135% taking into account the transitional provisions, and 105% excluding the transitional provisions in the transitional period).

Distribution of the dividend by the Company could be affected, *inter alia*, by the ability of Harel Insurance to actually distribute a dividend.

It is stipulated that this policy should not be construed as an undertaking by the Company to distribute a dividend and that any dividend distribution in practice will be subject to specific approval by the Board of Directors at its exclusive discretion. In practice, the Board of Directors may decide to distribute different (higher or lower) rates of dividend or not to distribute any dividend at all. Furthermore, any actual dividend distribution will be subject to compliance with the statutory provisions applicable to dividend distributions, including the Companies Law, 1999, and to the financial covenants undertaken by the Company and/or that the Company may undertake in the future, to satisfying adequate amounts of distributable profits on the relevant dates and to the extent to which the Company requires cash to finance its operations, including future investments, as they may be from time to time, and/or its anticipated and/or planned future activity.

The Board of Directors may review its dividend distribution policy from time to time and may, at any time, based on business considerations and the provisions of law and regulations applicable to the Company, resolve to make changes in the dividend distribution policy, including the share of the dividend to be distributed.

2.1.4 Dividend distributions

On a decision from January 27, 2021, concerning a dividend distribution in the amount of NIS 107 million, that was paid on February 11, 2021, and a decision from March 21, 2021 concerning a dividend distribution in the amount of NIS 150 million, that was paid on April 20, 2021, see Note 9 to the Financial Statements.

On the buy-back of shares which took place after the Reporting Period, see Section 2.1.8 below.

2.1.5 Full early redemption of bonds (Series 5) of Harel Financing & Issuing

On the full early redemption of Series 5 bonds that were issued by Harel Financing & Issuing, see Note 6 to the Financial Statements.

2.1.6 Approval of the terms of office of Mr. Michel Siboni

On May 23, 2021, on May 26, 2021 and on June 30, 2021, the Compensation Committee, Board of Directors and General Meeting of the Company, respectively, approved the terms of office of Mr. Michel Siboni for the period commencing July 1, 2021, in which he will serve as CEO of the Company and Chairman of the Board of Harel Insurance. The terms of office were approved without any change compared with his present conditions.

2.1.7 Annual and Special General Meeting of the Company

On June 30, 2021, 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 2020; (2) appointment of external auditors for 2021 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 Michel Siboni for the period commencing July 1, 2021, in which he will serve as CEO of the Company and Chairman of the Board of Harel Insurance (no change compared with his present conditions). The general meeting approved all the items that were on the agenda.

2.1.8 Plan to buy back shares

On June 30, 2021, the Company's Board of Directors approved a plan to buy back shares of the Company in the amount of up to NIS 100 million. This plan will be implemented from time to time as will be determined by the Company's management which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan. For additional information, see an Immediate Report of the Company dated June 30, 2021 (Ref. 2021-01-109800). At the date of publication of the report, the Company has purchased 156,150 shares at a cost amounting to NIS 5 million.

2.1.9 Economic Solvency Report of Harel Insurance

On June 30, 2021, Harel Insurance published a report on the economic solvency ratio as at December 31, 2020. For additional information, see an Immediate Report of the Company dated June 30, 2021 (Ref. 2021-01-109848) and Section 5 below.

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

2.2.1 The COVID-19 crisis

The Group 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. After the Reporting Period there was a resurgence of morbidity in Israel. Nevertheless, at this stage there is no certainty as to whether this resurgence will cause the government to impose significant restrictions on economic activity in Israel.

2.2.2 Completion of the restructuring of the Group - EMI

On July 1, 2021, the restructuring entered into force, in which all the holdings of Harel Insurance in Mortgage Holdings Israel Ltd. ("EMI Holdings"), which holds all the share capital of the insurance company EMI, were transferred to the Company ("the Restructuring"). The transfer of these holdings in EMI Holdings from Harel Insurance 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 took place in accordance with the provisions of Section 104C of the Income Tax Ordinance, based on the approval of the Tax Authority which was received in May 2021. With the completion of the restructuring, the Company will be able to receive a dividend of NIS 310 million

from EMI Holdings and EMI, and it is also able to receive an ongoing annual dividend flow from the operating activity of EMI. Additionally, the Restructuring which is included in the solvency ratio calculations of Harel Insurance as at December 31, 2020, reduced the economic capital surplus of Harel Insurance by NIS 605 million. It is stipulated that as a result of the Restructuring, there was no change in the Company's accounting equity on a consolidated basis.

On August 22, 2021, the board of directors of EMI Holdings distributed a dividend of NIS 310 million to the Company. The dividend was paid on August 26, 2021.

2.2.3 Rotation of the CEO and Chairman of Harel Insurance

In July 2021, after obtaining all the necessary authorizations, the following appointments entered into force:

Mr. Michel Siboni, who was CEO of Harel Insurance for 12 years and CEO of the Company for most of this period, concluded his term of office as CEO of Harel Insurance and was appointed Chairman of the Board of Harel Insurance, replacing Mr. Yair Hamburger. Yair Hamburger continues to serve as Chairman of the Company's Board of Directors and as a director in Harel Insurance.

Michel Siboni continues to serve as CEO of the Company concurrent with serving as Chairman of the Board of Harel Insurance.

Mr. Nir Cohen, who was Deputy CEO of Harel Insurance and head of the HQ Division, was appointed to replace Michel Siboni as CEO of Harel Insurance.

2.2.4 Restructuring and rotation of senior officers in Harel Insurance

At the beginning of July 2021, the following structural changes entered into force:

The life assurance department was transferred to the Health Division, which currently functions as the Health and Life Division of Harel Insurance, headed by Mr. Alon Eliraz who is also Deputy CEO of Harel Insurance. Among other things, the Health and Life Division manages the Company's regions which coordinate the marketing and distribution activity through the agents.

The Long-term Savings Division continues to include the pension and provident activity and it also holds the business responsibility for managers insurance and personal lines savings, while the operation of these lines of business was transferred to the Health and Life Division of Harel Insurance.

Mr. Dudi Leidner, who is CEO of the Group's management companies, was appointed to head the Long-term Savings Division in the new structure and as Deputy CEO of Harel Insurance, replacing Mr. Doron Ginat who has terminated his service in Harel Insurance.

Mr. Roye Shaked, who is the Deputy CEO of Harel Insurance and heads the Dikla Division, was appointed to head the Non-life Insurance Division of Harel Insurance as well, replacing Mr. Sagi Yogev who has terminated his service in Harel Insurance. As part of the Restructuring, the Dikla Division and Non-life insurance Division were merged to form one division.

Mr. Adam Polachek, who is Deputy CEO and Head of the Digital Strategy Division in Harel Insurance, was also given responsibility for management of the Company's Service

Department.

Additionally, two new business divisions were established within Harel:

Agents Marketing Division - led by Mr. Yuval Goldflam who was also appointed as Deputy CEO of Harel Insurance. This division will manage activity with the agents in the life, health, long-term savings and financial services sectors.

Direct Activity and Joint Ventures Division - led by Mr. Yaniv Hevroni who was also appointed as Deputy CEO of Harel Insurance. In addition to the pension marketers and Standard Call Center, this division will also manage Harel's in-house agencies.

Mr. Eyal Efrat, who is CEO of the subsidiary Harel Hamishmar Computers Ltd. and is also head of the technology division and Deputy CEO of Harel Insurance, will terminate his service for the Group at the end of September 2021. Mr. Shay Galila is expected to replace Mr. Eyal Efrat from October 1, 2021.

2.2.5 Agreement for the purchase of provident funds and pension funds from Psagot Provident and Pension Funds Ltd. ("Psagot")

On July 4 2021 an agreement was signed between the subsidiary Harel Pension & Provident and Psagot according to which, subject to satisfying the suspensive conditions specified below, Harel Pension & Provident will acquire from Psagot the activity of several provident funds and pension funds ("the Funds for Sale") in consideration of NIS 185 million ("the Transaction"). The Funds for Sale comprise Psagot's pension fund activity, including the old HAL (National Labor Federation) pension fund, Psagot's investment provident funds and the investment provident funds for child savings, as well as central severance pay funds. To complete the Transaction, approval was received from the Commissioner for Competition for a merger of the companies under the provisions of the Economic Competition Law, 1988, and in addition all the relevant approvals were received from the Commissioner of the Capital Market, Insurance and Savings. The agreement signed by the parties determines that the Transaction will be completed on September 30, 2021.

On August 30, 2021, authorization was received from the Company's Board of Directors for the loan agreement, according to which the Company will provide Harel Pension & Provident with a loan of NIS 185 million in order to finance the transaction.

2.2.6 Agreement to acquire the activity of Shirbit Insurance Company Ltd. ("Shirbit").

On July 20, 2021, an Harel Insurance signed an agreement with Shirbit, according to which, subject to satisfying suspensive conditions, Harel Insurance will acquire the insurance activity of Shirbit in consideration of NIS 102 million (subject to adjustment) so that from the date of completion of the transaction, all the customers of Shirbit will become customers of Harel Insurance. Completion of the transaction is subject to satisfying a number of suspensive conditions, including: obtaining court approval under Section 350 of the Companies Law, 1999 and obtaining the approval of the Competition Authority and the Capital Market, Insurance and Savings Authority. At the date of publication of the report, approval has been received from the Competition Authority.

2.2.7 Issue of Series 1 bonds of the Company

On July 22, 2021, the Company published a shelf offering report in which context it issued

250,000,000 Series 1 bonds. For additional information about the issuance and the financial covenants which will apply to the Company as a consequence, see Note 6 to the Financial Statements.

2.2.8 Approval of a stock options plan for senior officers and employees of the Group as well as approval of a private allotment

On August 23 and 25, 2021 and on August 30, 2021, the Company's Compensation Committee and Board of Directors, respectively, approved a stock options plan for senior officers and employees of the Group which includes up to 8,548,000 stock options which may be exercised for 8,548,000 ordinary NIS 0.1 par value shares of the Company, subject to adjustment, without any cash consideration.

7,548,000 options of all the options included in this stock options plan were offered to 158 employees, of which four are senior officers in the Company. The remaining options which were not offered to specific recipients will allow for an additional allotment to other senior officers and employees in the future.

On the date of approval by the Company's Board of Directors and Compensation Committee, as noted above, an allotment of 250,000 options was approved to another executive with whom the Company has a consulting agreement, as well as to another advisor to the Company. These options are not part of the stock options plan or part of the allotment reports included in the plan, however the conditions for exercising these options are the same as those for exercising the options for the Group's senior officers and employees.

This stock options plan was approved in accordance with the Company's compensation policy and it will apply to the Company's senior officers[2] subject to approval of an amendment to the present compensation policy regarding linkage of the exercise price, as noted in Section 2.2.9 below. For additional information, see an Immediate Report of the Company which was published together with the publication of this report.

Additionally, on the date of approval by the Company's Board of Directors and Compensation Committee, as noted above, the Compensation Committee and Board of Directors approved an allotment of options to the Company's senior officers, which may be exercised for 3% of the shares in a private subsidiary.

2.2.9 Convening of an Special General Meeting

On August 30, 2021, the Company's Board of Directors resolved to convene a special general meeting of the Company, the agenda of which will include the following topics: (1) amendment to the Company's present compensation policy so that, in the event of an allotment of options, the exercise price will not be linked to the Consumer Price Index; (2) approval of an allotment to Mr. Michel Siboni, the Company's CEO, of 180,000 options which may be exercised for up to 180,000 ordinary shares, in accordance with the stock options plan approved by the Company's Compensation Committee and Board of Directors, as specified in Section 2.2.8 above. The General Meeting is convened for October 6, 2021.

[2] According to the definition of the term senior officer in the Companies Law, 1999.

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 vaccination rate in the developed countries continued to rise in Q2 2021 while the morbidity rate trended downwards compared with the beginning of the year. This led to theeasing of restrictions on economic activity, particularly in the developed economies.

Forecasts for global growth were revised upwards with the US leading the world's economic recovery as a result of the rapid vaccination program, easing of restrictions and broad fiscal plan. In Europe too, the Purchasing Managers' Index shows that economic activity accelerated in Q2 2021. China's recovery continues but at a slower pace.

Global trade continues to increase accompanied by rising shipping costs. The main commodities indices rose, particularly the price of oil which was also due to measures taken by the OPEC cartel.

Global inflation continued to increase in Q2 2021 although monetary policy in the key economies remained extremely expansionist - the main central banks left interest rates unchanged nor did they change their purchasing plans for government bonds. Nonetheless, in several countries, particularly in the developing countries in which there is noticeable inflationary pressure, interest rates did rise.

2.3.2 Developments in the Israeli economy

Against the backdrop of the lifting of restrictions, data for second quarter growth were extremely strong and rose at an annual rate of 15.4%. The rapid growth and upward revision of the previous quarters pushed GDP to beyond its pre-crisis level. Nevertheless, employment rates were still lower than before the pandemic.

2.3.3 Stock market

In Q2 2021, shares prices continued to rise in most markets, supported by fiscal expansion in the USA, lower morbidity which was accompanied by an easing of the restrictions, and the continuation of the extremely accommodative monetary policy of the world's main central banks.

At the end of Q2 2021, the MSCI World Index (gross in dollar terms) rose 7.9%, and the corresponding MSCI Emerging Markets Index increased by 5.1%. In Israel, the TA-125 Index rose by 6%.

2.3.4 Bond market

In Q2 2021, yields on US government bonds declined, compared with relative stability in most of the other developed economies. In Israel, yields on shekel government bonds were also stable while expectations for rising inflation continued. In Israel, the spreads between yields on government bonds and corporate bonds continued to decline on the leading indices.

At the end of Q2 2021, the general bond index was 0.9% up, while the government shekel bond index remained almost unchanged, and the linked government bond index rose by 1.2%. The corporate bond index rose 2.1% during Q2 2021.

2.3.5 Mutual funds

The mutual funds raised a net NIS 10.6 billion in Q2 2021There were noticeable capital raisings of NIS 9 billion in the funds specializing in bonds, compared with net redemptions of NIS 1.6 billion in the money market funds.

2.3.6 ETFs

By the end of Q2 2021, the ETFs had raised a net amount of NIS 0.25 billion.

2.3.7 Foreign exchange market

At the end of Q2 2021, the shekel was 1.3% stronger against the Bank of Israel's basket of currencies; with appreciation of 2.2% against the US dollar and 1% against the Euro.

2.3.8 Inflation

According to the last known index (May), the CPI increased by 1.3% in Q2 2021 and inflation in the last 12 months until May was 1.5%. During the quarter, the price of all the main items increased while the main contributors to this pattern were transportation, education and culture.

2.3.9 Bank of Israel interest

The Bank of Israel left the interest rate unchanged at 0.1%. During Q2 2021, the Bank purchased USD 11.5 billion and NIS 10 billion in government bonds.

2.3.10 Events after the reporting date

The Bank of Israel revised the forecast for annual growth to 5.5% in 2021 and 6% in 2022. The COVID Delta variant contributed to a rapid increase in morbidity and in the number of seriously ill patients. The government therefore introduced a plan for a third vaccination for part of the population. At at this stage there is no certainty as to whether this resurgence will cause the government to impose a new round of significant restrictions on economic activity.

2.4 Summary of the legislative arrangements and provisions of law in the Group's operating segments

Following is a summary of the principal legislative arrangements and provisions of law published in the Reporting Period - up to the date of publication of this report:

2.4.1 General

2.4.1.1 Draft provisions of law

On August 12, 2021, after the government had approved the proposed state budget for 2021 and 2022 ("State Budget Proposal"), a memorandum of the Economic Efficiency (Legislative Amendments to Achieve the Budgetary Targets for the 2021 and 2022 Fiscal Years) Law, 2021, Chapter __: Streamlining of the Mechanism to Ensure the

Stability of Pension Fund Yields, was published. Among other things, the law memorandum proposed that the State will no longer provide government bonds for assets of pension funds and assets that were invested in non-marketable Arad and Meron government bonds which will be accrued or redeemed from January 1, 2022, and instead a new mechanism was proposed to guarantee the yield in which the State will supplement a yield for the pension funds in the amount of up to 5% relative to 30% of the pension fund's assets. According to the proposed mechanism, a review will be performed every five years according to which to the extent that the annual yield attained is less than 5% (CPI-linked), the State will pay the pension funds the difference, and if it is more than 5%, the pension funds will transfer to a fund to guarantee the yield, to be established for this purpose and which will be administered by the Ministry of Finance, a sum of money equal to the difference.

2.4.1.2 Circulars

2.4.1.2.1 On May 26, 2021, the Commissioner published a circular amending the provisions of the Consolidated Circular - Chapter 4, Section 5 - Management of Investment Assets, concerning the lending of securities. The circular adjusts the provisions of the circular to an amendment to the articles of the Tel Aviv Stock Exchange, in which framework a central securities lending pool was launched.

2.4.1.2.2 On May 11, 2021, the Commissioner published a circular concerning an amendment to the provisions of the Consolidated Circular - Chapter 4, Section 5 - Management of Investment Assets - Debt Arrangements and Rating Companies. These provisions provide relief for the regulatory burden which applies to financial institutions with respect to debt arrangements for non-problematic debts, and the provisions were extended to also cover problematic debts and debt arrangements with respect to debt instruments that were issued outside Israel where the financial institution or group of investors holds at least 5% of the debt.

2.4.1.2.3 On June 22, 2021, the Commissioner published a circular concerning an amendment to the provisions of the Consolidated Circular - Chapter 5, Section 5 - Management of Investment Assets, regarding cooperation with a related fund. The circular defines the conditions for performing transactions to provide investment management services between insurers and groups of investors, including with an investment fund which is a related party.

2.4.1.2.4 In the Reporting Period, the Commissioner published several regulations, including adjustment of the regulatory provisions for this period due to the spread of COVID-19, including 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 unrelated to a wage reduction, a circular which extends the validity of the relief with respect to cancellation of the obligation of the Board of Directors and its committees to convene physically at least once a quarter, until June 30, 2021, as well as an extension of the date for the Commissioner's opinion which stipulates that the Authority will not take enforcement measures against banking corporations that provide pension advice digitally or over the phone, to existing customers.

2.4.1.3 Draft circulars

2.4.1.3.1 On June 7, 2021, the Commissioner published a draft circular amending the provisions of the Consolidated Circular - Chapter 4, Section 5 - Management of Investment Assets - regarding rules for investing the assets of insurance companies held to cover non-yield dependent liabilities. The draft circular sets out provisions concerning the non-yield dependent liabilities of insurance companies, which are expected to replace some of the provisions prescribed in the Supervision of Financial Services (Provident Funds) (Investment Rules Applicable to Financial Institutions) Regulations, 2012, which propose, among other things, defining shareholders equity as capital as recorded in the insurance company's last financial statement and accordingly updating the investment limitations prescribed in these regulations.

2.4.1.3.2 On June 2, 2021, the Commissioner published draft amendments to circulars concerning the investigation of claims and handling public complaints; service to the customers of financial institutions; enrollment in insurance; and regulation of the way in which supervised entities must conduct themselves with respect to the investigation of public complaints. The draft amendments propose regulating how service is to be provided to the third-age population and to people with disabilities and they also prescribe provisions in addition to the issue of enrollment in the insurance, including a requirement for a voice recording of every conversation with a candidate for insurance, including face-to-face meetings.

2.4.1.3.3 On May 30, 2021, the Commissioner published a third draft of the circular concerning an update of the Consolidated Circular on Measurement - Professional Issues in the Application of IFRS 17 ("the Standard"). The third draft proposes establishing principles for application of the Standard, including by separating components in certain categories of insurance contracts; the method for combining a series of insurance policies [in a single contract]; dividing insurance contracts into portfolios; risk adjustment for non-financial risk; the method of calculating the investment component in policies with a savings component and in long-term care policies; the method of calculating discounting interest; the method of determining the boundaries of an insurance contract in health and life policies; and the method of providing policy loans to members where the policy is pledged, as well as publication of a draft collection of questions and answers for application of the Standard in Israel.

On July 25, 2021, the Commissioner published a draft updating the provisions of the Consolidated Circular concerning reporting to the public which proposes determining the disclosure required in the annual financial reports of insurance companies from the date of application of the Standard.

2.4.1.4 Instructions and clarifications

2.4.1.4.1 On July 13, 2021, the Commissioner published a letter for the insurance company managers concerning the principles of investing in insuretech in calculating the economic solvency ratio. The letter outlines the principles which will be considered by the Commissioner in applications to recognize an intangible asset on account of

an investment in insuretech as part of the economic balance, and the process for approving such requests.

2.4.1.4.2 On January 14, 2021, the Commissioner published a position concerning the independence of external auditors who may be prejudiced due to the rendering of a related service. The opinion details situations in which the Commissioner will consider the independence required of an external auditor to have been prejudiced due to the provision of a related service by the auditor in the period of the audit or in the previous year, when one of the following conditions, among others, is satisfied: providing an expert opinion such as a valuation or fairness opinion with respect to the economic value of assets or liabilities and preparation of a business plan which affects the life of the business; configuration and implementation of computerized information systems relating to the financial reports or to economic solvency reports; the providing of actuarial services; and provisions concerning the service provided by the external auditor in deployment for application of the Standard.

2.4.2 Life assurance and long-term savings

2.4.2.1 Provisions of law

2.4.2.1.1 On June 1, 2021, Supervision of Financial Services (Provident Funds) (Investment Rules applicable to Financial Institutions) (Amendment) Regulations, 2021, were published. These regulations amend the Supervision of Financial Services (Provident Funds) (Investment Rules applicable to Financial Institutions) Regulations, 2012, which, among other things, allow institutional investors to acquire an additional 29% in an issuance by corporations whose shareholders equity does not exceed NIS 300 million and 15% in corporations whose shareholders equity is more than the said amount, whose activity was limited to the setting up and operation of a designated infrastructure project in Israel, or whose purpose is to raise capital for projects in this sector, where in August 2022 the Commissioner will report the scope of these investments to the Finance Committee and in August 2023 the Minister of Finance will report to the Committee as to whether he intends to change the scope of the financial institutions' investments. The draft regulations also propose broadening the categories of investment permitted to old funds and the rates of investment permitted in the fund's assets, determining cumulative conditions whereby institutional investors are permitted to invest in hybrid bonds issued in Israel and determining that the limitation on investing in ETNs by financial institutions will only apply to ETFs which are a related party to the financial institutional, and are not funds which invest in accordance with Jewish Law.

2.4.2.1.2 On February 4, 2021, Supervision of Financial Services (Provident Funds) (Withdrawal of Funds by Out-of-Work Self-Employed Members) (Temporary Order) Regulations, 2021, were published. The regulations propose establishing cumulative conditions whereby out-of-work self-employed members who satisfy these conditions 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. Supplementary provisions were included in the Income Tax Order (Determining amounts paid from an annuity provident fund to a self-employed member who is unemployed as income with respect to tax withholding at source), 2021, in a circular concerning the rights and obligations of members in the articles of a new pension fund - temporary order, and in draft Income Tax (Deduction from Amounts paid from an Annuity Provident Fund to a Self-employed Member who is Unemployed) Regulations, 2021.

2.4.2.1.3 On July 4, 2021, draft Supervision of Financial Services (Provident Funds) (Direct Expenses for Performing Transactions) (Temporary Order) Regulations, 2021, were published. The draft regulations extend until January 6, 2022, 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 ("Temporary Order"). The Temporary Order is proposed so as to enable the committee appointed by the Commissioner to review the direct expenses, to submit its recommendations to the Commissioner.

2.4.2.2 Circulars

2.4.2.2.1 On August 4, 2021, the Commissioner published a circular updating the provisions for choosing a provident fund, together with a letter to managers of the new pension funds concerning the process of determining selected funds, which, among other things, prescribe provisions for choosing the new pension funds to be selected by the Commissioner and which will constitute the select default funds in the period from November 1, 2021 through October 31, 2024. Among other things, the circular stipulates that the criteria for choosing a selected fund will be determined so as to provide an advantage to pension funds which have a market segment of 10% or less of all deposits in the new, comprehensive pension funds, while giving a stronger advantage to pension funds which have a market segment of 5% or less, based on a mechanism to be determined in the process. Furthermore, provisions were determined concerning the management fees to be collected by the funds, which will be no less than 0.5% of the deposits and 0.15% of the accrued balance and will not be more than 1% of the deposits. The circular also sets out additional criteria according to which employers may conduct a competitive (tender) process for choosing the default fund, including updating the yield criteria and also allowing for the addition of criteria pertaining to the management fee rate proposed by the management company for new old-age annuity recipients.

2.4.2.2.2 On January 19 and June 13, 2021, the Commissioner published updates to the circular on a standard format for transferring money and information in the pension savings market, which determine, among other things, an obligation to transfer money between provident funds through the pension clearing house, as well as provisions concerning the process of transferring information and money, including with respect to allocating the monies between provident funds.

2.4.3 Non-life insurance

2.4.3.1 Provisions of law

2.4.3.1.1 On August 10, 2021, the Minister of Finance published an announcement concerning the cost of services rendered under the Compensation of Road Accident Victims Law, 1975, and the Compensation for Road Accident Victims (Financing the Cost of Providing Services) Order, 2021. The announcement and the Order stipulate that the cost of providing the services rendered to road accident victims which the insurance companies transfer to the HMOs (via the NII) will be NIS 655 million in accordance with the updated cost of the health services basket for 2020, and that every insurer will transfer to the HMOs 12.66% of the premiums collected by that insurer in the previous month, for all the policies it issued under the Motor Vehicle Insurance Ordinance, 1970, and this commencing January 1, 2022.

2.4.3.1.2 On June 3, 2021, Supervision of Insurance Business (Conditions of an Insurance Contract for a Private Vehicle) (Amendment) Regulations, 2021, were published which prescribe provisions relating to motor property (CASCO) insurance. Among other things, the refund mechanism for a policy cancellation was amended so that the relative part of the premiums paid for the period following the date on which the cancellation enters into force will be refunded and it was determined that insurers will not be exempt of their obligation under the policy if the driver was in possession of a valid license at any time in the 120 months preceding the driving of the vehicle and if the driving license was not renewed due to the non-payment of a fee or on account of an Enforcement and Collection Authority debt.

2.4.3.1.3 On March 14, 2021, Provisions for the Supervision of Financial Services (Insurance) (Conditions of a Compulsory Insurance Contract for a Motorized Vehicle) (Amendment), 2021, were published which determined provisions regarding compulsory motor insurance. Among other things, the provisions stipulated that policyholders will be given an option to receive a copy of the policy and a copy of the insurance certificate by digital methods; provisions concerning keeping a copy of the insurance certificate by the insurance company; elimination of the collection of expenses for issuing a new insurance certificate and in respect of a change in the certificate. Additionally, the wording of the compulsory motor insurance policy was amended and, among other things, it was determined that insurers will not be exempt of their obligation under the policy if the driver of the vehicle was in possession of a valid driving license for 120 months preceding the date of occurrence of the road accident, subject to a number of conditions; a mechanism was established to enable policyholders to cancel a policy; an option was added regarding vehicles that are not used for a period of 30 days or more; and a policy was added for insuring vehicles with a dealer's number plate which provides customized, designated cover for use of a vehicle bearing "test drive" license plates.

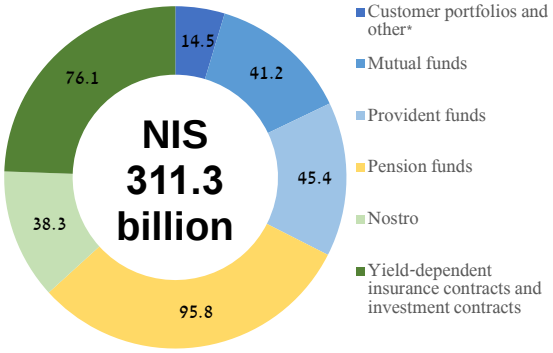
2.4.3.1.4 On March 22, 2018, the Economic Efficiency (Legislative Amendments to Achieve Budget Targets for 2019) Law, 2018, (in this section: "The 2019 Economic Efficiency Law") was published which changes the mechanism for the settlement

of accounts between the NII and the insurance companies regarding road accidents. Given that in the absence of regulations concerning that amount to be transferred to the National Insurance Institute for the past (in this section: "the Regulations"), the mechanism noted in the 2019 Economic Efficiency Law did not enter force, a consensual agreement was formulated according to which past events will be dealt with according to the mechanism for settlement of accounts which was in force prior to the 2019 Economic Efficiency Law, and that the insurance companies will pay an advance on account of past debts for insurance claims filed in the period 2014-2022 in the total amount of NIS 1 billion, from which the Company will pay an advance of NIS 106,565.

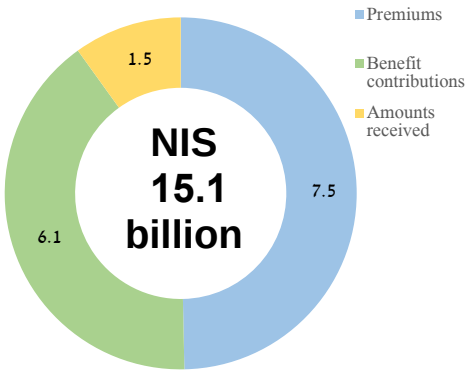
On August 8, 2021, after the government approved the proposed State budget, a memorandum of the Economic Efficiency ((Legislative Amendments to Achieve the Budgetary Targets for the 2021 and 2022 Fiscal Years) Law, 2021, Chapter __: National Insurance (Part B), was published. The law memorandum proposes amending the 2019 Economic Efficiency Law so that the requirement to promulgate the regulations will be nullified and instead it will be determined that insurers, other than the Fund for the Compensation of Road Accident Victims which was established under the Compensation for Road Accident Victims Law, 1975 ("Karnit"), will be obligated to transfer to Karnit on a monthly basis 10% of the premiums they collected in the previous month in the period from January 1, 2023 through December 31, 2024, and 10.95% of the premiums from January 1, 2025 and thereafter.

2.5 Condensed data from the consolidated financial statements of Harel Investments

The Group's AUM:



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



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.

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 1.5 billion, compared with NIS 1.3 billion in the corresponding period last year.

2.5.1 Comprehensive income by segment (NIS million):

		For the six months ended June 30			For the three months ended June 30		For the year ended December 31
	Notes	2021	2020	change in %	2021	2020	2020
Life assurance and long-term savings							
Life assurance	A	333	73	-	144	191	417
Pension	B	37	30	23	19	19	68
Provident	B	34	25	36	19	17	57
Total life assurance and long-term savings segment		**404**	**128**	**-**	**182**	**227**	**542**
Non-life insurance							
Compulsory motor	C	(32)	(11)	-	(14)	19	88
Motor property	D	4	57	(93)	(14)	39	88
Property and other branches	D	50	39	28	29	25	93
Other liabilities branches	C	38	(28)	-	32	49	21
Mortgage insurance		25	17	47	10	21	53
Total non-life insurance segment		**85**	**74**	**15**	**43**	**153**	**343**
Health insurance	E	(13)	(92)	(86)	86	260	77
Insurance companies overseas		(5)	3	-	-	11	(3)
Financial services	F	35	19	84	18	3	40
Not attributed to segments of operation		275	(156)	-	110	176	209
Total before tax		**781**	**(24)**	**-**	**439**	**830**	**1,208**
Tax expenses (tax benefit)		219	(29)	-	132	270	374
Other comprehensive income after tax		**562**	**5**	**-**	**307**	**560**	**834**
Return on Equity in annual terms		14%	0%		16%	34%	11%

The Group's activity and results are significantly affected by the capital market, 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.

Results in the Reporting Period were affected by investment profits, in contrast with investment losses in the corresponding period last year resulting from the impact of the COVID-19 pandemic. Results in the second quarter were affected by lower investment profits than those in the corresponding quarter last year.

Additionally, results in the corresponding period and corresponding quarter last year were also affected by the application of the circular on revised liquidity premium rates added to the risk-free interest rate curve, 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), and by actuarial studies.

For additional information in connection with special effects on comprehensive income, see Section 2.5.2.

A. Life assurance - the results were affected by capital market yields as described above. Income from management fees in the Reporting Period and second quarter amounted to NIS 473 million and NIS 215 million, respectively, compared with NIS 218 million and NIS 109 million in the corresponding period and corresponding quarter last year, respectively. The increase in management fees is mainly attributable to the variable management fees which in the Reporting Period and second quarter amounted to NIS 231 million and NIS 91 million, respectively, in contrast with the inability to collect variable management fees in the corresponding period and corresponding quarter last year due to real negative yields on profit sharing policies that were sold between 1991 and 2003.

   Additionally, results in the corresponding period were affected by an update of the of the interest rate applied in calculating the reserve for annuities in payment (updated in the first quarter last year), an update of the interest rate applied in calculating the supplementary reserve for annuity, a revised study of the age of retirement and the percentage of insureds expected to exercise their entitlement to an annuity (take-up rate) (updated in the second quarter last year). The overall effect of these updates was to reduce the insurance liabilities. Additionally, results in the corresponding quarter last year were influenced by a deterioration of underwriting in the cover for work disability insurance due to an increase in the number of claims. For additional information, see Section 2.5.2 (A) and (B).

B. Pension and provident - the results were affected by capital market yields as described above. Results in the corresponding period last year were affected by an erosion of the management fee rate.

C. Compulsory motor and liabilities sectors - the results were affected by capital market yields as described above. Results in the Reporting Period and second quarter 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 which led to an increase of the insurance liabilities.

   Results in the corresponding period last year 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 and by application of the circular on revised liquidity premium rates added to the risk-free interest rate curve. The overall effect of the foregoing was to decrease the insurance liabilities. Results in the corresponding quarter last year were affected by the changes and application of the circular, as noted above, the overall effect of which led to an increase of the insurance liabilities. For additional information, see Section 2.5.2 (F).

   Additionally, in the compulsory motor sector, results in the Reporting Period and second quarter were affected by a deterioration of underwriting due to a negative development in claims.

D. Motor property (CASCO), property and other sectors - the results were affected by capital market yields as described above.

Motor property (CASCO) - results in the Reporting Period and second quarter were affected by a decrease of the average premium which led to the recording of a premium deficiency and by an increase in the number of claims.

Results in the corresponding period last year in the property and other sectors were affected by winter losses in January - February 2020.

E. Health insurance - the results were affected by capital market yields as described above.

Personal lines long-term care - results in the Reporting Period and second quarter were affected by changes in the LAT reserve. The change in the LAT reserve is attributable, among other things, to changes in the risk-free interest rate curve, changes in the difference between the fair value and book value of the non-marketable assets, and other changes.

The change in the LAT reserve in the corresponding period and corresponding quarter last year were affected, in addition to the foregoing, by the application of the provisions of a circular on revised liquidity premium rates added to the risk-free interest rate curve, 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) (for additional information see also Note 3C(1)(I) to the annual financial statements) and by actuarial studies. For additional information, see Section 2.5.2(C).

Additionally, the results were affected by an underwriting improvement due to changes in the structure of costs.

Personal lines and group health sector - results in the Reporting Period and second quarter were influenced by a deterioration of underwriting in the cover for surgery due to an increase in the number of claims.

F. Financial services segment - the results were affected by capital market yields as described above. Results in the Reporting Period and second quarter were affected by net capital raisings. Results in the corresponding period last year were affected by significant profit in market-making activity in the mutual funds, which was partially offset by recording a write-down for impairment which was recognized in the period in respect of portfolio management activity. For additional information, see Section 2.5.2(H).

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

		For the six months ended June 30			For the three months ended June 30		For the year ended December 31
	Notes	2021	2020	Change	2021	2020	2020
Comprehensive income for the period as published in the financial statement		562	5	557	307	560	834
Life assurance and long-term savings							
Effects of the interest rate	A	-	(30)	30	-	(122)	(61)
Revised TUR assumptions	B	-	217	(217)	-	217	217
Health insurance							
LAT - personal lines long-term care	C, E	(98)	(142)	44	56	39	(181) *
Revised assumptions for cancellations in personal lines health	D	-	-	-	-	-	(30)
Revised assumptions for cancellations in personal lines long-term care	E	-	-	-	-	-	(57)*
Non-life insurance							
Effects of the interest rate	F	(94)	58	(152)	(31)	(5)	45
Effect of the Supreme Court ruling regarding the discounting rate	G	-	-	-	-	-	80
Financial services segment							
Write-down of value of mutual fund activity	H	-	(10)	10	-	(5)	(10)
Total effects, before tax		(192)	93	(285)	25	124	3
Effect of tax		(66)	32	(98)	8	43	1
Total effects, after tax		(126)	61	(187)	17	81	2
Total comprehensive income (loss) after adjustment for special effects		688	(56)	744	290	479	832

* Restated

A. In the corresponding period last year, the insurance liabilities increased by NIS 30 million before tax due to an update of the interest rate applied in calculating the reserve for annuity in payment and to a revision of the interest rate applied in calculating the supplementary reserve for annuity (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 145 million before tax in the liabilities for policies that include a savings component until 2003, and an increase of NIS 19 million before tax in the insurance liabilities for policies that include a savings component until 1990).

In the corresponding quarter last year, an increase of NIS 122 million before tax was recorded for the insurance liabilities for policies that include a savings component until 2003 due to an update of the interest rate applied in calculating the supplementary reserve for annuity.

In 2020, the insurance liabilities increased by NIS 61 million before tax due to an update of the interest rate applied in calculating the reserve for annuity in payment and to a revision of the interest rate applied in calculating the supplementary reserve for annuity (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 145 million before tax in the liabilities for policies that include a savings component until 2003, and an increase of NIS 50 million before tax in the insurance liabilities for policies that include a savings component until 1990).

B. In 2020 the insurance liabilities decreased by NIS 217 million before tax as a result of completion of the study regarding the age of retirement and exercising of annuity integrated with the age-dependent model. For additional information, see Note 36E to the 2020 Financial Statements.

C. Health segment, personal lines long-term care - results in the Reporting Period and second quarter were affected by changes in the LAT reserve. The change in the LAT reserve is attributable, among other things, to changes in the risk-free interest rate curve, changes in the difference between the fair value and book value of the non-marketable assets, and other changes.

In the corresponding period last year, in the corresponding quarter last year and in 2020, the LAT reserve was affected, in addition to the foregoing, by the application of the provisions of a circular on revised liquidity premium rates added to the risk-free interest rate curve, application of the provisions of the circular on the method of allocating the assets not at their fair value when calculating the LAT reserve and by actuarial studies. See the information in the following table:

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	**2020**	**2021**	**2020**	**2020**
Increase (decrease) in the LAT reserve	98	142	(56)	(39)	181
The change in the LAT reserve also includes the following effects:					
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.	(40)	67*	(126)	(47)*	349*
Studies (see Section E below)	-	-	-	-	(76)

* The amounts also include, in addition to the effects of the changes in the risk-free interest rate curve and the difference between the fair value and book value of the non-marketable assets, the effects of the application of the provisions of the above-mentioned circulars - for additional information, see also Note 3C(1)(I) to the annual financial statements.

D. In 2020, a study was conducted of the percentage of cancellations in the personal lines health insurance sector. Due to this study, an increase of NIS 30 million before tax was recorded in the insurance liabilities.

E. In 2020, a study was conducted of the share of cancellations in the personal lines long-term care sector. Due to this study, an increase of NIS 57 million before tax was recorded in the

active life reserves and in contrast a reduction of NIS 76 million before tax was recorded in the LAT reserve (see also paragraph C above). The overall effect of the foregoing is a decrease of the insurance liabilities by NIS 19 million before tax.

F. Non-life insurance segment, compulsory motor sector and liabilities sectors - results in the Reporting Period and second quarter were affected by the updated insurance liabilities. The increase (decrease) in the insurance liabilities is attributable, among other things, to changes the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets.

In the corresponding period last year, in the corresponding quarter last year and in 2020, the insurance liabilities were affected, in addition to the foregoing, by application of the provisions of a circular on revised liquidity premium rates added to the risk-free interest rate curve, which led to a decrease of the insurance liabilities.

The following table details the effect of the foregoing by sector:

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
Increase (decrease) in the insurance liabilities	**94**	**(58)***	**31**	**5***	**(45)***
Compulsory motor	42	(32)	9	3	(19)
Labilities sectors	52	(26)	22	2	(26)

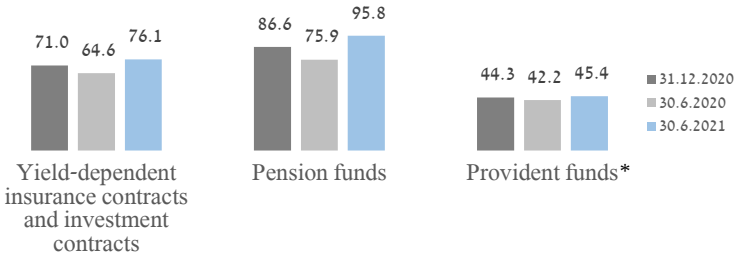
* The amounts also include, in addition to the effects of the changes in the risk-free interest rate curve and the difference between the fair value and book value of the non-marketable assets, the effect of the application of the provisions of the above-mentioned circular - for additional information, ass also Note 3C(1)(I) to the annual financial statements.

G. 2020 was affected by the Supreme Court ruling regarding the discounting interest rate which will apply to the National Insurance Institute in subrogation claims As a result of the court's decision, in the Reporting Period the insurance liabilities were reduced 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 sector).

H. Results in the corresponding period last year, in the corresponding quarter last year and in 2020 were affected by a reduction of the value of the portfolio management activity of NIS 10 million before tax, NIS 5 million before tax and NIS 10 million before tax, respectively.

2.6 Other key information and effects by segment

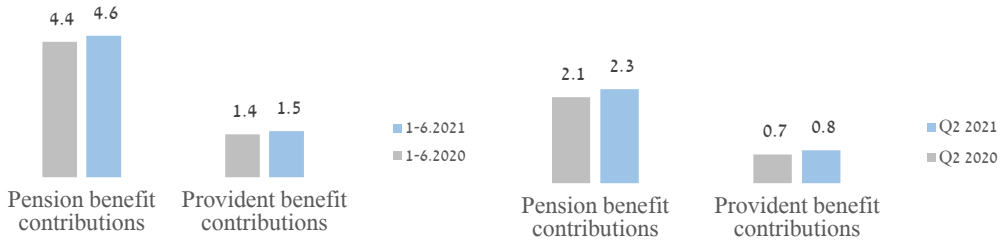
2.6.1 Assets managed for the Group's members and policyholders in the life assurance and long-term savings segment (NIS billion):



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):



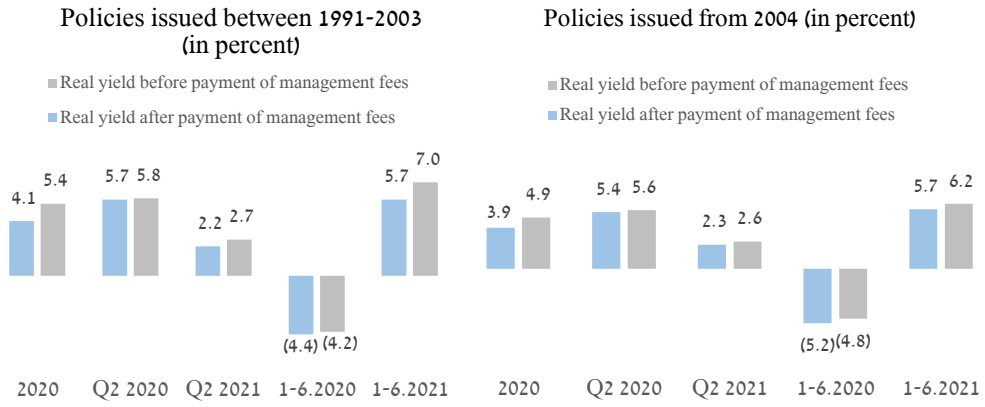
The benefit contributions in the provident funds and pension funds are not included in the Company's consolidated financial statements.

2.6.3 Life assurance:

Redemptions as a percentage of the average reserve in the Reporting Period amounted to 4.3%, compared with 3.1% in the corresponding period last year and 3.5% in 2020.

Redemptions from the average reserve in the second quarter amounted to 4.4%, compared with 2.5% in the corresponding quarter last year.

Yield-dependent policies:



Following is the estimated amount of investment profit (loss) 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 (NIS million):

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	**2020**	**2021**	**2020**	**2020**
Profit (loss) after management fees	4,249	(3,173)	2,224	2,771	1,870
Total management fees	473	218	215	109	599

2.6.4 Pension funds:

The nominal yield attained by the new pension fund Harel Pension in the Reporting Period was a positive yield of 8.11%.

Total management fees collected from the pension funds managed by the Group amounted to NIS 172 million in the Reporting Period, compared with NIS 161 million in the corresponding period last year.

Total income from management fees collected by the pension funds managed by the Group amounted to NIS 88 million in the second quarter, compared with NIS 79 million in 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 1,647 million, compared with negative accrual of NIS 711 million in the corresponding period last year.

Income from management fees collected from the pension funds managed by the Group amounted to NIS 123 million in the Reporting Period, similar to the corresponding period last year.

Income from management fees collected from the provident funds managed by the Group

amounted to NIS 61 million in the second quarter, similar to the corresponding period 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 is in discussions with the Capital Market Authority to obtain approval to market new policies that are consistent 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. For information about a change in the mechanism for the settlement of accounts between the National Insurance Institute ("NII") and the insurance companies regarding road accidents, see Note 10(7) to the Financial Statements.

Change in the quantity of policies in terms of exposure:

	For the six months ended June 30		For the year ended December 31
	2021	**2020**	**2020**
Compulsory motor	9%	3%	4%
Motor property (CASCO)	13%	9%	10%
Property and other branches	8%	(1%)	2%
Other liabilities branches	0%	(4%)	(4%)

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.

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

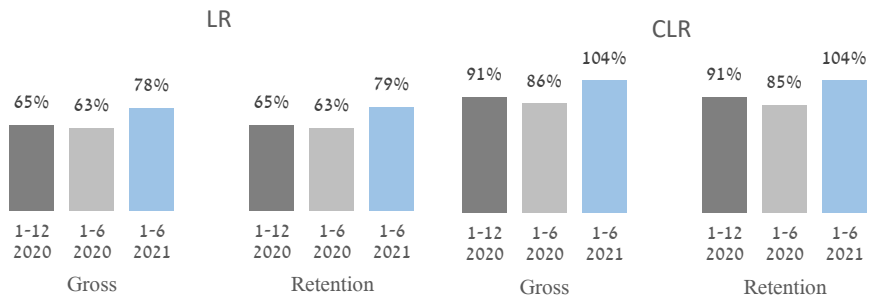
For additional information about the results of compulsory motor insurance, see Sections 2.5.1 and 2.5.2 above.

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 2021 at 10.7% (compared with 10.61% which was the Company's final share for 2020).

2.6.7.2 Motor property

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

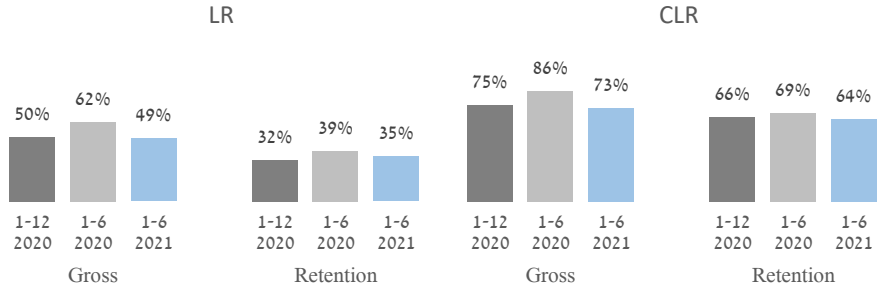
Loss ratio (LR) and combined loss ratio (CLR) in motor property insurance:



2.6.7.3 Property and other branches

For additional information about results for the motor property and other 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

For information about completion of the restructuring of the Group - EMI, see Section 2.2.2 above.

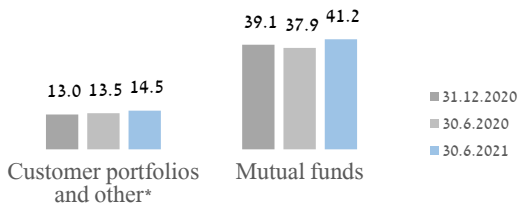
The premiums earned in credit insurance for residential mortgages are not for new sales, but in respect of sales made in the past and for which the premiums are recognized as earned premiums based on the period of coverage. EMI has no reinsurance agreements in this sector.

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):



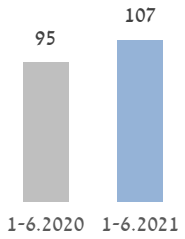
The assets managed in the customer portfolios include financial assets that were issued by the Group and are managed in the portfolios.

Revenues in the capital market and financial services segment amounted to NIS 120 million in the Reporting Period, compared with NIS 114 million in the corresponding period last year.

The assets managed in 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 used in operating activity were NIS 254 million in the Reporting Period. Net cash flows used in investment activity amounted to NIS 203 million. Net cash flows used in financing activity were NIS 539 million. The fluctuating exchange rates affected the cash balances by a positive NIS 120 million. The outcome of all the above activity is a decrease of NIS 876 million in the cash balances.

2.7.2 Liquidity and financing of operations

The Company and its subsidiaries generally finance their ongoing operations from their own sources.

While assessing the liquidity risk, it was found that the COVID-19 crisis did not significantly affect the Company's liquidity, financial robustness and the sources of financing available to it.

2.8 Dividend

For information about a dividend in the amount of NIS 107 million that was paid in February 2021, and about a dividend in the amount of NIS 150 million that was paid in April 2021, see Note 9 to the Financial Statements.

For information about approval of the dividend distribution policy, see Section 2.1.3 above.

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.

4 Corporate governance

4.1 Senior officers

On the rotation of the CEO and Chairman of Harel Insurance and regarding the restructuring and rotation of senior officer in Harel Insurance - see Section 2.2.3 and 2.2.4 above.

4.2 External Directors

On January 7, 2021, Ms. Efrat Yavetz began to serve as an external director in the Company.

On January 18, 2021, Mr. Israel Gilad completed nine years of service as an external director in the Company.

5 Disclosure concerning the economic solvency ratio

An economic solvency regime based on Solvency II applies to Harel Insurance, and this pursuant to the implementation provisions published in June 2017 and revised in October 2020 ("Provisions of the Economic Solvency Regime").

The provisions of the economic solvency regime include transitional provisions which allow the reserves in respect of long-term insurance products that were sold in the past, to be increased gradually until 2032. Based on the 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 0% on the calculation of the insurance reserves at December 31, 2032. Additionally, in the transitional period a reduced capital requirement will be calculated which will gradually increase

until 2023, for certain categories of investments, together with a higher maximum recognition limitation for Tier-2 capital.

Based on the transitional provisions, the capital surplus of Harel Insurance at December 31, 2020, is NIS 5,761 million. In accordance with the directives, the economic solvency report as at December 31, 2020 was published on June 30, 2021.

The capital surplus of Harel Insurance as at December 31, 2020, before the transitional provisions (in terms of 100% SCR), is NIS 623 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 present 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 part 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.

Following is information about the solvency ratio and minimum capital requirement (MCR) at December 31, 2020, in accordance with the provisions of the economic solvency regime. The economic solvency ratio is calculated in accordance with the transitional provisions which prescribe the transitional period.

A. Economic solvency ratio

	As at December 31	
	2020	**2019**
	(Audited)	
	NIS million	
Equity for the purpose of SCR	**15,478**	15,370
Solvency capital requirement (SCR)	**9,717**	9,061
Surplus	**5,761**	6,309
Economic solvency ratio	**159%**	170%
Effect of material capital transactions that took place in the period between the date of the calculation and the publication date of the solvency ratio report:		
Raising (redemption) of capital (*)	**(46)**	-
Equity for the purpose of SCR	**15,432**	15,370
Capital surplus	**5,715**	6,309
Economic solvency ratio	**159%**	170%

(*) In May 2021, early redemption of Series 5 bonds was performed in the amount of NIS 435 million. This redemption reduces the recognized tier-2 capital by just NIS 46 million, and at December 31, 2020 there is an unutilized tier-2 balance of NIS 389 million over and above the limitation for tier-2 capital.

The Company's capital position is influenced by its ongoing business developments, changes in market variables, revised demographic and operating assumptions, continuous updates of models and capital transactions. For information about key changes which took place in 2020 in contrast with comparison figures, see Section 2 in the Economic Solvency Report.

The foregoing is not intended to be an estimate of the solvency ratio at the date of publication of the report, which is dependent on the developments that may occur up to this date, as well as on 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, 2020, 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.

B. Minimum Capital Requirement (MCR)

	As at December 31	
	2020	**2019**
	(Audited)	
	NIS million	
MCR	**2,429**	2,272
Own funds for the purpose of MCR	**11,105**	11,294

On June 30, 2021, in accordance with the Commissioner's instructions, Harel Insurance published on its website [in Hebrew] a report on its economic solvency ratio in respect of data at December 31, 2020:
https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx .

Pursuant to the Commissioner's letter dated March 14, 2021, insurance companies may decide not to publicize their economic solvency report as at June 30, 2021.

According to the letter published by the Commissioner in October 2017 ("the Letter"), insurance companies may distribute a dividend only if, after the distribution is made, the company has a solvency ratio, based on the economic solvency regime, at a rate of at least 100% calculated without taking the transitional provisions into account and subject to the solvency ratio target set by the Company's Board of Directors. This ratio will be calculated without the relief provided in respect of the original difference attributed to the purchase of provident fund activity and management companies.

It is the policy of Harel Insurance to hold a robust capital base to ensure its solvency and ability to meet its liabilities to insureds, to maintain its ability to continue its business activity and so that it is able to produce a yield for its shareholders. Harel Insurance is subject to the capital requirements and defined regulations with respect to the distribution of dividends.

On November 30, 2020, the Board of Directors of Harel Insurance approved the revised capital management plan and at this stage, threshold conditions were determined for the distribution of a dividend, 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%.

On February 28, 2021, the Company's Board of Directors approved a dividend distribution policy whereby the Company will distribute a dividend of at least 30% of comprehensive income according to its annual consolidated financial statements. Additionally, on February 28, 2021, the board of directors of Harel Insurance approved a dividend distribution policy in which Harel Insurance will distribute a dividend of at least 35% of comprehensive income according to the annual consolidated financial statements of Harel Insurance, and this as long as Harel Insurance is in compliance with the minimum targets for solvency based on Solvency II.

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 no guarantee that Harel Insurance will remain in compliance with the defined threshold conditions at all times.

Following are data on the economic solvency ratio of Harel Insurance, calculated without the transitional provisions and based on the solvency target determined by the board of directors of Harel Insurance with reference to the solvency ratio calculated without taking the provisions in the transitional period into account and after adjustment for equity risk, as required in the letter. This ratio is in compliance with the solvency ratio required in the letter.

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

	As at December 31	
	2020	2019
	(Audited)	
	NIS million	
Equity for the purpose of SCR	**12,206**	12,423
Solvency capital requirement (SCR)	**11,583**	10,976
Surplus	**623**	1,447
Solvency ratio (in percent)	**105%**	113%
Effect of material capital transactions that took place in the period between the date of the calculation and the publication date of the solvency ratio report:		
Raising (redemption) of capital instruments (*)	**-**	-
Equity for the purpose of SCR	**12,206**	12,423
Surplus	**623**	1,447
Solvency ratio (in percent)	**105%**	113%
Status of capital after capital transactions in relation to the Board of Directors target:		
Economic solvency ratio target set by the Board of Directors	**105%**	11,839
Capital surplus in relation to the target (NIS million)	**44**	584

(*) In May 2021, early redemption of Series 5 bonds was performed in the amount of NIS 435 million. This redemption does not affect the recognized tier-2 capital.

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

Yair Hamburger
Chairman of the Board of Directors

Michel Siboni
CEO

August 30, 2021

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at June 30, 2021

Condensed Consolidated Interim Statements of Financial Position at

	30 June		December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Intangible assets	**1,859**	1,747	1,810
Deferred tax assets	**10**	11	9
Deferred Acquisition Costs	**2,624**	2,514	2,513
Fixed assets	**1,395**	1,407	1,380
Investments in equity accounted investees	**1,343**	1,379	1,245
Investment property for yield-dependent contracts	**1,810**	1,800	1,802
Other investment property	**2,072**	2,099	2,060
Reinsurance assets	**4,569**	4,296	4,340
Current tax assets	**151**	4	6
Trade and other receivables	**1,146**	1,672	1,246
Premium due	**1,507**	1,420	1,345
Financial investments for yield-dependent contracts	**69,660**	58,761	64,607
Other financial investments			
Marketable debt assets	**11,770**	11,100	11,067
Non-marketable debt assets	**15,954**	14,492	15,075
Shares	**1,998**	1,395	1,630
Other	**3,149**	2,630	3,238
Total other financial investments	**32,871**	29,617	31,010
Cash and cash equivalents for yield-dependent contracts	**3,447**	2,640	3,452
Other cash and cash equivalents	**2,050**	1,835	2,921
Total assets	**126,514**	111,202	119,746
Total assets for yield-dependent contracts	**76,138**	64,623	71,009

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

Condensed Consolidated Interim Statements of Financial Position at (contd.)

	30 June		December 31
	2021	2020	2020
	(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	**1,110**	810	1,061
Retained earnings	**6,692**	5,861	6,438
Total equity attributed to shareholders of the Company	**8,038**	6,907	7,735
Non-controlling interests	**31**	18	19
Total equity	**8,069**	6,925	7,754
Liabilities			
Liabilities for non-yield-dependent insurance contracts and investment contracts	**29,337**	28,771	28,417
Liabilities for yield-dependent insurance contracts and investment contracts	**75,635**	64,086	70,302
Deferred tax liabilities	**1,266**	1,082	1,200
Liabilities for employee benefits, net	**277**	267	265
Current tax liabilities	**20**	26	99
Trade and other payables	**3,655**	3,256	3,915
Financial liabilities	**8,255**	6,789	7,794
Total liabilities	**118,445**	104,277	111,992
Total equity and liabilities	**126,514**	111,202	119,746

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

Date of approval of the financial statements: August 30, 2021

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

Condensed Consolidated Interim Statements of Income

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	**7,462**	7,370	**3,791**	3,423	14,951
Premiums earned by reinsurers	**872**	820	**440**	407	1,675
Earned premiums in retention	**6,590**	6,550	**3,351**	3,016	13,276
Profit (Loss) from investments, net, and financing income	**6,342**	(2,996)	**3,347**	3,416	3,725
Income from management fees	**883**	601	**426**	297	1,384
Income from commissions	**166**	155	**83**	70	312
Total income (expenses)	**13,981**	4,310	**7,207**	6,799	18,697
Payments and changes in liabilities for insurance contracts and investment contracts, gross	**11,996**	2,743	**6,212**	5,753	14,916
Reinsurers' share of payments and change in liabilities for insurance contracts	**775**	633	**419**	319	1,312
Payments and changes in liabilities for insurance contracts and investment contracts in retention	**11,221**	2,110	**5,793**	5,434	13,604
Commissions, marketing expenses and other acquisition costs	**1,334**	1,338	**682**	652	2,685
General and administrative expenses	**620**	563**	**310**	257**	1,206
Other expenses	**5**	19**	**4**	10**	25
Financing expenses, net	**152**	89	**82**	35	169
Total expenses (income)	**13,332**	4,119	**6,871**	6,388	17,689
Company's share of profits of equity accounted investees	**62**	(2)	**42**	(6)	13
Profit (loss) before taxes on income	**711**	189	**378**	405	1,021
Income tax (tax benefit)	**200**	44	**111**	125	296
Profit for period	**511**	145	**267**	280	725
Attributed to:					
Shareholders of the Company	**509**	145	**266**	280	724
Non-controlling interests	**2**	-*	**1**	-*	1
Profit for the period	**511**	145	**267**	280	725
Basic and diluted earnings (loss) per share (in NIS)	**2.38**	0.68	**1.24**	1.31	3.38

* Less than NIS 1 million.
** Reclassified

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit (loss) for the period	**511**	145	**267**	280	725
Other items of 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	**341**	(280)	**180**	434	356
Net change in fair value of financial assets classified as available-for-sale transferred to income statement	**(304)**	(87)	**(128)**	(46)	(297)
Loss from impairment of available-for-sale financial assets transferred to income statement	**10**	114	**2**	26	148
Foreign currency translation differences for foreign activity	**(6)**	(8)	**(23)**	(28)	(61)
Tax benefit (income tax) attributable to available-for-sale financial assets	**(12)**	86	**(19)**	(140)	(79)
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	**1**	1	**7**	7	12
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	**30**	(174)	**19**	253	79
Items of other comprehensive income (loss) that will not be transferred to profit or loss					
Revaluation reserve for fixed asset items	**26**	37	**22**	27	34
Re-measurement of a defined benefit plan	**3**	11	**8**	12	7
Income tax for items of other comprehensive income that will not be transferred to profit or loss	**(8)**	(14)	**(9)**	(12)	(11)
Other comprehensive income for the period that will not be transferred to profit or loss, net of tax	**21**	34	**21**	27	30
Total other comprehensive income (loss) for period	**51**	(140)	**40**	280	109
Total comprehensive income for period	**562**	5	**307**	560	834
Attributed to:					
Shareholders of the Company	**560**	5	**306**	560	833
Non-controlling interests	**2**	-*	**1**	-*	1
Total comprehensive income for period	**562**	5	**307**	560	834

* 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

	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 six months ended June 30, 2021 (Unaudited)											
Balance as at January 1, 2021	359	1,003	(194)	1	(123)	(49)	300	6,438	7,735	19	7,754
Comprehensive income (loss) for period											
Profit for the period	-	-	-	-	-	-	-	509	509	2	511
Other comprehensive income (loss)	-	35	(5)	-	-	-	19	2	51	-*	51
Total comprehensive income for period	-	35	(5)	-	-	-	19	511	560	2	562
Transactions with shareholders recognized directly in equity											
Dividend distributed	-	-	-	-	-	-	-	(257)	(257)	-	(257)
Non-controlling interests in a consolidated subsidiary (see note 9(2))	-	-	-	-	-	-	-	-	-	11	11
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(1)
Balance as at June 30, 2021	359	1,038	(199)	1	(123)	(49)	319	6,692	8,038	31	8,069

* 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 three months ended June 30, 2021 (Unaudited)											
Balance as at April 1, 2021	359	1,003	(183)	1	(123)	(49)	303	6,421	7,732	31	7,763
Comprehensive income (loss) for period											
Profit for the period	-	-	-	-	-	-	-	266	266	1	267
Other comprehensive income (loss)	-	35	(16)	-	-	-	16	5	40	-*	40
Total comprehensive income (loss) for period	-	35	(16)	-	-	-	16	271	306	1	307
Transactions with shareholders recognized directly in equity											
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(1)
Balance as at June 30, 2021	359	1,038	(199)	1	(123)	(49)	319	6,692	8,038	31	8,069

* 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 six months ended June 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	-	-	-	-	-	-	-	145	145	-*	145
Other comprehensive income (loss)	-	(167)	(7)	-	-	-	27	7	(140)	-*	(140)
Total comprehensive income (loss) for period	-	(167)	(7)	-	-	-	27	152	5	-*	5
Balance as at June 30, 2020	359	708	(152)	1	(123)	(49)	302	5,861	6,907	18	6,925

* 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 three months ended June 30, 2020 (Unaudited)											
Balance as at April 1, 2020	359	434	(131)	1	(123)	(49)	283	5,573	6,347	18	6,365
Comprehensive income (loss) for period											
Loss for the period	-	-	-	-	-	-	-	280	280	-*	280
Other comprehensive income (loss)	-	274	(21)	-	-	-	19	8	280	-*	280
Total comprehensive income (loss) for period	-	274	(21)	-	-	-	19	288	560	-*	560
Balance as at June 30, 2020	359	708	(152)	1	(123)	(49)	302	5,861	6,907	18	6,925

* 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 year ended December 31, 2020 (Audited)											
Balance as at January 1, 2020	359	875	(145)	1	(123)	(49)	275	5,709	6,902	18	6,920
Comprehensive income (loss) for year											
Profit for the year	-	-	-	-	-	-	-	724	724	1	725
Other comprehensive income (loss)	-	128	(49)	-	-	-	25	5	109	-*	109
Total comprehensive income (loss) for the year	-	128	(49)	-	-	-	25	729	833	1	834
Balance as at December 31, 2020	359	1,003	(194)	1	(123)	(49)	300	6,438	7,735	19	7,754

* Less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Cash Flows

		For the six months ended June 30		For the three months ended June 30		For the year ended December 31
		2021	2020	2021	2020	2020
		(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	135	(44)*	1,487	(316)*	1,704
Income tax received (paid)		(389)	(83)	(152)	(93)	(291)
Net cash provided by (used in) operating activities		(254)	(127)	1,335	(409)	1,413
Cash flows from investment activity						
Investment in investees		(68)	(12)	(38)	(7)	(28)
Proceeds from the sale of an investment in an equity accounted investee		37	56	26	31	69
Investment in fixed assets		(41)	(26)	(29)	(4)	(44)
Investment in intangible assets		(144)	(147)	(74)	(68)	(303)
Dividend and interest from an investee		11	7	8	4	102
Proceeds from sale of fixed assets and intangible assets		2	-	1	-	1
Net cash used for investment activity		(203)	(122)	(106)	(44)	(203)
Cash flows from financing activity						
Proceeds of issuance of liability notes, net		-	-	-	-	395
Repayment of liability notes		(437)	(216)	(437)	(216)	(247)
Short-term credit from banks, net		212	-	212	(1)	-
Repayment of loans from banks and others		(39)	(39)	(39)	(39)	(77)
Repayment of lease liabilities		(17)	(16)	(9)	(7)	(36)
Dividend to non-controlling interests		(1)	-	(1)	-	-
Dividend paid to the Company's shareholders		(257)	-	(150)	-	-
Net cash provided by (used in) financing activity		(539)	(271)	(424)	(263)	35
Effect of exchange rate fluctuations on cash balances and cash equivalents		120	42*	11	28*	175
Net increase (decrease) in cash and cash equivalents		(876)	(478)	816	(688)	1,420
Retained cash and cash equivalents at beginning of the period	B	6,373	4,953	4,681	5,163	4,953
Retained cash and cash equivalents at end of the period	C	5,497	4,475	5,497	4,475	6,373

* 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 six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Annex A - Cash flows from operating activities					
Profit for the period	**511**	145	**267**	280	725
Items not involving cash flows:					
Company's share of (losses) profits of equity accounted investees	**(62)**	2	**(42)**	6	(13)
Net losses (profits) from financial investments for yield-dependent insurance contracts and investment contracts	**(4,508)**	3,499**	**(2,318)**	(3,002)**	(2,115)
Net losses (profits) from other financial investments					
Marketable debt assets	**(191)**	51	**(109)**	13	(14)
Non-marketable debt assets	**(164)**	78	**(122)**	43	107
Shares	**(210)**	30	**(98)**	(45)	(119)
Other investments	**(240)**	103	**(191)**	(150)	(288)
Change in financial liabilities	**365**	(212)	**(153)**	(571)	(956)
Change in fair value of investment property for yield-dependent contracts	**3**	9	**6**	3	14
Change in fair value of other investment property	**(5)**	(29)	**1**	6	14
Depreciation and amortization					
Fixed assets	**58**	48	**29**	25	111
Intangible assets	**95**	85*	**52**	49*	178*
Change in liabilities for non-yield-dependent insurance contracts and investment contracts	**994**	220	**308**	(183)	(70)
Change in liabilities for yield-dependent insurance contracts and investment contracts	**5,333**	(2,453)	**2,862**	3,516	3,763
Change in reinsurance assets	**(244)**	(29)	**(124)**	(26)	(85)
Change in DAC	**(115)**	(24)	**(29)**	35	(28)
Income tax expenses	**200**	44	**111**	125	296
: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	**(11)**	(40)	**(2)**	(37)	(47)
Net acquisitions of financial investments	**(730)**	(1,202)	**383**	(1,180)	(1,058)
Other financial investments and investment property					
Purchase of investment property	**(7)**	(12)	**(2)**	(11)	(16)
Net sales (acquisitions) of financial investments	**(579)**	412	**425**	1,108	1,213
Premiums due	**(175)**	(5)	**15**	115	58
Trade and other receivables	**87**	(355)	**87**	(411)	(212)
Trade and other payables	**(286)**	(405)	**114**	(35)	255
Liabilities for employee benefits, net	**16**	(4)	**17**	11	(9)
Total adjustments required to present cash flows from operating activities	**(376)**	(189)	**1,220**	(596)	979
Total cash flows from (used for) operating activity	**135**	(44)	**1,487**	(316)	1,704

* Including a write-down of goodwill and brand for portfolio management activity in the amount of NIS 10 million and NIS 5 million for the six and three months ended June 30, 2020, respectively, and NIS 10 million at December 31, 2020.

** Reclassified

(1) Cash flows from operating activities include the purchase and sale, net, of financial investments and investment property attributable to activity for insurance contracts and investment contracts.

(2) As part of the operating activities, interest received was presented at NIS 370 million and NIS 255 million for the six months and three months ended June 30, 2021, respectively (for the six and three months ended June 30, 2020, NIS 367 million and NIS 151 million, respectively, and for 2020 in its entirety NIS 743 million) and interest was paid in the amount of NIS87 million for the six and three months ended June 30, 2021 (for the six and three months ended June 30, 2020 NIS 88 million and NIS 87 million, respectively, and for 2020 in its entirety NIS 179 million).

(3) As part of the operating activities, a dividend received from other financial investments was presented in the amount of NIS 61 million and NIS 8 million for the six and three months ended June 30, 2021, respectively (for the six and three months ended June 30, 2020, NIS 11 million and NIS 6 million, respectively, and for 2020 in its entirety, NIS 26 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 six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(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	3,452	2,897	2,602	3,343	2,897
Other cash and cash equivalents	2,921	2,056	2,079	1,820	2,056
Retained cash and cash equivalents at beginning of the period	6,373	4,953	4,681	5,163	4,953
Annex C - Cash and cash equivalents at end of period					
Cash and cash equivalents for yield-dependent contracts	3,447	2,640	3,447	2,640	3,452
Other cash and cash equivalents	2,050	1,835	2,050	1,835	2,921
Retained cash and cash equivalents at end of the period	5,497	4,475	5,497	4,475	6,373

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 June 30, 2021, 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 they were therefore prepared in a format similar to that of the interim financial statements of insurance companies.

B. Spread of the COVID-19 virus

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. After the Reporting Period there was a resurgence of morbidity in Israel. Nevertheless, at this stage there is no certainty as to whether this resurgence will cause the government to impose significant restrictions on economic activity in Israel.

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 them together with the financial statements as at and for the year ended December 31, 2020 ("the Annual Financial Statements"). Moreover, the condensed consolidated, interim 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 August 30, 2021.

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.

C. Functional and presentation currency

The condensed interim consolidated 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 is rounded to the nearest million.

D. Reclassification

In some sections of the financial statements and some of the Notes, reclassifications of insignificant amounts of comparative figures were made. These reclassifications did not have any effect on the Company’s equity and/or on profit or loss and/or comprehensive income.

Note 3 - Significant accounting policies

The Group's accounting policies in these condensed consolidated interim financial statements are the policies applied in the annual financial statements.

A. New standards not yet adopted

New accounting standards and amendments to accounting standards that have been published but have not yet been applied in the Company's financial reports appear in the annual reports. Since the publication of the annual reports, no new accounting standards or amendments to accounting standards have been published that are relevant to the Company's financial reports.

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 principal 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 the illness and hospitalization branches, personal accident, long-term care, foreign workers, travel and dental insurance branches. 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 six months ended June 30, 2021 (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	2,958	2,597	1,680	229	-	-	(2)	7,462
Premiums earned by reinsurers	88	144	599	43	-	-	(2)	872
Earned premiums - retention	2,870	2,453	1,081	186	-	-	-	6,590
Profit from investments, net, and financing income	5,153	574	228	25	13	350*	(1)	6,342
Income from management fees	768	2	-	-	107	6	-	883
Income from commissions	16	9	119	8	-	48**	(34)	166
Total income	8,807	3,038	1,428	219	120	404	(35)	13,981
Payments and changes in liabilities for insurance contracts and investment contracts, gross	7,641	2,679	1,502	175	-	-	(1)	11,996
Reinsurers' share in payments and changes in liabilities for insurance contracts	69	233	451	23	-	-	(1)	775
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	7,572	2,446	1,051	152	-	-	-	11,221
Commissions, marketing expenses and other acquisition costs	517	453	347	48	-	3***	(34)	1,334
General and administrative expenses	291	147	19	13	82	69****	(1)	620
Other expenses	1	-	-	1	1	2	-	5
Financing expenses , net	8	24	7	-	2	111	-	152
Total expenses	8,389	3,070	1,424	214	85	185	(35)	13,332
Company's share of profits of equity accounted investees	5	7	18	-	-	32	-	62
Profit (loss) before income taxes	423	(25)	22	5	35	251	-	711
Other comprehensive income (loss), before income tax	(19)	12	63	(10)	-	24	-	70
Total comprehensive income (loss) before income tax	404	(13)	85	(5)	35	275*****	-	781
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,860	6,992	9,878	612	-	-	(5)	29,337
Liabilities in respect of yield dependent insurance contracts and investment contracts	69,484	6,151	-	-	-	-	-	75,635

* Total investment profits are for 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 33 million are commissions paid to these agencies 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 37 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 NIS 8 million.

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the three months ended June 30, 2021 (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	1,512	1,315	854	111	-	-	(1)	3,791
Premiums earned by reinsurers	45	72	303	21	-	-	(1)	440
Earned premiums - retention	1,467	1,243	551	90	-	-	-	3,351
Profit from investments, net, and financing income	2,705	312	121	13	6	190*	-	3,347
Income from management fees	364	1	-	-	56	5	-	426
Income from commissions	7	5	60	4	-	23**	(16)	83
Total income	4,543	1,561	732	107	62	218	(16)	7,207
Payments and changes in liabilities for insurance contracts and investment contracts, gross	4,008	1,309	812	83	-	-	-	6,212
Reinsurers' share in payments and changes in liabilities for insurance contracts	37	124	250	8	-	-	-	419
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	3,971	1,185	562	75	-	-	-	5,793
Commissions, marketing expenses and other acquisition costs	262	226	186	23	-	2***	(17)	682
General and administrative expenses	133	71	10	6	43	47****	-	310
Other expenses	1	-	-	-	-	2	1	4
Financing expenses (income), net	5	17	(9)	-	1	68	-	82
Total expenses	4,372	1,499	749	104	44	119	(16)	6,871
Company's share of profits of equity accounted investees	4	5	12	-	-	21	-	42
Profit (loss) before income tax	175	67	(5)	3	18	120	-	378
Other comprehensive income (loss), before income tax	7	19	48	(3)	-	(10)	-	61
Total comprehensive income before income tax	182	86	43	-	18	110*****	-	439
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,860	6,992	9,878	612	-	-	(5)	29,337
Liabilities in respect of yield dependent insurance contracts and investment contracts	69,484	6,151	-	-	-	-	-	75,635

* Total investment profits are for 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 17 million are commissions paid to these agencies 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 19 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 NIS 3 million.

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the six months ended June 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	2,973	2,460	1,682	257	-	-	(2)	7,370
Premiums earned by reinsurers	82	151	540	49	-	-	(2)	820
Earned premiums - retention	2,891	2,309	1,142	208	-	-	-	6,550
Profits (losses) from investments, net, and financing income	(2,838)	(207)	19	23	19	(11)*	(1)	(2,996)
Income from management fees	502	1	-	-	95	3	-	601
Income from commissions	16	9	107	11	-	77**	(65)	155
Total income	571	2,112	1,268	242	114	69	(66)	4,310
Payments and changes in liabilities for insurance contracts and investment contracts, gross	(364)	1,749	1,172	188	-	-	(2)	2,743
Reinsurers' share in payments and changes in liabilities for insurance contracts	48	172	386	29	-	-	(2)	633
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	(412)	1,577	786	159	-	-	-	2,110
Commissions, marketing expenses and other acquisition costs	529	466	323	54	-	31***	(65)	1,338
General and administrative expenses	271 [1]	128	17	12	80	56****	(1)	563
Other expenses	4 [1]	-	-	2	12	1	-	19
Financing expenses, net	2	4	3	-	3	77	-	89
Total expenses	394	2,175	1,129	227	95	165	(66)	4,119
Company's share of profits (losses) of equity accounted investees	(7)	(3)	(3)	-	-	11	-	(2)
Profit (loss) before income tax	170	(66)	136	15	19	(85)	-	189
Other comprehensive loss, before income tax	(42)	(26)	(62)	(12)	-	(71)	-	(213)
Total comprehensive income (loss) before income tax	128	(92)	74	3	19	(156)*****	-	(24)
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,787	6,407	9,933	649	-	-	(5)	28,771
Liabilities in respect of yield dependent insurance contracts and investment contracts	58,827	5,259	-	-	-	-	-	64,086

[1] Reclassified

* Total investment losses are 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, about NIS 65 million are commissions paid to these agencies 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 36 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 10 million.

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the three months ended June 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	1,259	1,213	829	123	-	-	(1)	3,423
Premiums earned by reinsurers	41	75	269	23	-	-	(1)	407
Earned premiums - retention	1,218	1,138	560	100	-	-	-	3,016
Profit from investments, net, and financing income	2,987	264	59	11	3	93*	(1)	3,416
Income from management fees	249	1	-	-	45	2	-	297
Income from commissions	3	5	52	6	-	22**	(18)	70
Total income	4,457	1,408	671	117	48	117	(19)	6,799
Payments and changes in liabilities for insurance contracts and investment contracts, gross	4,014	1,035	625	80	-	-	(1)	5,753
Reinsurers' share in payments and changes in liabilities for insurance contracts	30	90	192	8	-	-	(1)	319
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	3,984	945	433	72	-	-	-	5,434
Commissions, marketing expenses and other acquisition costs	253	216	172	26	-	3***	(18)	652
General and administrative expenses	120 [1]	59	10	6	38	25****	(1)	257
Other expenses	2 [1]	-	-	1	6	1	-	10
Financing expenses (income), net	2	1	(11)	-	1	42	-	35
Total expenses	4,361	1,221	604	105	45	71	(19)	6,388
Company's share of losses of equity accounted investees	(3)	(1)	(1)	-	-	(1)	-	(6)
Profit before income tax	93	186	66	12	3	45	-	405
Other comprehensive income (loss), before income tax	134	74	87	(1)	-	131	-	425
Total comprehensive income before income tax	227	260	153	11	3	176*****	-	830
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,787	6,407	9,933	649	-	-	(5)	28,771
Liabilities in respect of yield dependent insurance contracts and investment contracts	58,827	5,259	-	-	-	-	-	64,086

[1] Reclassified

* Total investment profits are 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, about NIS 18 million are commissions paid to these agencies 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 18 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, 2020 (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	6,116	4,953	3,391	495	-	-	(4)	14,951
Premiums earned by reinsurers	166	315	1,104	94	-	-	(4)	1,675
Earned premiums - retention	5,950	4,638	2,287	401	-	-	-	13,276
Profit from investments, net, and financing income	2,923	364	203	40	28	170*	(3)	3,725
Income from management fees	1,179	2	-	-	192	11	-	1,384
Income from commissions	34	16	215	20	-	125**	(98)	312
Total income	10,086	5,020	2,705	461	220	306	(101)	18,697
Payments and changes in liabilities for insurance contracts and investment contracts, gross	8,048	4,191	2,305	375	-	-	(3)	14,916
Reinsurers' share in payments and changes in liabilities for insurance contracts	107	434	712	62	-	-	(3)	1,312
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	7,941	3,757	1,593	313	-	-	-	13,604
Commissions, marketing expenses and other acquisition costs	1,032	904	708	104	-	35***	(98)	2,685
General and administrative expenses	580	275	39	24	161	130****	(3)	1,206
Other expenses	7	-	-	3	14	1	-	25
Financing expenses (income), net	6	14	(23)	1	5	166	-	169
Total expenses	9,566	4,950	2,317	445	180	332	(101)	17,689
Company's share of profits (losses) of equity accounted investees	(3)	(7)	(22)	-	-	45	-	13
Profit before income tax	517	63	366	16	40	19	-	1,021
Other comprehensive income (loss) before income tax	25	14	(23)	(19)	-	190	-	187
Total comprehensive income (loss) before income tax	542	77	343	(3)	40	209*****	-	1,208
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,738	6,600	9,453	631	-	-	(5)	28,417
Liabilities in respect of yield dependent insurance contracts and investment contracts	64,582	5,720	-	-	-	-	-	70,302

* Total investment profits are 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, about NIS 96 million are commissions paid to these agencies 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 69 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 19 million.

Note 4 - Operating segments (contd.)

B. Additional information about the non-life insurance segment

	For the six months ended June 30, 2021 (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	318	561	558	614	(1)	2,050
Reinsurance premiums	4	9	440	212	-	665
Premiums in retention	314	552	118	402	(1)	1,385
Change in outstanding unearned premiums, in retention	54	118	13	122	(3)	304
Earned premiums - retention	260	434	105	280	2	1,081
Profits from investments, net, and financing income	81	16	12	110	9	228
Income from commissions	-	2	91	26	-	119
Total income	341	452	208	416	11	1,428
Payments and changes in liabilities for insurance contracts, gross	358	345	252	562	(15)	1,502
Reinsurers' share of payments and change in liabilities for insurance contracts	11	3	214	223	-	451
Payments and changes in liabilities for insurance contracts in retention	347	342	38	339	(15)	1,051
Commissions, marketing expenses and other acquisition costs	50	106	118	73	-	347
General and administrative expenses	4	5	3	6	1	19
Financing expenses, net	3	1	-	3	-	7
Total expenses (income)	404	454	159	421	(14)	1,424
Company's share of profits of equity accounted investees	7	1	-	10	-	18
Profit (loss) before income tax	(56)	(1)	49	5	25	22
Other comprehensive income before income tax	24	5	1	33	-	63
Total comprehensive income (loss) before income tax	(32)	4	50	38	25	85
Liabilities for insurance contracts, gross, as at June 30, 2021	2,569	656	1,007	5,427	219	9,878
Liabilities for insurance contracts, in retention as at June 30, 2021	2,500	645	173	3,411	219	6,948

* Property and other branches consist mainly of results from the property loss insurance and comprehensive homeowners branches, where the activity from these branches accounts for 78% of all premiums in these lines of business

** Other liabilities branches consist mainly of third-party insurance and professional liability branches where the activity from these branches accounts for 78% of all premiums in these lines of business

Note 4 - Operating segments (contd.)

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

	For the three months ended June 30, 2021 (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	116	222	245	204	-	787
Reinsurance premiums	2	4	199	89	-	294
Premiums in retention	114	218	46	115	-	493
Change in outstanding unearned premiums, in retention	(16)	(10)	(6)	(26)	-	(58)
Earned premiums - retention	130	228	52	141	-	551
Profits from investments, net, and financing income	43	9	7	57	5	121
Income from commissions	-	1	44	15	-	60
Total income	173	238	103	213	5	732
Payments and changes in liabilities for insurance contracts, gross	193	192	139	293	(5)	812
Reinsurers' share of payments and change in liabilities for insurance contracts	9	1	121	119	-	250
Payments and changes in liabilities for insurance contracts in retention	184	191	18	174	(5)	562
Commissions, marketing expenses and other acquisition costs	27	62	57	40	-	186
General and administrative expenses	2	4	-	4	-	10
Financing income, net	(3)	-	-	(6)	-	(9)
Total expenses (income)	210	257	75	212	(5)	749
Company's share of profits of equity accounted investees	5	1	-	6	-	12
Profit (loss) before income tax	(32)	(18)	28	7	10	(5)
Other comprehensive income before income tax	18	4	1	25	-	48
Total comprehensive income (loss) before income tax	(14)	(14)	29	32	10	43
Liabilities for insurance contracts, gross, as at June 30, 2021	2,569	656	1,007	5,427	219	9,878
Liabilities for insurance contracts, in retention as at June 30, 2021	2,500	645	173	3,411	219	6,948

* Property and other branches consist mainly of results from the property loss insurance and comprehensive homeowners branches, where the activity from these branches accounts for 78% of all premiums in these lines of business

** Other liabilities branches consist mainly of third-party insurance and professional liability branches where the activity from these branches accounts for 71% of all premiums in these lines of business

Note 4 - Operating segments (contd.)

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

	For the six months ended June 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	361	512	525	550	(2)	1,946
Reinsurance premiums	3	8	407	188	-	606
Premiums in retention	358	504	118	362	(2)	1,340
Change in outstanding unearned premiums, in retention	66	90	9	39	(6)	198
Earned premiums - retention	292	414	109	323	4	1,142
Profits from investments, net, and financing income	5	1	6	6	1	19
Income from commissions	-	2	83	22	-	107
Total income	297	417	198	351	5	1,268
Payments and changes in liabilities for insurance contracts, gross	231	266	300	393	(18)	1,172
Reinsurers' share of payments and change in liabilities for insurance contracts	(5)	6	258	127	-	386
Payments and changes in liabilities for insurance contracts in retention	236	260	42	266	(18)	786
Commissions, marketing expenses and other acquisition costs	43	90	112	78	-	323
General and administrative expenses	5	6	4	1	1	17
Financing expenses, net	1	-	-	2	-	3
Total expenses (income)	285	356	158	347	(17)	1,129
Company's share of profits of equity accounted investees	(1)	-	-	(2)	-	(3)
Profit before income tax	11	61	40	2	22	136
Other comprehensive income before income tax	(22)	(4)	(1)	(30)	(5)	(62)
Total comprehensive income (loss) before income tax	(11)	57	39	(28)	17	74
Liabilities for insurance contracts, gross, as at June 30, 2020	2,692	608	994	5,375	264	9,933
Liabilities for insurance contracts, in retention as at June 30, 2020	2,596	595	172	3,350	264	6,977

* Property and other branches consist mainly of results from the property loss insurance and comprehensive homeowners branches, where the activity from these branches accounts for 77% of all premiums in these lines of business

** Other liabilities branches consist mainly of third-party insurance and professional liability branches where the activity from these branches accounts for 78% of all premiums in these lines of business.

Note 4 - Operating segments (contd.)

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

	For the three months ended June 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	72	170	234	179	(1)	654
Reinsurance premiums	1	3	186	77	-	267
Premiums in retention	71	167	48	102	(1)	387
Change in outstanding unearned premiums, in retention	(65)	(41)	(6)	(58)	(3)	(173)
Earned premiums - retention	136	208	54	160	2	560
Profits from investments, net, and financing income	21	4	4	25	5	59
Income from commissions	-	1	38	13	-	52
Total income	157	213	96	198	7	671
Payments and changes in liabilities for insurance contracts, gross	145	128	119	242	(9)	625
Reinsurers' share of payments and change in liabilities for insurance contracts	(1)	2	100	91	-	192
Payments and changes in liabilities for insurance contracts in retention	146	126	19	151	(9)	433
Commissions, marketing expenses and other acquisition costs	25	51	53	43	-	172
General and administrative expenses	4	4	1	-	1	10
Financing expenses, net	(4)	(1)	-	(6)	-	(11)
Total expenses (income)	171	180	73	188	(8)	604
Company's share of profits of equity accounted investees	-	-	-	(1)	-	(1)
Profit (loss) before income tax	(14)	33	23	9	15	66
Other comprehensive income before income tax	33	6	2	40	6	87
Total comprehensive income before income tax	19	39	25	49	21	153
Liabilities for insurance contracts, gross, as at June 30, 2020	2,692	608	994	5,375	264	9,933
Liabilities for insurance contracts, in retention as at June 30, 2020	2,596	595	172	3,350	264	6,977

* Property and other branches consist mainly of results from the property loss insurance and comprehensive homeowners branches, where the activity from these branches accounts for 76% of all premiums in these lines of business

** Other liabilities branches consist mainly of third-party insurance and professional liability branches where the activity from these branches accounts for 73% of all premiums in these lines of business.

Note 4 - Operating segments (contd.)

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

	For the year ended December 31, 2020 (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	562	871	1,026	870	(3)	3,326
Reinsurance premiums	7	13	803	343	-	1,166
Premiums in retention	555	858	223	527	(3)	2,160
Change in outstanding unearned premiums, in retention	3	10	(1)	(128)	(11)	(127)
Earned premiums - retention	552	848	224	655	8	2,287
Profit from investments, net, and financing income	72	13	17	93	8	203
Income from commissions	-	4	166	45	-	215
Total income	624	865	407	793	16	2,705
Payments and changes in liabilities for insurance contracts, gross	411	560	496	876	(38)	2,305
Reinsurers' share of payments and change in liabilities for insurance contracts	(7)	8	424	287	-	712
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	418	552	72	589	(38)	1,593
Commissions, marketing expenses and other acquisition costs	100	214	232	162	-	708
General and administrative expenses	8	9	10	9	3	39
Financing income, net	(9)	(2)	(1)	(11)	-	(23)
Total expenses (income)	517	773	313	749	(35)	2,317
Company's share of losses of equity accounted investees	(9)	(2)	(1)	(10)	-	(22)
Profit before income tax	98	90	93	34	51	366
Other comprehensive income (loss) before income tax	(10)	(2)	-	(13)	2	(23)
Total comprehensive income before income tax	88	88	93	21	53	343
Liabilities for insurance contracts, gross, as at December 31, 2020	2,524	500	935	5,255	239	9,453
Liabilities for insurance contracts, retention, as at December 31, 2020	2,447	490	155	3,275	239	6,606

* Property and other branches consist mainly of results from the property loss insurance and comprehensive homeowners branches, where the activity from these branches accounts for 78% of all premiums in these lines of business

** Other liabilities branches consist mainly of third-party insurance and professional liability branches where the activity from these branches accounts for 73% of all premiums in these lines of business.

Note 4 - Operating segments (contd.)

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

	For the six months ended June 30, 2021 (Unaudited)				For the six months ended June 30, 2020 (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	-	-	2,958	2,958	-	-	2,973	2,973
Premiums earned by reinsurers	-	-	88	88	-	-	82	82
Earned premiums - retention	-	-	2,870	2,870	-	-	2,891	2,891
Profit (loss) from investments, net, and financing income	1	1	5,151	5,153	-	-	(2,838)	(2,838)
Income from management fees	123	172	473	768	123	161	218	502
Income from commissions	-	-	16	16	-	-	16	16
Total income	124	173	8,510	8,807	123	161	287	571
Payments and changes in liabilities for insurance contracts and investment contracts, gross	1	7	7,633	7,641	1	7	(372)	(364)
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	69	69	-	-	48	48
Payments and changes in liabilities for insurance contracts and investment contracts in retention	1	7	7,564	7,572	1	7	(420)	(412)
Commissions, marketing expenses and other acquisition costs	49	61	407	517	48	58	423	529
General and administrative expenses	41	67	183	291	44	63*	164	271
Other expenses	-	1	-	1	4	-*	-	4
Financing expenses, net	-	-	8	8	-	-	2	2
Total expenses	91	136	8,162	8,389	97	128	169	394
Company's share of profits (losses) of equity accounted investees	-	-	5	5	-	-	(7)	(7)
Profit before income tax	33	37	353	423	26	33	111	170
Other comprehensive income (loss) before income tax	1	-	(20)	(19)	(1)	(3)	(38)	(42)
Total comprehensive income before income tax	34	37	333	404	25	30	73	128

* Reclassified

Note 4 - Operating segments (contd.)

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

	For the three months ended June 30, 2021 (Unaudited)				For the three months ended June 30, 2020 (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	-	-	1,512	1,512	-	-	1,259	1,259
Premiums earned by reinsurers	-	-	45	45	-	-	41	41
Earned premiums - retention	-	-	1,467	1,467	-	-	1,218	1,218
Profit from investments, net, and financing income	1	-	2,704	2,705	-	-	2,987	2,987
Income from management fees	61	88	215	364	61	79	109	249
Income from commissions	-	-	7	7	-	-	3	3
Total income	62	88	4,393	4,543	61	79	4,317	4,457
Payments and changes in liabilities for insurance contracts and investment contracts, gross	-	4	4,004	4,008	-	4	4,010	4,014
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	37	37	-	-	30	30
Payments and changes in liabilities for insurance contracts and investment contracts in retention	-	4	3,967	3,971	-	4	3,980	3,984
Commissions, marketing expenses and other acquisition costs	24	33	205	262	23	27	203	253
General and administrative expenses	20	31	82	133	20	30*	70	120
Other expenses	-	1	-	1	2	-*	-	2
Financing expenses, net	-	-	5	5	-	-	2	2
Total expenses	44	69	4,259	4,372	45	61	4,255	4,361
Company's share of profits (losses) of equity accounted investees	-	-	4	4	-	-	(3)	(3)
Profit before income tax	18	19	138	175	16	18	59	93
Other comprehensive income before income tax	1	-	6	7	1	1	132	134
Total comprehensive income before income tax	19	19	144	182	17	19	191	227

* Reclassified

Note 4 - Operating segments (contd.)

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

	For the year ended December 31, 2020			
	Provident	Pension	Life assurance	Total
	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	-	-	6,116	6,116
Premiums earned by reinsurers	-	-	166	166
Earned premiums - retention	-	-	5,950	5,950
Profit from investments, net, and financing income	1	2	2,920	2,923
Income from management fees	247	333	599	1,179
Income from commissions	-	-	34	34
Total income	248	335	9,503	10,086
Payments and changes in liabilities for insurance contracts and investment contracts, gross	2	13	8,033	8,048
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	107	107
Payments and changes in liabilities for insurance contracts and investment contracts in retention	2	13	7,926	7,941
Commissions, marketing expenses and other acquisition costs	96	122	814	1,032
General and administrative expenses	87	129	364	580
Other expenses	6	1	-	7
Financing expenses, net	-	-	6	6
Total expenses	191	265	9,110	9,566
Company's share of losses of equity accounted investees	-	-	(3)	(3)
Profit before income tax	57	70	390	517
Other comprehensive income (loss) before income tax	-	(2)	27	25
Total comprehensive income before income tax	57	68	417	542

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 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			
For the six months ended June 30, 2021 (Unaudited)							
Gross premiums	40	428	-	1,794	629	71	2,962
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(4)
Total							2,958
Amounts received for investment contracts recognized directly in insurance reserves	-	-	14	1,502	-	-	1,516
Financial margin including management fees - in terms of comprehensive income (2)	26	293	17	178	-	-	514
Payments and changes in liabilities for insurance contracts, gross	351	2,449	28	3,578	335	69	6,810
Payments and change in liabilities for investment contracts	-	-	4	819	-	-	823
Total comprehensive income (loss) from life assurance business	13	251	12	13	46	(2)	333
For the three months ended June 30, 2021 (Unaudited)							
Gross premiums	19	214	-	924	320	37	1,514
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(2)
Total							1,512
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	829	-	-	829
Financial margin including management fees - in terms of comprehensive income (2)	12	123	8	90	-	-	233
Payments and changes in liabilities for insurance contracts, gross	230	1,214	22	1,959	186	31	3,642
Payments and change in liabilities for investment contracts	-	-	-	362	-	-	362
Total comprehensive income (loss) from life assurance business	4	108	7	-	20	5	144

(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 the 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. On 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 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			
For the six months ended June 30, 2020 (Unaudited)							
Gross premiums	45	446	-	1,816	593	77	2,977
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(4)
Total							2,973
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	1,309	-	-	1,309
Financial margin including management fees - in terms of comprehensive income (2)	(29)	65	(13)*	153	-	-	176
Payments and changes in liabilities for insurance contracts, gross	101	(641)	(137)	760	295	55	433
Payments and change in liabilities for investment contracts	-	-	-	(805)	-	-	(805)
Total comprehensive income (loss) from life assurance business	11	(5)	121	(33)	(30)	9	73
For the three months ended June 30, 2020 (Unaudited)							
Gross premiums	22	219	-	686	298	36	1,261
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(2)
Total							1,259
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	505	-	-	505
Financial margin including management fees - in terms of comprehensive income (2)	85	33	47*	76	-	-	241
Payments and changes in liabilities for insurance contracts, gross	25	1,412	-	1,726	181	33	3,377
Payments and change in liabilities for investment contracts	-	-	1	632	-	-	633
Total comprehensive income (loss) from life assurance business	155	17	44	(39)	10	4	191

* Reclassified

(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 the 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. On 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, 2020 (Audited)	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
					Risk that was sold as a stand-alone policy		
			from 2004				
	Until 1990 (1)	Up to 2003	Not yield-dependent	Yield dependent	Personal lines	Group	Total
				NIS million			
Gross premiums	86	877	-	3,818	1,192	150	6,123
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(7)
Total							6,116
Amounts received for investment contracts recognized directly in insurance reserves	-	-	66	2,397	-	-	2,463
Financial margin including management fees - in terms of comprehensive income (2)	85	287	20	312	-	-	704
Payments and changes in liabilities for insurance contracts, gross	371	2,028	(129)	4,675	581	108	7,634
Payments and change in liabilities for investment contracts	-	-	12	387	-	-	399
Total comprehensive income from life assurance business	82	108	152	15	33	27	417

(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 the 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. On 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
For the six months ended June 30, 2021 (Unaudited)	NIS million				
Gross premiums	379	765	1,296	151	2,591
Payments and changes in liabilities for insurance contracts, gross	538	1,167	849	125	2,679
Total comprehensive income (loss) from health insurance business	(48)	(73)	110	(2)	(13)

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
	NIS million				
For the three months ended June 30, 2021 (Unaudited)					
Gross premiums	190	385	655	85	1,315
Payments and changes in liabilities for insurance contracts, gross	195	584	464	66	1,309
Total comprehensive income (loss) from health insurance business	85	(34)	36	(1)	86

* Of this, personal lines premiums in the amount of NIS 889 million and NIS 459 million for the six and three months ended June 30, 2021, respectively, and group premiums in the amount of NIS 558 million and NIS 281 million for the six and three months ended June 30, 2021, respectively.

** The most significant cover included in other long-term health is medical expenses, and for the short term is foreign workers.

Note 4 - Operating segments (contd.)

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

Results by policy category (contd.)

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
For the six months ended June 30, 2020 (Unaudited)	NIS million				
Gross premiums	381	720	1,191	131	2,423
Payments and changes in liabilities for insurance contracts, gross	413	530	652	154	1,749
Total comprehensive income (loss) from health insurance business	(122)	(56)	115	(29)	(92)

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
For the three months ended June 30, 2020 (Unaudited)	NIS million				
Gross premiums	190	361	589	49	1,189
Payments and changes in liabilities for insurance contracts, gross	119	566	277	73	1,035
Total comprehensive income (loss) from health insurance business	146	(28)	163	(21)	260

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
For the year ended December 31, 2020 (Audited)			NIS million		
Gross premiums	757	1,463	2,415	298	4,933
Payments and changes in liabilities for insurance contracts, gross	774	1,680	1,455	282	4,191
Total comprehensive income (loss) from health insurance business	30	(95)	182	(40)	77

* Of this, personal lines premiums in the amount of NIS 817 million and NIS 392 million for the six and three months ended as at June 30, 2020, respectively (personal lines premiums of NIS 1,675 million as at December 31, 2020) and group premiums in the amount of NIS 505 million and NIS 246 million for the six and three months ended June 30, 2020, respectively (group premiums of NIS 1,038 million as at December 31, 2020).

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

Note 5 - Taxes on income

The tax rates applicable to the income of the Group companies

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

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 at a rate of 23%, profit tax at a rate of 17%, namely a weighted tax rate of 34.19%.

In July 2020, a memorandum of law was published amending the Income Tax Ordinance. In its present format, the memorandum of law discusses, among other things, certain changes in Israel's tax laws, including changes on matters relating to the taxation of partnerships. Completion of the legislation relating to the memorandum of law is subject to various legislative processes in the Knesset, in the course of which the memorandum may undergo more than a few changes.

The Group companies have begun, but have not yet completed, a review of the possible effects of the memorandum of Law, to the extent that it is approved in its present format, on the tax issues relevant to them.

On a taxation decision on the restructuring of Harel Group, see Note 10(1).

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 June 30		As at December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Investment property	**1,810**	1,800	1,802
Financial investments			
Marketable debt assets	**20,338**	21,064	21,331
Non-marketable debt assets (*)	**15,531**	14,753	14,745
Shares	**15,840**	10,661	13,322
Other financial investments	**17,951**	12,283	15,209
Total financial investments	**69,660**	58,761	64,607
Cash and cash equivalents	**3,447**	2,640	3,452
Other	**1,221**	1,422	1,148
Total assets for yield-dependent contracts **	**76,138**	64,623	71,009
Payables	**606**	394****	726
Financial liabilities ***	**103**	229	106
Financial liabilities for yield-dependent contracts	**709**	623	832
(*) Of which, assets measured at adjusted cost	**440**	481	451
Fair value of debt assets measured at adjusted cost	**505**	525	513

** Including net assets in the amount of NIS 4,975 million, NIS 4,360 million, and NIS 4,695 million as at June 30, 2021 and 2020, and at December 31, 2020 respectively, for a liability attributable to a group long-term care portfolio in which most of the investment risks are not imposed on the insurer.

*** Mainly derivatives and futures contracts.

**** Reclassified

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 June 30, 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	17,568	2,770	-	20,338
Non-marketable debt assets	-	14,167	924	15,091
Shares	13,080	285	2,475	15,840
Other	11,636	112	6,203	17,951
Total	42,284	17,334	9,602	69,220

	As at June 30, 2020 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	18,008	3,056	-	21,064
Non-marketable debt assets	-	13,173	1,099	14,272
Shares	8,180	7	2,474	10,661
Other	7,745	117	4,421	12,283
Total	33,933	16,353	7,994	58,280

	As at December 31, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	18,409	2,922	-	21,331
Non-marketable debt assets	-	13,247	1,047	14,294
Shares	10,872	8	2,442	13,322
Other	9,931	285	4,993	15,209
Total	39,212	16,462	8,482	64,156

Note 6 - Financial instruments (contd.)

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

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

For the six and three months periods ended June 30, 2021 (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, 2021	1,047	2,442	4,993	8,482
Total profits (losses) that were recognized:				
In profit and loss (*)	43	290	726	1,059
Interest and dividend receipts	(24)	(131)	(189)	(344)
Purchases	384	124	963	1,471
Sales	-	(39)	(270)	(309)
Redemptions	(510)	-	(20)	(530)
Transfers from Level 3 *	(16)	(211)	-	(227)
Balance as at June 30, 2021	924	2,475	6,203	9,602
(*) Of which total unrealized profits (losses) for the period in respect of financial assets held correct to June 30, 2021	23	178	711	912

*For securities whose rating changed

	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 April 1, 2021	961	2,624	5,551	9,136
Total profits (losses) that were recognized:				
In profit and loss (*)	1	74	311	386
Interest and dividend receipts	(9)	(124)	(108)	(241)
Purchases	228	78	567	873
Sales	-	(10)	(107)	(117)
Redemptions	(255)	-	(11)	(266)
Transfers from Level 3 *	(2)	(167)	-	(169)
Balance as at June 30, 2021	924	2,475	6,203	9,602
(*) Of which total unrealized profits (losses) for the period in respect of financial assets held correct to June 30, 2021	(14)	(5)	311	292

* 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 six and three months periods ended June 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 (*)	-	20	(141)	(121)
Interest and dividend receipts	(30)	(21)	(94)	(145)
Purchases	156	128	747	1,031
Sales	-	(161)	(117)	(278)
Redemptions	(125)	-	(32)	(157)
Transfers to Level 3 *	85	-	-	85
Transfers from Level 3 *	(1)	-	-	(1)
Balance as at June 30, 2020	1,099	2,474	4,421	7,994
(*) Of which total unrealized profits (losses) for the period in respect of financial assets held correct to June 30, 2020	(3)	20	(143)	(126)

	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 April 1, 2020	1,111	2,513	4,276	7,900
Total profits (losses) that were recognized:				
In profit and loss (*)	(1)	(56)	(214)	(271)
Interest and dividend receipts	(15)	(9)	(28)	(52)
Purchases	(7)	34	443	470
Sales	-	(8)	(38)	(46)
Redemptions	(74)	-	(18)	(92)
Transfers to Level 3 *	85	-	-	85
Balance as at June 30, 2020	1,099	2,474	4,421	7,994
(*) Of which total unrealized profits (losses) for the period in respect of financial assets held correct to June 30, 2020	5	(56)	(215)	(266)

* Mainly 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, 2020 (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, 2020	1,014	2,508	4,058	7,580
Total profits (losses) that were recognized:				
In profit and loss (*)	22	7	101	130
Interest and dividend receipts	(49)	(53)	(227)	(329)
Purchases	678	191	1,426	2,295
Sales	-	(211)	(306)	(517)
Redemptions	(704)	-	(59)	(763)
Transfers to Level 3	87	-	-	87
Transfers from Level 3 *	(1)	-	-	(1)
Balance as at December 31, 2020	1,047	2,442	4,993	8,482
(*) Of which total unrealized profits (losses) for the period in respect of financial assets held correct at December 31, 2020	14	(6)	83	91

* 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 June 30 (Unaudited) Book Value		As at December 31 (Audited)	As at June 30 (Unaudited) Fair Value		As at December 31 (Audited)
	2021	2020	2020	2021	2020	2020
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Loans and receivables:						
Earmarked bonds	**5,209**	5,156	5,147	**7,239**	7,127	7,197
Non-marketable, non-convertible debt assets, excluding bank deposits(*)	**7,448**	7,582	7,281	**8,462**	8,488	8,288
Bank deposits	**3,297**	1,754	2,647	**3,386**	1,804	2,698
Total non-marketable debt assets	**15,954**	14,492	15,075	**19,087**	17,419	18,183
Investments held to maturity:						
Marketable non-convertible debt assets	**27**	67	39	**28**	68	40
Total investments held to maturity	**27**	67	39	**28**	68	40
Total	**15,981**	14,559	15,114	**19,115**	17,487	18,223
Impairments recognized in profit and loss (in aggregate)	**35**	47	55			
(*) Of which debt assets measured at fair value	**2,796**	1,277	2,178			

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 June 30, 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	11,108	635	-	11,743
Non-marketable debt assets	-	2,796	-	2,796
Shares	1,518	151	329	1,998
Other	934	82	2,133	3,149
Total	13,560	3,664	2,462	19,686

	As at June 30, 2020 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	9,598	1,435	-	11,033
Non-marketable debt assets	-	1,277	-	1,277
Shares	999	-	396	1,395
Other	1,017	63	1,550	2,630
Total	11,614	2,775	1,946	16,335

	As at December 31, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	10,162	866	-	11,028
Non-marketable debt assets	-	2,178	-	2,178
Shares	1,338	-	292	1,630
Other	1,260	199	1,779	3,238
Total	12,760	3,243	2,071	18,074

Note 6 - Financial instruments (contd.)

B. Other financial investments (contd.)

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

For six and three-months ended June 30, 2021 (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, 2021	292	1,779	2,071
Total profits (losses) that were recognized:			
In profit and loss (*)	50	109	159
In other comprehensive income	4	117	121
Interest and dividend receipts	(51)	(55)	(106)
Purchases	77	299	376
Sales	-	(108)	(108)
Redemptions	-	(8)	(8)
Transfers from Level 3*	(43)	-	(43)
Balance as at June 30, 2021	329	2,133	2,462
(*) Of which total unrealized profits for the period for financial assets held at June 30, 2020	45	69	114

	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 April 1, 2021	333	1,933	2,266
Total profits (losses) that were recognized:			
In profit and loss (*)	(1)	24	23
In other comprehensive income	(28)	57	29
Interest and dividend receipts	(2)	(32)	(34)
Purchases	47	11	228
Sales	-	(27)	(27)
Redemptions	-	(3)	(3)
Transfers from Level 3*	(20)	-	(20)
Balance as at June 30, 2021	329	2,133	2,462
(*) Of which total unrealized profits for the period for financial assets held at June 30, 2021	(1)	13	12

Note 6 - Financial instruments (contd.)

B. Other financial investments (contd.)

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

For six and three-months ended June 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	(10)	(8)
In other comprehensive income	(17)	(33)	(50)
Interest and dividend receipts	(1)	(30)	(31)
Purchases	91	183	274
Sales	(54)	(149)	(203)
Redemptions	-	(24)	(24)
Balance as at June 30, 2020	396	1,550	1,946
(*) Of which total unrealized profits for the period for financial assets held at June 30, 2020	1	(16)	(15)

	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 April 1, 2020	457	1,512	1,969
Total profits (losses) that were recognized:			
In profit and loss (*)	18	(18)	-
In other comprehensive income	(50)	(28)	(78)
Interest and dividend receipts	(1)	(8)	(9)
Purchases	26	112	138
Sales	(54)	(11)	(65)
Redemptions	-	(9)	(9)
Balance as at June 30, 2020	396	1,550	1,946
(*) Of which total unrealized profits for the period for financial assets held at June 30, 2020	17	(21)	(4)

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, 2020 (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 1,2020	375	1,613	1,988
Total profits (losses) that were recognized:			
In profit and loss (*)	8	55	63
In other comprehensive income	(25)	(23)	(48)
Interest and dividend receipts	(6)	(71)	(77)
Purchases	108	455	563
Sales	(168)	(222)	(390)
Redemptions	-	(28)	(28)
Balance as at December 31, 2020	292	1,779	2,071
(*) Of which total unrealized profits for the period for financial assets held at December 31, 2020	7	33	40

Note 6 - Financial instruments (contd.)

C. Financial liabilities

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

	As at June 30		December 31	As at June 30		December 31
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	Book Value			Fair Value		
	2021	2020	2020	2021	2020	2020
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Loans from banks *	**469**	491	453	**488**	502	474
Short-term credit from banks and others	**213**	29	1	**213**	29	1
Bonds *	**5,317**	5,181	5,506	**5,835**	5,571	6,027
Total financial liabilities presented at amortized cost	**5,999**	5,701	5,960	**6,536**	6,102	6,502
Subordinated liability notes issued for compliance with the capital requirements	**4,468**	4,514	4,878			

* Including subordinated liability notes

2. Interest rates used to determine the fair value

	As at June 30		As at December 31
	2021	2020	2020
Loans	**1.63%**	2.71%	1.90%
Bonds	**0.87%**	1.63%	1.13%

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 June 30, 2021 (Unaudited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	19	172	191
Short sales (2)	1,816	249	2,065
Total financial liabilities	1,835	421	2,256

	As at June 30, 2020 (Unaudited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	50	488	538
Short sales (2)	550	-	550
Total financial liabilities	600	488	1,088

	As at December 31, 2020 (Audited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	4	284	288
Short sales (2)	1,466	80	1,546
Total financial liabilities	1,470	364	1,834

(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 87 million, NIS 310 million, and NIS 181 million as at June 30, 2021 and 2020 and at December 31, 2020, 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. Against these liabilities, the financial institutions deposited collateral in accordance with the conditions prescribed in the contract. The Group's financial institutions have approved credit facilities for its derivative activity. Pursuant to the foregoing, the Group's financial institutions deposited NIS 367 million, NIS 1,025 million, and NIS 469 million at June 30, 2021 and 2020 and December 31, 2020, respectively, as collateral to cover their liabilities arising from this activity (these collaterals are presented within trade payables.)

(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 posted short sales of NIS 670 million as part of this activity. The outstanding backing amounts as at June 30, 2021, are NIS 1,900 million.

Note 6 - Financial instruments (contd.)

C. Financial liabilities (contd.)

4. Additional information

1. Maalot rating

   On March 1, 2021, Maalot announced that the capital assessment and rating ('ilAA+/stable') for the subsidiary Harel Insurance remained unchanged after the announcement by Harel Insurance of the restructuring and dividend distribution policy, as specified in Note 10(1) and Note 9(4), respectively.

2. Midroog Rating

   On 24 February 2021, Midroog announced an Issuer's Rating of Aa2.il for Harel Investments with a stable rating outlook.

   On February 24, 2021, Midroog announced a financial strength rating for Harel Insurance of 'Aa1.il', rating outlook stable, and ratings of 'Aa2.il(hyb)' for liability notes that form subordinate tier-2 capital (Series 1) and subordinate liability notes (hybrid tier-3 capital), Series 6-8 bonds issued by Hare Financing & Issuing, a wholly owned subsidiary of Harel Insurance, and ratings of 'Aa3.il(hyb)' for subordinate liability notes (tier-2 capital) what were issued by Hare Financing & Issuing as part of Series 5, 9 and 17 bonds, rating outlook stable.

3. Issue of Series 1 bonds of the Company

   After the Reporting Period, the Company published a shelf offering report according to a shelf prospectus from July 23, 2020. As part of the shelf offering report, the Company issued 250 million par value bonds (Series 1) by way of the issue of a new series, for a total (gross) consideration of NIS 250 million.

   The bonds were offered to the public in a uniform offering by way of a tender for the rate of interest that the Series 1 bonds will bear. The annual rate of interest determined in the tender is 1.95%, and accordingly the semi-annual interest rate payable for the unsettled balance of the Series 1 bonds is 0.975%.

   The Series 1 bonds are due for repayment (principal) in 28 semi-annual payments, from June 30, 2022 through December 31, 2035 so that each of the first 27 payments will constitute 3.57% of the nominal value of the principal and the twenty-eighth and final payment will be 3.61% of the nominal value of the principal.

   As part of the deed of trust of the Company's Series 1 bonds, the Company undertook that as long as the Series 1 bonds have not been fully repaid, it will not create a floating charge on all its assets, unless it received, in advance, the consent of the bond holders or, alternatively, at that date the Company creates such a lien for the Series 1 bond holders as well, of the same ranking. Additionally, regarding the Series 1 bonds, the Company undertook limitations pertaining to the distribution of a dividend, expansion of the Series 1 bond series and it also undertook to meet financial covenants in which the Company's equity, according to its financial statements, will not be less than NIS 3 billion and that the Company's net debt to asset ratio according to its separate financial statements will not be more than 50 percent. For additional information see the shelf offering report. At the date of publication of the report, the Company is in compliance with the prescribed financial covenants.

   For the purpose of this issuance, on July 5, 2021, Midroog announced a rating of Aa2.il, stable outlook, for the issue of the Series 1 bonds in the amount of NIS 250 million par value.

4. Financial covenants

   For information relating to the financial covenants in respect of significant loans that the Company took from banks and non-bank companies, see Note 24 to the annual financial statements. As at June 30, 2021, the Company is in compliance with the financial covenants that were determined. Regarding financial covenants for Series 1 bonds, see Note 6(4)3 above.

5. Full early redemption of bonds (Series 5) of Harel Financing & Issuing

   On May 11, 2021, the board of directors of Harel Financing & Issuing, a subsidiary of Harel Insurance, resolved to make full, early redemption, of the Series 5 bonds it had issued, which was implemented on May 31, 2021.

Note 6 - Financial instruments (contd.)

C. Financial liabilities (contd.)

4. Additional information (contd.)

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

On February 7, 2021, Harel Exchange Traded Deposit Ltd. (a second-tier subsidiary fully owned by Harel Finance), issued NIS 219 million par value Series 1 bonds to the public, by means of a shelf offering in accordance with a prospectus dated July 31, 2019. The proceeds of the bond issue were NIS 221 million. After the reporting date, a request was received to perform a forced sale in the amount of NIS 78 million par value. The sale accounts for 10.62% of the total series. At the date of approval of the financial statements, the Company worked and is working to perform the sale in accordance with the provisions of the Deed of Trust.

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 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, among others, due to information gaps between the Group's companies and 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 method of investing the funds of insureds and plan members. It is impossible to anticipate in advance the types of arguments that might be raised in this sector, and the exposure resulting from these and other allegations in connection with the Group's products which are raised as part of various legal proceedings, *inter alia*, through the procedural mechanism set out 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 demands 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 administered through complex automated systems, and in view of these changes they must be constantly adjusted. All these create considerable operational and automation 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 framework of activity that a financial institution must implement 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 was scheduled for completion on June 30, 2016. At that date, the Company 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 operations conducted as part of the project.

Additionally, there is general exposure due to complaints submitted from time to time to the Capital Markets, Insurance and Savings Authority against the Group's financial institutions, regarding the rights of insureds relating to the insurance policies and/or the law. These complaints are handled on a current basis by the public complaints division within the Company. Decisions made by the Capital Market, Insurance and Savings Authority on these complaints, if and to the extent that any decision is made, might be given 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 range 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 pension and provident, health and personal accident, long-term care, non-life insurance, customer service sectors, as well as claims settlement, actuarial practices and public complaints.

Within the context of investments made by the Group companies in debt assets, the investing companies are signed on indemnity notes for 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 applications to recognize claims as class actions filed against the Company and/or companies in the Group.

In motions to certify legal actions as class actions as detailed below, in which, 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 applications 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.

Regarding motions to approve an action as a class action under Sections 50, 51, 53, 54, 55, 56, 57, 58, 59 and 60 below, at this early stage it is not possible 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, an application 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 stayed until a decision has been made on the application 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 dated 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 appear at the proceeding in person and in February 2020 he submitted his position supporting the judgment and the trend it reflects to strengthen the weight that should be given to the regulator’s professional position in the interpretation of his instructions and that in his view, there should be no involvement in the decision 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 that another hearing on the judgment took place before a panel of seven judges and on July 4, 2021, a ruling was handed down in the additional hearing whereby the decision of the District Court, which determined that the motion for certification was accepted, it will remain unchanged and the case will be returned to the District Court for a hearing on the class action..

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 Region 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. In December 2020, the Attorney General submitted a preliminary position on the reviewer's report which includes several comments, including, among others, comments on the individual compensation mechanism and the issue of locating insureds, as well as a request to submit his final position after the reviewer's reports have been received in relation to all the respondents in the proceeding. In August 2021, the Attorney General submitted an additional position regarding the reviewer's reports relating to the Defendants in which he reiterated his comments from the first position he had submitted in December 2020, and he made several additional comments.

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 an application for its 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 may 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 reduce the future collection for the policy factor from these class members at a rate of 25% relative to the amount actually collected. The Defendants also agreed to bear the compensation to the class plaintiff and cover the cost of his lawyer’s fees, by 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 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 insured were impaired by 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 in parallel to conducting the class action.

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. In its judgment dated December 13, 2020, the Tel Aviv District Court ordered the claim to be dismissed ("the Judgment"). In January 2021, the plaintiff in the motion for certification filed an appeal on the Judgment in the Supreme Court.
5. In May 2013, 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. The subject of the action is the allegation that Harel Insurance 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. On February 28, 2021, a partial ruling was given on the action (the "Partial Ruling") adopting the ruling in the certification decision according to which the class action was accepted. According to the Partial Ruling, the group is defined as any eligible person (insured, beneficiary or third party) who in the period commencing three years prior to filing the action and its termination on the day of giving the Partial Ruling, received from Harel Insurance, not in accordance with a ruling on his affairs, insurance compensation without the inclusion of interest by law. Furthermore, the court stipulated that for the purpose of exercising the ruling, an expert will be appointed to determine the method of refunding the group members and calculating the amount of the refund, and it also determined that expenses will be paid to the representative plaintiffs and legal costs to their attorneys. In May 2021, Harel Insurance filed an appeal on the partial ruling in the Supreme Court. In June 2021, the Supreme Court accepted the Defendants' motion to stay implementation of the partial ruling such that the proceeding to appoint an expert for implementation of the partial ruling will be stayed until a decision is made on the appeal proceeding.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

6. 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). In May 2021, the parties filed a motion in the court to approve a compromise settlement in which it was agreed that members of the class, as they are defined in the compromise settlement, will be paid index differences for health insurance benefits that were calculated in the relevant period based on the known index at the beginning of the month and not according to the known index on the date of payment. Validity of the compromise settlement is contingent on the court's approval. To the extent that the compromise settlement is approved, a benefit will be paid to the class plaintiff and legal fees to its attorney, of insignificant amounts.
7. 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 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 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 instructed a stay of the proceedings before the district court until further notice.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

8. 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. At the hearing, which was held at the Supreme Court on May 10, 2021, the motion for permission to appeal and the appeal were dismissed, after the parties accepted the Supreme Court's recommendation to withdraw them, while preserving all their arguments.

9. 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 & 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 cannot be compared with 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 therefore 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

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

9. (Contd.)

companies with respect to annuity recipients. The mediation process conducted by the parties was unsuccessful and the hearing of the action was returned to the court.

10. In November 2014, a motion to certify 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 Court. 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 in its present format should not be approved 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.
11. 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 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. In its ruling dated January 21, 2021, the Tel Aviv District Court ordered the motion for certification as a class action to be struck out. In March 2021, an appeal was served to Dikla on the ruling, which the plaintiff had filed in the Supreme Court in the motion for certification.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

12. 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 proves conducted by the parties was unsuccessful and the hearing on the action was returned for litigation in 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 activity 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 developed to 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 activity of "control of bowel and bladder function" as part of 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.
13. In September 2015, 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 & 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.
14. 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 & 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 Regional Labor Court.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

15. In February 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 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 are conducting 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. In April 2021, the Attorney General's position was submitted to the court according to which he did not see fit to express an opinion in relation to the compromise settlement. Nevertheless, he made it clear that in his opinion, a "technical impairment" should not be construed as an independent cause in its own right and that in practice, the distinction between a technical and a commercial impairment is artificial (impossible). The commercial impairment incorporates all the circumstances surrounding the actual impairment and the different components cannot be separated.
16. 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 the subsidiary 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 & Provident 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, the court 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

17. In September 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 Insurance. The subject of the action is the allegation that Harel Insurance ostensibly collects payment from the holders of the Harel savings policy "Harel Migvan Personal Investments" for a component relating to investment management expenses which may be collected by law, but there is no 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 June 2019, the Tel Aviv 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 in person 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 the claim as a class action should be nullified and the motion for certification should be dismissed. In June 2021, notice was filed on behalf of the Attorney General, in which an update was provided whereby on June 28, 2021, a draft report of the advisory committee to the Commissioner of the Capital Market was published for public comment on the subject of a review of the direct expenses. In his notice, the Attorney General made it clear that in his opinion, the contents of the report will not have any repercussions on the decision in the legal proceeding nor will they change his legal position, and he asked to submit a statement setting out his position with respect to the contents of the report. In July 2021, the Supreme Court accepted the Attorney General's request.

18. 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 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 ostensibly do not need as they have supplementary health insurance from the HMOs to which they belong. The plaintiffs also argue that the Defendants do not disclose to the insureds that this cover is in fact superfluous and/or they make one type of service conditional on another as 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 double 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 plaintiffs estimate that the total loss claimed for all members of the class that they wish to represent against Harel Insurance amounts to NIS 2.2 billion, and to NIS 4.45 billion against all the Defendants. In October 2020, the Tel Aviv District Court denied the application for certification 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. In December 2020, a counter appeal was filed by Harel Insurance regarding the failure to rule expenses in its favor in the judgment given by the District Court.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

19. In October 2016, 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 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 object 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. In December 2020, the parties informed the court of their agreement to enter a mediation process.

20. In October 2016, an action was filed in the Jerusalem District Labor Court together with an application for its certification as a class action against the second-tier subsidiary, 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 together with additional motions to certify pending class actions on the subject of direct expenses in provident funds and education funds. In February 2018, the court ruled that the Commissioner's opinion on the proceeding should be obtained. In May 2018, the Commissioner's opinion was submitted supporting the position of the Defendants in which financial institutions are permitted to collect direct expenses from the members or insureds, even if this is not explicitly mentioned in the institution's articles, and provided that this is done in accordance with 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.

21. 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 its insurance agents) to its motor insurance insureds, who are on the verge of crossing an age or driving seniority bracket in the policy period that they are able to update the driver's age or driving seniority and receive a premium refund, and that as a result these insureds overpay the premium due to not having updated the premium in the policy period as a result of changing the age or seniority bracket. The plaintiffs estimate the loss caused to members of the class they wish to represent in the amount of at least NIS 12.25 million.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

22. 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 & Provident. The subject of the action is the allegation that until the end of 2015, Harel Pension & Provident ostensibly collected from the members of Harel Otzma Taoz Provident Fund investment management expenses, which is permissible by law, but without contractual agreement in the provident fund articles allowing such expenses to be collected. The plaintiff estimates the loss caused to all members of the class that 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.

23. 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 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. In March 2021, the parties filed a motion in the court to certify a compromise settlement in which it was agreed, *inter alia*, that the Defendants will amend the wording of the settlement notes which they use, insofar as is necessary, so that date of payment will be 30 days from the date on which the payment conditions are satisfied, and they will accept settlement notes in accordance with a mechanism for serving a settlement note as defined in the compromise settlement. Validity of the compromise settlement is contingent on the court's approval. To the extent that the compromise settlement is approved, Harel Insurance will pay a benefit to the class plaintiff and legal fees to its attorney of insignificant amounts.

24. 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") (hereinafter together: "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 for 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 or hundreds of millions of shekels. In June 2019, the court ordered transfer of the motion for obtaining the Attorney General's position on questions arising from the motion for certification. In January 2020, the Attorney General announced that his position was the same as the position 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.)

25. In January 2018, an action was filed in the Lod−Center 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 million for each year and the period for which she 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 application was struck out.
26. 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 & 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 he request of the Israel Consumer Council to be included in the proceeding as an amicus curiae (friend of the court).
27. In April 2018, 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 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.
28. In June 2018, a claim was filed in the Jerusalem District Court together with an application 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 he 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. In February 2021, the Commissioner's position was accepted that based on the proper and appropriate interpretation of the definition of the term "surgery" according to Insurance Circular 2004/20 concerning the definition of medical procedures in health insurance ("the Surgery Circular"), which was issued by the Commissioner of Insurance, a private health insurance policy provides the insured with a safety net against the illnesses listed in the policy, which also includes cover for surgery which will prevent these illnesses from developing or occurring.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

29. 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.

30. In February 2019, 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 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 in the court to abandon the application for certification of the action 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.

31. In June 2019, an action was filed in the Tel Aviv Labor 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 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 plaintiff estimates the overall loss caused to all members of the class it seeks to represent in the amount of NIS 365.3 million.

32. In June 2019, an action was filed in the Tel Aviv-Jaffa District Court, together with a motion 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 involve 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(5) 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 extend 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 plaintiffs 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

33. In July 2019, 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 & 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 plaintiff estimates the overall loss caused to all members of the class it seeks to represent in the amount of NIS 56.8 million.

34. In August 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 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 premiums, without taking into account the age of the Equipment, whereas in the event of total loss of the Equipment, they ostensibly determine the amount of the insurance benefits according to the real value of the Equipment when the insured event occurs, taking the age of the Equipment into consideration. The plaintiffs 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.

35. 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 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.

36. 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 subsidiary Harel Insurance. The subject of the action is the allegation that 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, at the time of the purchase, 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. The mediation process conducted by the parties was unsuccessful and the hearing of the action was returned to the court.

37. 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 have not quantified the financial loss claimed for all members of the classes they wish to represent, but the non-financial loss claimed for all the class members is estimated at NIS 400 million. In December 2020, the motion for certification with respect to Israel Police Funds was dismissed outright and the action and the motion are now being litigated exclusively against Harel Insurance.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

38. In January 2020, an action was filed in the Central District Court, together with a motion 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.

39. 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 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.

40. 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 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. In February 2021, the court ordered dismissal of the motion concerning the motor insurance with respect to Harel Insurance and the other respondents (except for one insurance company) and that the motion will continue to be heard on the homeowners insurance policies. The court instructed that the plaintiffs should consider their next steps regarding the method of litigating the motion for certification, in view of the decision. In April 2021, the plaintiffs filed an appeal in the Supreme Court against the decision of the District Court.

41. 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 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.)

42. 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 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.
43. 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.
44. 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 & 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. In April 2021, a motion was filed for permission to file a third-party notice against the Tax Authority. In August 2021, the Tax Authority responded to the motion and argued, inter alia, that according its position, the motion for certification should have been filed in an appropriate proceeding against the Tax Authority and not against the defendants and that there is no place to approve the motion in the manner in which it was filed. Furthermore, the court asked to instruct that the Tax Authority should be included as a respondent to the proceeding and to instruct it to submit its position on the arguments set out in the motion for certification.
45. 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 constituting, 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. In June 2021, 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.)

46. In July 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 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 for whom exclusions on account of a pre-existing medical condition have been determined 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.
47. 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 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. In June 2021, the parties informed the court of their agreement to enter into a mediation process.
48. 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 she wishes to represent.
49. In September 2020, 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 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.
50. In November 2020, an action was filed in the Central 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 does not allow service notes in a policy to be cancelled separately from the other components of the insurance plan, and that ostensibly it does not provide proper disclosure prior to the agreement concerning the cancellation of service notes. The plaintiff estimates the total loss claimed by all members of the class that it wishes to represent in the amount of NIS 3 million.
51. In December 2020, an action was filed in the Central 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 links the premiums and insurance benefits for insureds in the group long-term care policy for members of Clalit Health Services - Supplementary Plus LTC, to an erroneous index and this, ostensibly, in contravention of the Supervision of Financial Services (Insurance) (Group Long-term care insurance for HMO members) Law, 2015. The plaintiffs estimate the overall loss claimed for all members of the group they wish to represent in the amount of NIS 21.2 million.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

52. In December 2020, an action was filed in the Tel Aviv Jaffa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension & Provident. The subject of the action is the allegation that Harel Pension & Provident 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 deceased members. It is further alleged that Harel Pension & Provident ostensibly collected excess management fees in a manner contrary to the statutory provisions. The plaintiffs have not quantified the loss claimed for all members of the class they wish to represent, but they estimate it to be tens and even hundreds of millions of shekels.

Actions filed during the Reporting Period

53. In March 2021, an action was filed in the Central 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 unlawfully rejects claims by insureds in personal accident policies for payment of compensation for hospitalization days in a medical center which is not a general hospital, on the grounds that the policy defines a "hospital" as a general hospital only, and that the policy is ostensibly worded in a misleading manner and in contravention of the law, while violating Circular 2001/9 of the Commissioner of Insurance on the subject of "proper disclosure for insureds when enrolling in a health insurance policy". 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 2.5 million.
54. In March 2021, 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 rejects claims for insurance benefits in respect of cover for a medical device by insureds in a group health insurance policy for members of the Israel Teachers Union, arguing that the maximum cover in the policy has been utilized and this, ostensibly, based on a clause in the policy which the plaintiff argues did not exist in the original policy and was applied retroactively. 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 2.5 million.
55. In March 2021, 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 & Provident. The subject of the action is the allegation that Harel Pension & Provident ostensibly does not pay linked interest on insurance benefits which are paid more than 30 days after the date of filing the claim. The plaintiff estimates the total loss claimed for all members of the group it wishes to represent to be NIS 1.8 million. In August 2021, the plaintiff informed the court that she wishes to strike out the motion for certification. The motion for certification may be struck out subject to the court's approval.
56. In March 2021, 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 and against two other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly reject claims by health insurance policyholders, which include cover for medications that are not included in the health services basket, in respect of the costs of medical cannabis, despite the fact that it is argued that medical cannabis ostensibly meets the definition of "medication" in the policies. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against all the Defendants in the amount of NIS 79 million.
57. In April 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the Company and against 14 different financial institutions - banks, insurance companies, investment houses, credit companies and credit card companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that personal information about the Defendants' customers who utilize the digital services on the Defendants websites and apps is ostensibly passed on to third parties, particularly to Google and its advertising services, without the customers' explicit consent. The plaintiffs have not quantified the loss claimed for all members of the class they wish to represent, but they estimate it to be millions of shekels.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

58. In April 2021, an action was filed in the Central 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 marketed personal accident policies in an unacceptable and misleading manner and in contravention of the provisions of circulars issued by the Commissioner of the Capital Market, which regulate the process of enrolling insureds in the insurance. The plaintiff has not quantified the total loss claimed for all members of the class that it wishes to represent but it estimates the amount at millions of shekels.

Actions filed after the Reporting Period

59. In July 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the second-tier subsidiary Harel Financing and Issuing Ltd. ("Harel Financing & Issuing"). The subject of the action is the argument that Harel Financing & Issuing allegedly does not make its reports accessible on the internet-based information systems operated by the Israel Securities Authority and the Tel Aviv Stock Exchange (the Magna and Maya systems, respectively), thus ostensibly preventing or limiting the possibility of people with disabilities from receiving information from these reports. This, ostensibly in contravention of the Equal Rights for Persons with Disabilities Law, 1998 and the Equal Rights for Persons with Disabilities (Service Accessibility Adjustments) Regulations, 2013. The plaintiff estimates the overall loss caused to all members of the class he wishes to represent in the total amount of NIS 7.5 million.

60. In July 2021, 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 and against six other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the argument that when calculating the monthly benefit paid to insureds in life assurance policies which include profit sharing from the investment portfolio, the Defendants allegedly deduct interest from the monthly return accrued to the insureds, without any appropriate stipulation to this effect in the policy conditions and without the rate of interest being specified in the policies. 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 2.5 million.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

Summary table:

The following table summarizes the amounts claimed as part of the pending 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 litigation process.

Type	Number of claims	Amount claimed NIS million
Actions certified a class action:		
Amount pertaining to the Company and/ or consolidated subsidiaries is specified	6	1,257
Claim relates to several companies and no specific amount was attributed to the Company and/ or consolidated 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 consolidated subsidiaries is specified	26	5,534
Claim relates to several companies and no specific amount was attributed to the Company and/ or consolidated subsidiaries	7	4,217
Claim amount is not specified	19	

The total provision for claims filed against the Company as noted above at June 30, 2021, June 30, 2020, and December 31, 2020, amounts to NIS 93 million, NIS 133 million and NIS 137 million, respectively.

Note 7 - Contingent liabilities and commitments (contd.)

B. Claims that were settled in the Reporting Period

1. 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 & 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. In October 2020, Harel Pension & Provident filed a motion for summary abandonment of the motion for certification of the claim as a class action. In the Tel Aviv District Court's ruling from April 7, 2021, which was issued at a hearing before the court, the court accepted the plaintiff's request to strike out the motion for certification, and it instructed that the motion should be struck out.
2. In December 2012, an action was filed in the Tel Aviv District Court, together with a motion for its recognition as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly pays the monthly long-term care benefit to insureds in the Israel Teachers Union group policy ("the Policy") according to the index known at the beginning of the month and not the index known on the date of payment. It is also argued that Harel allegedly pays the long-term care benefit without linkage to the base index which appears in the policy but according to the base index published two months later, and this ostensibly in contravention of the policy provisions. 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. In July 2019, the Attorney General submitted his position on the compromise settlement. The opinion includes various comments which included, 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 and he leaves the decision to the discretion of the court. On June 8, 2021, the court validated the amended compromise agreement as a judgment, in which context it was agreed, *inter alia*, that index differences would be paid to the insureds for long-term care benefits in the cases listed in the compromise settlement and provisions were also prescribed concerning the method of making payments for long-term benefits in the future. As agreed in the compromise settlement, Harel Insurance will pay compensation to the class plaintiff and lawyers' fees of insignificant amounts to its attorneys.

Claims that were settled after the Reporting Period

3. 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 was the allegation that Harel Insurance allegedly does not pay insureds and/or beneficiaries in the *Mashlim LeGimlai* group supplementary long-term care policy the maximum sums insured specified in the policy for a long-term care condition to pensioners who belong to the Israel Pensioners Association. In May 2021, the plaintiff informed the court that she wishes to strike out the motion for certification and the claim. On July 8 2021, the court approved the plaintiff's application to abandon the motion for certification, and it ordered the class action to be struck out and dismissal of the personal claim.

Note 7 - Contingent liabilities and commitments (contd.)

B. Claims that were settled after the Reporting Period (contd.)

4. 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 subsidiary Harel Insurance and against six other insurance companies (hereinafter together: "the Defendants"). The subject of the action was 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. On August 4, 2021, the Haifa District Court denied the motion for certification of the action as a class action.

5. In March 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 Insurance. The subject of the action was the allegation that Harel Insurance ostensibly pays money to the beneficiaries of life assurance policyholders by virtue of life assurance policies, which is linked to the CPI from the date on which it is informed of the insured's death rather than to the investment index which is relevant for the investment track chosen by the insured. The plaintiff argues that Harel Insurance is therefore in breach of its agreement with its insureds, that it practices unjust enrichment, is in breach of a statutory obligation and is in breach of the obligation of voluntary disclosure. In February 2017, the court transferred the motion for obtaining the Commissioner's position on questions arising from the motion for certification. In May 2017, the Commissioner submitted his position according to which pension savings money which is paid to beneficiaries following the insured's death during the work period is not insurance benefits and is not covered by Section 28 of the Contracts Insurance Law, and Harel must henceforth link the pension savings money to the investment index also in the period following the insured's death and until the money is transferred to the beneficiaries. The Commissioner further noted that he does not consider that the above case involves unjust enrichment. 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 the 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 also 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 administered before his death. In January 2021, the Attorney General submitted his position on the compromise settlement, according to which he does not oppose the compromise settlement, but he made comments on several matters, including, among others, that in his opinion a reviewer should be appointed to examine the compromise settlement prior to its approval. On August 16, 2021, the court validated the amended compromise settlement as a judgment and compensation was ruled for the class plaintiff and attorneys' fees for its attorney of insignificant amounts.

Note 8 - Capital requirements and management

1. Solvency II based economic solvency regime

An economic solvency regime based on Solvency II applies to Harel Insurance, and this pursuant to the implementation provisions published in June 2017 and revised in October 2020 ("Provisions of the Economic Solvency Regime").

Economic solvency ratio:

An economic solvency ratio is calculated as the ratio between the recognized economic equity of Harel Insurance and the solvency capital requirement (SCR).

The recognized economic equity is defined as the sum of the equity arising from the economic balance and debt instruments which include loss-absorbing mechanisms (additional tier-1 capital, tier-2 capital instruments, subordinate tier-2 capital, hybrid tier-2 and tier-3 capital).

The economic balance items are calculated according to economic value, where the insurance liabilities are calculated on the basis of a best estimate of all the anticipated future flows from current business, excluding margins for conservatism and plus a risk margin.

The purpose of the solvency capital requirement (SCR) is to estimate the exposure of the economic shareholders equity to a series of scenarios set out in the economic solvency regime provisions which reflect insurance risks, market and credit risks as well as operational risks.

Among other things, the economic solvency regime includes transitional provisions relating to compliance with the capital requirements, which allow the economic capital to be increased by deducting from the insurance reserves the amount calculated in accordance with the provisions of the economic solvency regime ("the Deduction"). The Deduction will gradually decrease until 2032 ("the Transitional Period"), this in addition to a reduced capital requirement, which will gradually increase until 2023, for certain categories of investment, with a different maximum recognition limitation for tier-2 capital.

According to the consolidated circular, the economic solvency ratio report for data as at December 31 and June 30 each year will be included in the periodic report subsequent to the period of the calculation.

On March 14, 2021, a letter from the Commissioner of the Capital Markets 2021-423 was published, which among other things determined that insurance companies are entitled not to publish an economic solvency ratio report as at June 30, 2021, for the general public.

On June 30, 2021, Harel Insurance published a report on the economic solvency ratio in respect of data at December 31, 2020, 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, 2020 was reviewed in accordance with ISAE 3400 - Review of Future 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 based, in principle, 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 data do 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. 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.

Note 8 - Capital requirements and management (contd.)

1. Solvency II based economic solvency regime (contd.)

A 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, 2020, other than to check that the Deduction does not exceed the projected discounted amount of the risk margin and the solvency capital requirement in respect of life and health risks for existing business in the transitional period, based on the pattern of future 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. Furthermore, attention is drawn to the information in the Solvency Report concerning the uncertainty arising from regulatory changes and exposure to contingencies, the effect of which 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 9 of the Economic Solvency Report.

It is Harel Insurance's policy to hold a robust capital base to guarantee its solvency and its ability to meet its commitments towards its insureds, to ensure that Harel Insurance is capable of continuing its business activity and so that it can provide a return for its shareholders. Harel Insurance is subject to the capital requirements and defined regulations with respect to the distribution of dividends.

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%.

On February 28, 2021, the Company's Board of Directors approved a dividend distribution policy whereby the Company will distribute a dividend of at least 30% of the comprehensive income according to its annual consolidated financial statements.

Additionally, on February 28, 2021, the board of directors of Harel Insurance approved a dividend distribution policy in which the Company will distribute a dividend of at least 35% of the comprehensive income according to its annual consolidated financial statements, and this as long as Harel Insurance is in compliance with the minimum targets for solvency based on Solvency II.

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. As part of the permit to control and hold the means of control in insurers, the Company undertook to inject NIS 120 million into Harel Insurance should Harel Insurance 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.

4. Consolidated companies which manage mutual funds and investment portfolios are obligated to hold minimum capital in accordance with the directives of the Israel Securities Authority. The companies take regular action to ensure that they are in compliance with this requirement. As at June 30, 2021, the consolidated companies are in compliance with these requirements.

Note 8 - Capital requirements and management (contd.)

5. Plan to buy back shares

On June 30, 2021, the Company's Board of Directors approved a plan to buy shares of the Company in the amount of NIS 100 million. This plan will be implemented from time to time as will be determined by the Company's management which was authorized by the Board of Directors to purchase securities at its discretion during the period prescribed for implementation of the plan. For additional information, see an Immediate Report of the Company dated June 30, 2021 (Ref. 2021-01-109800). At the date of publication of the report, the Company has purchased 156,150 shares at a cost amounting to NIS 5 million.

Note 9 - Material events in the Reporting Period

1. Revision of the discounting interest rates applied in calculating the insurance liabilities

Life assurance

In the corresponding period last year, due to a revision of the interest rate applied in calculating the reserve for annuities in payment and to a revision of the interest rate applied in calculating the supplementary reserve for annuity, the insurance liabilities in the life assurance and long-term savings segment increased by NIS 30 million before tax (a decrease of NIS 134 million before tax in the liabilities for policies which include a non-yield-dependent savings component from 2004, an increase of NIS 145 million before tax in the liabilities for policies which include a savings component until 2003 and an increase of NIS 19 million before tax in the insurance liabilities for policies which include a savings component until 1990).

In the corresponding quarter last year, due to a revision of the interest rate applied in calculating the supplementary reserve for annuity, an increase of NIS 122 million before tax was recorded for the insurance liabilities in the life assurance and long-term savings segment for policies which include a savings component until 2003

Health

In the Reporting Period and the current quarter, 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, a decrease of NIS 40 million before tax and NIS 126 million before tax, respectively, was recorded for the insurance liabilities in the health insurance segment in the personal lines long-term care sector.

In the corresponding period last year and corresponding quarter last year, due to changes in the risk-free interest rate curve, changes in the difference between the fair value and book value of non-marketable assets, application of the provisions 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 further information see also Note 3C(1)(I) to the annual reports), an increase of NIS 67 million before tax and a decrease of NIS 47 million before tax, respectively, was recorded in the insurance liabilities in the health insurance segment in the personal lines long-term care (LTC) sector.

Non-life insurance

In the Reporting Period and current quarter, due to changes in the risk-free interest rate curve and changes in the difference between the fair value and book value due of the non-marketable assets, the insurance liabilities in the non-life segment increased by NIS 94 million before tax (NIS 42 million before tax in the compulsory motor sector and NIS 52 million before tax in the other liabilities sectors), and by NIS 31 million (NIS 9 million before tax in the compulsory motor sector and NIS 22 million before tax in the other liabilities sectors), respectively.

In the corresponding period last year and corresponding quarter last year, due to changes in the risk-free interest rate curve, changes in the difference between the fair value and book value of non-marketable assets, and application of the provisions of the circular on the revised liquidity premium rate which is added to the risk-free interest rate curve (for further information, see also Note 3C(1)(I)), a decrease of NIS 58 million before tax was recorded in the insurance liabilities in the non-life insurance segment (a decrease of NIS 32 million before tax in the compulsory motor sector and NIS 26 million before tax in the other liabilities sectors) and an increase of NIS 5 million before tax (NIS 3 million before tax in the compulsory motor sector and NIS 2 million before tax in the other liabilities sectors), respectively.

The effects of the changes in the interest rate and changes in the difference between the fair value and book value of the non-marketable assets on the financial results are set out below:

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

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(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)	-	(122)	(61)
Decrease (increase) in the insurance liabilities as a result of the LAT and effects of the interest rate - health insurance **	40	(67)***,*	126	47***,*	(349)*
Decrease (increase) in the insurance liabilities due to the effects of the interest rate - non-life insurance	(94)	58*	(31)	(5)*	45*
Total effects of the interest rate on profit and comprehensive income before tax	(54)	(39)	95	(80)	(365)
Total effects of the interest rate on profit and comprehensive income after tax	(36)	(26)	63	(53)	(240)

* This effect includes application of the provisions of the circulars as described above. See also Note 3C(1)(I) to the annual Financial Statements.

** Including the effect of 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 on the LAT reserve.

*** Reclassified

2. Investment and agreement with the CEO of the Company in Hamazpen - Shutaphim Laderech Ltd. (“Hamazpen”)

In February 2021, the Board of Directors of Hamazpen, a subsidiary of the Company, resolved to increase the equity of Hamazpen by NIS 36 million in order to satisfy the capital adequacy requirements in view of the anticipated credit portfolio of Hamazpen up to the end of 2021. Consequently, and based on the provisions of the Hamazpen Founders Agreement, the Company injected into Hamazpen its share of this amount which is NIS 25.2 million. Additionally, and under the provisions of the Founders Agreement, the Company provided the other shareholders of Hamazpen - Alon Partnership and Mr. Michel Siboni - with their relative share of the required amount for increasing the capital, as non-recourse loans in the amount of NIS 7.2 million and NIS 3.6 million, respectively. This, in accordance with the conditions set out in the Founders Agreement regarding these loans. According to an external expert economic opinion received by the Company, the non-recourse loan received by Michel Siboni is considered a benefit compared with an ordinary loan under similar conditions without a non-recourse component. The value of the benefit to Michel Siboni is in the range of between NIS 42,301 and NIS 129,969. The Company estimated the value of the benefit at NIS 85,000. Mr. Siboni bears the cost of this benefit such that its entire cost was subtracted from the overall cost of Michel Siboni’s salary. It is stipulated that the loan to Mr. Michel Siboni, who during the Reporting Period served as CEO of the Company and CEO of Harel Insurance, was approved by the Compensation Committees, Audit Committees and boards of directors of the Company and Harel Insurance.

Pursuant to the information in Note 37F(2) in the annual financial statements concerning an agreement in which Harel Insurance will provide credit to Hamazpen, at June 30, 2021, the balance of the credit provided by Harel Insurance to Hamazpen was NIS 174 million.

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

3. Dividend distribution

   A. On January 27, 2021, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 107 million (NIS 0.5 per share). The Board of Directors made its decision after taking into account the Company's results as at September 30, 2020. The Board of Directors was presented with information on the distributable profits, capital surpluses of the Company's subsidiaries and the Group's cash requirements, in various scenarios. The Board of Directors reviewed the Company's compliance with the profit test and solvency test prescribed in Section 203(a) of the Companies Law. Following this review, the Board of Directors confirmed that the Company was in compliance with the distribution test. The dividend was paid on February 11, 2021.

   B. On March 21, 2021, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 150 million (NIS 0.7 per share). The Board of Directors made its decision after taking into account the Company's financial results as at December 31, 2020. The Board of Directors was presented with information on the distributable profits, capital surpluses of the Company's subsidiaries and the Group's cash requirements, in various scenarios. The Board of Directors reviewed the Company's compliance with the profit test and solvency test prescribed in Section 203(a) of the Companies Law. Following this review, the Board of Directors confirmed that the Company was in compliance with the distribution test. The dividend was paid on April 20, 2021.

   C. On the plan to buy back shares which was approved by the Company’s Board of Directors on June 30, 2021 and the buy-back of shares which took place after the Reporting Period, see Note 8.

4. Dividend distribution policy

   On February 28, 2021, the Company’s Board of Directors approved a dividend distribution policy whereby the Company will distribute a dividend of at least 30% of the comprehensive income according to its annual consolidated financial statements.

   Additionally, on February 28, 2021, the board of directors of the subsidiary Harel Insurance approved a dividend distribution policy in which the Company will distribute a dividend of at least 35% of the comprehensive income according to the annual consolidated financial statements of Harel Insurance, and this as long as Harel Insurance is in compliance with the minimum targets for solvency based on Solvency II (minimum solvency was set at 135% taking into account the transitional provisions, and 105% excluding the transitional provisions in the transitional period).

   Distribution of the dividend by the Company could be affected, *inter alia*, by the ability of Harel Insurance to actually distribute a dividend.

   It is stipulated that this policy should not be construed as an undertaking by the Company to distribute a dividend and that any dividend distribution in practice will be subject to specific approval by the Board of Directors at its exclusive discretion. In practice, the Board of Directors may decide to distribute different (higher or lower) rates of dividend or not to distribute any dividend at all. Furthermore, any actual dividend distribution will be subject to compliance with the statutory provisions applicable to dividend distributions, including the Companies Law, 1999, and to the financial covenants undertaken and/or that the Company may undertake in the future, to satisfying adequate amounts of distributable profits on the relevant dates and to the extent to which the Company requires cash to finance its operations, including future investments, as they may be from time to time, and/or its anticipated and/or planned future activity.

   The Board of Directors may review its dividend distribution policy from time to time and may, at any time, based on business considerations and the provisions of law and regulations applicable to the Company, resolve to make changes in the dividend distribution policy, including the share of the dividend to be distributed.

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

5. Full early redemption of bonds (Series 5) of Harel Financing & Issuing

   On performing the full early redemption of Series 5 bonds that were issued by Harel Financing & Issuing, see Note 6.

6. Approval of the terms of office of Mr. Michel Siboni

   On May 23, 2021 and on May 26, 2021 and on June 30, 2021, the Compensation Committee, Board of Directors and General Meeting of the Company, respectively, approved the terms of office of Mr. Michel Siboni for the period commencing July 1, 2021, in which he will serve as CEO of the Company and Chairman of the Board of Harel Insurance. The terms of office were approved without any change compared with his present conditions.

7. Annual and special general meeting

   On June 30, 2021, 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 2020; (2) appointment of external auditors for 2021 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 Michel Siboni for the period commencing July 1, 2021 in which he will serve as CEO of the Company and Chairman of the Board of Directors of Harel Insurance (with no change compared with the present conditions). The general meeting approved all the items that were on the agenda.

8. Bonus for 2020 for senior executives

   In April 2021, the compensation committees and boards of directors of the Company and the subsidiaries which are financial institutions approved bonuses for officers in the Company and its subsidiaries who are included in the compensation plan. The bonuses included in this report were calculated on the basis of actual data and based on estimates relating mainly to comparison figures for the results of the operations of other insurance companies included in the comparison group.

9. Economic Solvency Report of Harel Insurance

   On June 30, 2021, Harel Insurance published a report on the economic solvency ratio in respect of data at December 31, 2020. For additional information see Note 8.

Note 10 – Material Events after the Reporting Period

1. Completion of the restructuring of the Group - EMI

   On July 1, 2021, the restructuring entered into force, in which all the holdings of Harel Insurance in Mortgage Holdings Israel Ltd. ("EMI Holdings"), which holds all the share capital of the insurance company EMI, were transferred to the Company ("the Restructuring"). The transfer of these holdings in EMI Holdings from Harel Insurance 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 took place in accordance with the provisions of Section 104C of the Income Tax Ordinance, based on the approval of the Tax Authority which was received in May 2021. It is stipulated that as a result of the Restructuring, there was no change in the Company's accounting equity on a consolidated basis.

   On August 22, 2021, the board of directors of EMI Holdings distributed a dividend of NIS 310 million to the Company. The dividend was paid on August 26, 2021.

2. Rotation of the CEO and Chairman of Harel Insurance

   In July 2021, after obtaining all the necessary authorizations, the following appointments entered into force:

   Mr. Michel Siboni, who was CEO of Harel Insurance for 12 years and CEO of the Company for most of this period, concluded his term of office as CEO of Harel Insurance and was appointed Chairman of the Board of Harel Insurance, replacing Mr. Yair Hamburger. Yair Hamburger continues to serve as Chairman of the Company's Board of Directors and as a director in Harel Insurance.

   Michel Siboni continues to serve as CEO of the Company concurrent with serving as Chairman of the Board of Harel Insurance.

   Mr. Nir Cohen, who was Deputy CEO of Harel Insurance and head of the HQ Division, was appointed to replace Michel Siboni as CEO of Harel Insurance.

3. Restructuring and rotation of senior officers in Harel Insurance

   At the beginning of July 2021, the following structural changes entered into force:

   The life assurance department was transferred to the Health Division, which currently functions as the Health and Life Division of Harel Insurance, headed by Mr. Alon Eliraz who is also Deputy CEO of Harel Insurance. Among other things, the Health and Life Division manages the Company's regions which coordinate the marketing and distribution activity through the agents.

   The Long-term Savings Division continues to include the pension and provident activity and it also holds the business responsibility for managers insurance and personal lines savings, while the operation of these lines of business was transferred to the Health and Life Division of Harel Insurance.

   Mr. Dudi Leidner, who is CEO of the Group's management companies, was appointed to head the Long-term Savings Division in the new structure and as Deputy CEO of Harel Insurance, replacing Mr. Doron Ginat who has terminated his service in Harel Insurance.

   Mr. Roie Shaked who is the Deputy CEO of Harel Insurance and heads the Dikla Division, was appointed to head the Non-life Insurance Division of Harel Insurance as well, replacing Mr. Sagi Yogev who has terminated his service in Harel Insurance. As part of the Restructuring, the Dikla Division and Non-life insurance Division were merged into one division.

   Mr. Adam Polachek, who is Deputy CEO and Head of the Digital Strategy Division in Harel Insurance, was also given responsibility for management of the Company's Service Department.

   Additionally, two new business divisions were established within Harel:

   Agents Marketing Division - led by Mr. Yuval Goldflam who was also appointed as Deputy CEO of Harel Insurance. This division will manage activity with the agents in the life, health, long-term savings and financial services sectors.

   Direct Activity and Joint Ventures Division - led by Mr. Yaniv Hevroni who was also appointed as Deputy CEO of Harel Insurance. In addition to the pension marketers and Standard Call Center, this division will also manage Harel's in-house agencies.

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

Mr. Eyal Efrat, who is CEO of the subsidiary Harel Hamishmar Computers Ltd. and is also head of the technology division and Deputy CEO of Harel Insurance, will terminate his service for the Group at the end of September 2021. Mr. Shai Galila is expected to replace Mr. Eyal Efrat from October 1, 2021.

4. Agreement for the purchase of provident funds and pension funds from Psagot Provident and Pension Funds Ltd. ("Psagot")

   On July 4 2021 an agreement was signed between the subsidiary Harel Pension & Provident and Psagot according to which, subject to satisfying the suspensive conditions specified below, Harel Pension & Provident will acquire from Psagot the activity of several provident funds and pension funds ("the Funds for Sale") in consideration of NIS 185 million ("the Transaction"). The Funds for Sale comprise Psagot's pension fund activity, including the old HAL (National Labor Federation) pension fund, Psagot's investment provident funds and the investment provident funds for child savings, as well as central severance pay funds. To complete the Transaction, approval was received from the Commissioner for Competition for a merger of the companies under the provisions of the Economic Competition Law, 1988, and in addition all the relevant approvals were received from the Commissioner of the Capital Market, Insurance and Savings. The agreement signed by the parties determines that the Transaction will be completed on September 30, 2021.

   On August 30, 2021, authorization was received from the Company's Board of Directors for the loan agreement, according to which the Company will provide to the subsidiary Harel Pension & Provident a loan of NIS 185 million in order to finance the transaction. For the loan, Harel Pension & Provident will pay the Company annual interest according to Section 3(j) of the Income Tax Ordinance [New Version] which at the date of signing the agreement is 2.45%. If the interest rate under Section 3(j) of the Income Tax Ordinance is updated, the interest on the loan will be updated accordingly, but in any event it will not be less than 2.45%. The loan and the interest will be repaid in eight, equal annual installments, starting 12 months after the date of providing the loan.

5. Agreement to acquire the activity of Shirbit Insurance Company Ltd. ("Shirbit").

   On July 20, 2021, an Harel Insurance signed an agreement with Shirbit, according to which, subject to satisfying suspensive conditions, Harel Insurance will acquire the insurance activity of Shirbit in consideration of NIS 102 million (subject to adjustment) so that from the date of completion of the transaction, all the customers of Shirbit will become customers of Harel Insurance. Completion of the transaction is subject to satisfying a number of suspensive conditions, which have not yet been satisfied at the date of publication of the report, including: obtaining court approval under Section 350 of the Companies Law, 1999 and obtaining the approval of the Competition Authority and the Capital Market, Insurance and Savings Authority. At the date of publication of the report, approval has been received from the Competition Authority.

6. Issue of Series 1 bonds of the Company

   On the publication of a shelf offering report by the Company on July 22, 2021, in which context the Company issued 250,000,000 Series 1 bonds, see Note 6.

7. Change in the mechanism for the settlement of accounts between the National Insurance Institute ("NII") and the insurance companies regarding road accidents

   Further to the information in Note 3C(2)(j) to the annual financial statements, on July 28, 2021, the insurance companies signed an agreement with the NII whereby each insurance company will pay an advance of 4.06% of all the premiums it collected for compulsory motor insurance policies for the years 2014-2018 (an advance of NIS 107 million), from which the NII claims will be offset subject to the information in the agreement.

   On August 8, 2021, a memorandum of the Economic Efficiency (Legislative Amendments to Achieve the Budgetary Targets for the 2021 and 2022 Fiscal Years) Law, 2021, was published. The memorandum proposes amending the Economic Efficiency (Legislative Amendments to Achieve the Budgetary Targets for the 2019 Fiscal Year) Law, 2018 ("2019 Economic Efficiency Law") and the provisions of the National Insurance Law [Combined Version], 1995 ("National Insurance Law") ("National Insurance Law") as specified below:

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

(a) The memorandum proposes that subsections (3) through (5) in Section 328A(b) of the National Insurance Law will be repealed, which among other things, confer upon the Minister of Finance the authority to promulgate in regulations the amount that insurers, including the Fund for the Compensation of Road Accident Victims ("Karnit") which was established under the Law for the Compensation for Road Accident Victims, 1975, must transfer as compensation each year if those incidents in which the NII is obligated to pay a benefit under the National Insurance Law also serve as grounds for obligating the insurer to pay compensation under the Compensation for Road Accident Victims Law, 1975, and the NII may then claim compensation under Section 328(A) of the National Insurance Law.

(b) The memorandum also proposes that insurers, other than Karnit, will transfer to Karnit by the tenth of every month, the percentage specified below of the total premiums they have collected in the previous month, to provide compensation for those instances mentioned in subsection (a) above, where any delay in making the payment will incur interest and linkage differences: for the period from January 1, 2023 through December 31 2024 – 10%; for the period from January 1, 2025 and thereafter - 10.95%.

The Company believes that the arrangement detailed above regarding the past is not expected to significantly affect its financial results.

8. Approval of a stock options plan for senior officers and employees of the Group as well as approval of a private allotment

On August 23 and 25, 2021 and on August 30, 2021, the Company's Compensation Committee and Board of Directors, respectively, approved a stock options plan for senior officers and employees of the Group which includes up to 8,548,000 stock options which may be exercised for 8,548,000 ordinary NIS 0.1 par value shares of the Company, subject to adjustment, without any cash consideration.

7,548,000 options of all the options included in this stock options plan were offered to 158 employees, of which four are senior officers in the Company. The remaining options which were not offered to specific recipients will allow for an additional allotment to other senior officers and employees in the future.

On the date of approval by the Company's Board of Directors and Compensation Committee, as noted above, an allotment of 250,000 options was approved to another executive with whom the Company has a consulting agreement, as well as another advisor to the Company. These options are not part of the stock options plan or part of the allocation reports included in the plan, however the conditions for exercising these options are the same as those for exercising the options for the Group's senior officers and employees.

This stock options plan was approved in accordance with the Company's compensation policy and it will apply to the Company's senior officers subject to approval of an amendment to the present compensation policy regarding linkage of the exercise price, as noted in Section 9 below.

Additionally, on the date of approval by the Company's Board of Directors and Compensation Committee, as noted above, the Compensation Committee and Board of Directors approved an allotment of options for the Company's senior officers, which may be exercised for 3% of the shares in a private subsidiary.

9. Convening of an Annual General Meeting

On August 30, 2021, the Company's Board of Directors resolved to convene a special general meeting of the Company, the agenda of which will include the following topics: (1) amendment to the Company's present compensation policy so that, in the event of an allotment of options, the exercise price will not be linked to the Consumer Price Index; (2) approval of an allotment to Mr. Michel Siboni, the Company's CEO, of 180,000 options which may be exercised for up to 180,000 ordinary shares, in accordance with the stock options plan approved by the Company's Compensation Committee and Board of Directors, as specified in Section 8 above. The General Meeting is convened for October 6, 2021.

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HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD

ANNEXES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

A. Information about other financial investments

	As at June 30, 2021 (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)	**107**	**11,636**	**27**	**-**	**11,770**
Non-marketable debt assets (*)	**2,796**	**-**	**-**	**13,158**	**15,954**
Shares (a2)	**388**	**1,610**	**-**	**-**	**1,998**
Other (a3)	**207**	**2,942**	**-**	**-**	**3,149**
Total other financial investments	**3,498**	**16,188**	**27**	**13,158**	**32,871**

	As at June 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)	182	10,851	67	-	11,100
Non-marketable debt assets (*)	1,278	-	-	13,214	14,492
Shares (a2)	25	1,370	-	-	1,395
Other (a3)	134	2,496	-	-	2,630
Total other financial investments	1,619	14,717	67	13,214	29,617

	As at December 31, 2020 (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)	121	10,907	39	-	11,067
Non-marketable debt assets (*)	2,178	-	-	12,897	15,075
Shares (a2)	57	1,573	-	-	1,630
Other (a3)	312	2,926	-	-	3,238
Total other financial investments	2,668	15,406	39	12,897	31,010

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

Annex A - Information about assets for other financial investments in the Group's insurance companies (contd.)

A1. Marketable debt assets

	Book value			Amortized cost		
	As at June 30		As at December 31	As at June 30		As at December 31
	2021	2020	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Government bonds	**7,040**	5,610	6,190	**6,744**	5,212	5,812
Other debt assets:						
Other non-convertible debt assets	**4,730**	5,490	4,877	**4,405**	5,374	4,597
Total marketable debt assets	**11,770**	11,100	11,067	**11,149**	10,586	10,409
Impairments recognized in profit and loss (in aggregate)	**-**	25	1			

A2. Shares

	Book value			Amortized cost		
	As at June 30		As at December 31	As at June 30		As at December 31
	2021	2020	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable shares	**1,668**	999	1,338	**1,243**	836	881
Non-marketable shares	**330**	396	292	**248**	310	215
Total shares	**1,998**	1,395	1,630	**1,491**	1,146	1,096
Impairments recognized in profit and loss (in aggregate)	**40**	92	67			

A3. Other financial investments

	Book value			Amortized cost		
	As at June 30		As at December 31	As at June 30		As at December 31
	2021	2020	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable financial investments	**934**	1,017	1,259	**914**	999	1,229
Non-marketable financial investments	**2,215**	1,613	1,979	**1,681**	1,227	1,452
Total other financial investments	**3,149**	2,630	3,238	**2,595**	2,226	2,681
Impairments recognized in profit and loss (in aggregate)	**107**	167	143			
Derivative financial instruments presented in financial liabilities	**87**	310	181			

Other financial investments include mainly investments in ETFs, notes participating in mutual funds, investment funds, financial derivatives, forward contracts, options and structured products.

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD.

SEPARATE FINANCIAL INFORMATION FROM THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at June 30, 2021

Condensed Separate Interim Information on Financial Position at

	June 30		December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Fixed assets	24	27	25
Investments in investees	6,684	5,963*	6,638
Loans to investee companies	724	735*	730
Investment property	26	25	25
Trade and other receivables	571	44	31
Assets for employee benefits	23	19*	22
Other financial investments			
Marketable debt assets	58	-	88
Shares	137	-	-
Other	239	608	484
Total other financial investments	434	608	572
Cash and cash equivalents	54	68	225
Total assets	8,540	7,489	8,268
Capital			
Share capital and premium on shares	359	359	359
Treasury stock	(123)	(123)	(123)
Capital reserves	1,110	810	1,061
Retained earnings	6,692	5,861	6,438
Total equity	8,038	6,907	7,735
Liabilities			
Deferred tax liabilities	8	-	2
Liabilities for employee benefits	37	37*	36
Trade and other payables	39	47	37
Current tax liabilities	4	5	4
Financial liabilities	414	493	454
Total liabilities	502	582	533
Total liabilities and equity	8,540	7,489	8,268

* Reclassified– see Note 1D

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

Date of approval of the financial statements: August 30, 2021

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

Condensed Separate Interim Information on Profit and Loss

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profits from investments, net, and financing revenues	**15**	8	**11**	3	18
Income from management fees	**64**	59	**32**	29	119
Total income	**79**	67	**43**	32	137
General and administrative expenses	**8**	9	**4**	6	15
Financing expenses, net	**8**	9	**4**	4	18
Total expenses	**16**	18	**8**	10	33
Company's shares in profits (losses) of investee companies	**461**	107	**239**	262	644
Profit (loss) before taxes on income	**524**	156	**274**	284	748
Taxes on income	**15**	11	**8**	4	24
Profit (loss) for period ended attributed to the Company's shareholders	**509**	145	**266**	280	724

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

Condensed Separate Interim Information on Comprehensive Income

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit for the period	**509**	145	**266**	280	724
Other items of comprehensive income (loss) which 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	**27**	(9)	**19**	4	(3)
Net change in fair value of financial assets classified as available for sale that was transferred to income statement	**-**	1	**(1)**	-	(2)
Foreign currency translation differences for foreign activity	**(10)**	(7)	**(5)**	(4)	(15)
The Group's share of the comprehensive income (loss) of investees	**40**	(128)	**31**	280	125
Tax benefit (income tax) attributable to available-for-sale financial assets	**(6)**	2	**(4)**	(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	**51**	(141)	**40**	279	106
Other items of comprehensive income that will not be transferred to profit or loss					
Remeasurement of a defined benefit plan	**-**	1	**-**	1	4
Taxes on income for other items of comprehensive income that will not be transferred to profit or loss	**-**	-	**-**	-	(1)
Other comprehensive income for the period that will not be transferred to profit or loss, net of tax	**-**	1	**-**	1	3
Other comprehensive income (loss) for the period, net of tax	**51**	(140)	**40**	280	109
Total comprehensive income (loss) for the period attributed to the Company's shareholders	**560**	5	**306**	560	833

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 six months ended June 30, 2021 (Unaudited)									
Balance as at January 1, 2021	359	1,003	(194)	1	(123)	(49)	300	6,438	7,735
Comprehensive income (loss) ~~**for the period**~~									
Profit for the period	-	-	-	-	-	-	-	509	509
Other comprehensive income (loss)	-	35	(5)	-	-	-	19	2	51
Total comprehensive income (loss) for the period	-	35	(5)	-	-	-	19	511	560
Transactions with shareholder recognized directly in equity									
Dividend distributed	-	-	-	-	-	-	-	(257)	(257)
Balance as at June 30, 2021	359	1,038	(199)	1	(123)	(49)	319	6,692	8,038

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 June 30, 2021 (Unaudited)									
Balance as at April 1, 2021	359	1,003	(183)	1	(123)	(49)	303	6,421	7,732
Comprehensive income (loss)									
Profit for the period	-	-	-	-	-	-	-	266	266
Other comprehensive income (loss)	-	35	(16)	-	-	-	16	5	40
Total comprehensive income (loss) for the period	-	35	(16)	-	-	-	16	271	306
Balance as at June 30, 2021	359	1,038	(199)	1	(123)	(49)	319	6,692	8,038

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 six months ended June 30, 2020 (Unaudited)									
Balance as at January 1, 2020	359	875	(145)	1	(123)	(49)	275	5,709	6,902
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	-	-	145	145
Other comprehensive income (loss)	-	(167)	(7)	-	-	-	27	7	(140)
Total comprehensive income (loss) for the period	-	(167)	(7)	-	-	-	27	152	5
Balance as at June 30, 2020	359	708	(152)	1	(123)	(49)	302	5,861	6,907

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 June 30, 2020 (Unaudited)									
Balance as at April 1, 2020	359	434	(131)	1	(123)	(49)	283	5,573	6,347
Comprehensive income (loss)									
Profit for the period	-	-	-	-	-	-	-	280	280
Other comprehensive income (loss)	-	274	(21)	-	-	-	19	8	280
Total comprehensive income (loss) for the period	-	274	(21)	-	-	-	19	288	560
Balance as at June 30, 2020	359	708	(152)	1	(123)	(49)	302	5,861	6,907

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, 2020 (Audited)									
Balance as at January 1, 2020	359	875	(145)	1	(123)	(49)	275	5,709	6,902
Comprehensive income (loss) for the year									
Profit for the year	-	-	-	-	-	-	-	724	724
Other comprehensive income (loss)	-	128	(49)	-	-	-	25	5	109
Total comprehensive income (loss) for the year	-	128	(49)	-	-	-	25	729	833
Balance as at December 31, 2020	359	1,003	(194)	1	(123)	(49)	300	6,438	7,735

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

Condensed Separate Interim Information on Cash Flows

	Annex	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
		2021	2020	2021	2020	2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activities						
Before taxes on income	A	34	38	26	13	93
Taxes paid		(14)	(16)	(10)	(6)	(28)
Net cash provided by operating activities		20	22	16	7	65
Cash flows from investing activities						
Investment in investees		(78)	-	(16)	-	(3)
Proceeds from sale of fixed assets		1	-	1	-	-
Dividends from investees		7	21	7	2	43
Financial investments, net		166	(27)	167	-	100
Repayment of loans and capital notes provided to investees		10	15	5	15	23
Net cash provided by investment activity		106	9	164	17	163
Cash flows from financing activity						
Dividend to the Company's shareholders		(257)	-	(150)	-	-
Repayment of loans from banks and others		(39)	(39)	(39)	(39)	(77)
Repayment of lease liabilities		(1)	(1)	-	-	(3)
Net cash used for financing activity		(297)	(40)	(189)	(39)	(80)
Increase (decrease), net, in cash and cash equivalents		(171)	(9)	(9)	(15)	148
Cash and cash equivalents at beginning of the period		225	77	63	83	77
Cash and cash equivalents at end of the period		54	68	54	68	225

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

Financial data from the Condensed Consolidated Interim Statements of Cash Flows (contd.)

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Annex A - Cash flows from operating activities					
Profit (loss) for the period attributed to the Company's shareholders	509	145	266	280	724
Items not involving cash flows					
Company's share of losses (profits) of equity accounted investees	(461)	(107)	(239)	(262)	(644)
Net losses (profits) from financial investments	(2)	1	(3)	-	(1)
Profit from sale of fixed assets	(1)	-	(1)	-	-
Change in fair value of investment property	(1)	(2)	-	-	(2)
Financing expenses (income), net	(7)	-	(1)	5	-
Taxes on income	15	11	8	4	24
Depreciation and amortization	1	1	1	1	3
Changes in other statement of financial position items					
Trade and other receivables	(23)	(19)	(1)	(13)	(6)
Trade and other payables	4	7	(3)	(2)	(2)
Liabilities for employee benefits, net	-	1	(1)	-	(3)
Total adjustments required to present cash flows from operating activities	(475)	(107)	(240)	(267)	(631)
Total cash flows provided by operating activities	34	38	26	13	93

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 June 30, 2021 ("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, 2020, 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.

D. Reclassification

In some sections of the financial statements, reclassifications of insignificant amounts of comparative figures were made. These reclassifications did not have any effect on the Company's equity and/or on profit or loss and/or comprehensive income.

NOTE 2 - Material relationships, commitments and transactions with investees

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 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.
2. 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 10 million. The repayment was made from the independent sources of Harel Mutual Funds Ltd.
3. In the Reporting Period, Bar Tavai Assets Company Ltd., a company wholly owned by the Company, made partial repayment of a capital note in the amount of NIS 350 million.
4. On May 11, the Board of Directors of Harel UK approved the distribution of a dividend in the amount of USD 484,000. The Board of Directors made its decision after taking into account the financial results of Harel UK. The dividend was paid after the Reporting Period, on July 18, 2021.
5. On July 27, 2021, after the Reporting period, ICIC distributed a dividend of NIS 6 million to the Company.
6. On August 26, after the Reporting Period, Mortgage Holdings Israel Ltd distributed a dividend to the Company in the amount of NIS 310 million.

NOTE 3 – Material events in the Reporting Period

1. On January 27, 2021, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 107 million (NIS 0.5 per share). The Board of Directors made its decision after taking into account the Company's results as at September 30, 2020. The Board of Directors was presented with information on the distributable profits, capital surpluses of the Company's subsidiaries and the Group's cash requirements, in various scenarios. The Board of Directors reviewed the Company's compliance with the profit test and solvency test prescribed in Section 203(a) of the Companies Law. Following this review, the Board of Directors confirmed that the Company was in compliance with the distribution test. The dividend was paid on February 11, 2021.
2. On March 21, 2021, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 150 million (NIS 0.7 per share). The Board of Directors made its decision after taking into account the Company's financial results as at December 31, 2020. The Board of Directors was presented with information on the distributable profits, capital surpluses of the Company's subsidiaries and the Group's cash requirements, in various scenarios. The Board of Directors reviewed the Company's compliance with the profit test and solvency test prescribed in Section 203(a) of the Companies Law. Following this review, the Board of Directors confirmed that the Company was in compliance with the distribution test. The dividend was paid on April 20, 2021.
3. On a plan to buy back shares which was approved by the Company’s Board of Directors on June 30, 2021 and the buy-back of shares which took place after the Reporting Period, see Note 8 to the Consolidated Financial Statements.

NOTE 3 – Material events in the Reporting Period (contd.)

4. On a preliminary rating for the Company by Midroog, see Note 6 to the Consolidated Financial Statements.
5. On an investment and agreement with the CEO of the Company in Hamazpen - Shutaphim Laderech Ltd., see Note 9 to the Consolidated Financial Statements.
6. On a dividend distribution policy that was approved by the Company's Board of Directors, see Note 9 to the Consolidated Financial Statements.
7. On approval of the terms of office of Mr. Michel Siboni, see Note 9 to the Consolidated Financial Statements.
8. On the convening of an Annual and Special General Meeting of the Company, see Note 9 to the Consolidated Financial Statements.

NOTE 4 – Material events after the Reporting Period

1. On the completion of a restructuring of the Group involving EMI, see Note 10 to the Consolidated Financial Statements.
2. On entering into an agreement to acquire provident funds and pension funds from Psagot Provident Funds and Pension Funds Ltd., as well approval by the Company's Board of Directors for an agreement to provide a loan to Harel Pension and Provident to finance the transaction, see Note 10 to the Consolidated Financial Statements.
3. On an issue of bonds (Series 1) by the Company after the Reporting Period, see Note 6 to the Consolidated Financial Statements.
4. On a stock options plan for senior officers and employees of the Group as well as approval of a private allotment, see Note 10 to the Consolidated Financial Statements.
5. On the convening of a Special General Meeting of the Company, 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.

G. Mr. Tomer Goldberg- Manager of the strategic and alternative investments.

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 periodic report for the period ended March 31, 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 Q2 2021 ("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.

August 30, 2021

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 Q2 2021 ("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.

August 30, 2021

Arik Peretz

CFO