Harel Insurance Investments and Financial Services Ltd.

Interim Report as at
September 30, 2021

Contents

Board of Directors Report

Harel Insurance Investments and Financial Services Ltd.

Board of Directors Report

for the nine months ended September 30, 2021

The Board of Directors Report for the nine months ended September 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 2.1.10 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"), who, at the date of publication of the report, hold 46.8% 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 crisis

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.

On developments which took place regarding the COVID-19 crisis close to the date of publication of the report, see Section 2.2.5 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 repurchase of shares which took place during 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 for the repurchase of shares

On June 30, 2021, the Company's Board of Directors approved a plan to repurchase 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 842,987 shares at a cost amounting to NIS 28 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.

2.1.10 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. Upon completion of the Restructuring, the Company is able to receive an ongoing annual dividend from the current activities of EMI. Additionally, on August 26, 2021, a dividend of NIS 310 million was distributed to the Company by EMI Holdings. It is emphasized that 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 the Restructuring did not result in any change in the Company's accounting equity on a consolidated basis.

2.1.11 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.

2.1.12 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.

Mr. Shai Galila was appointed head of the technology division and Deputy CEO of Harel Insurance, replacing Eyal Efrat who terminated his service in the Group at the end of September 2021.

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.

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

On July 20, 2021, 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. At the date of publication of the report, all the relevant suspensive conditions had been satisfied and the date for completion of the transaction was set for November 30, 2021. As of December 1, 2021, the insurance activity of Shirbit will be transferred to Harel Insurance.

2.1.14 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.

2.1.15 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.

For additional information, see an Immediate Report of the Company dated August 30, 2021 (Ref. 2021-01-073378).

Allotment of the stock options took place on October 17, 2021.

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.

2.1.16 Completion of entering into a contract for the purchase of provident funds and pension funds from Psagot Provident and Pension Funds Ltd. ("Psagot")

On September 30, 2021, and after the relevant suspensive conditions had been satisfied, the agreement between Harel Pension & Provident and Psagot was completed, in which Harel Pension & Provident acquired from Psagot the activity of several provident funds and pension funds ("the Acquired Activity"), in consideration of NIS 185 million. This Acquired Activity includes the pension funds of Psagot, including the old HAL (National Labor Federation) pension fund, the investment provident fund of Psagot and the long-term savings provident fund for children, as well as central severance pay funds. Commencing October 1, 2021, these funds will be managed by Harel Pension & Provident.

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

2.2.1 Special General Meeting

On October 6, 2021, a special general meeting of the Company took place, the agenda of which included 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 2.1.15 above. The general meeting approved all the items that were listed on the agenda.

2.2.2 Decision to distribute a dividend

On November 29, 2021, together with the approval of the financial reports as at September 30, 2021, the Company's Board of Directors approved the distribution of a dividend in the amount of NIS 100 million to be paid on January 3, 2022. For additional information see Note 10 to the Financial Statements.

2.2.3 Approval to enter into agreement in a D&O liability insurance policy

On approval to enter into agreement in a D&O liability insurance policy - see Note 10 to the Financial Statements.

2.2.4 Approval in principle to issue a new bond series by Harel Financing & Issuing

On approval in principle to issue a new bond series by Harel Financing & Issuing - see Note 10 to the Financial Statements.

2.2.5 Developments in the COVID-19-pandemic crisis

Close to the date of publication of the report, a new variant of the COVID-19 virus - Omicron, was identified in Israel which led the government to impose certain limitations aimed at preventing the spread of the variant in Israel. At the date of publication of the report, the limitations imposed do not include material restrictions on business activity. Additionally, close to the date of publication of the report, the COVID vaccination campaign was extended to children aged 5-11.

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 Company's assets and performance.

2.3 Developments in the macroeconomic environment of the Group

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

2.3.1 General

The global economy continued to recover in Q3 2021 against the backdrop of a more moderate morbidity rate and an increase in the percentage of people vaccinated against COVID-19. Nonetheless, the momentum seems to have weakened when compared with the previous quarter due to production difficulties and supply chain problems worldwide, a sharp increase in shipping costs and higher energy prices, all of which increase the inflationary pressures.

Forecasts for growth worldwide remained almost unchanged, but a closer look at the various regions shows a decline in the forecast for the US and Japan and an in increase in the forecast for Europe and some of the emerging markets. China recorded a slowdown of economic activity, partly due to its zero-tolerance policy regarding COVID-19 morbidity which led to intermittent localized closures.

The volume of global trade moderated in comparison with the previous quarter, but activity levels remain high. Oil and gas prices rose sharply, in part due to the disruption of supplies to Europe, higher demand in Asia and a shift to the consumption of energy products with a lower carbon footprint.

Inflation indicators remain high in many countries while in some countries the index has passed the inflation target. In the USA, the Federal Reserve left the interest rate and bond purchasing plan unchanged, but signaled that the purchasing plan may be curtailed in the near future. In the Eurozone, the ECB left the interest rate unchanged but announced that it intends to curb its bond purchasing plan. Furthermore, in several countries in which there is noticeable inflationary pressure, interest rates did rise or there were indications of a possible interest rate increase.

2.3.2 Developments in the Israeli economy

In the third quarter, Israel's GDP grew at an annual rate of 2.4% (according to initial estimates), led by investments and exports, and this despite the fourth wave of COVID. This wave of morbidity was tackled differently as it did not include stringent restrictions, partly due to the impact of the high vaccination rate among the population and the third booster shot.

2.3.3 Stock market

Summarizing Q3 2021, the MSCI World Index (gross in dollar terms) remained almost unchanged. The corresponding emerging markets index was 8% down. In Israel, the TA-125 Index rose by 5.4% during the period.

2.3.4 Bond market

Shekel government bond yields rose slightly in Q3 2021 but the corresponding linked bond yields decreased in view of higher expectations of inflation.

Overall in Q3 2021, the general bond index was 1.3% up, while the government shekel bond index was down 0.2% in contrast with the linked government bond index which rose by 2.6%. The corporate bond index rose 1.6% during the period.

2.3.5 Mutual funds

Overall in Q3 2021, the mutual funds raised a net NIS 4.6 billion. There were noticeable capital raisings of NIS 5 billion in the funds specializing in bonds, compared with net redemptions of NIS 1 billion in the money market funds.

2.3.6 ETFs

Overall in Q3 2021, the ETFs raised a net NIS 0.3 billion.

2.3.7 Foreign exchange market

Overall in Q3 2021 the shekel was 2.4% stronger against the Bank of Israel's basket of currencies, appreciating 1% against the US dollar and 3.6% against the Euro.

2.3.8 Inflation

According to the last known index (August), the CPI rose by 0.8% in Q3 2021 (May-August), and inflation for the last 12 months until August was 2.2%. Housing and transportation were the key factors contributing to the higher index in the quarter while apparel (clothing and shoes) was the main item which decreased.

2.3.9 Bank of Israel interest

The Bank of Israel left the interest rate unchanged at 0.1%. During Q3 2021, the Bank purchased USD 3.1 billion and NIS 8.3 billion in government bonds.

2.3.10 Events after the reporting date

The Bank of Israel revised the forecast for annual growth to 7% this year and 5.5% in 2022. The Bank decided to discontinue the various monetary expansion programs in the coming months in view of the improved economic recovery.

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 Provisions of law

2.4.1.1.1 On November 21, the Economic Plan (Legislative Amendments for the Implementation of Economic Policy for the 2021 and 2022 Budget Years) Law, 2021, was published, Chapter 16: Limiting Gender-based Gaps in the Labor Market and Raising the Retirement Age for Women, in which the Retirement Age Law 2004 was amended. Among other things, it was determined that the retirement age for women will gradually be raised over the next 11 years, according to year of birth, so that it will eventually be 65.

2.4.1.1.2 On November 15, 2021, the Economic Efficiency (Legislative Amendments to Achieve the Budgetary Targets for the 2021 and 2022 Budget Years) Law, 2021, was published, Chapter 3: Guaranteeing the Stability of Pension Fund Yields (in this instance "the Law"), which determined that the State will no longer provide new non-marketable Arad and Meron government bonds (in this instance "Designated Bonds") for the pension funds as of July 1, 2022. Instead a new mechanism was established for supplementing the yield in which the State will "top up" the yield for the pension funds by up to 5.15% for 30% of the pension fund's assets, net of the assets of the Designated Bonds should the pension funds fail to achieve this yield. According to the proposed mechanism, a review will be performed every 60 months according to which if the annual yield attained is less than 5.15% (CPI-linked), the State will pay the pension funds the difference, and if it is more than 5.15%, 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. To finance this fund, the State will transfer to the fund every year an amount in accordance with the annual rate stipulated in the Law.

2.4.1.1.3 On November 14, 2021, a memorandum of the Contract (Insurance) Law (Amendment no. ___) (Prescription and Special Interest), 2021, was published. The memorandum proposes amending the Contract (Insurance) Law, 1981 and as part of the investigation of a complaint, also allowing the Commissioner to obligate insurers to pay special interest should he find that insurance benefits which are not in dispute were not paid in good faith. Additionally, in those cases where a complaint is submitted for investigation by the Commissioner, it is proposed extending the prescription period by up to one year from the date of submitting the complaint, but no more than four years from starting the count of the prescription period. Regarding life assurance, insurance for illness and hospitalization and long-term care insurance, up to no more than six years from starting the count of the prescription period.

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 which include extending the validity of the Commissioner's position clarifying that the Authority will not take enforcement measures against banks that provide pension advice by digital methods or by phone to existing customers immediately prior to publication of the position, as well as draft regulations which propose extending the validity of the regulations which determine that financial institutions must continue to deduct the cost of the insurance cover from the amounts accrued to 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.

2.4.1.3 Draft circulars

2.4.1.3.1 On September 19, 2021, the Commissioner published a fourth draft of the circular concerning an update of the Consolidated Circular on Measurement - Professional Issues in the Application of IFRS 17 ("the Standard"). This draft proposes establishing principles for application of the Standard, including by dividing insurance contracts into portfolios and the method of determining the boundaries of an insurance contract in health and life policies, as well as publication of a second draft file 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 defining the disclosure required in the annual financial reports of insurance companies from the date of application of the Standard.

2.4.1.3.2 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, and 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.

2.4.1.3.3 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 additional provisions regarding enrollment in the insurance, including a requirement for a voice recording of every conversation with a candidate for insurance, including face-to-face meetings.

2.4.1.4 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 1, 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 purpose of the Temporary Order is to enable the committee appointed by the Commissioner for reviewing the direct expenses, to submit its recommendations ("the Committee's Report") prior to publication of the proposed wording of the regulations. On October 29, 2021, the Committee's Report was presented to the Commissioner. The Report recommends changes and improvements in Israel's long-term savings market, including changing the structure of management fees and moving over to single pricing for management fees which will be calculated as a percentage of the accrual only and will lead to cancellation of the ceiling in its current format.

2.4.2.2 Circulars

2.4.2.2.1 On October 21, 2021, the Commissioner published a circular concerning an amendment of the standard articles of savings provident funds which determines that on the subject of withdrawing money from a fund, the provisions of the pension fund articles and those of the savings provident fund articles must be standardized by means of amending the provisions of the standard savings provident fund articles so that salaried members may only make withdrawals not in accordance with the law from the benefits components deposited for them by their employer if the employer-employee relationship between the salaried member and that employer has been severed or the salaried member has reached the minimum age of eligibility for old-age pension and he is entitled to the money under the legislative arrangement.

2.4.2.2.2 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.

2.4.2.2.3 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 Health insurance

2.4.3.1 Drafts

On October 19, 2021, draft Supervision of Financial Services (Insurance) (Conditions in an Insurance Contract for a Basic Health Policy) Regulations, 2021, were published. Accordingly, it is proposed that a basic health policy will comprise three standard policies: a policy for transplants and special treatment abroad, a policy for medications which are not in the health services basket, and a policy for surgery and non-surgical treatment abroad (hereinafter together: “Basic Health Policy”). The draft regulations also propose defining standard conditions for each policy and determining that insurers may only change the wording of the proposed conditions with the Commissioner’s approval.

On the same date, the Commissioner published a draft amendment to the provisions of the Consolidated Circular - Section 6, Part 3, Chapters 1, 2, 3, 4 and 6 “Drawing up a health insurance plan” which sets out provisions including a new structure for health insurance the main points of which are, among others, that additional health coverages and riders may only be purchased after a basic health policy has been purchased in that company or in another company, as well as a definition of the content and names of the additional health products. The draft amendment also prescribes provisions concerning how to market a health policy and how to present the premium to the candidate for insurance; it prohibits the sale of double insurance in personal-lines indemnity policies and allows a discount on the premiums to be offered to the insured at a fixed rate only and for a period of at least ten years.

2.4.4 Non-life insurance

2.4.4.1 Provisions of law

2.4.4.1.1 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.

2.4.4.1.2 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.

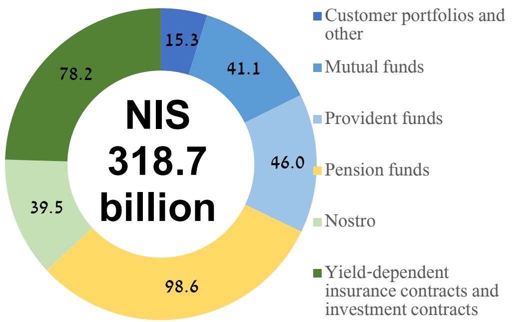
2.4.4.1.3 On March 14, 2021, Provisions for the Supervision of Financial Services (Insurance) (Conditions of a Compulsory Insurance Contract for a Motorized Vehicle) (Amendment), 2021, were published which determined provisions regarding compulsory motor insurance. Among other things, the provisions 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.

2.4.4.1.4 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, of which Harel Insurance is expected to pay an advance of NIS 106,565 thousand by the end of the year.

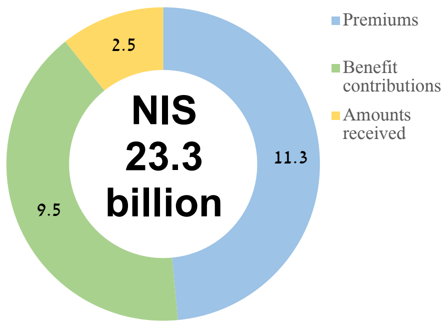
On November 15, 2021, the Economic Efficiency (Legislative Amendments to Achieve the Budgetary Targets for the 2021 and 2022 Fiscal Years) Law, 2021, Chapter F: National Insurance (Part B), was published. The law proposes amending the 2019 Economic Efficiency Law so that the requirement to promulgate 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 2.5 billion, compared with NIS 1.8 billion in the corresponding period last year.

2.5.1 Comprehensive income by segment (NIS million):

		For the nine months ended September 30			For the three months ended September 30		For the year ended December 31
	Notes	2021	2020	change in %	2021	2020	2020
Life assurance and long-term savings							
Life assurance	A	431	233	85	98	160	417
Pension	B	63	50	26	26	20	68
Provident	B	48	39	23	14	14	57
Total life assurance and long-term savings segment		542	322	68	138	194	542
Non-life insurance							
Compulsory motor	C	(42)	63	-	(10)	74	88
Motor property	D	(24)	79	-	(28)	22	88
Property and other branches	D	83	63	32	33	24	93
Other liabilities branches	C	53	13	-	15	41	21
Mortgage insurance		36	33	9	11	16	53
Total non-life insurance segment		106	251	(58)	21	177	343
Health insurance	E	912	38	-	043	130	77
Insurance companies overseas		(15)	(3)	-	(10)	(6)	(3)
Financial services	F	54	33	64	19	14	40
Not attributed to segments of operation		356	(53)	-	81	103	209
Total before tax		1,334	588	-	535	612	1,208
Tax expenses		392	181	-	173	210	374
Other comprehensive income after tax		942	407	-	380	402	834
Return on Equity in annual terms		%61	8%		%81	23%	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 yields in the capital market in the Nostro portfolio, which were higher than in the corresponding period last year that were affected by the COVID-19 pandemic.

Additionally, results in the corresponding period 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) (the circulars entered into force in the second quarter last year), 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 third quarter amounted to NIS 626 million and NIS 153 million, respectively, compared with NIS 329 million and NIS 111 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 third quarter amounted to NIS 257 million and NIS 26 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 last year 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 and corresponding quarter last year were affected by changes in the risk-free interest rate curve and changes in the difference between the fair value and book value of non-marketable assets. Additionally, results in the corresponding period last year were affected by the application of the circular on revised liquidity premium rates which are added to the risk-free interest rate curve. The overall effect of the foregoing was to decrease the insurance liabilities.

   Results in the corresponding period and corresponding quarter last year were affected by the Supreme Court ruling regarding the discounting interest rate which will apply to the National Insurance Institute in subrogation claims and which reduced the insurance liabilities. For additional information, see Section 2.5.2 (G) and (H).

   Additionally, in the compulsory motor sector, results in the Reporting Period 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 third 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 compared with the corresponding period last year, during which the frequency of claims decreases due to a decrease in distances travelled resulting from the COVID-19 crisis.

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 third 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 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 and by 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). For additional information, see Section 2.5.2(C).

Results in the corresponding period and corresponding quarter last year were affected by improved underwriting due to streamlining processes and a change in the structure of costs which were partially offset by an increase in the number of claims.

Personal lines health sector - results in the Reporting Period and third quarter were affected by completion of a study relating to the cost of claims in the personal lines health sector. This was partially offset by an increase in the number of claims in surgery cover.

F. Financial services segment - the results were affected by capital market yields as described above. 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(I).

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

		For the nine months ended September 30			For the three months ended September 30		For the year ended December 31
	Notes	2021	2020	Change	2021	2020	2020
Comprehensive income for the period as published in the financial statement		942	407	535	380	402	834
Life assurance and long-term savings							
Effects of the interest rate	A	-	(30)	30	-	-	(61)
Revised TUR assumptions	B	-	217	(217)	-	-	217
Health insurance							
LAT - personal lines long-term care	C, F	(216)	*(133)	(83)	(118)	*9	*(181)
Completion of a study relating to the cost of claims in personal lines health	D	300	-	300	300	-	-
Revised assumptions for cancellations in personal lines health	E	-	-	-	-	-	(30)
Revised assumptions for cancellations in personal lines long-term care	F	-	-	-	-	-	*(57)
Non-life insurance							
Effects of the interest rate	G	(165)	97	(262)	(71)	39	45
Effect of the Supreme Court ruling regarding the discounting rate	H	-	80	(80)	-	80	80
Financial services segment							
Write-down of value of mutual fund activity	I	-	(10)	10	-	-	(10)
Total effects, before tax		(81)	221	(302)	111	128	3
Effect of tax		(28)	76	(104)	38	44	1
Total effects, after tax		(53)	145	(198)	73	84	2
Total comprehensive income after adjustment for special effects		995	262	733	307	318	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 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 annual Financial Statements.

C. Health segment, personal lines long-term care - results in the Reporting Period and third 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 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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2021	**2020**	**2021**	**2020**	**2020**
Increase (decrease) in the LAT reserve	216	133	118	(9)	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.	123	127*	163	60	349*
Studies (see Section F 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 the Reporting Period and third quarter a study was completed relating to the cost of claims in the personal lines health sector. The effect of the foregoing led to a reduction of the insurance liabilities by NIS 300 million before tax.

E. 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.

F. 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.

G. Non-life insurance segment, compulsory motor sector and liabilities sectors - results in the Reporting Period and third quarter were affected by the updated insurance liabilities. The change 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 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. See the information in the following table, according to sector:

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2021	**2020**	**2021**	**2020**	**2020**
Increase (decrease) in the insurance liabilities	**165**	**(97)***	**71**	**(39)**	**(45)***
Compulsory motor	77	(42)	35	(10)	(19)
Labilities sectors	88	(55)	36	(29)	(26)

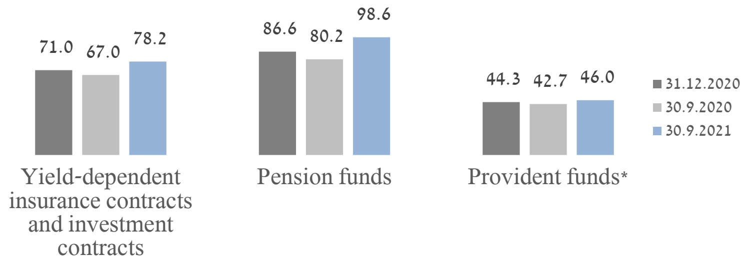
* The amounts also include, in addition to the effects of the changes in the risk-free interest rate curve and the difference between the fair value and book value of the non-marketable assets, the effect of the application of the provisions of the above-mentioned circular - for additional information,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

H. Results in the corresponding period and corresponding quarter last year and in 2020 were 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, 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).

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

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):

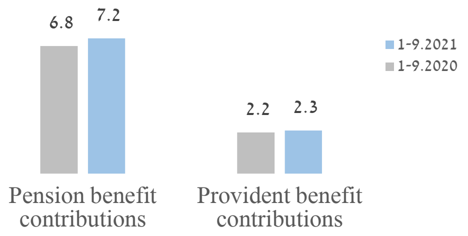


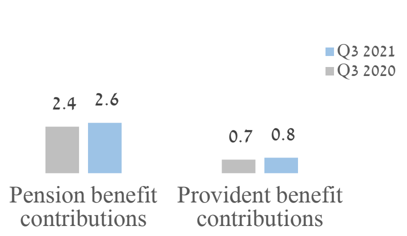
The assets managed by the provident funds and pension funds are not included in the Company's consolidated financial statements.

Commencing October 1, 2021, with the completion of the Psagot transaction, the assets managed by the pension and provident funds are expected to increase by NIS 26 billion. For additional information see Section 2.1.16.

* 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):





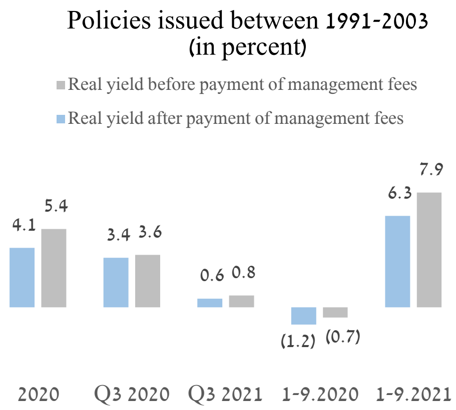
The benefit contributions in the provident funds and pension funds are not included in the Company's consolidated financial statements.

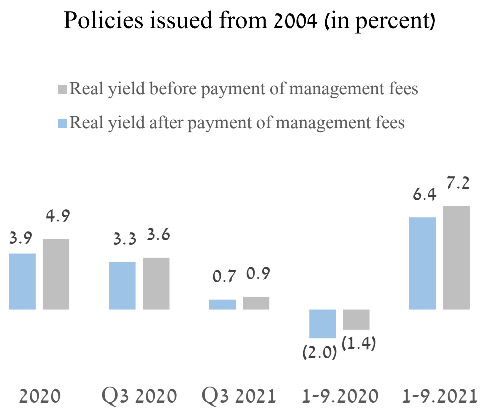
2.6.3 Life assurance:

Redemptions as a percentage of the average reserve in the Reporting Period amounted to 4.2%, as against 3.4% in the corresponding period last year and 3.5% in 2020.

Redemptions from the average reserve in the third quarter amounted to 4.0%, compared with 4.2% 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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
Profit (loss) after management fees	5,175	(1,326)	927	1,847	1,870
Total management fees	626	329	153	111	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 9.9%.

Total management fees collected from the pension funds managed by the Group amounted to NIS 263 million in the Reporting Period, compared with NIS 246 million in the corresponding period last year.

Total income from management fees collected by the pension funds managed by the Group amounted to NIS 91 million in the third quarter, compared with NIS 85 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 8 billion, compared with negative accrual of NIS 1.3 billion in the corresponding period last year.

Income from management fees collected from the provident funds managed by the Group amounted to NIS 186 million in the Reporting Period, compared with NIS 184 million in the corresponding period last year.

Income from management fees collected from the provident funds managed by the Group amounted to NIS 63 million in third quarter, compared with NIS 61 million in the corresponding quarter last year.

2.6.6 Health insurance:

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

In 2019 Harel Insurance announced that due to the conditions of the existing LTC policies, which in practice incorporate in their tariffs a guaranteed yield and which the Company is unable to commit to for long periods under present market conditions, and due to the fact that the reinsurers who were active in this sector have announced a discontinuation of their activity in this sector, it was decided to discontinue the sale of new personal lines LTC policies. Harel Insurance 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 9(17) to the Financial Statements.

Change in the quantity of policies in terms of exposure:

	For the nine months ended September 30		For the year ended December 31
	2021	**2020**	**2020**
Compulsory motor	12%	4%	4%
Motor property (CASCO)	14%	10%	10%
Property and other branches	9%	2%	2%
Other liabilities branches	2%	(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.

2.6.7.1 Compulsory motor

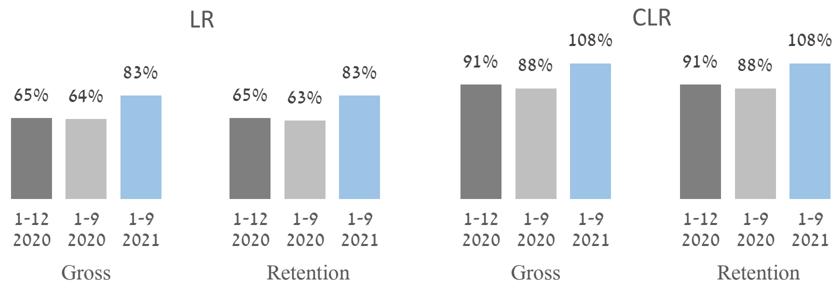
For additional information about the results of compulsory motor insurance, see Sections 2.5.1 and 2.5.2 above.

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.

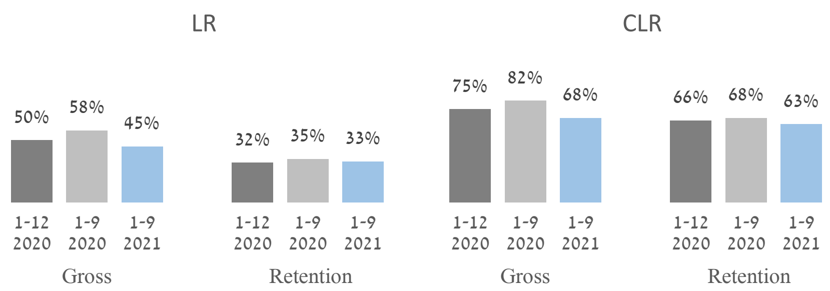
Loss ratio (LR) and combined loss ratio (CLR) in motor property insurance:



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 2.1.10 above.

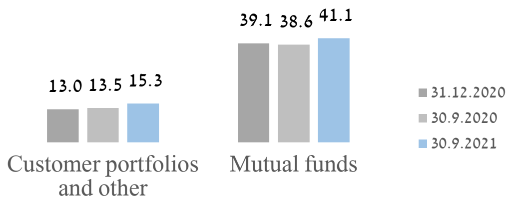
The premiums earned in credit insurance for residential mortgages are not for new sales, but in respect of sales made in the past and for which the premiums are recognized as earned premiums based on the period of coverage. EMI has no reinsurance agreements in this sector.

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):



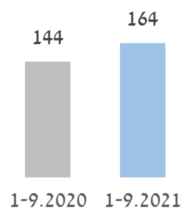
The assets managed in the customer portfolios include financial assets that were issued by the Group and are managed in the portfolios.

Revenues in the capital market and financial services segment amounted to NIS 183 million in the Reporting Period, compared with NIS 168 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 provided by operating activity were NIS 688 million in the Reporting Period. Net cash flows used in investment activity amounted to NIS 467 million. Net cash flows used in financing activity were NIS 121 million. The fluctuating exchange rates affected the cash balances by a positive NIS 129 million. The outcome of all the above activity is an increase of NIS 229 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 at its disposal.

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.

On November 29, 2021, together with the approval of the financial reports as at September 30, 2021, the Company's Board of Directors approved the distribution of a dividend in the amount of NIS 100 million. The dividend will be paid on January 3, 2022.

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 2.1.11 and 2.1.12 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

Provisions concerning application of an 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").

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.

Economic solvency ratio and Minimum Capital Requirement:

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 capital position of Harel Insurance is influenced by its ongoing business development, 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.

These data concerning the solvency ratio, taking into account the capital transactions, as detailed above, do not include 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, exogenous effects and regulatory changes that affect the business environment.

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 March 14, 2021, the Commissioner's letter was published which determined that the date for publication of the economic solvency report at December 31, 2020, as well as the reporting files for the Commissioner attached thereto will be up to June 30, 2021. The letter also stipulates that insurance companies may decide not to publish their economic solvency report as at June 30, 2021.

On June 30, 2021, Harel Insurance published on its website 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 .

According to an internal calculation of the Solvency ratio prepared by Harel Insurance at June 30, 2021, Harel Insurance has a significant capital surplus, taking the transitional provisions into account. It is emphasized that this internal calculation has not been reviewed or audited by the external auditors.

C. Limitations on the distribution of dividends

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.

D. **Solvency ratio without application of the transitional provisions to the transitional period and without adjustment for equity risk:**

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.

	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	Michel Siboni
Chairman of the Board of Directors	CEO

November 29, 2021

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at September 30, 2021

Condensed Consolidated Interim Statements of Financial Position at

	30 September		December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Intangible assets	**2,072**	1,796	1,810
Deferred tax assets	**12**	12	9
Deferred Acquisition Costs	**2,635**	2,500	2,513
Fixed assets	**1,383**	1,396	1,380
Investments in equity accounted investees	**1,353**	1,388	1,245
Investment property for yield-dependent contracts	**1,856**	1,797	1,802
Other investment property	**2,077**	2,099	2,060
Reinsurance assets	**4,609**	4,279	4,340
Current tax assets	**56**	3	6
Trade and other receivables	**1,337**	1,600	1,246
Premium due	**1,445**	1,384	1,345
Financial investments for yield-dependent contracts	**70,556**	60,471	64,607
Other financial investments			
Marketable debt assets	**12,728**	11,128	11,067
Non-marketable debt assets	**15,286**	14,655	15,075
Shares	**2,194**	1,481	1,630
Other	**3,476**	2,864	3,238
Total other financial investments	**33,684**	30,128	31,010
Cash and cash equivalents for yield-dependent contracts	**4,178**	3,322	3,452
Other cash and cash equivalents	**2,424**	1,914	2,921
Total assets	**129,677**	114,089	119,746
Total assets for yield-dependent contracts	**78,151**	66,985	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 September		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	**(140)**	(123)	(123)
Capital reserves	**1,213**	900	1,061
Retained earnings	**6,969**	6,173	6,438
Total equity attributed to shareholders of the Company	**8,401**	7,309	7,735
Non-controlling interests	**31**	18	19
Total equity	**8,432**	7,327	7,754
Liabilities			
Liabilities for non-yield-dependent insurance contracts and investment contracts	**29,572**	28,333	28,417
Liabilities for yield-dependent insurance contracts and investment contracts	**77,258**	66,418	70,302
Deferred tax liabilities	**1,318**	1,145	1,200
Liabilities for employee benefits, net	**281**	282	265
Current tax liabilities	**28**	138	99
Trade and other payables	**3,884**	3,187	3,915
Financial liabilities	**8,904**	7,259	7,794
Total liabilities	**121,245**	106,762	111,992
Total equity and liabilities	**129,677**	114,089	119,746

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

Date of approval of the financial statements: November 29, 2021

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

Condensed Consolidated Interim Statements of Income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	**11,264**	11,044	**3,802**	3,674	14,951
Premiums earned by reinsurers	**1,348**	1,250	**476**	430	1,675
Earned premiums in retention	**9,916**	9,794	**3,326**	3,244	13,276
Profit (Loss) from investments, net, and financing income	**8,041**	(553)	**1,699**	2,443	3,725
Income from management fees	**1,248**	909	**365**	308	1,384
Income from commissions	**254**	234	**88**	79	312
Other income	**3**	-	**3**	-	-
Total income	**19,462**	10,384	**5,481**	6,074	18,697
Payments and changes in liabilities for insurance contracts and investment contracts, gross	**16,355**	7,669	**4,359**	4,926	14,916
Reinsurers' share of payments and change in liabilities for insurance contracts	**1,114**	968	**339**	335	1,312
Payments and changes in liabilities for insurance contracts and investment contracts in retention	**15,241**	6,701	**4,020**	4,591	13,604
Commissions, marketing expenses and other acquisition costs	**2,026**	1,993	**692**	655	2,685
General and administrative expenses	**932**	868	**312**	305	1,206
Other expenses	**11**	22	**6**	3	25
Financing expenses, net	**235**	142	**83**	53	169
Total expenses	**18,445**	9,726	**5,113**	5,607	17,689
Company's share of profits of equity accounted investees	**92**	6	**30**	8	13
Profit before taxes on income	**1,109**	664	**398**	475	1,021
Income tax	**320**	202	**120**	158	296
Profit for period	**789**	462	**278**	317	725
Attributed to:					
Shareholders of the Company	**787**	462	**278**	317	724
Non-controlling interests	**2**	-*	**-***	-*	1
Profit for the period	**789**	462	**278**	317	725
Basic and diluted earnings per share (in NIS)	**3.67**	2.16	**1.30**	1.48	3.38

* Less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit for the period	**789**	462	**278**	317	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	**585**	(104)	**244**	176	356
Net change in fair value of financial assets classified as available-for-sale transferred to income statement	**(374)**	(152)	**(70)**	(65)	(297)
Loss from impairment of available-for-sale financial assets transferred to income statement	**12**	148	**2**	34	148
Foreign currency translation differences for foreign activity	**(28)**	(6)	**(22)**	2	(61)
Tax benefit (income tax) attributable to available-for-sale financial assets	**(71)**	33	**(59)**	(53)	(79)
Tax benefit (income tax) for items of other comprehensive income that after initial recognition as part of comprehensive income were or will be transferred to profit or loss	**7**	(2)	**6**	(3)	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	**131**	(83)	**101**	91	79
Other items of comprehensive income (loss) that will not be transferred to profit or loss					
Revaluation reserve for fixed asset items	**29**	36	**3**	(1)	34
Re-measurement of a defined benefit plan	**1**	2	**(2)**	(9)	7
Tax benefit (income tax) for items of other comprehensive income that will not be transferred to profit or loss	**(8)**	(10)	**-***	4	(11)
Other comprehensive income (loss) for the period that will not be transferred to profit or loss, net of tax	**22**	28	**1**	(6)	30
Total other comprehensive income (loss) for period	**153**	(55)	**102**	85	109
Total comprehensive income for period	**942**	407	**380**	402	834
Attributed to:					
Shareholders of the Company	**940**	407	**380**	402	833
Non-controlling interests	**2**	-*	**-***	-*	1
Total comprehensive income for period	**942**	407	**380**	402	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 nine months ended September 30, 2021 (Unaudited)											
Balance as at January 1, 2021 (Audited)	359	1,003	(194)	1	(123)	(49)	300	6,438	7,735	19	7,754
Comprehensive income (loss) for period											
Profit for the period	-	-	-	-	-	-	-	787	787	2	789
Other comprehensive income (loss)	-	152	(21)	-	-	-	21	1	153	-*	153
Total comprehensive income (loss) for period	-	152	(21)	-	-	-	21	788	940	2	942
Transactions with shareholders recognized directly in equity											
Dividend distributed	-	-	-	-	-	-	-	(257)	(257)	-	(257)
Purchase of Treasury stock	-	-	-	-	(17)	-	-	-	(17)	-	(17)
Non-controlling interests in a consolidated subsidiary (see Note 9)	-	-	-	-	-	-	-	-	-	11	11
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(1)
Balance as at September 30, 2021	359	1,155	(215)	1	(140)	(49)	321	6,969	8,401	31	8,432

* 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 September 30, 2021 (Unaudited)											
Balance as at July 1, 2021	359	1,038	(199)	1	(123)	(49)	319	6,692	8,038	31	8,069
Comprehensive income (loss) for period											
Profit for the period	-	-	-	-	-	-	-	278	278	-*	278
Other comprehensive income (loss)	-	117	(16)	-	-	-	2	(1)	102	-*	102
Total comprehensive income (loss) for period	-	117	(16)	-	-	-	2	277	380	-*	380
Transactions with shareholders recognized directly in equity											
Purchase of Treasury stock	-	-	-	-	(17)	-	-	-	(17)	-	(17)
Balance as at September 30, 2021	359	1,155	(215)	1	(140)	(49)	321	6,969	8,401	31	8,432

* Less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Changes in Equity (Contd.)

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

* Less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Changes in Equity (Contd.)

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

* Less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Changes in Equity (Contd.)

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the 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 year	-	-	-	-	-	-	-	724	724	1	725
Other comprehensive income (loss)	-	128	(49)	-	-	-	25	5	109	-*	109
Total comprehensive income (loss) for 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 nine months ended September 30		For the three months ended September 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	**1,087**	772	**952**	816	1,704
Income tax paid		**(399)**	(119)	**(10)**	(36)	(291)
Net cash provided by operating activities		**688**	653	**942**	780	1,413
Cash flows from investment activity						
Investment in investees		**(82)**	(14)	**(14)**	(2)	(28)
Proceeds from the sale of an investment in an equity accounted investee		**42**	56	**5**	-	69
Cash paid as part of purchase of provident funds and pension funds from Psagot – see Note 9		**(185)**	-	**(185)**	-	-
Investment in fixed assets		**(45)**	(33)	**(4)**	(7)	(44)
Investment in intangible assets		**(221)**	(242)	**(77)**	(95)	(303)
Dividend and interest from an investee		**21**	9	**10**	2	102
Proceeds from sale of fixed assets and intangible assets		**3**	-	**1**	-	1
Net cash used for investment activity		**(467)**	(224)	**(264)**	(102)	(203)
Cash flows from financing activity						
Proceeds of issuance of liability notes, net		**247**	-	**247**	-	395
Repayment of liability notes		**(437)**	(216)	**-**	-	(247)
Purchase of Treasury stock		**(17)**	-	**(17)**	-	-
Short-term credit from banks, net		**400**	-	**188**	-	-
Loans received from banks and others		**375**	-	**375**	-	-
Repayment of loans from banks and others		**(404)**	(39)	**(365)**	-	(77)
Repayment of lease liabilities		**(27)**	(24)	**(10)**	(8)	(36)
Dividend to non-controlling interests		**(1)**	-	**-**	-	-
Dividend paid to the Company's shareholders		**(257)**	-	**-**	-	-
Net cash provided by (used in) financing activity		**(121)**	(279)	**418**	(8)	35
Effect of exchange rate fluctuations on cash balances and cash equivalents		**129**	133	**9**	91	175
Net increase in cash and cash equivalents		**229**	283	**1,105**	761	1,420
Retained cash and cash equivalents at beginning of the period	B	**6,373**	4,953	**5,497**	4,475	4,953
Retained cash and cash equivalents at end of the period	C	**6,602**	5,236	**6,602**	5,236	6,373

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

Condensed Consolidated Interim Statements of Cash Flows (contd.)

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	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	**789**	462	**278**	317	725
Items not involving cash flows:					
Company's share of (losses) profits of equity accounted investees	**(92)**	(6)	**(30)**	(8)	(13)
Net losses (profits) from financial investments for yield-dependent insurance contracts and investment contracts	**(5,379)**	1,562	**(871)**	(1,937)	(2,115)
Net losses (profits) from other financial investments					
Marketable debt assets	**(269)**	(7)	**(78)**	(58)	(14)
Non-marketable debt assets	**(221)**	76	**(57)**	(2)	107
Shares	**(256)**	(4)	**(46)**	(34)	(119)
Other investments	**(402)**	68	**(162)**	(35)	(288)
Change in financial liabilities	**397**	(455)	**32**	(243)	(956)
Change in fair value of investment property for yield-dependent contracts	**(20)**	16	**(23)**	7	14
Change in fair value of other investment property	**(6)**	(28)	**(1)**	1	14
Depreciation and amortization					
Fixed assets	**85**	72	**27**	24	111
Intangible assets	**144**	131*	**49**	46	178*
Change in liabilities for non-yield-dependent insurance contracts and investment contracts	**1,251**	(162)	**257**	(382)	(70)
Change in liabilities for yield-dependent insurance contracts and investment contracts	**6,956**	(121)	**1,623**	2,332	3,763
Change in reinsurance assets	**(287)**	(23)	**(43)**	6	(85)
Change in DAC	**(128)**	(13)	**(13)**	11	(28)
Income tax expenses	**320**	202	**120**	158	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	**(34)**	(44)	**(23)**	(4)	(47)
Net acquisitions of financial investments	**(701)**	(898)	**29**	304	(1,058)
Other financial investments and investment property					
Purchase of investment property	**(11)**	(13)	**(4)**	(1)	(16)
Net sales (acquisitions) of financial investments	**(786)**	725	**(207)**	313	1,213
Premiums due	**(117)**	19	**58**	24	58
Trade and other receivables	**(120)**	(325)	**(207)**	30	(212)
Trade and other payables	**(42)**	(465)	**244**	(60)	255
Liabilities for employee benefits, net	**16**	3	**-**	7	(9)
Total adjustments required to present cash flows from operating activities	**298**	310	**674**	499	979
Total cash flows from (used for) operating activity	**1,087**	772	**952**	816	1,704

* Including a write-down of goodwill and brand for portfolio management activity in the amount of NIS 10 million for the nine months ended September 30, 2020, and the year ended December 31, 2020.

(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 511 million and NIS 141 million for the nine and three months ended September 30, 2021, respectively (for the nine and three months ended September 30, 2020, NIS 516 million and NIS 149 million, respectively, and for 2020 in its entirety NIS 743 million) and interest was paid in the amount of NIS108 million and NIS 21 million for the nine and three months ended September 30, 2021 (for the nine and three months ended September 30, 2020, NIS 89 million and NIS 88 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 69 million and NIS 8 million for the nine and three months ended September 30, 2021, respectively (for the nine and three months ended September 30, 2020, NIS 18 million and NIS 7 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 nine months ended September 30		For the three months ended September 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	**3,447**	2,640	2,897
Other cash and cash equivalents	**2,921**	2,056	**2,050**	1,835	2,056
Retained cash and cash equivalents at beginning of the period	**6,373**	4,953	**5,497**	4,475	4,953
Annex C - Cash and cash equivalents at end of period					
Cash and cash equivalents for yield-dependent contracts	**4,178**	3,322	**4,178**	3,322	3,452
Other cash and cash equivalents	**2,424**	1,914	**2,424**	1,914	2,921
Retained cash and cash equivalents at end of the period	**6,602**	5,236	**6,602**	5,236	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 September 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

Pursuant to Note 1 to the annual reports concerning the spread of the COVID-19 pandemic, close to the date of publication of the report, a new COVID variant - Omicron, was identified in Israel which led the government to impose certain limitations aimed at preventing the spread of the variant in Israel. At the date of publication of the report, the limitations imposed do not include material restrictions on business activity. Additionally, close to the date of publication of the report, the COVID vaccination campaign was extended to children aged 5-11.

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.

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 November 29, 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. On the completion of a study relating to the cost of claims in the personal lines health sector, see Note 9.

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 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 nine months ended September 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	4,370	3,965	2,589	343	-	-	(3)	11,264
Premiums earned by reinsurers	137	225	925	64	-	-	(3)	1,348
Earned premiums - retention	4,233	3,740	1,664	279	-	-	-	9,916
Profit from investments, net, and financing income	6,420	751	372	41	18	441*	(2)	8,041
Income from management fees	1,075	3	-	-	164	7	(1)	1,248
Income from commissions	29	14	177	12	-	74**	(52)	254
Other income	2	-	-	-	1	-	-	3
Total income	11,759	4,508	2,213	332	183	522	(55)	19,462
Payments and changes in liabilities for insurance contracts and investment contracts, gross	10,118	3,677	2,289	273	-	-	(2)	16,355
Reinsurers' share in payments and changes in liabilities for insurance contracts	90	347	647	32	-	-	(2)	1,114
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	10,028	3,330	1,642	241	-	-	-	15,241
Commissions, marketing expenses and other acquisition costs	778	688	535	72	-	5***	(52)	2,026
General and administrative expenses	445	221	29	18	123	99****	(3)	932
Other expenses	1	-	-	2	3	5	-	11
Financing expenses , net	12	37	3	-	3	180	-	235
Total expenses	11,264	4,276	2,209	333	129	289	(55)	18,445
Company's share of profits of equity accounted investees	13	12	24	-	-	43	-	92
Profit (loss) before income taxes	508	244	28	(1)	54	276	-	1,109
Other comprehensive income (loss), before income tax	34	47	78	(14)	-	80	-	225
Total comprehensive income (loss) before income tax	542	291	106	(15)	54	356*****	-	1,334
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,982	6,993	9,970	632	-	-	(5)	29,572
Liabilities in respect of yield dependent insurance contracts and investment contracts	71,014	6,244	-	-	-	-	-	77,258

* 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 51 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 57 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 11 million.

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the three months ended September 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	1,412	1,368	909	114	-	-	(1)	3,802
Premiums earned by reinsurers	49	81	326	21	-	-	(1)	476
Earned premiums - retention	1,363	1,287	583	93	-	-	-	3,326
Profit from investments, net, and financing income	1,267	177	144	16	5	91*	(1)	1,699
Income from management fees	307	1	-	-	57	1	(1)	365
Income from commissions	13	5	58	4	-	26**	(18)	88
Other income	2	-	-	-	1	-	-	3
Total income	2,952	1,470	785	113	63	118	(20)	5,481
Payments and changes in liabilities for insurance contracts and investment contracts, gross	2,477	998	787	98	-	-	(1)	4,359
Reinsurers' share in payments and changes in liabilities for insurance contracts	21	114	196	9	-	-	(1)	339
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	2,456	884	591	89	-	-	-	4,020
Commissions, marketing expenses and other acquisition costs	261	235	188	24	-	2***	(18)	692
General and administrative expenses	154	74	10	5	41	30****	(2)	312
Other expenses	-	-	-	1	2	3	-	6
Financing expenses (income), net	4	13	(4)	-	1	69	-	83
Total expenses	2,875	1,206	785	119	44	104	(20)	5,113
Company's share of profits of equity accounted investees	8	5	6	-	-	11	-	30
Profit (loss) before income tax	85	269	6	(6)	19	25	-	398
Other comprehensive income (loss), before income tax	53	35	15	(4)	-	56	-	155
Total comprehensive income (loss) before income tax	138	304	21	(10)	19	81*****	-	553
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	11,982	6,993	9,970	632	-	-	(5)	29,572
Liabilities in respect of yield dependent insurance contracts and investment contracts	71,014	6,244	-	-	-	-	-	77,258

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

* Total 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 80 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 52 million is for expenses of the activity of the Group's insurance agencies.

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

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

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

* Total 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 15 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 16 million is for expenses of the activity of the Group's insurance agencies.

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

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the 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 nine months ended September 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	496	775	842	786	(1)	2,898
Reinsurance premiums	5	13	658	305	-	981
Premiums in retention	491	762	184	481	(1)	1,917
Change in outstanding unearned premiums, in retention	82	95	17	63	(4)	253
Earned premiums - retention	409	667	167	418	3	1,664
Profits from investments, net, and financing income	134	26	19	181	12	372
Income from commissions	-	3	134	40	-	177
Total income	543	696	320	639	15	2,213
Payments and changes in liabilities for insurance contracts, gross	552	560	359	842	(24)	2,289
Reinsurers' share of payments and change in liabilities for insurance contracts	12	7	304	324	-	647
Payments and changes in liabilities for insurance contracts in retention	540	553	55	518	(24)	1,642
Commissions, marketing expenses and other acquisition costs	75	167	178	115	-	535
General and administrative expenses	7	8	7	4	3	29
Financing expenses, net	1	-	-	2	-	3
Total expenses (income)	623	728	240	639	(21)	2,209
Company's share of profits of equity accounted investees	9	2	1	12	-	24
Profit (loss) before income tax	(71)	(30)	81	12	36	28
Other comprehensive income before income tax	29	6	2	41	-	78
Total comprehensive income (loss) before income tax	(42)	(24)	83	53	36	106
Liabilities for insurance contracts, gross, as at September 30, 2021	2,655	681	1,006	5,420	208	9,970
Liabilities for insurance contracts, in retention as at September 30, 2021	2,591	669	179	3,406	208	7,053

* 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 75% 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 September 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	178	214	284	172	-	848
Reinsurance premiums	1	4	218	93	-	316
Premiums in retention	177	210	66	79	-	532
Change in outstanding unearned premiums, in retention	28	(23)	4	(59)	(1)	(51)
Earned premiums - retention	149	233	62	138	1	583
Profits from investments, net, and financing income	53	10	7	71	3	144
Income from commissions	-	1	43	14	-	58
Total income	202	244	112	223	4	785
Payments and changes in liabilities for insurance contracts, gross	194	215	107	280	(9)	787
Reinsurers' share of payments and change in liabilities for insurance contracts	1	4	90	101	-	196
Payments and changes in liabilities for insurance contracts in retention	193	211	17	179	(9)	591
Commissions, marketing expenses and other acquisition costs	25	61	60	42	-	188
General and administrative expenses	3	3	4	(2)	2	10
Financing income, net	(2)	(1)	-	(1)	-	(4)
Total expenses (income)	219	274	81	218	(7)	785
Company's share of profits of equity accounted investees	2	1	1	2	-	6
Profit (loss) before income tax	(15)	(29)	32	7	11	6
Other comprehensive income before income tax	5	1	1	8	-	15
Total comprehensive income (loss) before income tax	(10)	(28)	33	15	11	21
Liabilities for insurance contracts, gross, as at September 30, 2021	2,655	681	1,006	5,420	208	9,970
Liabilities for insurance contracts, in retention as at September 30, 2021	2,591	669	179	3,406	208	7,053

* 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 62% 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 nine months ended September 30, 2020 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	Mortgage insurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	473	707	778	701	(3)	2,656
Reinsurance premiums	5	11	601	259	-	876
Premiums in retention	468	696	177	442	(3)	1,780
Change in outstanding unearned premiums, in retention	44	65	10	(44)	(9)	66
Earned premiums - retention	424	631	167	486	6	1,714
Profits from investments, net, and financing income	18	4	10	24	3	59
Income from commissions	-	3	120	33	-	156
Total income	442	638	297	543	9	1,929
Payments and changes in liabilities for insurance contracts, gross	278	408	420	544	(29)	1,621
Reinsurers' share of payments and change in liabilities for insurance contracts	(10)	9	361	159	-	519
Payments and changes in liabilities for insurance contracts in retention	288	399	59	385	(29)	1,102
Commissions, marketing expenses and other acquisition costs	68	150	168	119	-	505
General and administrative expenses	7	7	6	6	2	28
Financing expenses, net	-	-	-	1	-	1
Total expenses (income)	363	556	233	511	(27)	1,636
Company's share of profits of equity accounted investees	(4)	(1)	-	(4)	-	(9)
Profit before income tax	75	81	64	28	36	284
Other comprehensive income before income tax	(12)	(2)	(1)	(15)	(3)	(33)
Total comprehensive income before income tax	63	79	63	13	33	251
Liabilities for insurance contracts, gross, as at September 30, 2020	2,570	560	974	5,223	250	9,577
Liabilities for insurance contracts, in retention as at September 30, 2020	2,489	549	171	3,268	250	6,727

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

* 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 80% 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 66% 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, in 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 nine months ended September 30, 2021 (Unaudited)				For the nine months ended September 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	-	-	4,370	4,370	-	-	4,449	4,449
Premiums earned by reinsurers	-	-	137	137	-	-	123	123
Earned premiums - retention	-	-	4,233	4,233	-	-	4,326	4,326
Profit (loss) from investments, net, and financing income	1	2	6,417	6,420	-	1	(731)	(730)
Income from management fees	186	263	626	1,075	184	246	329	759
Income from commissions	-	-	29	29	-	-	32	32
Other income	-	-	2	2	-	-	-	-
Total income	187	265	11,307	11,759	184	247	3,956	4,387
Payments and changes in liabilities for insurance contracts and investment contracts, gross	2	11	10,105	10,118	2	10	2,896	2,908
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	90	90	-	-	73	73
Payments and changes in liabilities for insurance contracts and investment contracts in retention	2	11	10,015	10,028	2	10	2,823	2,835
Commissions, marketing expenses and other acquisition costs	74	92	612	778	72	89	622	783
General and administrative expenses	63	99	283	445	66	94	259	419
Other expenses	-	1	-	1	4	1	-	5
Financing expenses, net	-	-	12	12	-	-	5	5
Total expenses	139	203	10,922	11,264	144	194	3,709	4,047
Company's share of profits (losses) of equity accounted investees	-	-	13	13	-	-	(3)	(3)
Profit before income tax	48	62	398	508	40	53	244	337
Other comprehensive income (loss) before income tax	-	1	33	34	(1)	(3)	(11)	(15)
Total comprehensive income before income tax	48	63	431	542	39	50	233	322

Note 4 - Operating segments (contd.)

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

	For the three months ended September 30, 2021 (Unaudited)				For the three months ended September 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	-	-	1,412	1,412	-	-	1,476	1,476
Premiums earned by reinsurers	-	-	49	49	-	-	41	41
Earned premiums - retention	-	-	1,363	1,363	-	-	1,435	1,435
Profit from investments, net, and financing income	-	1	1,266	1,267	-	1	2,107	2,108
Income from management fees	63	91	153	307	61	85	111	257
Income from commissions	-	-	13	13	-	-	16	16
Other income	-	-	2	2	-	-	-	-
Total income	63	92	2,797	2,952	61	86	3,669	3,816
Payments and changes in liabilities for insurance contracts and investment contracts, gross	1	4	2,472	2,477	1	3	3,268	3,272
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	21	21	-	-	25	25
Payments and changes in liabilities for insurance contracts and investment contracts in retention	1	4	2,451	2,456	1	3	3,243	3,247
Commissions, marketing expenses and other acquisition costs	25	31	205	261	24	31	199	254
General and administrative expenses	22	32	100	154	22	31	95	148
Other expenses	-	-	-	-	-	1	-	1
Financing expenses, net	-	-	4	4	-	-	3	3
Total expenses	48	67	2,760	2,875	47	66	3,540	3,653
Company's share of profits of equity accounted investees	-	-	8	8	-	-	4	4
Profit before income tax	15	25	45	85	14	20	133	167
Other comprehensive income before income tax	(1)	1	53	53	-	-	27	27
Total comprehensive income before income tax	14	26	98	138	14	20	160	194

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 nine months ended September 30, 2021 (Unaudited)							
Gross premiums	59	641	-	2,614	958	104	4,376
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(6)
Total							4,370
Amounts received for investment contracts recognized directly in insurance reserves	-	-	14	2,482	-	-	2,496
Financial margin including management fees - in terms of comprehensive income (2)	48	355	38	268	-	-	709
Payments and changes in liabilities for insurance contracts, gross	540	3,108	42	4,761	484	88	9,023
Payments and change in liabilities for investment contracts	-	-	4	1,078	-	-	1,082
Total comprehensive income from life assurance business	18	247	36	27	92	11	431
For the three months ended September 30, 2021 (Unaudited)							
Gross premiums	19	213	-	820	329	33	1,414
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(2)
Total							1,412
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	980	-	-	980
Financial margin including management fees - in terms of comprehensive income (2)	22	62	21	90	-	-	195
Payments and changes in liabilities for insurance contracts, gross	189	659	14	1,183	149	19	2,213
Payments and change in liabilities for investment contracts	-	-	-	259	-	-	259
Total comprehensive income (loss) from life assurance business	6	(4)	24	14	46	12	98

(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
For the nine months ended September 30, 2020 (Unaudited)				NIS million			
Gross premiums	66	660	-	2,727	890	112	4,455
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(6)
Total							4,449
Amounts received for investment contracts recognized directly in insurance reserves	-	-	41	1,783	-	-	1,824
Financial margin including management fees - in terms of comprehensive income (2)	16	99	(7)*	230	-	-	338
Payments and changes in liabilities for insurance contracts, gross	229	388	(131)	2,333	382	74	3,275
Payments and change in liabilities for investment contracts	-	-	6	(385)	-	-	(379)
Total comprehensive income (loss) from life assurance business	43	(19)	125	1	59	24	233
For the three months ended September 30, 2020 (Unaudited)							
Gross premiums	21	214	-	911	297	35	1,478
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(2)
Total							1,476
Amounts received for investment contracts recognized directly in insurance reserves	-	-	41	474	-	-	515
Financial margin including management fees - in terms of comprehensive income (2)	45	34	6*	77	-	-	162
Payments and changes in liabilities for insurance contracts, gross	128	1,029	6	1,573	87	19	2,842
Payments and change in liabilities for investment contracts	-	-	6	420	-	-	426
Total comprehensive income (loss) from life assurance business	32	(14)	4	34	89	15	160

* 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 nine months ended September 30, 2021 (Unaudited)	NIS million				
Gross premiums	571	1,161	1,961	275	3,968
Payments and changes in liabilities for insurance contracts, gross	858	1,629	995	195	3,677
Total comprehensive income (loss) from health insurance business	(114)	(78)	470	13	291

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
	NIS million				
For the three months ended September 30, 2021 (Unaudited)					
Gross premiums	192	396	665	124	1,377
Payments and changes in liabilities for insurance contracts, gross	320	462	146	70	998
Total comprehensive income (loss) from health insurance business	(66)	(5)	360	15	304

* Of this, personal lines premiums in the amount of NIS 1,394 million and NIS 505 million for the nine and three months ended September 30, 2021, respectively, and group premiums in the amount of NIS 842 million and NIS 284 million for the nine and three months ended September 30, 2021, respectively.

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

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 nine months ended September 30, 2020 (Unaudited)	NIS million				
Gross premiums	569	1,084	1,794	210	3,657
Payments and changes in liabilities for insurance contracts, gross	579	1,059	1,008	213	2,859
Total comprehensive income (loss) from health insurance business	(27)	(82)	177	(30)	38

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
			NIS million		
For the three months ended September 30, 2020 (Unaudited)					
Gross premiums	188	364	603	79	1,234
Payments and changes in liabilities for insurance contracts, gross	166	529	356	59	1,110
Total comprehensive income (loss) from health insurance business	95	(26)	62	(1)	130

	Long-term care (LTC)		Other health*		
For the year ended December 31, 2020 (Audited)	Personal lines	Group	long-term **	short-term **	Total
			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 1,242 million and NIS 425 million for the nine and three months ended as at September 30, 2020, respectively (personal lines premiums of NIS 1,675 million as at December 31, 2020) and group premiums in the amount of NIS762 million and NIS 257 million for the nine and three months ended September 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 other short-term health 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 2021, a law memorandum was published amending the Income Tax Ordinance, which, among other things, discusses certain changes in Israel's tax laws, including changes on matters relating to the taxation of partnerships. At the date of the report, the legislative amendments pertaining to the taxation of partnerships have not yet been completed. Completion of the legislation 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 9.

Note 6 - Financial instruments

A. Assets for Yield-dependent contracts

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

	As at September 30		As at December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Investment property	**1,856**	1,797	1,802
Financial investments			
Marketable debt assets	**20,500**	21,542	21,331
Non-marketable debt assets (1)	**15,539**	14,699	14,745
Shares	**16,175**	11,302	13,322
Other financial investments	**18,342**	12,928	15,209
Total financial investments	**70,556**	60,471	64,607
Cash and cash equivalents	**4,178**	3,322	3,452
Other	**1,561**	1,395	1,148
Total assets for yield-dependent contracts *	**78,151**	66,985	71,009
Payables	**790**	438***	726
Financial liabilities **	**347**	252	106
Financial liabilities for yield-dependent contracts	**1,137**	690	832
(1) Of which, assets measured at adjusted cost	**437**	467	451
Fair value of debt assets measured at adjusted cost	**506**	518	513

* Including net assets in the amount of NIS 5,008 million, NIS 4,480 million, and NIS 4,695 million as at September 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 September 30, 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	**17,929**	**2,571**	**-**	**20,500**
Non-marketable debt assets	**-**	**14,309**	**793**	**15,102**
Shares	**13,494**	**148**	**2,533**	**16,175**
Other	**11,116**	**235**	**6,991**	**18,342**
Total	**42,539**	**17,263**	**10,317**	**70,119**

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

	As at 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 nine and three months periods ended September 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 (1)	39	290	1,047	1,376
Interest and dividend receipts	(33)	(151)	(289)	(473)
Purchases	453	220	1,660	2,333
Sales	-	(57)	(390)	(447)
Redemptions	(697)	-	(30)	(727)
Transfers from Level 3 *	(16)	(211)	-	(227)
Balance as at September 30, 2021	793	2,533	6,991	10,317
(1) Of which total unrealized profits (losses) for the period in respect of financial assets held correct to September 30, 2021	13	179	1,032	1,224

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at July 1, 2021	924	2,475	6,203	9,602
Total profits (losses) that were recognized:				
In profit and loss (1)	(4)	-	321	317
Interest and dividend receipts	(9)	(20)	(100)	(129)
Purchases	69	96	697	862
Sales	-	(18)	(120)	(138)
Redemptions	(187)	-	(10)	(197)
Balance as at September 30, 2021	793	2,533	6,991	10,317
(1) Of which total unrealized profits (losses) for the period in respect of financial assets held correct to September 30, 2021	(10)	1	321	312

* For securities whose rating changed

Note 6 - Financial instruments (contd.)

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

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

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

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

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

* For securities whose rating changed.

Note 6 - Financial instruments (contd.)

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

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

For the 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 (1)	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
(1) Of which total unrealized profits (losses) for the period in respect of financial assets held correct at December 31, 2020	14	(6)	83	91

* Mainly for securities whose rating changed

Note 6 - Financial instruments (contd.)

B. Other financial investments

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

	As at September 30		As at December 31	As at September 30		As at December 31
	(Unaudited)		(Audited)	(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 and receivables:						
Earmarked bonds	**4,800**	5,207	5,147	**6,951**	7,195	7,197
Non-marketable, non-convertible debt assets, excluding bank deposits (*)	**7,176**	7,272	7,281	**8,241**	8,178	8,288
Bank deposits	**3,310**	2,176	2,647	**3,364**	2,223	2,698
Total non-marketable debt assets	**15,286**	14,655	15,075	**18,556**	17,596	18,183
Investments held to maturity:						
Marketable non-convertible debt assets	**28**	67	39	**29**	68	40
Total investments held to maturity	**28**	67	39	**29**	68	40
Total	**15,314**	14,722	15,114	**18,585**	17,664	18,223
Impairments recognized in profit and loss (in aggregate)	**36**	51	55			
(*) Of which debt assets measured at fair value	**2,898**	1,774	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 September 30, 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	12,076	624	-	12,700
Non-marketable debt assets	-	2,898	-	2,898
Shares	1,750	92	352	2,194
Other	950	191	2,335	3,476
Total	14,776	3,805	2,687	21,268

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

	As at 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 the nine and three-months ended September 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 (1)	48	123	171
In other comprehensive income	3	185	188
Interest and dividend receipts	(51)	(87)	(138)
Purchases	103	489	592
Sales	-	(143)	(143)
Redemptions	-	(11)	(11)
Transfers from Level 3*	(43)	-	(43)
Balance as at September 30, 2021	352	2,335	2,687
(1) Of which total unrealized profits for the period for financial assets held at September 30, 2020	43	93	136

	Fair-value measurement on reporting date Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Shares	Other
	NIS million	NIS million	NIS million
Balance as at July 1, 2021	329	2,133	2,462
Total profits (losses) that were recognized:			
In profit and loss (1)	(2)	14	12
In other comprehensive income	(1)	68	67
Interest and dividend receipts	-	(32)	(32)
Purchases	26	190	216
Sales	-	(35)	(35)
Redemptions	-	(3)	(3)
Balance as at September 30, 2021	352	2,335	2,687
(1) Of which total unrealized profits for the period for financial assets held at September 30, 2021	(2)	24	22

Note 6 - Financial instruments (contd.)

B. Other financial investments (contd.)

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

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

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

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

Note 6 - Financial instruments (contd.)

B. Other financial investments (contd.)

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

For the 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 (1)	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
(1) 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 September 30		December 31	As at September 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	**424**	491	453	**412**	509	474
Short-term credit from banks and others	**401**	-	1	**401**	-	1
Bonds *	**5,500**	5,146	5,506	**5,954**	5,642	6,027
Total financial liabilities presented at amortized cost	**6,325**	5,637	5,960	**6,767**	6,151	6,502
Subordinated liability notes issued for compliance with the capital requirements	**4,480**	4,518	4,878	**4,931**	5,014	5,399

* Including subordinated liability notes

2. Interest rates used to determine the fair value

	As at September 30		As at December 31
	2021	2020	2020
Loans	**2.20%**	2.12%	1.90%
Bonds	**1.00%**	1.24%	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 September 30, 2021 (Unaudited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	298	108	406
Short sales (2)	1,957	216	2,173
Total financial liabilities	2,255	324	2,579

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

	As at 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 59 million, NIS 266 million, and NIS 181 million as at September 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 670 million, NIS 894 million, and NIS 469 million at September 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 870 million as part of this activity. The outstanding backing amounts as at September 30, 2021, are NIS 2,060 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 9.

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

In 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 September 30, 2021, and the date of publication of the report, the Company is in compliance with the financial covenants that were determined. Regarding financial covenants for Series 1 bonds, see Note 6 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. On approval in principle for the issue of a bond series by Harel Financing & Issuing - see Note 10.

7. 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. During the Reporting Period, 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 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. In this context, on November 21, 2021, after the Reporting Period, Harel Insurance received notice that a monetary sanction of NIS 2,812,500 had been imposed for a breach of the documentation obligation prescribed in Circular 2016-1-7 on the subject of enrollment in insurance.

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.

A dispute emerged between Harel Insurance and a financial institution which Harel Insurance had provided with significant amounts as part of an investment in liability notes issued by this financial institution. The dispute concerns the right of the said financial institution to make early redemption of the liability notes, before the final date of redemption determined in the liability notes. Early redemption of the liability notes will cause Harel Insurance a loss, in part due to the anticipated loss of income and loss of the opportunity to be backed by alternative assets with a long duration which correspond with the liabilities against which the investment was made. Harel Insurance is in the process of formulating the factual basis in this matter and it is negotiating with the financial institution regarding the institution's right to redeem the liability notes.

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 55, 56, 57, 58, 59, 60, 61, 62 and 63 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. As recommended by the court, the Defendants withdrew their application for appeal in December 2015. 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. 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 in the sense 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 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 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. At the hearing, which took place in the Supreme Court on September 13, 2021, it was agreed that the class regarding which the class action was approved would be reduced and it was stipulated that it also includes past insureds and that the prescription period in respect of the insurance benefits is 3 years. Subject to this, with the consent of the parties, the motion for permission to appeal and the appeal were dismissed

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 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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 only way to fulfill the obligation is in writing. The parties are conducting 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 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. In November 2021, the parties informed the court of their agreement to enter into a mediation process.
27. 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.
28. In December 2018, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance, against two other insurance companies (hereinafter together "the Defendant Insurance Companies") and against four banks (hereinafter together "the Defendant Banks"). The subject of the action is the allegation that the Defendant Insurance Companies ostensibly issue structural insurance policies to the owners of buildings that are pledged for the purpose of a mortgage guarantee, despite the fact that when the policies are issued a policy guaranteeing the same building with respect to the same period already exists, whether through the same insurance company or through another insurance company. This, ostensibly, in breach of the explicit statutory provisions while misleading the insureds. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent to be a nominal amount of NIS 280 million.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

29. 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.
30. 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.
31. 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.
32. 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.
33. 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

34. 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 NIS 1.5 million.
35. 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. In September 2021, t the court submitted the motion to the Commissioner to obtain his position in relation to the disputes which are subject of the motion for certification of the action as a class action.
36. 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. In September 2021, the court submitted the motion to the Commissioner to obtain his position on questions arising from the motion for certification.
37. 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.
38. 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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 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. In October 2021, the court Tel Aviv District Court ordered a stay of proceedings in the proceeding being heard by the court and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court dismissed the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute or insofar as an appeal is filed on the ruling in the Supreme Court - until a ruling is given on the appeal.
40. 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. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in the proceeding being heard by the court and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court dismissed the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute or insofar as an appeal is filed on the ruling in the Supreme Court - until a ruling is given on the appeal.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

41. 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 million. In June 2020, the court instructed that hearing of the motion should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in the proceeding being heard by the court and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court dismissed the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute or insofar as an appeal is filed on the ruling in the Supreme Court - until a ruling is given on the appeal.
42. 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.
43. 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.
44. 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. The parties are conducting a mediation process.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

45. 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.
46. 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. The parties are conducting a mediation process.
47. 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.
48. 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.
49. 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.
50. 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.
51. 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

Actions filed during the Reporting Period

52. 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.
53. 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.
54. 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. In September 2021, the court instructed the applicant to file a motion for abandonment of the action in lieu of a motion for striking out. In October 2021, the plaintiff filed a motion for abandonment which is subject to the court's approval.
55. 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.
56. 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.)

57. 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.
58. 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.
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 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.
60. In September 2021, an action was filed in the Jerusalem District Court together with a motion for its certification as a class action against the subsidiaries Harel Pension & Provident and Harel Insurance (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants allegedly send advertisements by SMS and email and this, ostensibly, without obtaining the recipient's consent to receive such advertisements, without specifying that it is advertising, without including a message concerning the right to refuse to receive advertisements and without providing an option to refuse. This ostensibly in contravention of the Communications (Telecommunications and Broadcasts) Law, 1982. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent in the amount of NIS 10 million.

Actions filed after the Reporting Period

61. In October 2021, 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 and against an additional insurance company (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly and unlawfully dismiss insurance claims for special-needs children, in the context of a long-term care policy, despite the fact that, according to the plaintiffs, they meet the definition of "cognitively impaired" according to the policy, and this without conducting any examination as to whether their condition corresponds with this definition. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against both defendants together in the amount of NIS 2.97 billion.
62. In October 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. The subject of the action is the allegation, in part, that Harel Insurance ostensibly does not pay insureds in profit-sharing life assurance policies, according to which the insurance benefits are paid on the basis of an Rm formula, the full payment for the investment profits according to the policy instructions and that it ostensibly fails to calculate the yield rate in accordance with the policy instructions. This action addresses grounds which correspond partially with those addressed in a previous action and motion for certification as a class action - the Ben Ezra case ("the First Claim"), which was partially certified for litigation as a class action on March 27, 2019, by the Tel Aviv District Court ("the

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

Certification Decision") and the application of which was limited by the Supreme Court to a number of specific policies only (see Section 7(A) above). As a result, this action and motion for its certification as a class action was filed in relation to the other policies which are no longer included in the First Claim. The plaintiff estimates the overall loss caused to all members of the class it wishes to represent in the amount of NIS 1.4 billion.

63. In November 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 Insurance The subject of the action is the allegation that Harel Insurance ostensibly refuses to provide insurance cover for partial work disability for its insureds in group medical insurance, and this ostensibly in contravention of the policy instructions. The plaintiff has not estimated the total loss claimed by all members of the class that it wishes to represent.

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	28	6,944
Claim relates to several companies and no specific amount was attributed to the Company and/ or consolidated subsidiaries	8	7,187
Claim amount is not specified	19	

The total provision for claims filed against the Company as noted above at September 30, 2021, September 30, 2020, and December 31, 2020, amounts to NIS 92 million, NIS 123 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.
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.
6. 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 clearly inform members who join the pension funds managed by them, who have no survivors, that they do not need insurance cover for risks of death and there is therefore no point in signing up for an insurance track which includes cover for risks of death; similarly they do not make it clear to these enrolled members that two years after the date of enrollment they will automatically be transferred to an insurance track which includes cover for risks of death and therefore to the extent that their family situation has not changed they must inform the fund that they do wish to have this cover. In October 2020, the court accepted the request of the Israel Consumer Council to be included in the proceeding as an amicus curiae (friend of the court). On September 24, 2021, the Tel Aviv District Labor Court denied the motion for certification of the action as a class action.

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, Commissioner's letter CM 2021-423 was published which determined that the economic solvency report at December 31, 2020, as well as the reporting files for the Commissioner attached thereto, must be published by June 30, 2021. The letter also determines 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, taking the transitional provisions into account, and a minimum solvency ratio without taking the transitional provisions into account.

On approval of a dividend distribution policy for the Company and Harel Insurance on February 28, 2021, see Note 9.

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 Israel Securities Authority directives. The companies take regular action to ensure that they are in compliance with this requirement. As at September 30, 2021, the consolidated companies are in compliance with these requirements.

5. Plan to repurchase shares

On June 30, 2021, the Company's Board of Directors approved a plan to repurchase 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 September 30, 2021, the Company repurchased 502,850 shares at a cost amounting to NIS 17 million. At the date of publication of the report, the Company has repurchased 842,987 shares at a cost amounting to NIS 28 million.

Note 9 - Material events in the Reporting Period

8. 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).

Health

In the Reporting Period the current quarter and the corresponding quarter last year, 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, an increase of NIS 123 million before tax, NIS 163 million before tax, and NIS 60 million before tax, respectively, was recorded in the LAT reserve.

In the corresponding period last year, due to the aforementioned changes as well as application of the provisions of a circular on the revised liquidity premium rate added to the risk-free interest rate curve and application of the provisions of a circular on the method of allocating assets not at their fair value when assessing the adequacy of the reserve (LAT) (for additional information see also Note 3 to the annual financial statements), an increase of NIS 127 million before tax was recorded in the LAT reserve.

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 165 million before tax (NIS 77 million before tax in the compulsory motor sector and NIS 88 million before tax in the other liabilities sectors), and by NIS 71 million (NIS 35 million before tax in the compulsory motor sector and NIS 36 million before tax in the other liabilities sectors), respectively.

In the corresponding period last year last year due to the aforementioned changes as well as application of the provisions of a circular on the revised liquidity premium rate which is added to the risk-free interest rate curve, (for further information see also Note 3 to the annual reports), a decrease of NIS 97 million before tax was recorded the insurance liabilities in the non-life segment (NIS 42 million before tax in compulsory motor insurance and NIS 55 million before tax in the other liabilities sectors).

In the corresponding quarter last year, due to the aforementioned changes, a decrease of NIS 39 million before tax was recorded in the insurance liabilities in the non-life segment (NIS 10 million before tax in the compulsory motor sector and NIS 29 million before tax in the other liabilities sectors).

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

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

	For the nine months ended September 30		For the three months ended September 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)	-	-	(61)
Increase in the insurance liabilities as a result of the LAT and effects of the interest rate - health insurance **	(123)	(127)*	(163)	(60)*	(349)*
Decrease (increase) in the insurance liabilities due to the effects of the interest rate - non-life insurance	(165)	97*	(71)	39*	45*
Total effects of the interest rate on profit and comprehensive income before tax	(288)	(60)	(234)	(21)	(365)
Total effects of the interest rate on profit and comprehensive income after tax	(190)	(39)	(154)	(14)	(240)

* This effect includes application of the provisions of the circulars as described above. See also Note 3 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.

2. Completion of a study relating to the cost of claims in the personal lines health sector

In the Reporting Period and third quarter a study was completed relating to the cost of claims in the personal lines health sector. The effect of the foregoing led to a reduction of the insurance liabilities by NIS 300 million before tax.

3. 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 37 to the annual financial statements concerning an agreement in which Harel Insurance will provide credit to Hamazpen, on November 29, 2021, the credit facility provided by Harel Insurance to Hamzpen was increased to NIS 300 million. At September 30, 2021, the balance of the credit provided by Harel Insurance to Hamzpen was NIS 174 million. At the date of publication of the report, the balance of the credit provided by Harel Insurance to Hamazpen was NIS 186 million.

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

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.

5. 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 approval given by the Company's Board of Directors on November 29, 2021 for the distribution of a cash dividend in the amount of NIS 100 million, see Note 10.

D. On a plan to repurchase shares which was approved by the Company's Board of Directors on June 30, 2021, and the share repurchase which took place in the Reporting Period, see Note 8.

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

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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 26, 2021, EMI Holdings distributed a dividend of NIS 310 million to the Company.

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

12. 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.

13. 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.

Mr. Shai Galila was appointed head of the technology division and Deputy CEO of Harel Insurance, replacing Eyal Efrat who terminated his service in the Group at the end of September 2021.

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.

14. 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. At the date of publication of the report, all the relevant suspensive conditions had been satisfied and the date for completion of the transaction was set for November 30, 2021. As of December 1, 2021, the insurance activity of Shirbit will be transferred to Harel.

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

15. Issue of Series 1 bonds of the Company

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

16. Completion of the entering into a contract for the purchase of provident funds and pension funds from Psagot Provident and Pension Funds Ltd. ("Psagot")

    On September 30, 2021, after the relevant suspensive conditions had been satisfied, the agreement between Harel Pension & Provident and Psagot was completed according to which Harel Pension & Provident acquired from Psagot the activity of several provident funds and pension funds ("the Acquired Activity"), in consideration of NIS 185 million. This Acquired Activity includes the pension funds of Psagot, including the old HAL (National Labor Federation) pension fund, the investment provident fund of Psagot and the long-term savings provident funds for children, as well as central severance pay funds. Commencing October 1, 2021, these funds will be managed by Harel Pension & Provident.

17. 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 3 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 (Harel Insurance is expected to pay an advance of NIS 107 million by the end of the year), 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:

    (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.

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

18. 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.

Allotment of the options took place on October 17, 2021.

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.

Note 10 - Material events after the Reporting Period

1. Dividend distribution after the Reporting Period

On November 29, 2021, together with the approval of the consolidated interim financial reports, the Company’s Board of Directors approved the distribution of a cash dividend in the amount of NIS 100 million. The Board’s decision was made after taking into account the Company’s financial results as at September 30, 2021. 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 will be paid on January 3, 2022.

2. Special General Meeting

On October 6, 2021, a special general meeting of the Company took place, the agenda of which included 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 of 180,000 options to Mr. Michel Siboni, the Company’s CEO, 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 Note 9 above. The general meeting approved all the items that were listed on the agenda.

3. Approval to enter into agreement in a D&O liability insurance policy

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

On November 16, 2021, and on November 29, 2021, the Company’s Compensation Committee and Board of Directors, respectively, approved an engagement between the Company and the subsidiary Harel Insurance regarding a D&O liability insurance policy, commencing November 1, 2021, for one year, which covers directors and officers of the Company and Harel Group companies, including individuals who may be considered controlling shareholders in the Company, such that the sum insured will be USD 176 million. The cost of the annual premium for this cover and the deductible are in accordance with market conditions and were determined on the basis of proposals that Harel Insurance received from reinsurers. The cost is not material for the Company.

4. Approval in principle for issuing a bond series by Harel Financing & Issuing

On November 29, 2021, the Board of Directors of Harel Financing & Issuing, a wholly owned subsidiary of Harel Insurance, gave its approval in principle for the issuing of a bond series listed on the Tel Aviv Stock Exchange, by way of an expansion of this series, in accordance with a shelf prospectus of Harel Financing & Issuing which is dated February 25, 2020. The proceeds of the bonds to be issued are designated to be recognized as Tier-2 capital of Harel Insurance. The issuance is subject to obtaining the relevant statutory approvals, including the approval of the Commissioner of the Capital Market, Insurance and Savings Authority, affirmation of a rating by a rating company, and approval from the TASE for listing the bonds for trade. It is stipulated that there is no certainty that the shelf prospectus report will actually be published and that the bond issue will actually take place and/or will take place under the aforementioned conditions. The scope of the issue and the series to be expanded, if and insofar as it is expanded, will be detailed in the shelf offering report to be published by Harel Financing & Issuing (to the extent it is published).

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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 September 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)	40	12,660	28	-	12,728
Non-marketable debt assets (*)	2,898	-	-	12,388	15,286
Shares (a2)	510	1,684	-	-	2,194
Other (a3)	325	3,151	-	-	3,476
Total other financial investments	3,773	17,495	28	12,388	33,684

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

	As at 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 Company's consolidated financial statements, see Note 6 – 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 September 30		As at December 31	As at September 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	**7,761**	5,907	6,190	**7,405**	5,566	5,812
Other debt assets:						
Other non-convertible debt assets	**4,967**	5,221	4,877	**4,604**	5,017	4,597
Total marketable debt assets	**12,728**	11,128	11,067	**12,009**	10,583	10,409
Impairments recognized in profit and loss (in aggregate)	**-**	7	1			

A2. Shares

	Book value			Amortized cost		
	As at September 30		As at December 31	As at September 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	**1,842**	1,157	1,338	**1,414**	866	881
Non-marketable shares	**352**	324	292	**271**	259	215
Total shares	**2,194**	1,481	1,630	**1,685**	1,125	1,096
Impairments recognized in profit and loss (in aggregate)	**43**	100	67			

A3. Other financial investments

	Book value			Amortized cost		
	As at September 30		As at December 31	As at September 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	**950**	1,178	1,259	**932**	1,145	1,229
Non-marketable financial investments	**2,526**	1,686	1,979	**1,815**	1,350	1,452
Total other financial investments	**3,476**	2,864	3,238	**2,747**	2,495	2,681
Impairments recognized in profit and loss (in aggregate)	**128**	121	143			
Derivative financial instruments presented in financial liabilities	**59**	266	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 September 30, 2021

Condensed Separate Interim Information on Financial Position at

	September 30		December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Fixed assets	**24**	26	25
Investments in investees	**7,240**	6,336*	6,638
Loans to investee companies	**911**	735*	730
Investment property	**26**	25	25
Trade and other receivables	**57**	35	31
Assets for employee benefits	**23**	19*	22
Other financial investments			
Marketable debt assets	**326**	-	88
Shares	**144**	-	-
Other	**268**	610	484
Total other financial investments	**738**	610	572
Cash and cash equivalents	**144**	98	225
Total assets	**9,163**	7,884	8,268
Capital			
Share capital and premium on shares	**359**	359	359
Treasury stock	**(140)**	(123)	(123)
Capital reserves	**1,213**	900	1,061
Retained earnings	**6,969**	6,173	6,438
Total equity	**8,401**	7,309	7,735
Liabilities			
Deferred tax liabilities	**11**	1	2
Liabilities for employee benefits	**37**	37*	36
Trade and other payables	**39**	41	37
Current tax liabilities	**4**	2	4
Financial liabilities	**671**	494	454
Total liabilities	**762**	575	533
Total liabilities and equity	**9,163**	7,884	8,268

* Reclassified– see Note 1

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

Date of approval of the financial statements: November 29, 2021

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

Condensed Separate Interim Information on Profit and Loss

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	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	**26**	10	**11**	2	18
Income from management fees	**96**	87	**32**	28	119
Total income	**122**	97	**43**	30	137
General and administrative expenses	**12**	12	**4**	3	15
Financing expenses, net	**29**	14	**21**	5	18
Total expenses	**41**	26	**25**	8	33
Company's shares in profits of investee companies	**725**	407	**264**	300	644
Profit before taxes on income	**806**	478	**282**	322	748
Taxes on income	**19**	16	**4**	5	24
Profit for period attributed to the Company's shareholders	**787**	462	**278**	317	724

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

Condensed Separate Interim Information on Comprehensive Income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit for the period	**787**	462	**278**	317	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	**40**	(6)	**13**	3	(3)
Net change in fair value of financial assets classified as available for sale that was transferred to income statement	**-**	1	**-**	-	(2)
Foreign currency translation differences for foreign activity	**(14)**	(12)	**(4)**	(5)	(15)
Group's share of the comprehensive income (loss) of investees	**136**	(40)	**96**	88	125
Tax benefit (income tax) attributable to available-for-sale financial assets	**(9)**	1	**(3)**	(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	**153**	(56)	**102**	85	106
Other items of comprehensive income that will not be transferred to profit or loss					
Remeasurement of a defined benefit plan	**-**	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	**-**	-	3
Other comprehensive income (loss) for the period, net of tax	**153**	(55)	**102**	85	109
Total comprehensive income (loss) for the period attributed to the Company's shareholders	**940**	407	**380**	402	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 nine months ended September 30, 2021 (Unaudited)									
Balance as at January 1, 2021 (Audited)	359	1,003	(194)	1	(123)	(49)	300	6,438	7,735
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	-	-	787	787
Other comprehensive income (loss)	-	152	(21)	-	-	-	21	1	153
Total comprehensive income (loss) for the period	-	152	(21)	-	-	-	21	788	940
Transactions with shareholder recognized directly in equity									
Dividend distributed	-	-	-	-	-	-	-	(257)	(257)
Purchase of Treasury stock	-	-	-	-	(17)	-	-	-	(17)
Balance as at September 30, 2021	359	1,155	(215)	1	(140)	(49)	321	6,969	8,401

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

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

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended September 30, 2021 (Unaudited)									
Balance as at July 1, 2021	359	1,038	(199)	1	(123)	(49)	319	6,692	8,038
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	-	-	278	278
Other comprehensive income (loss)	-	117	(16)	-	-	-	2	(1)	102
Total comprehensive income (loss) for the period	-	117	(16)	-	-	-	2	277	380
Transactions with shareholders recognized directly in equity									
Purchase of Treasury stock	-	-	-	-	(17)	-	-	-	(17)
Balance as at September 30, 2021	359	1,155	(215)	1	(140)	(49)	321	6,969	8,401

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

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

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

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

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

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

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

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

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the 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 nine months ended September 30		For the three months ended September 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	**46**	70	**12**	32	93
Taxes paid		**(19)**	(23)	**(5)**	(7)	(28)
Net cash provided by operating activities		**27**	47	**7**	25	65
Cash flows from investing activities						
Investment in investees		**(79)**	-	**(1)**	-	(3)
Proceeds from sale of fixed assets		**1**	-	**-**	-	-
Dividends from investees		**17**	27	**10**	6	43
Financial investments, net		**186**	(26)	**20**	1	100
Repayment of loans and capital notes provided to investees		**(175)**	15	**(185)**	-	23
Net cash provided by (used in) investment activity		**(50)**	16	**(156)**	7	163
Cash flows from financing activity						
Dividend to the Company's shareholders		**(257)**	-	**-**	-	-
Buy-back of Company shares by the Company		**(17)**	-	**(17)**	-	-
Proceeds for issuance of liability notes, net		**247**	-	**247**	-	-
Repayment of loans from banks and others		**(404)**	(39)	**(365)**	-	(77)
Loans received from banks and others		**375**	-	**375**	-	-
Repayment of lease liabilities		**(2)**	(3)	**(1)**	(2)	(3)
Net cash provided by (used in) financing activity		**(58)**	(42)	**239**	(2)	(80)
Increase (decrease), net, in cash and cash equivalents		**(81)**	21	**90**	30	148
Cash and cash equivalents at beginning of the period		**225**	77	**54**	68	77
Cash and cash equivalents at end of the period		**144**	98	**144**	98	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 nine months ended September 30		For the three months ended September 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	**787**	462	**278**	317	724
Items not involving cash flows					
Company's share of profits of equity accounted investees	**(725)**	(407)	**(264)**	(300)	(644)
Net losses (profits) from financial investments	**(5)**	4	**(3)**	3	(1)
Profit from sale of fixed assets	**(1)**	-	**-**	-	-
Change in fair value of investment property	**(1)**	(2)	**-**	-	(2)
Financing expenses, net	**(10)**	(2)	**(3)**	(2)	-
Taxes on income	**19**	16	**4**	5	24
Depreciation and amortization	**1**	2	**-**	1	3
Changes in other statement of financial position items					
Trade and other receivables	**(26)**	(10)	**(3)**	9	(6)
Trade and other payables	**7**	6	**3**	(1)	(2)
Liabilities for employee benefits, net	**-**	1	**-**	-	(3)
Total adjustments required to present cash flows from operating activities	**(741)**	(392)	**(266)**	(285)	(631)
Total cash flows provided by operating activities	**46**	70	**12**	32	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 September 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 March 17, 2021, the Board of Directors of Yedidim Pension Arrangements Insurance Agency Ltd. approved the distribution of a dividend NIS 4 million. The dividend was paid on April 19, 2021.
5. On May 11, 2021, the Board of Directors of Harel UK approved the distribution of a dividend in the amount of USD 484,000. The dividend was paid on July 18, 2021.
6. On July 27, 2021, ICIC distributed a dividend of NIS 6 million to the Company.
7. On August 26, 2021, 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 repurchase shares which was approved by the Company’s Board of Directors on June 30, 2021 and the share repurchase 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 an Annual and Special General Meeting of the Company, see Note 9 to the Consolidated Financial Statements.
9. On the completion of a restructuring in the Group – EMI, see Note 9 to the Consolidated Financial Statements.
10. On an issue of bonds (Series 1) by the Company, see Note 6 to the Consolidated Financial Statements.
11. On a stock options plan for senior officers and employees of the Group as well as approval of a private allotment, see Note 9 to the Consolidated Financial Statements.

NOTE 4 – Material events after the Reporting Period

1. On November 29, 2021, together with the approval of the consolidated interim financial reports, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 100 million. The Board's decision was made after taking into account the Company's financial results as at September 30, 2021. 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 will be paid on January 3, 2022.
2. On a Special General Meeting of the Company, see Note 10 to the Consolidated Financial Statements.
3. On approval to enter into agreement in a D&O liability insurance policy, see Note 10 to the Consolidated Financial Statements.

Harel Insurance Investments and Financial Services Ltd.

Report concerning the effectiveness of internal control over financial reporting and disclosure

Quarterly report concerning the effectiveness of the internal control over financial reporting and disclosure as per Regulation 38C(a)

Management, under the oversight of the Board of Directors of Harel Insurance Investments and Financial Services Ltd. ("the Company"), is responsible for defining and maintaining due internal control over the Company's financial reporting and disclosure.

In this instance, management consists of:

A. Mr. Michel Siboni - CEO of the Company, Chairman of the Board of Directors of Harel Insurance Company Ltd..

B. Mr. Arik Peretz - the Company's VP Finance, Deputy CEO and Head of the Finance and Resources Division of Harel Insurance Company 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. Nir Cohen – CEO of Harel Insurance Company Ltd.

G. Mr. Tal Kedem - CEO of Harel Finance Holdings Ltd.

H. Mr. Tomer Goldberg – Director of the Group's 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 September 30, 2020 (hereinafter – the last quarterly report on internal control), the internal control was found to be effective.

Prior to the date of the report, the Board of Directors and management received no information regarding any event or matter that might change the assessment of the effectiveness of the internal control, as found in the last quarterly report on internal control;

At the date of the report, based on the information in the last quarterly report on internal control, and based on information submitted to management and the Board of Directors, as noted above, the internal control is effective.

Certification

I, Michel Siboni, hereby certify that:

1. I have reviewed the quarterly report of Harel Insurance Investments and Financial Services Ltd. (hereinafter - the Company) for Q3 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.

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November 29, 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 Q3 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.

November 29, 2021	Arik Peretz
	CFO