HAREL INSURANCE INVESTMENTS & FINANCIAL SERVICES LTD.

Interim Statement

As at June 30, 2015

The original language of theses Interim Consolidated Statements is Hebrew.
The Hebrew version shall prevail over any translation thereof.

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Harel Insurance Investments & Financial Services Ltd.

Board of Directors' Report

For the six months ended June 30, 2015

The Board of Directors' Report for the six months ended June 30, 2015 ("the Reporting Period"), reflects the principal changes in the business situation of Harel Insurance Investments & Financial Services Ltd. ("Harel Investments" or "The Company") during this period, and it was prepared taking into account that the reader is also in possession of the Group's full Periodic Report for 2014 which was published on March 18, 2015 ("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 about the future, based on information in the Company's possession at the time of preparing the report and including the Company's estimates 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 various sectors of the insurance industry, the Company operates through the subsidiaries: Harel Insurance Company Ltd. (wholly controlled) ("Harel Insurance"); Dikla Insurance Company Ltd. (wholly controlled) ("Dikla"); ICIC - Israel Credit Insurance Company Ltd. (ICIC) (in which the Company has a 50% stake); E.M.I. - Ezer Mortgage Insurance Company Ltd. (wholly controlled), ("EMI"); Interasco Societe Anonyme General Insurance Company S.A.G.I. (in which the Company owns 94.5% stake ("Interasco"), which operates in Greece in non-life insurance; and Turk Nippon (in which the Company owns a 100% stake), which operates in Turkey;

(B) In the long-term savings sector, the Company operates through subsidiaries which are provident funds and pension fund management companies, as follows:

Provident fund management companies: Harel Provident Funds and Education Funds Ltd. (wholly controlled) ("Harel Provident Funds"), Harel Atidit Provident Funds Ltd. (wholly controlled) ("Harel Atidit"), and the Tzva Hakeva Savings Fund - Provident Funds Management Company Ltd. (wholly controlled) ("Tzva Hakeva").

Pension fund management companies: Harel Pension Funds Management Ltd. (wholly controlled) ("Harel Pension"); Manof Pension Funds Management Ltd. (wholly controlled) ("Manof"); and Leatid Pension Funds Management Company Ltd. (in which the Company has a 79% stake), which manages an old pension fund ("LeAtid").

(C) In the financial services and capital market sector, the Company operates through the subsidiary Harel Finance Holding Ltd. ("Harel Finance") (wholly controlled by the Company) and its subsidiaries: Harel Pia Mutual Funds Ltd. ("Harel-Pia"), Harel Finance Asset Management Ltd. ("Harel Finance Investments"), Harel Financial Products Ltd. ("Harel Financial Products") (which is engaged in financial products such as: ETNs, covered warrants and more). The products are offered to the public through the subsidiary Harel Sal Ltd. ("Harel Sal") which is a reporting corporation under the Securities Law and issues index products (covered warrants and ETNs) and through the subsidiary, Harel Sal Currencies Ltd ("Harel Currencies"), which is a reporting company and issues certificates of deposit on different currencies.

The Group has been active in the insurance industry for about 80 years, and according to its financial statements for the first quarter of 2015, it is Israel's largest insurance group in terms of premiums, with a market share of 22.8%. In health insurance the Group is the largest and most prominent in the market. In the non-life sectors the Group is the largest insurance group, and it placed second with respect to the volume of life-assurance premiums. In the new pension fund management sector, the Group has a market segment of about 16.2%. In the provident fund management sector, the Group has a market segment of about 7.8%. In the mutual fund management sector, the Group has a market segment of about 12.6%.

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

1.2 Company shareholders

At the publication date of the report, the Hamburger family (Yair Hamburger, Gideon Hamburger and Nurit Manor) holds - mainly through G.Y.N Financial Consulting and Management Ltd., a holding company fully controlled by them - 50.14% of the Company's voting rights and 49.63% of the Company's Issued share capital.

2. Financial position and results of operations, shareholders' equity and cash flows

2.1 Material changes in the Company's business during the Reporting Period

2.1.1 Maalot rating – Harel Insurance

On the affirmation of a Maalot rating for Harel Insurance from January 18, 2015, see Note 8(C)(5) to the Financial Statements.

2.1.2 Termination of the supply of outsourcing services - Harel Hamishmar Computers Ltd., a subsidiary of the Company ("HHM")

On the termination of the supply of outsourcing services to HHM, see Note 11(9) to the Financial Statements.

2.1.3 Exchange purchase offer – Harel Share Issues

On the issuance of Series 9-10 bonds by way of a partial exchange purchase offer, see Note 8(C)(4) to the Financial Statements.

2.1.4 Approval of building rights in Harel House, Ramat Gan

On the approval of additional building rights in Harel House, Ramat Gan, see Note 11(5) to the Financial Statements.

2.1.5 Decision to distribute a dividend

On a decision of the Company's Board of Directors from April 28, 2015 to distribute a dividend, see Note 11(6) to the Financial Statements.

2.1.6 Merger of Dikla's insurance activity

On a merger of Dikla's insurance activity into Harel Insurance, see Note 11(7) to the Financial Statements.

2.1.7 Formation of a trade union in Dikla

On the formation of a trade union in Dikla, see Note 11(8) to the Financial Statements.

2.1.8 General meeting

On a general meeting of the Company that took place on June 15, 2015, see Note 11(4) to the Financial Statements.

2.1.9 Bonus for 2014

On the Board of Directors' approval from June 22, 2015, for the manner of calculating the bonuses for the Company's senior officers and controlling shareholders, in accordance with the compensation policy, see Note 11(3) to the Financial Statements.

2.1.10 Restructuring of the Group's pension companies

On a restructuring of the Group's pension companies, see Note 11(21) to the Financial Statements.

2.1.11 Restructuring of the Group's provident companies

On a restructuring of the Group's provident companies, see Note 11(20) to the Financial Statements.

2.2 Material changes in the Company's business after the Reporting Period

2.2.1 Approval in principle for the issuance of hybrid tier-2 capital - Harel Share Issues

On approval in principle for the issuance of hybrid tier-2 capital through Harel Share Issues - see Note 12(3) to the Financial Statements.

2.2.2 Sharply declining share prices in the capital markets in Israel and worldwide

On sharply declining share prices in the capital markets in Israel and worldwide - see Note 12(4) to the Financial Statements.

2.3 Developments in the macroeconomic environment of the Group

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

2.3.1 General

In the second quarter of 2015 growth of the global economy stabilized, with improved growth in the advanced economies while trends in the emerging markets remained mixed.

Against the backdrop of improved growth and easing of the concern of deflation, yields on long-term government bonds all over the world, and in the developed economies in particular, rose significantly in the second quarter, after having declined sharply in the first quarter of the year. The fear of a Grexit (Greece exiting the Eurozone) towards the end of the second quarter and sharp declines in share indices in China resulted in considerable volatility in the capital markets, and in the bond market in particular.

Central banks in the Eurozone and in Japan continued their extremely expansionist monetary policy while the US Federal Reserve broadened its discussions towards a first interest rate increase.

In Israel, recent economic indicators in the second quarter of 2015 were mixed; private consumption and Israel's labor market continued to present a positive picture (unemployment in the second quarter dropped to 5%). In contrast, due to the strong shekel and weakness of

Israel's target markets, export figures (commodities and services) and industrial production remained weak.

During the second quarter of 2015, economic indicators in the US were mostly positive and showed a growth recovery compared with the previous quarter. GDP during the second quarter of 2015 grew at an annual rate of 2.3% (according to initial estimates), compared with 0.6% in the first quarter of 2015. In the Eurozone, the positive indicators continued in the second quarter as well, although companies and households were negatively affected by developments surrounding Greece.

In the emerging markets, the picture remained mixed and those countries that rely heavily on the export of commodities continued to suffer from the decline in commodities prices. India and Russia recorded an improvement relative to the first quarter of the year, and China, despite its falling stock markets, recorded a slight improvement in real activity indices.

In August 2015, share prices fell sharply in the capital markets in Israel and worldwide.

2.3.2 Developments in the Israeli economy

The Group operates in the Israeli economy, where the political, security and economic situation affect its activity in various sectors. Changes in the state of the Israeli economy may lead to changes in the volume of premiums and other revenues and to a change in the operating costs of the Group's companies. A change in employment levels in the Israeli economy may affect the volume of activity in life assurance and long-term savings.

2.3.3 Stock markets

The TA-100 index remained almost unchanged in the second quarter of 2015, but rose 10% increase in the first half of the year. The average daily turnover of trade in shares and convertibles was NIS 1.4 billion in the first half of the year, an 18% increase compared with the average daily turnover in 2014.

2.3.4 Bond market

In the second quarter of 2015, the general bond market fell by 2.8% (an increase of 0.6% overall in the first six months of 2015), the government bond index declined by 3.6% (an increase of 0.4% overall in the first half of 2015), and the corporate bond index declined by 1.2% (an increase of 0.9% overall in the first half of 2015). The average daily turnover of trade in bonds was NIS 4.7 billion in the first half of the year, an 11% increase compared with the average daily turnover in 2014.

2.3.5 Mutual Funds

The mutual funds recorded net redemptions of NIS 15.6 billion in the first half of 2015, of which NIS 9.5 billion were redemptions during the second quarter of 2015. Influenced by the low Bank of Israel interest rate, the money market funds recorded redemptions of NIS 21 billion in the first half of 2015 (of which NIS 6.3 billion was in the second quarter of 2015). The increase in bond yields in the second quarter of 2015 contributed to net redemptions of NIS 2.2 billion in the mutual funds specializing in bonds, after a net amount of NIS 5.8 billion was raised in the first quarter of 2015.

2.3.6 Index products

According to the Association of ETFs, at the end of the first half of 2015 assets under management amounted to NIS 111 billion, a 6% decline compared to the end of 2014 (NIS 118.1 billion). Deposit certificates were notably negative and recorded redemptions of NIS 12.5 billion in the first half of the year, influenced by the low Bank of Israel interest rate.

2.3.7 Foreign exchange market

The shekel appreciated by 5.3% against the US dollar (to NIS 3.769 in the second quarter of 2015, and by 1.3% against the Euro (to NIS 4.2194). In the first half of the year, the shekel appreciated 3.1% against the US dollar and by 10.7% against the Euro.

2.3.8 Inflation

According to the last known index, at the end of the second quarter of 2015, inflation was -0.4% (up to the May index), after increasing by 1.1% in the second quarter (March-May). Inflation over the last 12 months (up to the June index) was -0.4%.

2.3.9 Bank of Israel interest

During the first quarter of 2015, the Bank of Israel Interest remained unchanged at 0.1%, after being reduced to 0.15% in the first quarter of the year.

2.4 Legislation and regulation in the Company's areas of activity

The following is a description of material changes in legislation and regulation in relation to the Company's areas of activity since the Periodic Report:

2.4.1 General

2.4.1.1 Provisions of law

2.4.1.1.1 In August 2015, the ministerial committee for legislative amendments approved the draft Economic Efficiency Law for 2015 and 2016 (Legislative Amendments), 2015. The draft law proposes reducing the tax benefits given by the State on pension savings deposits as well as the maximum limit set in relation to the purchase of preferred insurance against work disability, from four to three times the average wage in the economy.

2.4.1.1.2 In August 2015, the ministerial committee for legislative amendments approved the chapter: “Pension Advice and Pension Marketing” in the draft Economic Plan for 2015-2016 (Legislative Amendments) Law, 2015, . The draft law proposes amending the Supervision of Financial Services (Pension Advice, Pension Marketing and Pension Clearing System) Law, 2005 and among other things it prescribes that one who is involved in pension marketing will not provide pension marketing to the employee of an employer for whom that person marketer or a related entity performs operating services (the Commissioner has the authority to prescribe provisions concerning non-application of this provision to certain categories of employer or license holders); that pension advice or marketing will not be required when the customer performs a transaction in a pension product directly with the financial institution at the customer's initiative, when an employer enrolls a customer in a provident fund and the customer has been given the opportunity to choose another provident fund but refused to do so, and when a transaction is performed by virtue of a statutory obligation; the employee's right to receive pension savings advice from a license holder chosen by the employee was established, and an insurance agent may only accept one of the following: a distribution fee from a financial institution or direct payment from the customer, but he will not be entitled to receive both for the same customer.

2.4.1.1.3 In August 2015, the ministerial committee for legislative amendments approved the chapter: "Health" in the draft Economic Plan for 2015-2016 (Legislative Amendments) Law, 2015. Among other things, this chapter proposes that payments made by the HMO supplementary health services and insurance companies for surgery, with certain exclusions, will be paid only to a specialist or medical institution with which they have agreements, and not to the patient, except in the case of insurance policies for the payment of a pre-agreed amount in a separate plan, and that payment for consulting with a specialist who has an arrangement for surgery with the HMO supplementary health services or with an insurance company will be made only as part of the consulting arrangement. Furthermore, the National Health Insurance Law, 1994 and the Public Health Ordinance, 1940, will be amended granting the Minister of Health the power to prescribe, with the agreement of the Minister of Finance, rules concerning limitations on advice and treatment that doctors give patients, where these doctors gave advice or administered treatment through the public health system, for four to eight months from the time of giving the advice or the treatment in the public health system; a provision was prescribed whereby any payment to a doctor or medical professional for a service which is not a consultation, that is given in a medical institution, will be made by the medical institution (excluding those instances where the doctor has an agreement with an insurer as part of the supplementary health services or in a insurance policy, unless the minister stipulates otherwise).

2.4.1.1.4 In August 2015, the ministerial committee for legislative amendments approved the draft Economic Efficiency Law for 2015 and 2016 (Legislative Amendments), 2015. The draft law proposes amending the National Insurance Law [Consolidated Version], 1995 and prescribing that the obligation of insurance companies to report to the NII any cases that may involve cause for subrogation in respect of an annuity paid by the NII will be performed through a computerized data file with a standard format; the prescription period for an NII claim will commence from the date on which the report is received or the date on which the NII is informed of the proceedings, the earlier of the two, and provided that a claim is not filed after 25 years have elapsed from the date of the event. The proposal also prescribes a mechanism for settling subrogation claims between the NII and the insurance companies. Concurrently, there is a proposal to amend the Supervision of Financial Services (Insurance) Law, 1981, and to authorize the Commissioner to impose sanctions on insurance companies that fail to report the possibility of cause for subrogation, as noted.

2.4.1.1.5 On December 16, 2014, an amendment was published to the Supervision of Financial Services (Insurance) Law, 1981, amending Section 40 of the Law and which determines that an insurer wishing to introduce an insurance plan or change the conditions of the insurance must give the Commissioner 30 working days advance notice to this effect. Furthermore, the amendment authorizes the Commissioner to instruct that the marketing of an insurance plan shall be discontinued or that the policy conditions must be changed (also for policies that were issued according to the insurance plan before the instruction was given) as well as the authority to prescribe provisions concerning the premiums and policy conditions. The provisions of the amendment also apply to service notes. The amendment becomes applicable on January 1, 2015.

Subsequently, on February 3, 2015, the Commissioner published an amendment to a circular on introducing insurance policies and provident fund articles, according to which the provisions of the circular were adapted to the amendment to Section 40 to the Supervision Law, as noted above. The circular takes effect on its date of publication.

2.4.1.2 Circulars

2.4.1.2.1 On August 2, 2015, the Commissioner published a circular concerning “Liability Adequacy Test in the financial statements of insurance companies”. The circular set out the method of calculating the LAT and the disclosure in the insurance companies’ financial statements in relation to the various characteristics of future cash flows. The circular also stipulates that the company must provide a separate quantitative disclosure of changes stemming from any additional liquidity premium and the change stemming from application of the other provisions of the circular in the financial statements in which the circular is first applied. The circular will apply from the financial statements as at June 30, 2015. On the same date, the Commissioner published a clarification document concerning disclosure in the financial statements with respect to changes in actuarial estimates, changes in calculating non-life insurance reserves and deployment for the implementation of Solvency II (for additional details - see note 11 to the financial statements), as well as a requirement for companies to provide the Commissioner with an update of the actuary’s special report on the effect of the risk-free interest curve on the company’s quarterly financial statements (for additional information, see Note 11(12) to the Financial Statements).

2.4.1.2.2 On July 15, 2015, the Commissioner published a circular on the subject of enrolment in insurance. Among others provisions, the circular prescribes the following: an obligation to clarify the needs of the candidate for the insurance and offer him suitable insurance; an obligation to ask questions clearly in a manner that is consistent with the candidate’s characteristics, and provisions concerning the information to be given to the candidate for insurance before the contract is signed, when cover is added or extended or service note is added. Furthermore, rules were prescribed for initiated marketing of insurance, the need to obtain agreement from the candidate for insurance and the insurance company before the insurance contract is signed and provisions concerning the information that the insured must be given after the contract has been signed. The provisions of the circular will become applicable from January 3, 2016, while the provisions concerning initiated marketing will become applicable from August 16, 2015, and the provisions concerning documentation and control will become applicable on July 3, 2016.

2.4.1.2.3 On May 11, 2015, the Commissioner published a circular concerning an amendment to the chapter on management of investment assets in the consolidated circular. The circular prescribes conditions under which institutional investors may continue to hold more than 20% of the means of control in a borrowing corporation as a result of exercising means of control that served as a guarantee for a debt in its possession. The provisions of the circular become applicable on its date of publication.

2.4.1.2.4 On May 11, 2015, the Commissioner published a circular concerning an amendment to the chapter on management of investment assets in the consolidated circular. The circular prescribes the conditions under which financial institutions may participate in consortium and syndicate transactions, including the information that the transaction organizer must submit to the financial institution, the minimum requirements for consortium transactions and the functions of the transaction organizer in an Israeli consortium. The provisions of the circular become applicable on August 1, 2015.

2.4.1.2.5 On May 10, 2015, the Commissioner published a circular concerning an amendment to the chapter on management of investment assets in the consolidated circular on the subject of providing coordinated [tailor-made] loans to corporations and controlling shareholders in corporations who are in financial difficulties. The amendment discusses the conditions that apply to financial institutions when providing coordinated loans to a corporation, where the corporation or its controlling shareholder has been in financial difficulties in the years prior to granting of the loan. The provisions of the circular become applicable on January 1, 2016.

2.4.1.2.6 On May 10, 2015, the Commissioner published a circular concerning an amendment to the chapter on management of investment assets in the consolidated circular on the subject of rules under which financial institutions may provide credit. The amendment prescribes provisions concerning the introduction of internal limitations on providing credit to borrowers, underwriting procedures and analysis of coordinated loans, conditions for relying on guarantees, instructions relating to the action to be taken when a condition for immediate recall is breached, and an obligation to disclose credit taken to finance the purchase of controlling shares in a corporation. The provisions of the circular became applicable on August 1, 2015.

2.4.1.2.7 On May 10, 2015, the Commissioner published a circular concerning leveraged loans. The circular stipulates that at least once a year, an investment committee must discuss the financial institution's policy in relation to leveraged loans and the overall situation of the leverages loans portfolio, and it also prescribes those subjects about which it must receive a report once a year. The provisions of the circular became applicable on August 1, 2015.

2.4.1.2.8 On May 10, 2015, the Commissioner published a circular concerning reports to be submitted to the Commissioner about debt arrangements that financial institutions have undertaken. The circular prescribes the manner in which entities that participate in debt arrangements that include changes made in the original debt conditions, must report their participation in such arrangements to the Commissioner. The provisions of the circulars will apply from the reports in respect of the second quarter of 2015

2.4.1.2.9 On April 30, 2015, a circular was published concerning provisions for the wording of insurance plans and a Commissioner's position paper on the principles for wording insurance plans (eliminating the existing provisions on this subject). These documents prescribe further provisions (besides those included in the circulars that were revoked) that should or should not be included in an insurance plan.

2.4.1.2.10 On April 19, 2015, a circular was published concerning rules for the granting of a control permit in a management company, for those who already have a permit to control a management company (under Section 9(B1) of the Supervision Law). The circular stipulates that an additional control permit will be granted subject to that management of the assets managed by the acquired management company will be transferred to a management company that is controlled by the buyer within 90 days of the acquisition date of the acquired management company, so that the buyer controls one management company. The provisions of the circular apply from its date of publication.

2.4.1.2.11 On March 4, 2015, the Commissioner published a circular concerning information that must appear on a financial institution's website, which revises the present circular on the same subject. The circular adds information to be included on the financial institution's website with respect to the bonuses that financial institutions offer license holders for meeting sales promotion campaign targets. The provisions of the circular become applicable on June 1, 2015.

2.4.1.2.12 On January 26, 2015, the Commissioner published a circular revising the instructions relating to the format of the disclosure required in the insurance companies' financial statements bringing them into line with International Financial Reporting Standards (IFRS), which updates the format for disclosure in the annual financial statements of the insurance companies. Additionally, the circular prescribes a requirement to submit an immediate report to the Commissioner if a significant error is discovered in the financial statements. The provisions of the circular become applicable from the financial reports for 2014.

2.4.1.2.13 On November 13, 2014, a circular was published for agents and advisors concerning the involvement of non-licensed entities in the marketing and sale of insurance products that are not group insurance. When the provisions prescribed in the circular are met, supervised entities (financial institutions, insurance agents as defined in the Supervision of Insurance Law, or license holder as defined in the Pension Advice Law, as well as employees of any of the above) may enter into agreement with an external entity (an entity that is not a supervised entity) in connection with the marketing or sale of a personal lines insurance product, that is not a group product. On April 30, 2015, an amendment to the circular was published postponing commencement of the circular with respect to the marketing of travel insurance through travel agents to December 31 2015.

2.4.1.3 Draft circulars

2.4.1.3.1 On July 22, 2015, the Commissioner published a draft circular which amends the circular on compensation policy in financial institutions. Among other things, the amendment proposes establishing that compensation for directors who are not external directors or independent directors and compensation for the chairman of the board of directors will not include a variable component; financial institutions shall bear the costs of employing a key employee or officeholder based on the scope of the position, the authority and responsibility in that financial institution, but not the costs of his serving in another company, and that the compensation policy shall also be determined taking into account anticipated regulations of which draft versions have been published, including law memoranda, as well as the Commissioner's relevant positions. It is also proposed that the provisions of the present circular should be extended with respect to provisions to be included in the compensation policy regarding the restitution of money to a financial institution that was paid to a key officeholder as a variable component. The Commissioner and the financial institutions are discussing the draft circular.

2.4.1.3.2 On July 7, 2015, the Commissioner published a draft circular concerning an amendment of the provisions for management of investment assets (loans provided to insureds and members). The amendment adds an instruction whereby money that is not liquid on the final repayment date of the loan cannot be considered a surety, and that a financial institution's investment committee shall review the channel for providing loans to insureds and members in the same manner as it examines any other investment, and a procedure must be determined for the providing and collection of loans. The Commissioner and the insurance companies are discussing the draft circular.

2.4.1.3.3 On May 31, 2015, the Commissioner published a second draft circular concerning the management of credit risks associated with investment activity. The draft circular proposes establishing, among other things, that in defining its investment policy, the board of directors must also address the policy of providing coordinated loans and that the investment committee of a provident fund or yield-dependent investment committee of an insurance company must give advance approval for any coordinated loan, any changes in the loan conditions and changes in the financial covenants. Furthermore, where an investment committee handles assets of an amount that exceeds the amount prescribed in the draft circular, the investment committee shall appoint a credit sub-committee to supervise implementation of the relevant policy of the board of directors and investment committee with respect to the extension of credit, and which shall approve the extension of any credit of amounts and at the rates prescribed by the investment committee, in advance. Concurrently, a second draft was published of an amendment to the provisions of the standard circular pertaining to the appointment of an internal credit committee (which prescribe the composition, duties and functions of the committee), the extension of the functions of the investment control unit with respect to credit provided by the financial institution and the treatment of problematic debts. The Commissioner and the insurance companies are discussing the draft document.

2.4.1.3.4 On May 26, 2015, the Commissioner published a draft circular concerning the marketing of service notes which prescribes rules for the introducing and sale of service notes by insurance company and agents. The Commissioner and the insurance companies are discussing the draft document

2.4.1.3.5 On January 4, 2015, the Commissioner published a draft of the sections relevant to corporate governance on the subject of investments in the consolidated circular, and a draft circular concerning the management of credit risks in relation to investment activity. The draft documents propose adding provisions on the appointment of a credit sub-committee and the qualifications required for appointment to the credit sub-committee, as well as its composition. Insofar as they are passed as binding, the draft provisions will take effect on March 1, 2015. The Commissioner and the insurance companies are discussing the draft documents.

2.4.1.4 Instructions and clarifications

2.4.1.4.1 On February 12, 2015, a ruling in principle was published concerning the Equal Rights for People with Disabilities Law. The ruling prescribes that insurance companies must provide a written explanation within 90 days for insureds who are disabled and received differential treatment in an insurance contract or who an insurance company refuses to insure; the letter must specify that the Company's decision is based on its assessment that the specific insurance risk is higher than the insurance risk for a person who does not suffer from the same disability. A summary of the actuarial and statistical information or any other medical information on which the company based its decision must also be specified, as well the options available to the disabled person for filing a complaint to the Commissioner and the complaints committee, as specified in the law, or to file a claim in the courts.

2.4.1.4.2 On January 18, 2015, the Commissioner published a position paper concerning payments by financial institutions to license holders, whereby a review found that financial institutions generally pay license holders commissions that are derived from the management fees paid by members or insureds. The Commissioner's position is that payment of commissions in the aforementioned manner encourages license holders to offer customers products with higher management fees, and is therefore unacceptable. On March 30, 2015, the Commissioner published a clarification to this position according to which the payment of commissions in a manner that creates an in-built preference for the license holder's personal interest over the customer's interest in paying lower management fees, is a breach of the obligations that apply to management companies with respect to providing services for members and the financial institution's other duties, and that financial institutions and insurance agents must take immediate action to amend the contracts regulating payment of the commissions so that they are consistent with the provisions, and that no new contracts that are contrary to the provisions may be signed. Nevertheless, the Commissioner noted that this position is not intended to prevent a company from setting differential management fees up to the maximum set by law and that she does not intend to apply her enforcement powers against financial institutions and insurance agents in relation to existing customers and in relation to customers who were enrolled in the period immediately after publication of the Commissioner's position paper. On June 24, 2015, the Association of Life Insurance Companies Ltd. filed an originating summons in the Tel Aviv District Court in which the court was asked to declare and determine that compensation deriving from management fees are in themselves not prohibited by law and that the entering into agreements by financial institutions that include compensation deriving from management fees does not constitute a breach of any obligation by the financial institutions.

2.4.2 Life assurance and long-term savings

2.4.2.1 Provisions of law

2.4.2.1.1 On August 5, 2015, the Supervision of Financial Services (Provident Funds) (Amendment no. 12) Law was published in the Official Gazette. Among other things, the amendment states that the Commissioner may prescribe provisions concerning the rights and obligations of provident fund members which must be written into the provident fund articles, that employers may not make the payment of money into a provident fund and the percentage of the deposits that forms the employer's contribution to a particular fund, conditional on a particular class of fund or a fund that the employee chooses from a particular list of funds, and that if the law or an agreement contains a stipulation about the rate of deposits payable to a provident fund that contravenes the provisions of the law, the employee is entitled to the highest rate of the maximum rates that employers may deposit for their employees, until the law or the agreement is amended (this provision will enter into force six months from its date of publication). Furthermore, the amendment prescribes that members will be entitled, on the dates and under the conditions to be prescribed by the minister with the approval of the Knesset Finance Committee, to withdraw money from non-annuity provident funds and from old funds, if the total amounts in their accounts in that provident fund do not exceed NIS 8,000. The provision concerning the withdrawal of money writes into law the temporary order relating to the withdrawal of money from small provident fund accounts which determined that the regulations enabling money to be withdrawn from provident funds and accounts with a low accrued balance will be in force until June 30, 2015.

2.4.2.1.2 On July 29, 2015, draft amendments were published to the Supervision of Financial Services (Provident Funds) (Purchase and Sale of Securities) Regulations, 2009 and to the Supervision of Financial Services (Provident Funds) (Individually Managed Provident Fund) Regulations, 2009. The amendments propose making similar amendments in the regulations, including to determine that institutional investors will not be permitted to buy or sell securities through a related party or through a bank that operates members' money that is managed by the company, that securities will be held according to a competitive procedure, and that payment of a commission for the settlement of securities will not be derived as a percentage of the transaction's monetary value.

2.4.2.2 Circulars

2.4.2.2.1 On August 6, 2015, the Commissioner published a circular concerning "Power of attorney given to a license holder" (which replaces the present circular). The circular prescribes, inter alia, that a power of attorney will also be valid for handling life assurance plans or for work disability plans that are not included in a pension product and are not sold incidentally to that product, except for such insurance plans that are included in a non-pension insurance product. Provisions were also prescribed for filling out the power of attorney form and approving the power of attorney by customers for licensees that are companies, and provisions were prescribed concerning cancellation of a power of attorney that is sent through a central pension clearing system. The circular also stipulates that a power of attorney which is an on-going authorization to an insurance agent or pension advisor to obtain information and submit requests to perform transactions that was signed before November 1, 2015 for insurance plans, will be relevant for obtaining information only. The circular becomes applicable on November 1, 2015.

2.4.2.2.2 On July 22, 2015, the Commissioner published a circular concerning advance approval required to transfer the management of a provident fund. The circular prescribes the Commissioner's requirements from the transferring management company and from the recipient management company, before, during and after voluntary transfer of the provident fund has been made from one management company to another. Additionally, provisions were prescribed concerning the responsibility for preparing the fund's financial statements. The circular applies from its date of publication.

2.4.2.2.3 On June 23, 2015, the Commissioner published a circular concerning the "explanatory document" which prescribes a standard text for the explanatory document to be submitted to customers by a pension advisor or marketing agent in connection with a pension advice or marketing procedure. Among other things, the circular prescribes those instances in which a license holder is required to give the customer a full explanatory document, an explanatory document containing the main points of the advice given or conversation summary; that the explanatory document must include the customer's declaration confirming that he has received the document, and for a full explanatory document, the license holder will be required to ask the clearing house for information about which pension products the customer already has. Furthermore, the circular prescribes that any activity that is not performed directly (face to face) will be permitted at the license holder's discretion and after he has explained to the customer the importance of the pension advice or marketing procedure and its effect on the customer. The circular will become applicable on January 1, 2016 for license holders and financial institutions, except in those instances where a transaction can be performed without a pension advice or marketing procedure.

2.4.2.2.4 On May 28, 2015, a circular was published concerning the obligation to use a central pension clearing system (amending and replacing Circular 2013-9-18 on the same subject). The circular establishes the obligation to be connected to the central pension clearing system and the entities that will make the necessary preparations for the connection; the user will bear the connection costs and user fees in accordance with the Commissioner's instructions; and the activity that financial institutions and license holders must perform through the central pension clearing system. The amended circular will apply to financial institutions and license holders from January 1, 2016.

2.4.2.2.5 On April 28, 2015, a circular was published concerning disability allowance in a pension fund in the event of entitlement to an allowance from another source. According to the circular, management companies must inform members that they must submit a claim for an allowance from another source, if it becomes aware that the member has a disability on account of which he is entitled to an allowance from another source, and insofar as the member has not filed a claim for the allowance form another source, the allowance payable by the fund will be the higher of: (a) 25% of the effective income, multiplied by the percentage disability; (b) 100% of the effective income multiplied by the percentage disability minus the basis of the allowance to be offset (as defined in the circular), and all this provided that the amount of the disability allowance does not exceed the allowance to which the member is entitled were it not for the above provision. The circular becomes applicable on October 1, 2015.

2.4.2.2.6 On April 27, 2015, a circular was published concerning the way in which financial institutions collect management fees from the accrued balance which prescribes a standard method of calculating and reporting management fees from the accrued balance. The circular becomes applicable on January 1, 2016.

2.4.2.2.7 On April 14, 2015, a circular was published concerning reporting the rate of management fees in pension savings products to the Commissioner. The circular prescribes provisions for reporting to the Commissioner on the management fees collected from new customers, for the purpose of displaying them on the management fees calculator that the Ministry of Finance intends to publish. Furthermore, the circular prescribes that financial institutions shall not collect management fees from new customers at a rate which is higher than the reported management fees and the parameters for setting the reported management fees. The provisions of the circular apply from its date of publication.

2.4.2.2.8 On March 24, 2015, the Commissioner published a circular concerning enrollment in a pension fund or provident fund. The circular prescribes a standard text for a pension fund or provident fund application form, the content of the information that management companies must submit to enrolling members, and rules for transferring money from pension funds in which the member is not an active member, to the pension fund he wishes to join. The provisions of the circular will become applicable from January 1, 2016.

2.4.2.2.9 On March 18, 2015, a circular was published concerning a change in the sum insured in life assurance policies associated with mortgages. The circular prescribes that a transaction to refinance a mortgage will not be used as cause to cancel the continuity of insurance cover in a life assurance policy that was purchased for the purpose of a mortgage, and that policyholders will be allowed to continue the insurance cover with the same insurance company under the same conditions and without new underwriting. The circular take effect on its date of publication.

2.4.2.2.10 On February 19, 2015, a circular was published on the subject of reporting to the public on direct expenses that are deducted from savers accounts, which aims to align the provisions about reporting on direct expenses with the amendment passed in 2014 to the Supervision of Financial Services (Provident Funds) (Direct Expenses on account of Transactions Performed), 2008. The circular prescribes provisions, inter alia, concerning the structure and format of the report and the manner of reporting. The circular also stipulates that financial institutions must present this report for two years from the publication date of each report, where the first period to be presented according to this circular is the period ended December 31, 2014. The reports for previous periods will continue to be presented according to the current circulars, and these circulars will be repealed on September 1, 2016. The provisions of the circular will apply to all financial institutions, excluding management companies with respect to individually managed provident funds that they manage, and excluding old funds and it takes effect on its date of publication.

2.4.2.2.11 On February 17, 2015, the Commissioner published a circular concerning provident fund investment tracks. The circular prescribes that in each of the provident funds that they manage, financial institutions will manage age-adjusted investment tracks (for members up to age 50, between age 50 and 60, and over the age of 60) in which the money of members who have not chosen any other investment track will be managed, as well as a special track for the members who are already receiving annuities. Likewise, provident funds may manage specialist investment tracks as specified in the circular. The circular also prescribes provisions concerning investment tracks in education funds and insurance policies that are not insurance funds; provisions to ensure that the name of the investment track corresponds with its investment policy, publication of a list of the investment tracks on the Capital Market, Insurance and Savings Division's website, and provisions concerning a change in the defined investment policy of an investment track, as well as provisions concerning a deviation from the defined investment policy. With respect to provident funds or life assurance policies that are not insurance funds, the circular will enter into force on January 1, 2016, and with respect to insurance policies that are insurance funds that were marketed before 2004, the circular will enter into force on January 1, 2017.

2.4.2.2.12 On January 5, 2015, the Commissioner published a circular concerning the transfer of money between provident funds. The circular prescribes amendments to an existing circular on this subject, including - an obligation to attach a photocopy of the member's identity card to a request to transfer money; notice of rejection must be submitted within five business days from the submittal date of the application and shall include all the reasons for the rejection; a request by an inactive member will expire within 60 days if the member's signature is not received; if transfer of the money is delayed, details of the amount of the accumulated balance and the yield must be submitted by the date of the actual transfer; an obligation to send notice of a request - by the recipient fund - if the transferring fund bears the difference between the recipient fund's yield and the transferring fund's yield, which is higher than the interest rate on arrears. The provisions of the circular became applicable on July 1, 2015

2.4.2.3 Draft circulars

2.4.2.3.1 On August 5, 2015, the Commissioner published a second draft of the circular on the reporting of tariffs in life assurance plans to the Commissioner. The draft circular prescribes provisions for reporting the insurance tariffs to the Commissioner so that they can be published on the life assurance prices calculator that the Ministry of Finance intends to publish. The premiums that may be collected from a new applicant will not be more than the maximum tariff that is actually offered to applicants, excluding underwriting supplements, which will appear in the calculator. Furthermore, parameters were prescribed for reporting the tariffs, the manner of reporting and revision of the parameters. The Commissioner and the financial institutions are discussing the draft circular.

2.4.2.3.2 On July 28, 2015, the Commissioner published a draft circular concerning the marketing of life assurance policies that incorporate annuity coefficients for longevity [known as guaranteed annuity options - GAO factors]. The draft circular prescribes provisions that allow the marketing of combined life insurance plans with GAO factors and yield-dependent savings, for policyholders in possession of combined savings - life insurance policies with GAO factors that were purchased up to December 31, 2013, and who wish to move their savings. A format was also prescribed for reporting policies with GAO factors to the Commissioner. The Commissioner and the financial institutions are discussing the draft circular.

2.4.2.3.3 On July 28, 2015, the Commissioner published a draft amendment to the circular on management of a new pension fund and a draft amendment to the circular on management of a new pension fund. The draft amendments prescribe provisions concerning an updating factor for the recipients of old-pension pension and their survivors, and the manner of calculating the update; the manner of updating pensions being paid to pension recipients, as well as transition provisions for calculating the updating coefficient for pensioners who were members of the pension fund on August 1, who reached compulsory or early retirement age at that date. Furthermore, on the publication date of the draft amendments, the Commissioner published an amendment to the circular on provisions for financial reporting by new pension funds, in which an appendix to the circular concerning "stages in assessing and distributing an actuarial surplus or deficit" was amended, and provisions on this matter were prescribed. The Commissioner and the financial institutions are discussing the draft circular.

2.4.2.3.4 On July 12, 2015, the Commissioner published a draft circular on the subject of "specialist index-tracker investment tracks - publication of benchmark indices". The purpose of the circular is to enhance transparency in relation to index tracker investment tracks and adjust them to the benchmark indices by means of reporting various information about the index tracking track and the benchmark index to the Commissioner and the public. The circular also stipulates that any advertisement for the investment track must mention that the track is under no obligation to achieve the same yield as the benchmark index for savers.

2.4.2.3.5 On July 7, 2015, the Commissioner published a draft circular concerning life assurance plans with fixed premiums, whereby commencing September 1, 2015, life assurance plans for death cannot be sold for a period of more than 5 years with fixed premiums, including insurance plans that cover designated events of death for mortgages

2.4.2.3.6 On May 4, 2015, a draft circular was published concerning money deposited by self-employed members that is not money deposited on account of income from work, in an individually managed provident fund (IRA). The draft circular stipulates that this money may be deposited in an IRA provided that it is not more than twice the amount of the minimum annuity multiplied by the capital conversion factor (as it is defined in the Income Tax Ordinance), subject to the conditions prescribed in the draft circular. If and when they are published as binding, the draft provisions will become applicable on August 1, 2015.

2.4.2.3.7 On April 20, 2015, a draft circular was published concerning guidelines for an insurance plan for work disability (P.H.I.). The draft circular prescribes that a P.H.I. plan will consist of a basic plan - regarding which the circular prescribes provisions pertaining to an insured event, policy period, waiting period, scope of the cover, insurance benefits, etc. Riders may be added to the basic plan, in line with the conditions and provisions prescribed in the draft circular, and which extend the basic cover. If and when they are published as binding, the provisions of the draft circular will become applicable on June 1, 2016 for personal lines or group P.H.I. plans that are marketed or renewed from the commencement date.

2.4.2.4 Instructions and clarifications

2.4.2.4.1 On May 20, 2015, the Commissioner published a ruling in principle concerning enrollment in group life assurance, which includes a stipulation that the insurance companies must be able at all times to present the insured's written consent for enrollment in a group life policy, in those cases where the premiums, or part thereof, are paid by the insured. Provisions were also prescribed concerning instances in which it is impossible to submit written consent in existing life assurance policies. The ruling becomes applicable on July 20, 2015.

2.4.2.4.2 On March 8, 2015, a Commissioner's position paper was published concerning direct expenses relating to investment in a fund of funds. The position paper stipulates that with respect to the total amount of direct expenses that financial institutions may collect for investments in a fund of funds as defined in the Supervision of Financial Services (Provident Funds) (Direct Expenses on account of Transactions Performed) (Amendment no. 2) Regulations, 2014, in addition to the restriction on the expenses arising from an investment in a fund of this kind, the restriction will also apply to the management fees paid by institutional investors, directly or indirectly, pro rata to their share in each of the secondary funds held by the fund of funds. The position paper takes effect on its date of publication.

2.4.3 Health insurance

2.4.3.1 Provisions of law

2.4.3.1.1 On August 4, 2015, Supervision of Financial Services (Insurance) (Conditions of an Insurance Contract for Surgery and Non-surgical Alternatives in Israel) Regulations, 2015, were published. The regulations prescribe that policies offered by insurers for surgery and non-surgery alternatives in Israel, including consultations, will be based on the text prescribed in the regulations without the addition or removal of any cover; the policy will include 3 consultations in any insurance year, full cover for the cost of the surgeon's fee, cost of surgery in a hospital or private surgery clinic and the cost of non-surgery alternatives; uniform premiums for each age group and that enrolment in the policy will not be conditional on the purchase of any other cover and that the cancellation of cover will not require the cancellation of the whole policy. The regulations will become applicable on February 1, 2016.

2.4.3.1.2 On August 4, 2015, the Commissioner published a second draft of the Supervision of Financial Services (Insurance) (Long-term care Insurance for HMO members) Regulations, 2015, which prescribe that an insurer shall only issue a group LTC policy for health fund (HMO) members in accordance with the provisions of the regulations, and that it must include the provisions prescribed in the Schedule to the regulations. The draft regulations also prescribe provisions concerning enrollment in a group LTC policy for HMO members, uniform premiums payable by the insureds for the insurance benefits and free movement of insureds between one plan and another following a transfer from one fund to another. Provisions were also prescribed concerning the enrollment of insureds who are 60 years old or more who had group LTC insurance and at that time did not have group LTC insurance provided by the HMOs, without a review of a pre-existing medical condition, subject to the conditions prescribed in the regulations. Together with the regulations, a second draft of the circular on long-term care insurance for HMO members was published which prescribes provisions for drawing up group LTC insurance for HMO members, the insurance company's obligation to contact insureds who meet the conditions prescribed in the circular, and to inform them of the option to enroll in a group LTC policy for HMO members, provisions concerning the transfer of information between insurance companies and insureds and among the insurance companies themselves following the move of an insured to a different HMO.

2.4.3.1.3 On July 27, 2015, the Commissioner published an amendment to the Supervision of Financial Services (Insurance) (Group Health Insurance) Regulations, 2015. Among other things, the amendment proposes prescribing provisions concerning obtaining the insured's agreement when enrolling in a policy and when the policy is renewed if one or more of the basic coverages in the policy prior to the renewal are cancelled and if the premiums were raised beyond the limit stipulated in the regulations, as well as the outcome of failing to obtain the insured's agreement as noted; provisions concerning the sending of notice to insureds if the insurance is renewed by another insurer or if the insurance is not renewed by that insurer or by another insurer; provisions concerning termination of the insurance if the relationship between the insured and the policyholder terminates. The amendment also stipulates that the policy period for group health insurance shall not be more than 5 years (except for group LTC insurance). The amendment becomes applicable on January 1, 2016.

2.4.3.2 Circulars

2.4.3.2.1 On August 25, 2015, the Commissioner published a circular concerning the principles of drawing up medical underwriting, which stipulates that a financial institution must act fairly, professionally and with relevance, taking note of its underwriting policy, when conducting medical underwriting and when establishing the terms of acceptance to insurance. The circular prescribes provisions to ensure that the medical questionnaire filled in by the candidate for insurance corresponds with the type of information required and the candidate's specifications; provisions concerning the text of the underwriting questionnaire; an obligation to fill out the questionnaire directly with the insurance candidate and to obtain full, clear replies; provisions relating to medical questionnaires that are filled in over the phone; to perform the underwriting within a reasonable time, to document in writing the candidate's replies to questions asked, and to provide the candidate for insurance with information about the medical underwriting process. The provisions of the circular become applicable on April 1, 2016 and they will apply to all medical underwriting procedures conducted by financial institutions from the commencement date.

2.4.3.2.2 On April 1, 2015, the Commissioner published a circular on the drawing up of personal lines health insurance plans. The circular prescribes that all health insurance plans will be for a two-year period and will be renewed automatically every two years on June 1, without a review of a pre-existing medical condition and without a further qualifying period. Insureds must give their express consent to renew the insurance if, on the renewal date, the monthly premiums increase by more than NIS 10 or more than 20%, whichever is higher, or if the insurance cover is reduced in lieu of an increase in the premium. If, in such cases, no consent is given, the insurance for such insureds will be cancelled. If the policy is renewed without the insured's express consent, the insured may give notice within 60 days of the renewal date that the policy is cancelled, and the policy will be cancelled from the date of the renewal, provided that the insured has not filed a claim to exercise his rights under the policy on account of an insured event that took place during this period. Regarding changes that insurers are required to make in the policy at the time of the renewal - insurers are entitled not to make these changes provided that they do not continue to sell the policy to new policyholders. Any changes that insurers make in the policy will become applicable on the date of renewal for all existing policyholders. Insurers will inform existing policyholders of the option to move over to a personal lines policy in accordance with the provisions of the circular with continuity of insurance for the existing coverages in the policyholder's present policy. On July 30, 2015, the Commissioner published a draft amendment to the circular which, among other things, proposes that the commencement date will be postponed to February 1, 2016.

2.4.3.2.3 On July 30, 2015, the Commissioner published draft circulars on the subject of drawing up plans for insurance against critical illnesses, provisions concerning the insurance cover in a plan for insurance for medicines, and principles for changing the tariffs in health insurance for existing insureds. It is proposed that provisions of these circulars should correspond with the provisions of the circular on drawing up personal lines health insurance plans.

2.4.3.2.4 On April 1, 2015, the Commissioner published a circular concerning the sale of insurance coverage in personal lines health insurance that is not conditional on any other purchase. The circular prescribes that insurers will allow basic insurance plans (cover for surgery or transplants and special treatment abroad or medications or critical illness) to be purchased independently of the purchase of any other plan (plans that insurers may introduce as riders to the basic plan) or of any other basic plan, and they must also allow additional plans to be purchased, provided that a basic plan has been purchased, independently of the purchase of any additional plan or another basic plan. Furthermore, the circular prohibits conditioning the offering of a discount in a particular plan on the purchase or holding of another plan (except for joint pricing in advance of several plans), the circular prescribes an obligation to obtain the insured's documented consent separately for each plan that he intends to purchase, it prohibits cancellation of the discount when another plan is cancelled; and insurers will be obligated to allow cancellation of each of the plans at any time, without conditioning this on the cancellation of another plan purchased together with that plan (except if the basic plan or all the basic plans to which the rider was attached with respect to a particular insured, are cancelled). On July 30, 2015, the commencement date of the circular was postponed to February 1, 2016.

2.4.3.2.5 On March 22, 2015, the Commissioner published an update to the circular concerning the drawing up of long-term care insurance plans (which was published on March 28, 2012), in which context the date for termination of group long-term care insurance plans was extended to December 31, 2015.

2.4.3.3 Instructions and clarifications

On January 25, 2015, the Superintendent published a position paper concerning the definition of an insured event in long-term care insurance. The position stipulates that the underlying purpose of the method of determining entitlement by way of a test of ADLs, is to examine whether or not the insured is capable of performing the acts of daily living without assistance. The circular on drawing up a long-term care insurance plan therefore prescribes a significant test which was also given a quantitative value ("at least 50% of the activity"), although the Commissioner's original intention was not that this would become an exclusively numerical calculation. Consequently, according to the Commissioner, insofar as an ADL cannot be significantly performed, the insurance company cannot determine that the insured is capable of performing at least 50% of the activity. The Commissioner's position prescribes that when claims are settled, insurance companies must examine whether the policyholder is capable of performing a substantial part of the activity unassisted, so that the examination is conducted according to the intended interpretation above.

2.4.4 Non-life insurance

2.4.4.1 Provisions of law

2.4.4.1.1 On January 27, 2015, Supervision of Insurance Business (Conditions of a Contract to Insure Homes and their Content) (Amendment), Regulations, 2015, were published which revise the standard policy for homeowners insurance. Among other things, the regulations stipulate that insurers will only be allowed to cancel a policy for the reasons prescribed in the regulations, and for no other reason whatsoever; that the principle of underinsurance will not apply to structural insurance (including an additional amount in an apartment building), and for insurance for the contents in respect of certain items prescribed in the policy and that it will apply to insurance for the rest of the contents, only if the sum insured is at least 15% less than the value of the contents when the policy was purchased; that the insured will be given an option to purchase an additional sum insured at a rate of at least 100% of the sum insured for the apartment if the apartment is in an apartment building, for loss resulting from earthquake under the conditions prescribed in the policy; that third-party liability cover may be purchased; provisions concerning linking the sums insured to the Building Inputs Index; and that insurers may not change the text of the clauses in the standard policy. The amendment takes effect six months from its date of publication and will apply to insurance contracts which enter into force on or after that date.

2.4.4.1.2 On February 21, 2013, Supervision of Financial Services (Insurance) (Calculation of Insurance Reserves in Non-life Insurance) Regulations, 2013, were published, prescribing the manner of calculating the insurance reserves to be held by a non-life insurance insurer.

Together with the regulations, the Commissioner published a circular concerning the calculation of insurance reserves for non-life (general) insurance. The circular sets forth provisions concerning the manner of calculating reserves in non-life insurance, specifying the manner of calculating the provisions which an insurer must include in the reserves, and instructions for calculating reserves for excess income over expenses in the branches of insurance which are specified in the circular. Commencing March 31, 2014, there will no longer be a requirement to calculate reserves for excess income over expenses.

On January 20, 2014 amended the circular, so that this provision applies to December 31, 2014 (rather than March 31, 2014). The provisions of the circular apply to all the insurance companies from the date of the onset of the regulations.

Furthermore, on January 12, 2015, the Commissioner published an opinion paper and two circulars on the subject of the calculation of reserves in non-life insurance. The Commissioner's opinion paper sets out the principles underlying the assessment of the reserves in non-life insurance and provisions for setting the amount of the reserve for policies that were sold close to the balance sheet date and for risks after the balance sheet date. One of the circulars, which replace a previous circular on the same subject, prescribes changes to be made in the actuarial report.

The second circular stipulates that from the financial statements for 2015, there will no longer be a requirement to calculate reserves for excess income over expenses in those lines of business specified in the circular.

2.4.4.2 Instructions and clarifications

On June 30, 2015, the Commissioner published a ruling in principle on the subject of VAT payments and impairment of value of a vehicle that is not repaired. The ruling stipulates that where insurers pay insureds compensation for the impairment value, or where a third party claims direct losses for repair of a vehicle, and the amount of the loss is determined in a loss adjustor's opinion that was not appealed by the insurance company, it must pay insurance benefits that include, inter alia, the impairment of value of the vehicle, if there is any, and the VAT that applies to this impairment, even if the vehicle was not actually repaired.

2.4.5 Capital market and financial services

2.4.5.1 Draft regulations

On February 10, 2015, the ISA published draft Joint Investment Trust (ETFs) Regulations, 2015, for public comment. The intention was that ETFs would be regulated together with ETNs, as part of Amendment no. 21 to the Joint Investment Trust Law. But in view of the prolonged legislative process on the one hand, and the rapid growth of the ETN market and passive products on the other, the ISA decided to move ahead and allow faster transition of the existing notes to proper supervision under the Joint Investment Trust Law.

Under the proposed mechanism, the legal structure of ETNs will change from that of a bond to a mutual fund, while eliminating the ETN's undertaking to achieve the yields of the assets that it tracks. This is expected to reduce the capital requirements of the issuers of these products.

To limit the likelihood of an error in the tracking of the note relative to the index that it tracks, the ISA will allow ETN managers, if they so wish, to provide investors with a safety margin at a rate that is limited in such a way as to prevent the materialization of systemic risk in the capital market. This safety margin will be expressed in the possibility of collecting, in addition to the fixed management fees, floating management fees at a limited rate to be paid to the note manager from the surplus yield, over and above the change in the index that the note tracks, or to be paid by the ETN manager to its holders should the yield on the ETN fall short of the said rate. These tracking errors will be defined as the maximum positive or negative deviation of the value of the note relative to the index that it tracks over the course of one calendar year.

The effects of this move on the Group's financial results cannot be quantified at this stage. Furthermore, the Group is unable to estimate the date on which these regulations will enter into force.

2.5 Condensed data from the consolidated financial statements of Harel Investments

2.5.1 Condensed data from the consolidated performance reports of Harel Investments (NIS thousand):

	For the six months ended June 30		change %	For the three months ended June 30		For year ended December 31
	2015	2014		2015	2014	2014
Life assurance and long-term savings segment						
Gross earned premiums	2,193,576	1,891,456	16	986,894	934,100	3,797,466
Income from management fees	478,189	439,645	9	141,891	190,927	848,059
Profit (loss) from life assurance business	246,742	(26,131)	-	323,644	(86,197)	(71,747)
Profit from provident fund management	24,983	23,340	7	13,151	12,459	54,670
Profit from pension fund management	38,076	29,526	29	20,398	13,787	67,877
Total profit (loss) from life assurance and long-term savings	309,801	26,735	-	357,193	(59,951)	50,800
Total comprehensive income (loss) from life assurance and long-term savings	223,583	87,922	154	250,986	(55,487)	163,760
Non-life insurance segment						
Gross earned premiums	1,519,508	1,576,868	(4)	756,338	801,337	3,205,322
Premiums earned on retention	871,044	882,014	(1)	427,840	443,903	1,772,233
Total profit from non-life insurance	156,300	153,273	2	69,976	63,944	219,070
Comprehensive income (loss) from non-life insurance	95,360	200,990	(53)	(35,479)	53,882	286,796
Health insurance segment						
Gross earned premiums	1,926,078	1,723,465	12	970,725	878,578	3,571,159
Premiums earned on retention	1,821,411	1,619,094	12	918,342	825,078	3,354,979
Total profit from health insurance	25,765	93,228	(72)	63,764	58,120	101,019
Comprehensive income (loss) from health insurance segment	(259)	116,697	-	19,230	58,029	139,972
Insurance companies overseas segment						
Gross earned premiums	128,516	101,491	27	66,362	52,941	213,750
Premiums earned on retention	79,989	58,080	38	42,403	29,797	123,042

	For the six months ended June 30		change %	For the three months ended June 30		For year ended December 31
	2015	2014		2015	2014	2014
Total profit from insurance companies overseas segment	12,531	6,233	-	2,784	5,347	4,885
Total comprehensive income (loss) from insurance companies overseas	(1,451)	4,960	-	(2,839)	2,519	4,807
Capital market and financial services segment						
Revenues from capital market and financial services	159,738	144,118	11	78,630	74,384	304,234
Total expenses from capital market and financial services	116,380	118,714	(2)	58,133	59,809	240,341
Total profit from capital market and financial services segment	43,349	25,468	70	20,486	14,617	63,902
Total comprehensive income from capital market and financial services segment	43,292	25,545	69	20,328	14,694	63,992
Items not included in operating segments						
Net profit from investments and financing income	138,700	146,185	(5)	71,583	91,206	241,989
Income from commissions	66,356	53,342	24	33,124	29,835	123,675
General & administrative expenses not recognized in operating segment reports	79,233	72,361	9	39,878	38,290	148,098
Financing expenses	42,705	49,449	(14)	44,275	37,181	106,997
Pre-tax profit	643,964	386,679	67	541,960	128,706	568,929
Net profit for the period	419,210	251,569	67	343,336	85,249	374,231
Other comprehensive income (loss) for the period, net of tax	(138,871)	95,282	-	(217,940)	(19,586)	158,910
Total comprehensive income for the period	280,339	346,851	(19)	125,396	65,663	533,141
Net profit for the period attributed to the Company's shareholders	419,082	251,481	67	343,144	85,518	373,907
Net profit (loss) attributed to non-controlling interests	128	88	45	192	(269)	324
Return on equity in annual terms in percent	11%	14%	(22)	11%	6%	11%

Condensed data from the consolidated statements of financial position of Harel Investments (NIS million):

	At June 30			At December 31
	2015	2014	% change	2014
Total balance sheet	91,911	84,230	9.1	89,253
Assets for yield-dependent contracts	38,837	34,140	13.8	36,526
Other financial investments	21,399	21,206	0.9	21,492
Intangible assets	1,591	1,603	(0.7)	1,589
Reinsurance assets	5,469	5,448	0.4	5,497
Insurance liabilities (insurance reserves and outstanding claims) in life assurance				
For yield-dependent investment contracts and insurance contracts	34,753	30,495	14.0	32,324
For insurance contracts that are not yield dependent	11,094	11,199	(0.9)	11,246
In non-life insurance	10,199	10,242	(0.4)	10,003
In health insurance (yield dependent and non-yield dependent)	7,402	6,431	15.1	6,933
In insurance companies overseas (yield-dependent and non-yield-dependent)	247	237	4.3	263
Adjustments and Offsets between segments	(5)	(7)	26.0	(6)
Total insurance liabilities	63,689	58,597	8.7	60,763
Equity attributed to holders of the Company's equity	4,874	4,639	5.1	4,718

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

	June 30			December 31
	2015	2014	% change	2014
For yield dependent investment contracts and insurance contracts	38,837	34,140	13.8	36,526
For members of provident funds and pension funds *	64,128	56,900	12.7	60,466
For mutual fund customers *	30,094	35,280	(14.7)	33,650
For customers portfolios *	9,101	8,863	2.7	8,917
ETNs	15,294	13,848	10.4	15,298
Total assets under management for the Group's policyholders and members	157,454	149,031	5.7	154,857

* Total assets managed by provident funds, pension funds, mutual funds and in portfolio management are not included in the Company's consolidated financial statements.

2.6 Additional information about the results of operations

The total amount of the premium earned from insurance business during the Reporting Period amounted to NIS 5.76 billion compared with NIS 5.29 billion during the corresponding period last year, an increase of 9% compared with the corresponding period last year.

Total earned premiums from insurance business in the second quarter of 2015 amounted to NIS 2.78 billion, compared with NIS 2.67 billion for the corresponding quarter last year, a 4% increase over the corresponding quarter last year

Comprehensive income, which consists of income after tax for the reporting period plus the net change in a capital reserve for of available-for-sale financial assets and other changes in shareholders' equity, decreased by 19% to NIS 280 million in the Reporting Period, compared with NIS 347 million for the corresponding period last year. The decline in comprehensive income is attributable mainly to the following reasons:

(a) Effect of the capital market where yields in the Reporting Period were lower than those in the in the corresponding period last year.

(b) Effect of interest and test of the adequacy of the reserves -

i. In the Reporting Period, in view of the increase in the risk-free interest rate and the increase in yields embedded in the assets held against insurance liabilities, the discounting interest used for calculating some of the insurance liabilities was revised. As a result of the foregoing, the insurance liabilities decreased by a total of NIS 138 million before tax and NIS 86 million after tax.

ii. The effect of the revised interest rates was partially offset by the implementation of the Commissioner's circular on the manner of computing the adequacy of the reserves, which led to an increase in the insurance liabilities of NIS 145 million before tax and NIS 90 million after tax (see Note 11 to the Financial Statements).

iii. During the Reporting Period, the combination of all these effects amounted to an increase of the liabilities of NIS 7 million before tax, and NIS 4 million after tax.

iv. In the corresponding period last year, due to the decline in the risk-free interest rate, the discounting interest rates used for calculating some of the insurance liabilities were revised, as a result of which, the insurance liabilities increased by NIS 168 million before tax and NIS 105 million after tax.

(c) Revision of an extraordinary claim in the liabilities and other lines of business to a total, gross, of NIS 293 million before tax, of which the Company's self-retention is NIS 57 million. Most of the amount of retention is included as an expense in the Reporting Period (for additional information, see Note 6 to the Financial Statements).

(d) On-going erosion in the results of group insurance activity in the health insurance segment, due to an increase in the percentage of claims.

(e) Erosion of the underwriting performance in the motor property sector in the non-life insurance segment, stemming from an increase in the percentage of claims.

Comprehensive income after tax in the second quarter of 2015 increased by 91% to NIS 125 million, compared with comprehensive income of NIS 66 million for the corresponding quarter last year. The increase in comprehensive income is mainly due to the following:

(a) Effect of the interest rate and test of the adequacy of the reserves -

i. In the second quarter, in view of the increase in the risk-free interest rate and the increase in yields embedded in the assets held against insurance liabilities, the discounting interest used for calculating some of the insurance liabilities were revised. As a result of the foregoing, the insurance liabilities decreased by a total of NIS 427 million before tax and NIS 266 million after tax.

ii. The effect of the revised interest rates was partially offset by the implementation of the Commissioner's circular on the manner of computing the adequacy of the reserves, which led to an increase in the insurance liabilities of NIS 145 million before tax and NIS 90 million after tax (see Note 11 to the Financial Statements).

iii. The combination of all these effects in the second quarter, amounted to a decrease of the liabilities of NIS 282 million before tax, and NIS 176 million after tax.

iv. In the corresponding quarter last year, due to the decline in the risk-free interest rate, the discounting interest rates used for calculating some of the insurance liabilities were revised, as a result of which, the insurance liabilities increased by NIS 130 million before tax and NIS 81 million after tax.

(b) These effects were partially offset by the following:

i. Effect of the capital market where yields in the Reporting Period were lower than those in the corresponding period last year as well as a refund of variable management fees in the second quarter of 2015 in the amount of NIS 47 million, compared with the collection of variable management fees amounting to NIS 18 million in the corresponding quarter last year.

ii. Revision of an extraordinary claim in the liabilities and other lines of business to a total, gross, of NIS 293 million before tax, of which the Company's self-retention is NIS 57 million. Most of the amount of retention is included as an expense in the Reporting Period (for additional information, see Note 6 to the Financial Statements).

iii. On-going erosion in the results of group insurance activity in the health insurance segment, due to an increase in the percentage of claims.

iv. Erosion of the underwriting performance in the motor property sector in the non-life insurance segment, stemming from an increase in the percentage of claims.

Net profit increased by 67% to NIS 419 million in the Reporting Period, compared with NIS 252 million for the corresponding period last year.

Net profit increased by 30% to NIS 343 million in the second quarter of 2015, compared with profit of NIS 85 million in the corresponding quarter last year.

Pre-tax profit increased by 67% to NIS 644 million in the Reporting Period, compared with NIS 387 million in the corresponding period last year.

Pre-tax profit increased by 321% to NIS 542 million in the second quarter of 2015, compared with NIS 129 million in the corresponding quarter last year.

During the Reporting Period income from investments, net, and financing income amounted to NIS 1,876 million, compared with profits of NIS 1,812 million in the corresponding period last year.

In the second quarter of 2015, net income from investments and financing income amounted to NIS 235 million, compared with profit in the amount of NIS 792 million in the corresponding quarter last year.

Financing expenses that were not attributed to the operating segments amounted to NIS 43 million compared with financing expenses of NIS 49 million in the corresponding period last year.

The Company's equity at June 30, 2015, relating to the Company's shareholders, amounts to NIS 4,874 million, compared with equity of NIS 4,639 million at June 30, 2014 and NIS 4,718 million at December 31, 2014. The change in equity is attributable to: (a) comprehensive income of NIS 280 million attributed to the Company's shareholders; (b) a dividend in the amount of NIS 128 million; (c) insignificant amounts in respect of a translation fund for foreign operations, a capital reserve for the issuance of employee stock options and the holding of Company shares by a subsidiary that manages ETNs.

For information about the regulatory capital required of the group's insurance companies and from the provident fund and pension fund management companies, based on the Commissioner's circulars and regulations, including information about the effect of the entering into force of the Supervision of Financial Services (Minimum Capital Required of a Provident Fund or Pension Fund Management Company) Regulations, 2012, see Note 7 to the Financial Statements.

2.7 Life assurance and Long-term savings

Comprehensive income in life assurance and long-term savings was NIS 244 million in the Reporting Period, compared with NIS 88 million in the corresponding period last year. The increase in comprehensive income is attributable mainly to the following:

(a) In the corresponding period last year, due to the decline in the risk-free interest rate, the discounting interest rates used for calculating some of the insurance liabilities were revised, as a result of which, the insurance liabilities increased by NIS 126 million before tax.

(b) The effect of the interest rate and test of the adequacy of the reserves in the Reporting Period –

i. In view of the increase in the risk-free interest rate and the increase in yields embedded in the assets held against insurance liabilities, the discounting interest used for calculating some of the insurance liabilities were revised. As a result of the foregoing, the insurance liabilities decreased by a total of NIS 149 million before tax.

ii. The effect of the revised interest rates was partially offset by the implementation of the Commissioner's circular on the manner of computing the adequacy of the reserves, which led to an increase in the insurance liabilities of NIS 145 million before tax (see Note 11 to the Financial Statements).

iii. During the Reporting Period, the combination of all these effects amounted to an decrease of the liabilities by NIS 4 million before tax (for additional information, see Note 11 to the Financial Statements).

(c) These effects were partially offset by yields on the capital market, that were lower than those in the corresponding period last year. During the Reporting Period, the Company collected variable management fees of NIS 106 million compared with NIS 101 million in the corresponding period last year.

Comprehensive income on life assurance and long-term savings in the second quarter of 2015 was NIS 251 million, compared with a comprehensive loss of NIS 55 million in the corresponding quarter last year. The shift from comprehensive loss to comprehensive income is mainly due to the following:

(a) In the corresponding period last year, due to the decline in the risk-free interest rate, the discounting interest rates used for calculating some of the insurance liabilities were revised, as a result of which the insurance liabilities increased by NIS 105 million before tax.

(b) The effect of the interest rate and test of the adequacy of the reserves in the Reporting Period –

i. In view of the increase in the risk-free interest rate and the increase in yields embedded in the assets held against insurance liabilities, the discounting interest used for calculating some of the insurance liabilities were revised. As a result of the foregoing, the insurance liabilities decreased by a total of NIS 372 million before tax.

ii. The effect of the revised interest rates was partially offset by the implementation of the Commissioner’s circular on the manner of computing the adequacy of the reserves, which led to an increase in the insurance liabilities of NIS 145 million before tax (see Note 11 to the Financial Statements).

iii. During the Reporting Period, the combination of all these effects amounted to a reduction of the liabilities of NIS 227 million before tax (for additional information, see Note 11 to the Financial Statements).

(c) These effects were partially offset by the effect of the capital market, where yields in the Reporting Period were lower than those in the corresponding quarter last year, and by a refund of variable management fees in the second quarter of 2015 in the amount of NIS 47 million, compared with the collection of variable management fees amounting to NIS 18 million in the corresponding quarter last year.

Pre-tax profit in the life assurance and long term savings segment during the Reporting Period amounted to NIS 310 million compared with NIS 27 million in the corresponding period last year.

Pre-tax profit in the life assurance and long-term savings segment in the second quarter of 2015 was NIS 357 million, compared with NIS 60 million in the corresponding quarter last year.

Life assurance

2.7.1 Total premiums earned during the Reporting Period increased by 16% to NIS 2,194 million, compared with NIS 1,891 million in the corresponding period last year.

During the Reporting Period, single premiums were recorded in the amount of NIS 226 million which were received for early retirement arrangements drawn up with a large employer (for additional information see Note 11 to the Financial Statements). Premiums earned during the Reporting Period accounted for 38% of the total premiums earned by the Group during the Reporting Period.

Total premiums earned in the second quarter of 2015 increased by 6% to NIS 987 million, compared with NIS 934 million in the corresponding quarter last year.

Comprehensive income in life assurance was NIS 161 million in the Reporting Period, compared with NIS 32 million in the corresponding period last year. The increase in comprehensive income is mainly due to the following:

(a) In the corresponding period last year, due to the decline in the risk-free interest rate, the discounting interest rates used for calculating some of the insurance liabilities were revised, as a result of which, the insurance liabilities increased by NIS 126 million before tax.

(b) The effect of the interest rate and test of the adequacy of the reserves in the Reporting Period –

i. In view of the increase in the risk-free interest rate and the increase in yields embedded in the assets held against insurance liabilities, the discounting interest used for calculating some of the insurance liabilities were revised. As a result of the foregoing, the insurance liabilities decreased by a total of NIS 149 million before tax.

ii. The effect of the revised interest rates was partially offset by the implementation of the Commissioner's circular on the manner of computing the adequacy of the reserves, which led to an increase in the insurance liabilities of NIS 145 million before tax (see Note 11 to the Financial Statements).

iii. During the Reporting Period, the combination of all these effects amounted to a reduction of the liabilities of NIS 4 million before tax (for additional information, see Note 11 to the Financial Statements).

(c) These effects were partially offset by yields on the capital market, that were lower than those in the corresponding period last year. During the Reporting Period, the Company collected variable management fees of NIS 106 million compared with NIS 101 million in the corresponding period last year.

Comprehensive income in life assurance amounted to NIS 220 million in the second quarter of 2015, compared with NIS 83 million in the corresponding quarter last year. The shift from comprehensive loss to comprehensive income is mainly due to the following:

(a) In the corresponding period last year, due to the decline in the risk-free interest rate, the discounting interest rates used for calculating some of the insurance liabilities were revised, as a result of which the insurance liabilities increased by NIS 105 million before tax.

(b) The effect of the interest rate and test of the adequacy of the reserves in the Reporting Period –

i. In view of the increase in the risk-free interest rate and the increase in yields embedded in the assets held against insurance liabilities, the Group's insurance companies revised the discounting interest used for calculating some of the insurance liabilities. As a result of the foregoing, the insurance liabilities decreased by a total of NIS 372 million before tax.

ii. The effect of the revised interest rates was partially offset by the implementation of the Commissioner's circular on the manner of computing the adequacy of the reserves, which led to an increase in the insurance liabilities of NIS 145 million before tax (see Note 11 to the Financial Statements).

iii. During the Reporting Period, the combination of all these effects amounted to an increase of the liabilities by NIS 227 million before tax (for additional information, see Note 11 to the Financial Statements).

(c) These effects were partially offset by the effect of the capital market, where yields in the Reporting Period were lower than those in the corresponding period last year, and by a refund of variable management fees in the second quarter of 2015 in the amount of NIS 47 million, compared with the collection of variable management fees amounting to NIS 18 million in the corresponding quarter last year.

Pre-tax profit from life assurance was NIS 247 million in the Reporting Period, compared with a pre-tax loss of NIS 26 million for the corresponding period last year.

Pre-tax profit from life assurance in the second quarter of 2015 was NIS 324 million, compared with NIS 86 million in the corresponding quarter last year.

Income from investments held against insurance liabilities in life assurance totaled NIS 1,401 million for the Reporting Period, compared with investment income of NIS 1,418 million in the corresponding period last year. Profitability in life assurance is derived principally from investment profits, which affect the income from the management fees of yield dependent liability assets and the financial margin on investing the money from obligations that are not yield dependent. The management fees and financial margin are calculated in real values. During the Reporting Period, the financial margin achieved was similar to the financial margin in the corresponding period last year.

Losses from investments held against insurance liabilities in life assurance amounted to NIS 3 million in the second quarter of 2015, compared with NIS 562 million in the corresponding quarter last year. The shift from profit to loss is due to the financial margin which was lower in the second quarter than the financial margin in the corresponding quarter last year on account of the yields in the capital market that were lower than those in the corresponding quarter, to a 1.1% increase in the rate of inflation compared with a 0.5% increase in the corresponding quarter last year, and to a NIS 47 million refund of variable management fees compared with the collection of variable management fees amounting to NIS 18 million in the corresponding quarter last year.

During the Reporting Period redemptions totaled NIS 488 million and accounted for 2.5% of the average reserve in life assurance, compared to redemptions of NIS 434 million during the corresponding period last year that accounted for 2.4% of the average reserve last year.

Redemptions in the second quarter of 2015 totaled NIS 224 million, accounting for 2.3% of the average reserve in life insurance, compared with redemptions of NIS 207 million in the corresponding quarter last year, which accounted for 2.3% of the average reserve last year

The total amount of life assurance reserves at June 30, 2015, was approximately NIS 46 billion.

Yield-dependent policies:

	Policies issued from 1991-2003			
	1-6.2015 (in percent)	1-6.2014 (in percent)	4-6.2015 (in percent)	4-6.2014 (in percent)
Real yield before payment of management fees	4.34	4.36	(0.23)	0.86
Real yield after payment of management fees	3.47	3.48	(0.25)	0.61
Nominal yield before payment of management fees	3.82	4.16	(0.08)	1.35
Nominal yield after payment of management fees	2.95	3.27	(0.08)	1.11

Following are the yield rates on yield-dependent policies - General track:

	Policies issued from 2004			
	1-6.2015 (in percent)	1-6.2014 (in percent)	4-6.2015 (in percent)	4-6.2014 (in percent)
Real yield before payment of management fees	3.94	4.30	(0.29)	0.84
Real yield after payment of management fees	3.36	3.71	(0.34)	0.56
Nominal yield before payment of management fees	3.42	4.10	(0.16)	1.34
Nominal yield after payment of management fees	2.85	3.50	(0.22)	1.05

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

	1-6.2015	1-6.2014	4-6.2015	4-6.2014
Profits (losses) after management fees	844	920	(253)	307
Total management fees	240	217	22	78

Pension funds

2.7.2 At June 30, 2015, the pension funds managed by the Group have 929,000 members, of which 467,000 are active members, a 1% increase in the number of active members compared with December 31, 2014.

Assets under management held by the pension funds increased by 22% to NIS 34.6 billion at June 30, 2015, compared with NIS 28.5 billion at June 30, 2014, and NIS 31.4 billion at December 31, 2014, which is an increase of 10% relative to the previous year. The increase in comparison to the previous year is mainly attributable to an increase in the amounts of provisions for members and the yield achieved during the Reporting Period.

Contribution fees that were collected by the Group's pension funds increased by 13% to NIS 2,558 million in the Reporting Period, compared with NIS 2,258 million in the corresponding period last year.

Benefit contributions collected by the Group's pension funds increased by 13% to NIS 1,322 million in the second quarter, compared with NIS 1,171 billion in the corresponding period last year.

Total assets under management held by the pension funds and the contribution fees deposited therein are not included in the Company's consolidated financial statements.

Total income from management fees collected by the pension funds and managed by the Group increased by 11% to NIS 129 million during the Reporting Period, compared with NIS 116 million in the corresponding period last year.

Total revenues from management fees collected from the pension funds managed by the Group increased by 11% to NIS 66 million in the second quarter of 2015, compared with NIS 59 million for the corresponding quarter last year.

Expenses in connection with management of the pension funds amounted to NIS 91 million, in the Reporting Period, compared with NIS 88 million in the corresponding quarter last year.

Total expenses relating to pension fund management amounted to NIS 46 million for the second quarter of 2015, similar to the corresponding period last year.

Comprehensive income before tax from pension fund management and the operation of an old pension fund amounted to NIS 38 million in the Reporting Period, compared with NIS 32 million in the corresponding period last year.

Pre-tax comprehensive income from the management of pension funds and operation of an old pension fund amounted to NIS 19 million in the second quarter of 2015, compared with NIS 15 million in the corresponding quarter last year.

Total net profit before tax from pension fund management and the operation of an old pension fund amounted to NIS 38 million in the Reporting Period, compared with NIS 30 million in the corresponding period last year.

Total net profit before tax from the management of pension funds and operation of an old pension fund amounted to NIS 20 million in the second quarter of 2015, compared with NIS 14 million in the corresponding quarter last year

During the Reporting Period positive yields were recorded in most of the investment tracks in the capital market. The rates of the nominal yields achieved by the new pension funds managed by the Group are as follows:

For the nine months ended June 30, 2015

Fund name	Investment yield (in percent)
Harel Gilad Pension	3.66
Harel - Manof	3.76

For the three months ended June 30, 2015

Fund name	Investment yield (in percent)
Harel Gilad Pension	(0.09)
Harel - Manof	(0.12)

Provident funds

2.7.3 At the report date, the Group manages 10 provident funds (provident funds, education funds, central and personal severance pay funds, a provident fund for sick pay and budgetary pension fund). Some of the provident funds have several investments tracks which members can choose from. At June 30, 2015, the Group has 34 tracks in its provident funds.

The volume of assets managed by the Group's provident funds at June 30, 2015, amounted to NIS 29.5 billion, compared with NIS 28.4 billion at June 30, 2014, and NIS 29 billion at December 31, 2014. This represents an increase of 3.8% compared to June 30, 2014, and an increase of 1.6% compared to December 31, 2014. The increase is mainly attributable to the yields obtained in the capital market .

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

Revenues from management fees collected by the provident funds managed by the Group increased by 3% to NIS 109 million in the Reporting Period, compared with NIS 106 million in the corresponding period last year.

Revenues from management fees collected by the provident funds managed by the Group amounted to NIS 54 million in the second quarter of 2015, similar to the corresponding quarter last year.

Provident fund expenses amounted to NIS 84 million, compared with NIS 83 million in the corresponding period last year.

Provident fund expenses in the second quarter of 2015 amounted to NIS 42 million, similar to the corresponding period last year.

Total comprehensive income before tax for the provident fund management companies, which is included in the consolidated statement of income in the life assurance and long-term savings segment, was NIS 25 million in the Reporting Period, compared with NIS 24 million in corresponding period last year.

Total comprehensive income before tax for the provident fund management companies which is included in the consolidated statement of income in the life assurance and long-term savings segment, was NIS 12 million in the second quarter of 2015, compared with NIS 13 million in the corresponding quarter last year.

Total pre-tax profit from provident fund activity which is included in the consolidated statement of income in the life assurance and long-term savings segment, was NIS 25 million in the Reporting Period, compared with NIS 23 million in the corresponding period last year.

Net profit before tax from provident fund activity which is included in the consolidated statement of income in the life assurance and long-term savings segment, was NIS 13 million in the second quarter of 2015, compared with NIS 12 million in the corresponding quarter last year.

Net accrual (excluding investment profit) in the provident funds in the Reporting Period was a negative NIS 222 million, compared with positive accrual of NIS 415 million in the corresponding period last year.

2.8 Health Insurance

Premiums earned in the health insurance segment increased by 12% to NIS 1,926 million in the Reporting Period, compared with NIS 1,723 million for the corresponding period last year. Total premiums earned in the health insurance segment during the Reporting Period, accounted for 33% of all premiums earned by the Group.

Total premiums earned in the health insurance segment increased by 10% to NIS 971 million in the second quarter of 2015, compared with NIS 879 million in the corresponding period last year.

The comprehensive loss in the health insurance segment was negligible NIS 259,000 in the Reporting Period, compared with comprehensive income of NIS 117 million in the corresponding period last year. The shift from comprehensive income to comprehensive loss is mainly attributable to the following:

(a) Continuing erosion in the results of activity in group health policies, stemming from an increase in the percentage of claims;

(b) Yields in the capital market that were lower during the Reporting Period than in the corresponding period last year.

Comprehensive income in the health insurance segment was NIS 19 million in the second quarter of 2015, compared with NIS 58 million in the corresponding quarter last year. The decline in comprehensive income is mainly attributable to the following:

(a) Continuing erosion in the results of activity in group health policies, stemming from an increase in the percentage of claims;

(b) Yields in the capital market in the quarter that were lower than those of the corresponding quarter last year and higher positive inflation in the Reporting Period than in the corresponding quarter last year.

(c) These effects were partially offset by a decline in the insurance liabilities due to an increase in the discounting interest rate, in the amount of NIS 56 million in the current quarter.

Pre-tax profit in the health insurance segment was NIS 26 million in the Reporting Period, compared with NIS 93 million in the corresponding period last year.

Pre-tax profit in the health insurance segment in the second quarter of 2015 was NIS 64 million, compared with pre-tax profit of NIS 58 million in the corresponding period last year.

Total payments and the change in gross liabilities in respect of insurance contracts in the health insurance segment increased by 14% to NIS 1,595 million during the Reporting Period, compared with NIS 1,396 million in the corresponding period last year. The change in insurance liabilities includes the investment profits recognized in a group long-term care policy in which most of the risk is imposed on the actual plan, in the amount of NIS 52.5 million in the Reporting Period, compared with NIS 71.8 million in the corresponding period last year.

2.9 Non-life insurance

The composition of gross premiums and profit in non-life insurance activity in the Reporting Period, before tax, according to the lines of business included in non-life insurance, is as follows (NIS thousand):

	Gross premiums						
	1-6.2015	1-6.2014	% change	4-6.2015	4-6.2014	% change	2014
Compulsory motor	310,484	296,465	4.7	82,066	92,118	(10.9)	454,232
Motor property	518,817	633,585	(18.1)	155,876	170,906	(8.8)	922,601
Property & other branches	415,408	450,026	(7.7)	183,463	201,679	(9.0)	981,463
Other liabilities branches	431,896	417,937	3.3	155,767	162,985	(4.4)	787,051
Credit & mortgage insurance*	(14,441)	(11,678)	23.7	(7,236)	(6,004)	20.5	(23,718)
Total	1,662,164	1,786,335	(7.0)	569,936	621,684	(8.3)	3,121,629

*Net of settlements

	Comprehensive income before taxes						
	1-6.2015	1-6.2014	%	4-6.2015	4-6.2014	%	2014

	Gross premiums						
	1-6.2015	1-6.2014	% change change	4-6.2015	4-6.2014	% change change	2014
Compulsory motor	64,793	94,934	(31.7)	(140)	33,470	-	128,754
Motor property	4,363	26,230	(83.4)	(7,157)	9,871	-	34,184
Property & other branches	29,662	19,002	56.1	18,048	5,493	-	47,213
Other liabilities branches	(39,004)	24,217	-	(49,590)	(4,922)	-	12,417
Credit & mortgage insurance*	35,546	36,607	(2.9)	3,360	9,970	(66.3)	64,228
Total	95,360	200,990	(52.6)	(35,479)	53,882	-	286,796

Gross premiums decreased by 7% to NIS 1,662 million in the Reporting Period, compared with NIS 1,786 million in the corresponding period last year. The decrease in gross premiums during the Reporting Period is attributable mainly to the decline in Harel Insurance's share of the insurance of state employees' motor vehicles during the Reporting Period relative to the corresponding period last year (see Section 2.9.1 below).

Gross premiums decreased by 8% to NIS 570 million in the second quarter of 2015, compared with NIS 622 million in the corresponding quarter last year.

Premiums in retention amounted to NIS 1,039 million in the Reporting Period, compared with NIS 1,034 million in the corresponding period last year.

Premiums in retention decreased by 4% to NIS 297 million in the second quarter of 2015 amounted, compared with NIS 309 million in the corresponding quarter last year.

Comprehensive income in non-life insurance amounted to NIS 95 million in the Reporting Period, compared with NIS 201 million in the corresponding period last year. The decline in comprehensive income in the Reporting Period is attributable mainly to the following:

(a) The effect of the capital market, where yields were lower than those in the corresponding period last year.

(b) Revision of an extraordinary claim in the liabilities and other lines of business to a total, gross, of NIS 293 million before tax, of which the Company’s self-retention is NIS 57 million. Most of the amount of retention is included as an expense in the Reporting Period (for additional information, see Note 6 to the Financial Statements).

(c) Revision of the discounting interest rate used to calculate some of the insurance liabilities (for additional information see Note 11 to the Financial Statements).

(d) Erosion of the underwriting performance in the motor property sector stemming from an increase in the percentage of claims.

There was a comprehensive loss of NIS 35 million in non-life insurance in the second quarter of 2015, compared with comprehensive income of NIS 54 million in the corresponding quarter last year. The shift from comprehensive income to comprehensive loss in the quarter is attributable mainly to the following:

(a) Effect of the capital market, where yields were lower than during the corresponding period last year, and positive inflation which was higher in the quarter than in the corresponding quarter last year.

(b) Revision of an extraordinary claim in the liabilities and other lines of business to a total, gross, of NIS 293 million before tax, of which the Company's self-retention is NIS 57 million. Most of the amount of retention is included as an expense in the Reporting Period (for additional information, see Note 6 to the Financial Statements).

(c) Erosion of the underwriting performance in the motor property sector stemming from an increase in the percentage of claims.

Pre-tax profit in non-life insurance increased by 2% to NIS 156 million in the Reporting Period compared with NIS 153 million in the corresponding period last year.

Pre-tax profit in non-life insurance in the second quarter of 2015 increased by 10% to NIS 70 million, compared with profit of NIS 64 million in the corresponding quarter last year.

2.9.1 Motor property

Gross premiums in motor property insurance decreased by 18% to NIS 519 million in the Reporting Period, compared with NIS 634 million in the corresponding period last year. This decrease is attributable mainly to the reduction in the share held by Harel Insurance of the insurance for state employees' vehicles during the Reporting Period compared with the corresponding period last year.

Gross premiums in motor property insurance decreased by 9% to NIS 156 million in the second quarter of 2015 compared with NIS 171 million in the corresponding quarter last year.

Premiums in retention decreased by 8% to NIS 460 million in the Reporting Period compared with NIS 499 million in the corresponding period last year.

Total premiums in retention in motor property insurance increased by 2% to NIS 136 million in the second quarter of 2015 compared with NIS 134 million in the corresponding quarter last year.

Comprehensive income in motor property insurance amounted to NIS 4 million in the Reporting Period, compared with NIS 26 million in the corresponding period last year. The decline is mainly attributable to a worsening of claims in the Reporting Period.

The comprehensive loss in motor property insurance in the second quarter of 2015 was NIS 7 million, compared with comprehensive income of NIS 10 million in the corresponding quarter last year.

Pre-tax profit in motor property insurance in the Reporting Period amounted to NIS 10 million compared with NIS 22 million in the corresponding period last year.

Pre-tax profit in motor property insurance was NIS 2 million in the second quarter of 2015, compared with profit NIS 11 million in the corresponding quarter last year.

On September 30, 2014, Harel Insurance was informed that it had been awarded 52% of the tender for motor property and compulsory motor insurance of state employees for 2015, as part of a tender published by the Ministry of Finance Accountant General.

The winning of the tender and the decrease in the number of state employees' vehicles insured by Harel Insurance in 2015 has no significant effect on the results of the activity of Harel Insurance.

2.9.2 Compulsory motor

Gross premiums in compulsory motor insurance amounted to NIS 310 million in the Reporting Period, compared with NIS 296 million in the corresponding period last year.

Total gross premiums in compulsory motor insurance amounted to NIS 82 million in the second quarter of 2015, compared with NIS 92 million in the corresponding quarter last year.

For compulsory motor insurance for vehicles owned by state employees, see Section 2.9.1 above on motor property insurance.

Premiums in retention in compulsory motor insurance amounted to NIS 279 million in the Reporting Period, compared with NIS 236 million in the corresponding period last year.

Premiums in retention in compulsory motor insurance amounted to NIS 74 million in the second quarter of 2015, compared with NIS 73 million in the corresponding quarter last year.

Comprehensive income in compulsory motor insurance was NIS 65 million in the Reporting Period compared with NIS 95 million in the corresponding period last year. The decline in profit is attributable to the yields on the capital market which were lower than during the corresponding period last year.

There was a negligible comprehensive loss in the second quarter of 2015, compared with comprehensive income of NIS 33 million in the corresponding quarter last year. The shift from comprehensive income to comprehensive loss is mainly attributable to the yields on the capital market which were lower than during the corresponding quarter last year, and to the effect of positive inflation in the second quarter which was higher than inflation in the corresponding quarter last year

Pre-tax profit in compulsory motor insurance was NIS 91 million in the Reporting Period, compared with NIS 75 million in the corresponding period last year.

Pre-tax profit from compulsory motor insurance was NIS 42 million in the second quarter of 2015, compared with NIS 37 million in the corresponding quarter last year.

Given that car owners must insure their vehicles in accordance with the Motor Vehicle Insurance Ordinance, the owners of vehicles (usually motorbikes) who were rejected by the insurance companies may purchase insurance via the Pool (Israel pool for car insurance). The Pool operates as an insurance company to all intents and purposes. Its tariffs, which are set by the Commissioner, are higher than those of the insurance companies operating in the market, and they constitute the upper limit of insurance company tariffs (with the exception of motorbikes, the maximum compulsory motor tariffs which an insurance company may charge an insured cannot be more than 90% of the Pool's net tariff for that insured). All the insurance companies which operate in the compulsory motor sector are partners in the Pool, and each company bears a pro rata share of the Pool's losses in the compulsory motor insurance market for the previous year.

In a letter from the CEO of the Pool, the temporary share of Harel Insurance in the Pool’s premiums for 2015 was set at 10.1% (compared with 9.8% which was the Company’s share in 2014).

2.9.3 Liabilities and other branches

Gross premiums in liabilities and other insurance amounted to NIS 432 million in the Reporting Period, compared with NIS 418 million in the corresponding period last year.

Gross premiums in liabilities and other insurance amounted to NIS 156 million in the second quarter of 2015, compared with NIS 163 million in the corresponding quarter last year.

Premiums in retention in the Reporting Period increased by 13% to NIS 208 million, compared with NIS 185 million in the corresponding period last year.

Total premiums in retention decreased by 3% to NIS 49 million in the second quarter of 2015, compared with NIS 51 million in the corresponding quarter last year.

There was a comprehensive loss in liabilities and other insurance of NIS 39 million in the Reporting Period, compared with comprehensive income of NIS 24 million in the corresponding period last year. The shift from comprehensive income to comprehensive loss is attributable mainly to the following:

(a) The effect of the capital market, where yields were lower than those in the corresponding period last year.

(b) Revision of an extraordinary claim in the liabilities and other lines of business to a total, gross, of NIS 293 million before tax, of which the Company’s self-retention is NIS 57 million. Most of the amount of retention is included as an expense in the Reporting Period (for additional information, see Note 6 to the Financial Statements).

(c) A revision of the discounting interest rate used to calculate some of the insurance liabilities (for additional information see Note 11 to the Financial Statements).

The comprehensive loss in liabilities and other insurance amounted to NIS 49 million in the second quarter of 2015, compared with NIS 5 million for the corresponding quarter last year. The increase in the loss is attributable mainly to the following:

(a) The effect of the capital market, where yields were lower than those in the corresponding period last year and higher positive inflation in the quarter compared with the corresponding quarter last year.

(b) Revision of an extraordinary claim in the liabilities and other lines of business to a total, gross, of NIS 293 million before tax, of which the Company’s self-retention is NIS 57 million. Most of the amount of retention is included as an expense in the Reporting Period (for additional information, see Note 6 to the Financial Statements).

The pre-tax loss in other liabilities insurance was NIS 15 million in the Reporting Period, compared with NIS 8 million in the corresponding period last year.

The pre-tax loss in liabilities and other insurance amounted to NIS 11 million in the second quarter of 2015, compared with NIS 2 million for the corresponding quarter last year.

2.9.4 Property and other branches

Premiums in property and other branches decreased by 8% to NIS 415 million in the Reporting Period, compared with NIS 450 million in the corresponding period last year.

Gross premiums in property and other insurance decreased by 9% to NIS 183 million in the second quarter of 2015 compared with NIS 202 million in the corresponding quarter last year

Premiums in retention decreased by 15% to NIS 107 million in the Reporting Period, compared with NIS 126 million in the corresponding period last year.

Premiums in retention decreased by 22% to NIS 45 million in the second quarter of 2015, compared with NIS 58 million in the corresponding quarter last year.

Comprehensive income in property and other branches amounted to NIS 30 million in the Reporting Period, compared with NIS 19 million in the corresponding period last year.

Comprehensive income in property and other insurance was NIS 18 million in the second quarter of 2015, compared with NIS 5 million in the corresponding quarter last year.

Pre-tax profit in property and other insurance amounted to NIS 32 million in the Reporting Period, compared with NIS 18 million in the corresponding period last year.

Pre-tax profit in property and other insurance amounted to NIS 21 million in the second quarter of 2015, compared with NIS 6 million for the corresponding quarter last year.

2.9.5 Mortgage credit insurance

Premiums earned in retention in credit insurance for residential mortgages amounted to NIS 21 million in the Reporting Period, compared with NIS 24 million in the corresponding period last year.

Total premiums earned on retention in credit insurance for residential mortgages amounted to NIS 8 million in the second quarter of 2015, compared with NIS 10 million in the corresponding quarter last year.

EMI does not have reinsurance agreements in this branch.

Comprehensive income in mortgage credit insurance amounted to NIS 36 million in the Reporting Period compared with NIS 37 million in the corresponding period last year.

Comprehensive income in credit insurance for residential mortgages amounted to NIS 3 million in the second quarter of 2015, compared with NIS 10 million for the corresponding quarter last year. The decline in comprehensive income is attributable to the effects of the capital market where yields were lower than those in the corresponding quarter last year.

Pre-tax profit in mortgage credit insurance amounted to NIS 38 million in the Reporting Period compared with NIS 30 million in the corresponding period last year.

Pre-tax profit in credit insurance for residential mortgages amounted to NIS 15 million in the second quarter of 2015, compared with NIS 12 million for the corresponding quarter last year.

2.10 Insurance companies overseas

The Company holds the controlling share (94.5%) of Interasco, an insurance company operating in Greece in the health and non-life insurance sectors, and it holds full control of Turk Nippon which operates in Turkey.

Total premiums earned in the insurance companies overseas segment increased by 27% to NIS 129 million in the Reporting Period, compared with NIS 101 million in the corresponding period last year. Total premiums earned by the insurance companies overseas segment in the Reporting Period account for 2% of all premiums earned by the Group.

Total premiums earned in the insurance companies overseas segment increased by 25% to NIS 66 million in the second quarter of 2015, compared with NIS 53 million for the corresponding quarter last year. Total premiums earned by the insurance companies overseas segment in the second quarter of 2015 account for 2% of all premiums earned by the Group

There was a comprehensive loss of NIS 1 million for the insurance companies overseas segment in the Reporting Period, compared with comprehensive income of NIS 5 million in the corresponding quarter last year.

There was a comprehensive loss of NIS 3 million in the overseas insurance companies segment in the second quarter of 2015, compared with a comprehensive income of NIS 3 million in the corresponding quarter last year.

Pre-tax profit for the insurance companies overseas operating segment was NIS 13 million in the Reporting Period, compared with NIS 6 million in the corresponding quarter last year.

Pre-tax profit in the insurance companies overseas segment was NIS 3 million in the second quarter of 2015, compared with NIS 5 million in the corresponding quarter last year.

2.11 Capital market and financial services

Revenues in the capital market and financial services sector increased by 11% to NIS 160 million in the Reporting Period, compared with NIS 144 million in the corresponding period last year. This increase in revenues during the Reporting Period compared with the corresponding period last year is mainly attributable to the further expansion of activity in ETNs and deposit certificates.

The volume of assets under management in the capital market and financial services segment at June 30, 2015, was NIS 54.5 billion, compared with NIS 58 billion at June 30, 2014, and NIS 57.9 billion at December 31, 2014.

These amounts include mutual fund assets in the amount of NIS 30.1 billion at June 30, 2015, compared with NIS 35.2 billion at June 30, 2014 and NIS 33.7 billion at December 31, 2014, as well as ETN assets, which at June 30, 2015 amounted to NIS 15.3. billion, as against NIS 13.8 billion at June 30, 2014 and NIS 15.3 billion at December 31, 2014. The assets under management, excluding the assets of the ETN and deposit certificate company, are not included in the Company's consolidated balance sheets.

During the Reporting Period, the capital market and financial services sector recorded pre-tax profit and comprehensive income of NIS 43 million, compared with pre-tax profit and comprehensive income of NIS 25 million in the corresponding period last year. The increased profit is mainly the result of the growth of activity in ETNs and deposit certificates.

Pre-tax profit and comprehensive income in the capital market and financial services segment amounted to NIS 20 million in the second quarter of 2015, compared with NIS 15 million in the corresponding quarter last year. The increase is attributable mainly to the growth of ETN and deposit certificate activity.

2.12 Income tax

Income tax during the Reporting Period amounted to an expense of about NIS 225 million, compared with tax expenses of NIS 135 million in the corresponding period last year.

Taxes on income in the second quarter of 2015 amounted to NIS 199 million in the second quarter of 2015, compared with income tax expenses of NIS 43 million in the corresponding quarter last year.

2.13 Liquidity and sources of finance

2.13.1 Cash flows

Net cash flows used for current operations amounted to NIS 240 million in the Reporting Period. Net cash flows used for investment activity amounted to NIS 256 million. Net cash flows used for financing activity and foreign exchange fluctuations amounted to NIS 132 million. The outcome of all the aforementioned activity is reflected in a decrease of the cash balances in the amount of NIS 629 million.

2.13.2 Financing of operations

The Company and its subsidiaries generally finance their on-going operations from their own sources. In view of the capital requirements applicable to the Company's subsidiaries that are insurers, and pursuant to the Capital Regulations, the regulatory capital required of an insurer may comprise tier-1 capital, hybrid tier-1 capital, hybrid tier-2 capital, and hybrid tier-3 capital.

On the issuance of Series 9-10 bonds of Harel Share Issues by way of an exchange purchase offer, see Note 8(C)(4) to the Financial Statements.

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 Compensation policy in the Group's financial institutions

Further to the information in Regulation 21(A) of Chapter 5 - Additional Information about the Company, in June 2015 the boards of directors of the financial institutions approved several insignificant updates to the financial institutions' compensation policy, and this after accepting the recommendation of the financial institutions' compensation committee. Furthermore, it was decided to extend to September 30, 2016 the discussion period on adjusting the compensation policy to the provisions of the memorandum of the Compensation for Officers of Financial Institutions (Special Approval and Limit to Expenses on account of Extraordinary Compensation) Bill, 2014.

4.2 Information about the process of approving the financial statements

The Companies (Provisions and conditions concerning the procedure for approval of the financial statements) Regulations, 2010, prescribe mandatory rules that public companies must apply in the process of approving financial statements.

The regulations stipulate that before the financial statements are presented for the approval of the company's board of directors, the reports must be discussed and approved by a special committee known as "the Committee for the Review of the Financial Statements" ("the Committee"). The Committee is responsible for discussing the financial statements and formulating a recommendation to the board of directors regarding those matters prescribed in the regulations.

The members of the Committee for the Review of the Financial Statements are:

- David Granot, Chairman (External Director)
- Prof. Israel Gilad (External Director)
- Hava Friedman Shapira (External Director)
- Doron Cohen

4.2.1 As noted above, the Committee is a special purpose committee appointed for the purpose of approving the financial statements and the Audit Committee will not serve as the Committee for the approval of the financial statements.

4.2.2 For information about the members of the Committee for the Review of the Financial Statements, see Regulation 26 in Chapter 5 – "Additional Information" in the Periodic Report.

4.2.3 Procedure for approval of the financial statements:

To approve the financial statements at June 30, 2015, the Committee convened on August 26, 2015.

Furthermore, the Company's auditors are invited to and attend meeting of the Committee and Board of Directors' meeting that discuss and approve the financial statements, and they present the principal findings, if there are such, that emerged during the course of the audit or the review. The meeting was also attended by the Company's CFO, Ronen Agassi CPA, and the Company's Corporate Counsel, Adv. Nataly Mishan-Zakai. The meeting of the Committee held on August 26, 2015 was attended by the Company's CPA, Deborah Weisel and the internal auditor was also invited to the meeting.

A detailed review of the material issues in the financial reporting is presented to the balance sheet committee, including material transactions that are not the normal course of business, if and insofar as there are any, the material assumptions and critical estimates that were applied in the financial statements, the reasonability of the data, the accounting policy which was applied and any changes which occurred in this policy, as well as implementation of the principle of fair disclosure in the financial statements and related information. The balance sheet committee also receives a review of issues that emerged, if they emerged, while performing the audit and risk management, the efficacy of the controls and procedures with respect to their disclosure in the Company's subsidiaries that are financial institutions.

At the committee meeting, information relating to the data included in the financial reports was reviewed, including information pertaining to the Company's financial and operating position.

The Committee also reviews various aspects of risk management and control, those that are reflected in the financial statements, as well as those that affect the reliability of the financial statements. In addition, the Committee may request that other subjects are also reviewed, at the discretion of the committee's members.

The Committee is also briefed of the results of the SOX procedure applied by the Company and its subsidiaries that are financial institutions, and it reviews the effectiveness of the internal control.

To formulate its recommendations to the Board of Directors, the draft financial statements are submitted to the members of the Committee several days before the meeting scheduled to discuss them. The Committee meets prior to the Board of Directors' meeting which discusses and approves the Financial Statements. The Committee's recommendations are submitted to the Board of Directors immediately after the meeting has ended.

At the meeting of the Committee held on August 26, 2015, the committee members held a detailed discussion of the Company's estimates and assessments on which the financial reports were based, addressing the discretion applied by management on various issues. The committee's members were also briefed on the internal control process, they examined material issues in the financial reports, the completeness and reasonability of the financial reporting, the accounting policy and data in the financial statements.

At the meeting of the Company's Board of Directors which approves the financial statements, the Committee's recommendations, insofar as there are any, are reviewed, in connection with the approval of the financial statements, the Company's financial performance is reviewed and the changes that have occurred during the reported period are presented. During the course of the deliberations of the Company's Board of Directors, questions are raised by the members of the board on issues that arose during the audit and whether the financial statements faithfully reflect the Company's financial position. Management answers these questions and issues. After the discussion, the Chairman of the Board calls for a vote to approve the financial statements.

At a meeting of the Company's Board of Directors held on August 30, 2015, the CFO and CEOs briefed the Board of Directors as to the Committee's recommendations the main points of the attached consolidated financial statements divided into the different operating segments, and the significant relevant issues were discussed.

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

Yair Hamburger	**Michel Siboni**	**Shimon Elkabetz**
Chairman of the Board of Directors	**Co-CEO**	**Co-CEO**

August 30, 2015

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HAREL INSURANCE INVESTMENTS & FINANCIAL SERVICES LTD

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at June 30, 2015

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

Introduction

We reviewed the attached financial information of Harel Investments in Insurance and Financial Services Ltd. and its subsidiaries (hereinafter: "the Group") which include the condensed consolidated interim statement of financial position as at June 30, 2015 and the condensed consolidated interim statements of income, comprehensive income, changes in capital and cash flows for the six months and three months ended on that date. The Board of Directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with international accounting standard IAS 34 "Financial reporting for interim periods", and they are also responsible for the preparation of financial information for these interim periods under Chapter D of the Securities (Periodic and Immediate Reports) Regulations, 1970, to the extent that these regulations apply to companies that consolidate insurance companies and subject to the disclosure requirements issued by the Commissioner of Insurance in accordance with Supervision of Financial Services (Insurance) Law, 1981. Our responsibility is to express a conclusion on the financial information for these interim periods, based on our review.

We did not review the condensed financial information for the interim periods of consolidated companies whose assets included in the consolidation account for 18.42% of all the consolidated assets as at June 30, 2015 and whose revenues included in the consolidation account for 2.63% and 3.42% of all the consolidated revenues for the three and six-month periods ended on that date, respectively. Moreover, we did not review the condensed financial information for interim periods of equity-accounted investees in which the investment is NIS 123,193 thousand at June 30, 2015 and the Group's share of their profits is NIS 8,643 thousand and NIS 4,536 thousand for the three and six-month periods ended on that date, respectively. The financial information for the interim period of those companies was reviewed by other auditors whose review reports were furnished to us and our conclusions, to the extent that they relate to financial information for those companies, are based on the review reports of the other auditors**.**

Scope of the review

We prepared our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel "Review of financial information for interim periods prepared by the entity's auditor". The review of the financial information for interim periods comprises clarifications, mainly with the people responsible for financial and accounting matters, and from the implementation of other analytical review procedures. A review is considerably more limited in scope than an audit performed in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to be certain that we are aware of all the significant matters that might have been identified in an audit. We therefore do not express an audit opinion.

Conclusion

Based on our review, and on the review report of the other auditors, nothing came to our notice that might cause us to believe that the above financial information is not prepared, in all significant respects, in accordance with International Accounting Standard IAS34.

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

Without qualifying our above conclusions we direct attention to Note 6A to the condensed consolidated interim financial statements regarding exposure to contingent liabilities.

Somekh Chaikin
Certified Public Accountants (Isr)

August 30, 2015

Condensed consolidated interim statements of financial position at

	June 30		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand
Assets			
Intangible assets	**1,591,347**	1,602,639	1,589,254
Deferred tax assets	**9,583**	10,049	8,102
Deferred Acquisition Costs	**1,926,463**	1,739,072	1,810,432
Fixed assets	**930,059**	692,391	860,526
Investments in equity accounted investees	**1,473,334**	915,955	1,196,617
Investment property for yield-dependent policies	**1,354,053**	1,294,362	1,331,182
Other investment property	**1,518,175**	1,572,610	1,493,299
Reinsurance assets	**5,468,883**	5,448,496	5,497,249
Current tax assets	**40,867**	35,250	84,627
Trade and other receivables	**776,382**	521,146	779,735
Premium due	**1,125,628**	1,160,682	1,203,543
Financial investments for yield-dependent policies	**36,300,549**	31,548,127	33,640,040
Financial investments for holders of ETNs	**10,888,793**	10,361,361	11,241,144
Other financial investments			
Marketable debt assets	**7,972,373**	8,717,064	8,583,238
Non-marketable debt assets	**10,491,817**	9,703,662	9,957,991
Shares	**738,354**	681,419	673,907
Other	**2,196,921**	2,103,681	2,277,047
Total other financial investments	**21,399,465**	21,205,826	21,492,183
Cash and cash equivalents pledged for holders of ETNs	**5,136,952**	3,674,057	4,426,087
Cash and cash equivalents for yield-dependent contracts	**770,245**	879,359	1,153,223
Other cash and cash equivalents	**1,199,734**	1,568,246	1,445,313
Total assets	**91,910,512**	84,229,628	89,252,556
Total assets for yield-dependent policies	**38,837,321**	34,140,315	36,525,679

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

Condensed consolidated interim statements of financial position at

	June 30		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand
Equity and liabilities			
Equity			
Share capital and share premium	**335,866**	332,135	338,849
Treasury shares	**(161,615)**	(168,514)	(173,231)
Capital reserves	**304,767**	404,335	451,871
Retained earnings	**4,395,395**	4,070,731	4,100,371
Total equity attributed to shareholders of the Company	**4,874,413**	4,638,687	4,717,860
Non-controlling interests	**5,779**	5,594	5,721
Total equity	**4,880,192**	4,644,281	4,723,581
Liabilities			
Liabilities for non-yield dependent insurance policies and investment contracts	**25,301,662**	24,884,169	25,047,665
Liabilities for insurance contracts and yield-dependent investment contracts	**38,387,682**	33,712,662	35,715,364
Deferred tax liabilities	**764,831**	714,218	766,602
Liability for employee benefits, net	**259,016**	286,959	261,587
Current tax liability	**105,491**	24,178	30,624
Trade and other payables	**2,683,490**	2,659,681	2,939,887
Liabilities for ETNs and covered warrants	**15,279,990**	13,842,328	15,291,480
Financial liabilities	**4,248,158**	3,461,152	4,475,766
Total liabilities	**87,030,320**	79,585,347	84,528,975
Total equity and liabilities	**91,910,512**	84,229,628	89,252,556

Yair Hamburger	Michel Siboni	Shimon Elkabetz	Ronen Agassi
Chairman of the Board of Directors	Co-CEO	Co-CEO	VP Finance (CFO)

Date of approval of the financial statements: August 30, 2015

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

Condensed consolidated interim statements of income

	For the six months ended June 30		For the three months ended June 30		For year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited) NIS thousand	(Unaudited) NIS thousand	(Unaudited) NIS thousand	(Unaudited) NIS thousand	(Audited) NIS thousand
Premiums earned, gross	**5,764,420**	5,289,596	**2,778,870**	2,665,119	10,780,677
Premiums earned by reinsurers	**867,858**	907,779	**437,045**	466,602	1,858,185
Earned premiums in retention	**4,896,562**	4,381,817	**2,341,825**	2,198,517	8,922,492
Profit from investments, net, and financing income	**1,875,765**	1,811,588	**235,348**	792,090	2,721,618
Income from management fees	**604,366**	574,345	**205,301**	261,640	1,109,688
Income from commissions	**189,933**	213,295	**100,188**	109,453	426,819
Total income	**7,566,626**	6,981,045	**2,882,662**	3,361,700	13,180,617
Payments and changes in liabilities for insurance policies and investment contracts, gross	**6,088,602**	5,725,716	**1,931,119**	2,776,523	11,032,853
Reinsurers' share of payments and change in liabilities for insurance policies	**700,803**	652,925	**377,351**	349,656	1,424,334
Payments and changes in liabilities for insurance policies and investment contracts in retention	**5,387,799**	5,072,791	**1,553,768**	2,426,867	9,608,519
Commissions, marketing expenses and other purchasing expenses	**1,008,086**	954,911	**533,603**	494,698	1,902,040
General and administrative expenses	**564,037**	533,268	**281,423**	270,760	1,064,611
Other expenses	**26,183**	29,640	**12,989**	14,666	61,387
Financing expenses, net	**43,180**	55,553	**42,479**	41,512	159,786
Total expenses	**7,029,285**	6,646,163	**2,424,262**	3,248,503	12,796,343
Company's share of profits of equity accounted investees	**106,623**	51,797	**83,560**	15,509	184,655
Profit before taxes on income	**643,964**	386,679	**541,960**	128,706	568,929
Taxes on income	**224,754**	135,110	**198,624**	43,457	194,698
Profit for period	**419,210**	251,569	**343,336**	85,249	374,231
Attributed to:					
Shareholders of the Company	**419,082**	251,481	**343,144**	85,518	373,907
Non-controlling interests	**128**	88	**192**	(269)	324
Profit for period	**419,210**	251,569	**343,336**	85,249	374,231
Basic earnings per share (NIS)	**1.99**	1.19	**1.63**	0.41	1.78
Diluted earnings per share (NIS)	**1.98**	1.18	**1.62**	0.40	1.76

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

Condensed consolidated interim statements of income

	For the six months ended June 30		For the three months ended June 30		For year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Profit for period	**419,210**	251,569	**343,336**	85,249	374,231
Other items of comprehensive income that after initial recognition as part of comprehensive income were or will be transferred to profit or loss					
Net change in fair value of financial assets classified as available-for-sale	**4,414**	259,652	**(285,595)**	52,425	370,761
Net change in fair value of financial assets classified as available-for-sale carried over to income statement	**(149,678)**	(98,100)	**(49,655)**	(64,304)	(185,029)
Loss from impairment of available-for-sale financial assets carried over to income statement	**6,110**	4,339	**5,760**	1,155	11,751
Foreign currency translation differences for foreign activity	**(69,687)**	(3,873)	**(31,369)**	(9,578)	37,383
Taxes on income for other items of comprehensive income that after initial recognition as part of comprehensive income were or will be transferred to profit or loss	**65,846**	(61,845)	**131,874**	5,227	(85,008)
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	**(142,995)**	100,173	**(228,985)**	(15,075)	149,858
Other items of comprehensive income that will not be transferred to profit or loss					
Remeasurement of a defined benefit plan	**6,488**	(7,626)	**17,445**	(7,146)	15,160
Taxes on income for other items of comprehensive income that will not be transferred to profit or loss	**(2,364)**	2,735	**(6,400)**	2,635	(6,108)
Other comprehensive income (loss) for the period that will not be transferred to profit or loss, net of tax	**4,124**	(4,891)	**11,045**	(4,511)	9,052
Total other comprehensive income (loss) for the period	**(138,871)**	95,282	**(217,940)**	(19,586)	158,910
Total comprehensive income for the period	**280,339**	346,851	**125,396**	65,663	533,141
Attributed to:					
Shareholders of the Company	**280,281**	346,660	125,387	65,932	532,823
Non-controlling interests	**58**	191	**9**	(269)	318
Total income for the period	**280,339**	346,851	**125,396**	65,663	533,141

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 shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
For the six-month period ended June 30, 2015 (unaudited)											
Balance as at January 1, 2015	338,849	437,951	3,475	20,040	(173,231)	(48,908)	39,313	4,100,371	4,717,860	5,721	4,723,581
Total comprehensive income (loss) for the period											
Profit (loss) for the period	-	-	-	-	-	-	-	419,082	419,082	128	419,210
Total other comprehensive income (loss)	-	(90,655)	(52,270)	-	-	-	-	4,124	(138,801)	(70)	(138,871)
Total comprehensive income (loss) for the period	-	(90,655)	(52,270)	-	-	-	-	423,206	280,281	58	280,339
Transactions with shareholders recognized directly in equity											
Dividend paid	-	-	-	-	-	-	-	(128,182)	(128,182)	-	(128,182)
Share-based payment	-	-	-	(107)	-	-	-	-	(107)	-	(107)
Issue of shares	109	-	-	-	-	-	-	-	109	-	109
Purchase of Treasury shares	-	-	-	-	(5,387)	-	-	-	(5,387)	-	(5,387)
Re-issuance of Treasury shares	(7,164)	-	-	-	17,003	-	-	-	9,839	-	9,839
Exercising of options	4,072	-	-	(4,072)	-	-	-	-	-	-	-
Balance as at June 30, 2015	335,866	347,296	(48,795)	15,861	(161,615)	(48,908)	39,313	4,395,395	4,874,413	5,779	4,880,192

Condensed consolidated interim statements of changes in equity

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

	Attributed to company shareholders										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
For the three-month period ended June 30, 2015 (Unaudited)											
Balance as at April 1, 2015	336,578	553,236	(25,932)	20,277	(168,277)	(48,908)	39,313	4,169,387	4,875,674	5,770	4,881,444
Comprehensive income (loss) for period											
Profit (loss) for period	-	-	-	-	-	-	-	343,144	343,144	192	343,336
Total other comprehensive (income) loss	-	(205,940)	(22,863)	-	-	-	-	11,046	(217,757)	(183)	(217,940)
Total comprehensive income (loss) for period	-	(205,940)	(22,863)	-	-	-	-	354,190	125,387	9	125,396
Transactions with owners credited directly to equity											
Dividend paid	-	-	-	-	-	-	-	(128,182)	(128,182)	-	(128,182)
Share based payment	-	-	-	(463)	-	-	-	-	(463)	-	(463)
Issue of shares	109	-	-	-	-	-	-	-	109	-	109
Purchase of treasury stock	-	-	-	-	(722)	-	-	-	(722)	-	(722)
Reissuing of treasury stock	(4,774)	-	-	-	7,384	-	-	-	2,610	-	2,610
Exercising of stock options	3,953	-	-	(3,953)	-	-	-	-	-	-	-
Balance as at June 30, 2015	335,866	347,296	(48,795)	15,861	(161,615)	(48,908)	39,313	4,395,395	4,874,413	5,779	4,880,192

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 shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
For the six-month period ended June 30, 2014 (unaudited)											
Balance as at January 1, 2014	316,595	313,637	(22,075)	34,172	(163,458)	(48,908)	39,313	4,037,093	4,506,369	5,403	4,511,772
Total comprehensive income (loss) for period											
Profit for the period	-	-	-	-	-	-	-	251,481	251,481	88	251,569
Total other comprehensive income (loss)	-	103,568	(3,500)	-	-	-	-	(4,889)	95,179	103	95,282
Total comprehensive income (loss) for the period	-	103,568	(3,500)	-	-	-	-	246,592	346,660	191	346,851
Transactions with shareholders recognized directly in equity											
Dividend paid	-	-	-	-	-	-	-	(212,954)	(212,954)	-	(212,954)
Share-based payment	-	-	-	1,418	-	-	-	-	1,418	-	1,418
Purchase of Treasury shares	-	-	-	-	(9,607)	-	-	-	(9,607)	-	(9,607)
Re-issuance of Treasury shares	2,250	-	-	-	4,551	-	-	-	6,801	-	6,801
Exercising of options	13,290	-	-	(13,290)	-	-	-	-	-	-	-
Balance as at June 30, 2014	332,135	417,205	(25,575)	22,300	(168,514)	(48,908)	39,313	4,070,731	4,638,687	5,594	4,644,281

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

Condensed consolidated interim statements of changes in equity

	Attributed to company shareholders										
	Share capital and premium	Capital reserve for financing assets available for sale	Translation reserve from overseas operations	Capital reserve for share based payments	Treasury stock	Transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling rights in consolidated companies	Total equity
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
For the three-month period ended June 30, 2014 (Unaudited)											
Balance as at April 1, 2014	317,053	424,742	(18,035)	35,059	(167,618)	(48,908)	39,313	4,096,338	4,677,944	5,863	4,683,807
Comprehensive income (loss) for year											
Profit (loss) for period	-	-	-	-	-	-	-	85,518	85,518	(269)	85,249
Total other comprehensive income (loss)	-	(7,537)	(7,540)	-	-	-	-	(4,509)	(19,586)	-	(19,586)
Total comprehensive income (loss) for period	-	(7,537)	(7,540)	-	-	-	-	81,009	65,932	(269)	65,663
Transactions with owners recognized directly in equity											
Dividend paid	-	-	-	-	-	-	-	(106,616)	(106,616)	-	(106,616)
Share based payment	-	-	-	531	-	-	-	-	531	-	531
Purchase of treasury stock	-	-	-	-	(2,687)	-	-	-	(2,687)	-	(2,687)
Reissuing of treasury stock	1,792	-	-	-	1,791	-	-	-	3,583	-	3,583
Exercising of stock options	13,290	-	-	(13,290)	-	-	-	-	-	-	-
Balance as at June 30, 2014	332,135	417,205	(25,575)	22,300	(168,514)	(48,908)	39,313	4,070,731	4,638,687	5,594	4,644,281

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 shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
For the year ended December 31, 2014 (audited)											
Balance as at January 1, 2014	316,595	313,637	(22,075)	34,172	(163,458)	(48,908)	39,313	4,037,093	4,506,369	5,403	4,511,772
Total comprehensive income (loss) for year											
Profit for the year	-	-	-	-	-	-	-	373,907	373,907	324	374,231
Total other comprehensive income (loss)	-	124,314	25,550	-	-	-	-	9,052	158,916	(6)	158,910
Total comprehensive income for year	-	124,314	25,550	-	-	-	-	382,959	532,823	318	533,141
Transactions with shareholders recognized directly in equity											
Dividend paid	-	-	-	-	-	-	-	(319,681)	(319,681)	-	(319,681)
Share-based payment	-	-	-	2,401	-	-	-	-	2,401	-	2,401
Purchase of Treasury shares	-	-	-	-	(19,243)	-	-	-	(19,243)	-	(19,243)
Re-issuance of Treasury shares	5,721	-	-	-	9,470	-	-	-	15,191	-	15,191
Exercising of options	16,533	-	-	(16,533)	-	-	-	-	-	-	-
Balance as at December 31, 2014	338,849	437,951	3,475	20,040	(173,231)	(48,908)	39,313	4,100,371	4,717,860	5,721	4,723,581

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

Condensed consolidated interim statements of cash flows

	Appendix	For the six months ended June 30		For the three months ended June 30		For year ended December 31
		2015	2014	2015	2014	2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Cash flows from operating activities						
Before taxes on income	A	**(171,738)**	(1,422,025)	**322,184**	(334,601)	(2,276,722)
Income tax paid		**(68,148)**	(150,459)	**(20,211)**	(74,996)	(208,264)
Net cash provided by (used for) operations		**(239,886)**	(1,572,484)	**301,973**	(409,597)	(2,484,986)
Cash flows from investing activity						
Investment in investees		**(138,022)**	(13,805)	**(15,344)**	(13,805)	(102,903)
Proceeds of sale of an investment in an equity-accounted investee		**37,126**	38,101	**37,126**	37,120	-
Investment in fixed assets		**(99,639)**	(21,714)	**(36,076)**	(6,348)	(71,109)
Investment in intangible assets		**(73,971)**	(59,058)	**(42,299)**	(35,415)	(122,164)
Dividend received from an investee		**18,276**	16,040	**14,206**	13,279	35,032
Proceeds from sale of fixed assets		**-**	-	**-**	-	1,598
Net cash used for investment activity		**(256,230)**	(40,436)	**(42,387)**	(5,169)	(259,546)
Cash flows from financing activities						
Proceeds from (payment for) issuance of promissory notes		**(1,100)**	189,724	**-**	83,000	190,466
Purchase of Treasury shares, net		**4,561**	(2,806)	**1,997**	896	(4,052)
Proceeds (redemption) of issuance of ETNs and covered warrants, net		**(234,068)**	1,533,415	**(783,905)**	618,600	2,716,733
Short-term credit from banks, net		**261,877**	15,283	**117,001**	103,845	148,741
Loans received from interested parties		**22,884**	-	**22,884**	-	-
Long-term loans received from financial institutions		**-**	-	**-**	-	250,014
Repayment of loans from banks and others		**(50,961)**	(50,474)	**(22,933)**	(22,177)	(170,441)
Dividend paid to the Company's shareholders		**(128,182)**	(106,338)	**(128,182)**	(106,338)	(319,681)
Net cash provided by (used for) financing activity		**(124,989)**	1,578,804	**(793,138)**	677,826	2,811,780
Effect of exchange rate fluctuations on cash balances and cash equivalents		**(7,452)**	4,012	**(29,353)**	2,356	53,579
Increase (decrease) in cash and cash equivalents		**(628,557)**	(30,104)	**(562,905)**	265,416	120,827
Retained cash and cash equivalents at beginning of period	B	**2,598,536**	2,477,709	**2,532,884**	2,182,189	2,477,709
Retained cash and cash equivalents at end of period	C	**1,969,979**	2,447,605	**1,969,979**	2,447,605	2,598,536

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

Condensed consolidated interim statements of cash flows

	For the six months ended June 30		For the three months ended June 30		For year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Appendix A - Cash flows from operating activities before taxes on income (1), (2), (3)					
Profit for the period	**419,210**	251,569	**343,336**	85,249	374,231
Items that do not involve cash flows:					
Company's share of profits of equity accounted investees	**(106,623)**	(51,797)	(83,560)	(15,509)	(184,655)
Net profit from financial investments for yield-dependent insurance policies and investment contracts	**(671,569)**	(809,826)	494,288	(219,288)	(898,622)
Losses (profits) net, from other financial investments					
Marketable debt assets	**33,849**	(114,108)	**9,245**	(79,331)	(262,276)
Non-marketable debt assets	**23,970**	10,301	**(87,855)**	(36,213)	(40,448)
Shares	**(36,543)**	(29,936)	**(7,859)**	(8,239)	(48,694)
Other investments	**(293,837)**	31,528	**(169,801)**	4,398	320,752
Financing expenses (income) for financial liabilities	**168,650**	240,621	**(308,164)**	76,077	557,213
Change in fair value of investment property for yield-dependent contracts	**(13,688)**	5,629	**(16,831)**	3,967	(2,315)
Change in fair value of other investment property	**(6,171)**	(30,340)	**3,873**	(29,360)	(76,039)
Depreciation and amortization					
Fixed assets	**29,556**	13,943	**15,793**	1,845	49,754
Intangible assets	**71,550**	72,463	**36,933**	36,240	150,977
Change in liabilities for non-yield dependent insurance policies and investment contracts	**287,566**	646,823	**(380,714)**	199,828	808,401
Change in liabilities for yield-dependent insurance policies and investment contracts	**2,672,318**	2,712,000	**573,872**	1,259,552	4,714,702
Change in reinsurance assets	**16,177**	(26,550)	**9,262**	36,151	(73,942)
Change in DAC	**(119,174)**	(138,848)	**(19,670)**	(26,630)	(209,858)
Payroll expenses for share-based payment	**(107)**	1,418	**(463)**	531	2,401
Income tax expenses	**224,754**	135,110	**198,624**	43,457	194,698
Changes in other statement of financial position items:					
Financial investments and investment property for yield-dependent insurance policies and investment contracts					
Purchase of investment property	**(9,183)**	(159,455)	**(5,111)**	(153,379)	(188,331)
Net acquisitions of financial investments	**(2,298,743)**	(1,847,967)	**(1,261,156)**	(750,931)	(3,483,435)
Other financial investments and investment property					
Purchase of investment property	**(18,705)**	(30,986)	**(13,905)**	(13,790)	(64,069)
Net acquisitions of financial investments	**(1,935)**	(401,091)	**126,290**	47,046	(582,705)
Premiums due	**68,651**	54,792	**110,563**	133,836	(37,843)
Trade and other receivables	**1,469**	23,062	**17,065**	(1,082)	(134,050)
Financial investments for holders of ETNs	**352,351**	(1,161,814)	**(323,221)**	722,452	(2,041,597)
Cash and cash equivalents pledged for holders of ETNs	**(710,865)**	(619,361)	**1,220,507**	(1,495,583)	(1,371,391)
Trade and other payables	**(259,146)**	(209,722)	**(158,257)**	(164,642)	241,778
Liabilities for employee benefits, net	**4,480**	10,517	**(900)**	8,747	8,641
Total adjustments required to present cash flows from operating activity	**(590,948)**	(1,673,594)	**(21,152)**	(419,850)	(2,650,953)
Total cash flows from operating activity before taxes on income	**(171,738)**	(1,422,025)	**322,184**	(334,601)	(2,276,722)

(1) Cash flows from operating activities include net purchases and sales of financial investments and real estate investment resulting from activities in insurance contracts and investment contracts.

(2) In the framework of operating activities, interest received was presented of NIS 781 million (for the six months ended June 30, 2014 an amount of NIS 851 million and for 2014 an amount of NIS 1,585 million) and interest was paid in the amount of NIS 51 million (for the six months ended June 30, 2014 an amount of NIS 44 million and for 2014 an amount of NIS 114 million).

(3) As part of the ongoing activity, a dividend received from other financial investments was presented in the amount of NIS 140 million (for the six months ended June 30, 2014 an amount of NIS 92 million and for 2014 an amount of NIS 173 million).

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

Condensed consolidated interim statements of cash flows

	For the six months ended June 30		For the three months ended June 30		For year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Appendix B - Cash and cash equivalents at beginning of period					
Cash and cash equivalents for yield-dependent contracts	**1,153,223**	1,088,024	**1,187,167**	844,950	1,088,024
Other cash and cash equivalents	**1,445,313**	1,389,685	**1,345,717**	1,337,239	1,389,685
Retained cash and cash equivalents at beginning of the period	**2,598,536**	2,477,709	**2,532,884**	2,182,189	2,477,709
Appendix C - Cash and cash equivalents at end of period					
Cash and cash equivalents for yield-dependent contracts	**770,245**	879,359	**770,245**	879,359	1,153,223
Other cash and cash equivalents	**1,199,734**	1,568,246	**1,199,734**	1,568,246	1,445,313
Retained cash and cash equivalents at end of the period	**1,969,979**	2,447,605	**1,969,979**	2,447,605	2,598,536

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

Note 1 - General

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. Its official address is 3 Abba Hillel Silver Street, Ramat Gan.

The Company is a holding company whose main holdings are in subsidiaries comprising insurance and finance companies. The condensed consolidated interim financial statements, as at June 30, 2015, include those of the Company and its subsidiaries ("the Group"), the Company's rights in jointly controlled entities and the Group's rights in affiliated companies.

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

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 Insurance 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, 2014 ("the Annual Financial Statements"). Moreover, these statements were prepared in accordance with the provisions of Chapter D of the Securities (Periodic and Immediate Reports) Regulations, 1970.

The condensed consolidated interim financial statements were approved for publication by the Company's Board of Directors on August 30, 2015.

B. Use of estimates and discretion

Preparation of the condensed consolidated interim financial statements in accordance with IFRS 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 factors, external factors, and reasonable assumptions based on the appropriate circumstances for each estimate.

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

The estimates and discretion that management uses in applying the accounting policy in preparing the condensed consolidated interim financial statements are mainly consistent with those used in the preparation of the consolidated financial statements as at December 31, 2014, except as noted below, there was no change in the actuarial assumptions that significantly affects the reserves. In connection with the revised discounting interest used calculating the insurance liabilities and the LAT following publication of a circular on this subject, see Note 11.

Note 3 - Significant accounting principles

The Group's accounting principles in these condensed consolidated interim financial statements is the policy applied in the annual financial statements.

A. Seasonality

1. Life and health insurance and Finance

   Revenues from life and health insurance premiums are not characterized by seasonality. Nevertheless, due to the fact that the provisions for life assurance benefit from tax breaks, a considerable part of new sales takes place mainly at the end of the year. Revenues from the financial 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.

B. New standards and interpretations not yet adopted

IFRS 15 - Revenue from Contracts with Customers

On July 22, the International Accounting Standards Board approved deferment of the mandatory date of initial application of IFRS 15, Revenue from Contracts with Customers. Accordingly, the mandatory effective date for IFRS 15 will be from annual periods beginning on January 1, 2018, with earlier application permitted.

Note 4 - Operating segments

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

The Group operates in the following segments:

1. Life assurance and long-term savings

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

2. Health insurance

This segment includes the Group's insurance activities in illness and hospitalization branches, personal accidents, dental and long-term care. The policies sold in the framework of these lines of business cover the range of losses incurred by the insured as a result of illness and/or accidents, including long-term care and dental treatments. 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.

Note 4 - Operating segments (contd.)

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 default on the repayment of loans 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 that it controls, 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.
- Issuance to the public of index products (ETNs and deposit certificates).

6. Not attributed to operating segments

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

Note 4 - Operating segments (contd.)

A. Information about reportable segments

	For the six-month period ended June 30, 2015 (unaudited)							
	Life assurance and long-term savings	Health insurance	Non-life insurance	Insurance companies abroad	Financial services	Not attributed to segments of operation	Adjustments and offsets	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Premiums earned, gross	2,193,576	1,926,078	1,519,508	128,516	-	-	(3,258)	5,764,420
Premiums earned by reinsurers	69,458	104,667	648,464	48,527	-	-	(3,258)	867,858
Earned premiums in retention	2,124,118	1,821,411	871,044	79,989	-	-	-	4,896,562
Profit from investments, net, and financing income	1,401,611	146,056	134,626	11,891	40,509	138,700	2,372	1,875,765
Income from management fees	478,189	4,355	-	-	118,438	3,631	(247)	604,366
Income from commissions	6,488	33,981	116,426	11,712	791	66,356	(45,821)	189,933
Total income	4,010,406	2,005,803	1,122,096	103,592	159,738	208,687	(43,696)	7,566,626
Payments and changes in liabilities for insurance policies and investment contracts, gross	3,162,167	1,595,170	1,273,709	58,779	-	-	(1,223)	6,088,602
Reinsurers' share of payments and change in liabilities for insurance policies	51,785	79,357	555,705	15,179	-	-	(1,223)	700,803
Payments and changes in liabilities for insurance policies and investment contracts in retention	3,110,382	1,515,813	718,004	43,600	-	-	-	5,387,799
Commissions, marketing expenses and other purchasing expenses	367,420	354,402	287,077	40,657	-	4,351	(45,821)	1,008,086
General and administrative expenses	229,470	122,614	16,837	6,550	109,580	79,233	(247)	564,037
Other expenses	18,653	-	-	254	5,582	1,694	-	26,183
Financing expenses (income), net	2,832	2,051	(6,456)	-	1,218	42,705	830	43,180
Total expenses	3,728,757	1,994,880	1,015,462	91,061	116,380	127,983	(45,238)	7,029,285
Share of profits (losses) of equity accounted investees	28,152	14,842	49,666	-	(9)	13,972	-	106,623
Profit before taxes on income	309,801	25,765	156,300	12,531	43,349	94,676	1,542	643,964
Other comprehensive loss before taxes on income	(86,218)	(26,024)	(60,940)	(13,982)	(57)	(15,132)	-	(202,353)
Total comprehensive income (loss) before taxes on income	223,583	(259)	95,360	(1,451)	43,292	79,544	1,542	441,611
Liabilities for non yield-dependent insurance policies and investment contracts	11,093,637	3,767,122	10,199,109	247,121	-	-	(5,327)	25,301,662
Liabilities for insurance contracts and yield-dependent investment contracts	34,752,904	3,634,778	-	-	-	-	-	38,387,682

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the three-month period ended June 30, 2015 (unaudited)							
	Life assurance and long-term savings	Health insurance	Non-life insurance	Insurance companies abroad	Financial services	Not attributed to segments of operation	Adjustments and offsets	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Premiums earned, gross	986,894	970,725	756,338	66,362	-	-	(1,449)	2,778,870
Premiums earned by reinsurers	33,654	52,383	328,498	23,959	-	-	(1,449)	437,045
Earned premiums in retention	953,240	918,342	427,840	42,403	-	-	-	2,341,825
Profit from investments, net, and financing income	(1,390)	43,112	96,709	2,106	18,827	71,583	4,401	235,348
Income from management fees	141,891	2,211	-	-	59,469	1,878	(148)	205,301
Income from commissions	5,945	15,803	61,686	5,952	334	33,124	(22,656)	100,188
Total income	1,099,686	979,468	586,235	50,461	78,630	106,585	(18,403)	2,882,662
Payments and changes in liabilities for insurance policies and investment contracts, gross	469,175	719,658	711,894	31,125	-	-	(733)	1,931,119
Reinsurers' share of payments and change in liabilities for insurance policies	22,930	44,038	303,595	7,521	-	-	(733)	377,351
Payments and changes in liabilities for insurance policies and investment contracts in retention	446,245	675,620	408,299	23,604	-	-	-	1,553,768
Commissions, marketing expenses and other purchasing expenses	187,980	184,064	161,268	20,739	-	2,208	(22,656)	533,603
General and administrative expenses	111,755	62,471	9,510	3,208	54,749	39,878	(148)	281,423
Other expenses	9,148	-	-	126	2,852	863	-	12,989
Financing expenses (income), net	7,382	6,122	(17,601)	-	532	44,275	1,769	42,479
Total expenses	762,510	928,277	561,476	47,677	58,133	87,224	(21,035)	2,424,262
Share of profits of equity accounted investees	20,017	12,573	45,217	-	(11)	5,764	-	83,560
Profit (loss) before taxes on income	357,193	63,764	69,976	2,784	20,486	25,125	2,632	541,960
Other comprehensive income (loss) before taxes on income	(106,207)	(44,534)	(105,455)	(5,623)	(158)	(81,437)	-	(343,414)
Total comprehensive income (loss) before taxes on income	250,986	19,230	(35,479)	(2,839)	20,328	(56,312)	2,632	198,546
Liabilities for non yield-dependent insurance policies and investment contracts	11,093,637	3,767,122	10,199,109	247,121	-	-	(5,327)	25,301,662
Liabilities for insurance contracts and yield-dependent investment contracts	34,752,904	3,634,778	-	-	-	-	-	38,387,682

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the six-month period ended June 30, 2014 (unaudited)							
	Life assurance and long-term savings	Health insurance	Non-life insurance	Insurance companies abroad	Financial services	Not attributed to segments of operation	Adjustments and offsets	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Premiums earned, gross	1,891,456	1,723,465	1,576,868	101,491	-	-	(3,684)	5,289,596
Premiums earned by reinsurers	68,827	104,371	694,854	43,411	-	-	(3,684)	907,779
Earned premiums in retention	1,822,629	1,619,094	882,014	58,080	-	-	-	4,381,817
Profits (losses) from investments, net, and financing income	1,420,223	138,742	80,386	5,741	21,736	146,185	(1,425)	1,811,588
Income from management fees	439,645	4,464	-	-	121,520	8,859	(143)	574,345
Income from commissions	17,151	39,828	126,464	11,238	862	53,342	(35,590)	213,295
Total income	3,699,648	1,802,128	1,088,864	75,059	144,118	208,386	(37,158)	6,981,045
Payments and changes in liabilities for insurance policies and investment contracts, gross	3,138,256	1,395,941	1,152,752	40,788	-	-	(2,021)	5,725,716
Reinsurers' share of payments and change in liabilities for insurance policies	42,127	96,779	503,094	12,946	-	-	(2,021)	652,925
Payments and changes in liabilities for insurance policies and investment contracts in retention	3,096,129	1,299,162	649,658	27,842	-	-	-	5,072,791
Commissions, marketing expenses and other purchasing expenses	352,610	301,342	299,666	34,495	-	2,388	(35,590)	954,911
General and administrative expenses	218,204	110,171	16,264	6,202	110,209	72,361	(143)	533,268
Other expenses	19,885	-	479	287	6,702	2,287	-	29,640
Financing expenses (income), net	1,989	3,245	(829)	-	1,803	49,449	(104)	55,553
Total expenses	3,688,817	1,713,920	965,238	68,826	118,714	126,485	(35,837)	6,646,163
Share of profit of equity accounted investees	15,904	5,020	29,647	-	64	1,162	-	51,797
Profit before taxes on income	26,735	93,228	153,273	6,233	25,468	83,063	(1,321)	386,679
Other comprehensive income (loss) before taxes on income	61,187	23,469	47,717	(1,273)	77	23,215	-	154,392
Total comprehensive income before taxes on income	87,922	116,697	200,990	4,960	25,545	106,278	(1,321)	541,071
Liabilities for non yield-dependent insurance policies and investment contracts	11,198,984	3,213,034	10,242,466	236,880	-	-	(7,195)	24,884,169
Liabilities for insurance contracts and yield-dependent investment contracts	30,494,968	3,217,694	-	-	-	-	-	33,712,662

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the three-month period ended June 30, 2014 (unaudited)							
	Life assurance and long-term savings	Health insurance	Non-life insurance	Insurance companies abroad	Financial services	Not attributed to segments of operation	Adjustments and offsets	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Premiums earned, gross	934,100	878,578	801,337	52,941	-	-	(1,837)	2,665,119
Premiums earned by reinsurers	34,361	53,500	357,434	23,144	-	-	(1,837)	466,602
Earned premiums in retention	899,739	825,078	443,903	29,797	-	-	-	2,198,517
Profit from investments, net, and financing income	563,663	65,950	53,716	4,781	12,101	91,206	673	792,090
Income from management fees	190,927	1,925	-	-	61,728	7,096	(36)	261,640
Income from commissions	6,574	20,927	66,618	5,920	555	29,835	(20,976)	109,453
Total income	1,660,903	913,880	564,237	40,498	74,384	128,137	(20,339)	3,361,700
Payments and changes in liabilities for insurance policies and investment contracts, gross	1,457,140	693,963	606,991	19,453	-	-	(1,024)	2,776,523
Reinsurers' share of payments and change in liabilities for insurance policies	29,260	44,782	271,591	5,047	-	-	(1,024)	349,656
Payments and changes in liabilities for insurance policies and investment contracts in retention	1,427,880	649,181	335,400	14,406	-	-	-	2,426,867
Commissions, marketing expenses and other purchasing expenses	180,158	149,340	167,531	17,581	-	1,064	(20,976)	494,698
General and administrative expenses	107,893	56,448	9,331	2,951	55,883	38,290	(36)	270,760
Other expenses	10,033	-	241	213	3,052	1,127	-	14,666
Financing expenses (income), net	2,873	3,251	(2,727)	-	874	37,181	60	41,512
Total expenses	1,728,837	858,220	509,776	35,151	59,809	77,662	(20,952)	3,248,503
Share of profits (losses) of equity accounted investees	7,983	2,460	9,483	-	42	(4,459)*	-	15,509
Profit (loss) before taxes on income	(59,951)	58,120	63,944	5,347	14,617	46,016	613	128,706
Other comprehensive income (loss) before taxes on income	4,464	(91)	(10,062)	(2,828)	77	(19,008)	-	(27,448)
Total comprehensive (loss) income before taxes on income	(55,487)	58,029	53,882	2,519	14,694	27,008	613	101,258
Liabilities for non yield-dependent insurance policies and investment contracts	11,198,984	3,213,034	10,242,466	236,880	-	-	(7,195)	24,884,169
Liabilities for insurance contracts and yield-dependent investment contracts	30,494,968	3,217,694	-	-	-	-	-	33,712,662

Note 4 - Operating segments (Contd.)

A. Information about reportable segments (contd.)

	For the year ended December 31, 2014							
	Life assurance and long-term savings	Health insurance	Non-life insurance	Insurance companies abroad	Financial services	Not attributed to segments of operation	Adjustments and offsets	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Premiums earned, gross	3,797,466	3,571,159	3,205,322	213,750	-	-	(7,020)	10,780,677
Premiums earned by reinsurers	125,228	216,180	1,433,089	90,708	-	-	(7,020)	1,858,185
Earned premiums in retention	3,672,238	3,354,979	1,772,233	123,042	-	-	-	8,922,492
Profit from investments, net, and financing income	2,051,727	212,391	142,009	9,938	57,375	241,989	6,189	2,721,618
Income from management fees	848,059	9,829	-	-	245,335	6,813	(348)	1,109,688
Income from commissions	14,531	82,072	267,234	24,380	1,524	123,675	(86,597)	426,819
Total income	6,586,555	3,659,271	2,181,476	157,360	304,234	372,477	(80,756)	13,180,617
Payments and changes in liabilities for insurance policies and investment contracts, gross	5,611,057	2,921,320	2,403,133	100,996	-	-	(3,653)	11,032,853
Reinsurers' share of payments and change in liabilities for insurance policies	148,267	184,165	1,062,591	32,964	-	-	(3,653)	1,424,334
Payments and changes in liabilities for insurance policies and investment contracts in retention	5,462,790	2,737,155	1,340,542	68,032	-	-	-	9,608,519
Commissions, marketing expenses and other purchasing expenses	673,396	618,260	620,599	71,275	-	5,107	(86,597)	1,902,040
General and administrative expenses	431,826	218,380	31,861	12,955	221,839	148,098	(348)	1,064,611
Other expenses	40,277	-	967	213	15,276	4,654	-	61,387
Financing expenses, net	5,440	6,970	37,264	-	3,226	106,997	(111)	159,786
Total expenses	6,613,729	3,580,765	2,031,233	152,475	240,341	264,856	(87,056)	12,796,343
Share of profits of equity accounted investees	77,974	22,513	68,827	-	9	15,332	-	184,655
Profit before taxes on income	50,800	101,019	219,070	4,885	63,902	122,953	6,300	568,929
Other comprehensive income (loss) before taxes on income	112,960	38,953	67,726	(78)	90	30,375	-	250,026
Total comprehensive income before taxes on income	163,760	139,972	286,796	4,807	63,992	153,328	6,300	818,955
Liabilities for non yield-dependent insurance policies and investment contracts	11,245,932	3,541,937	10,003,024	263,037	-	-	(6,265)	25,047,665
Liabilities for insurance contracts and yield-dependent investment contracts	32,324,416	3,390,948	-	-	-	-	-	35,715,364

Note 4 - Operating segments (Contd.)

b. Additional information about the non-life insurance segment

	For the six-month period ended June 30, 2015 (unaudited)					
	Compulsory motor	Motor property (CASCO)	Property and other branches*	Other liabilities branches**	Mortgage insurance	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Gross premiums	310,484	518,817	415,408	431,896	(14,441)	1,662,164
Reinsurance premiums	31,877	59,294	308,086	224,032	-	623,289
Premiums in retention	278,607	459,523	107,322	207,864	(14,441)	1,038,875
Change in outstanding unearned premiums, in retention	80,813	123,804	(12,496)	11,167	(35,457)	167,831
Earned premiums in retention	197,794	335,719	119,818	196,697	21,016	871,044
Profit from investments, net, and financing income	53,539	11,349	4,293	49,369	16,076	134,626
Income from commissions	5,803	17,069	61,368	32,186	-	116,426
Total income	257,136	364,137	185,479	278,252	37,092	1,122,096
Payments and changes in liabilities for insurance policies and investment contracts, gross	182,573	322,007	209,025	562,929	(2,825)	1,273,709
Reinsurers' share of payments and change in liabilities for insurance policies	29,008	45,148	158,987	322,562	-	555,705
Payments and changes in liabilities for insurance policies and investment contracts in retention	153,565	276,859	50,038	240,367	(2,825)	718,004
Commissions, marketing expenses and other purchasing expenses	33,663	77,082	102,883	73,449	-	287,077
General and administrative expenses	4,001	5,597	2,810	2,412	2,017	16,837
Financing expenses (income), net	(2,915)	(618)	(237)	(2,688)	2	(6,456)
Total expenses	188,314	358,920	155,494	313,540	(806)	1,015,462
Share of profits of equity accounted investees	22,400	4,748	1,796	20,655	67	49,666
Profit (loss) before taxes on income	91,222	9,965	31,781	(14,633)	37,965	156,300
Other comprehensive income before taxes on income	(26,429)	(5,602)	(2,119)	(24,371)	(2,419)	(60,940)
Total comprehensive income (loss) before taxes on income	64,793	4,363	29,662	(39,004)	35,546	95,360
Liabilities in respect of insurance policies, gross, at June 30, 2015	2,546,907	679,770	884,666	5,568,774	518,992	10,199,109
Liabilities in respect of insurance policies, gross, at June 30, 2015	2,157,034	581,350	172,024	2,131,769	518,992	5,561,169

* Property and other branches consist mainly of the results of property loss insurance and comprehensive homeowners insurance, which account for 80% of total premiums in these branches.

** Other liabilities branches consist mainly of the results of third-party and professional liability insurance which account for 79% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

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

	For the three-month period ended June 30, 2015 (unaudited)					
	Compulsory motor	Motor property (CASCO)	Property and other branches*	Other liabilities branches**	Mortgage insurance	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Gross premiums	82,066	155,876	183,463	155,767	(7,236)	569,936
Reinsurance premiums	8,288	19,858	138,243	106,324	-	272,713
Premiums in retention	73,778	136,018	45,220	49,443	(7,236)	297,223
Change in outstanding unearned premiums, in retention	(23,427)	(34,638)	(9,971)	(47,839)	(14,742)	(130,617)
Earned premiums in retention	97,205	170,656	55,191	97,282	7,506	427,840
Profit from investments, net, and financing income	37,859	7,938	3,067	35,031	12,814	96,709
Income from commissions	3,016	8,624	31,831	18,215	-	61,686
Total income	138,080	187,218	90,089	150,528	20,320	586,235
Payments and changes in liabilities for insurance policies and investment contracts, gross	119,175	160,637	75,175	353,355	3,552	711,894
Reinsurers' share of payments and change in liabilities for insurance policies	18,639	20,866	55,969	208,121	-	303,595
Payments and changes in liabilities for insurance policies and investment contracts in retention	100,536	139,771	19,206	145,234	3,552	408,299
Commissions, marketing expenses and other purchasing expenses	21,798	48,579	50,042	40,849	-	161,268
General and administrative expenses	2,092	3,030	1,716	1,414	1,258	9,510
Financing expenses (income), net	(7,977)	(1,719)	(633)	(7,317)	45	(17,601)
Total expenses	116,449	189,661	70,331	180,180	4,855	561,476
Share of profits (losses) of equity accounted investees	20,441	4,322	1,643	18,864	(53)	45,217
Profit (loss) before taxes on income	42,072	1,879	21,401	(10,788)	15,412	69,976
Other comprehensive loss before taxes on income	(42,212)	(9,036)	(3,353)	(38,802)	(12,052)	(105,455)
Total comprehensive income (loss) before taxes on income	(140)	(7,157)	18,048	(49,590)	3,360	(35,479)
Liabilities in respect of insurance policies, gross, at June 30, 2015	2,546,907	679,770	884,666	5,568,774	518,992	10,199,109
Liabilities in respect of insurance policies, gross, at June 30, 2015	2,157,034	581,350	172,024	2,131,769	518,992	5,561,169

* Property and other branches consist mainly of the results of property loss insurance and comprehensive homeowners insurance, which account for 78% of total premiums in these branches.

** Other liabilities branches consist mainly of the results of third-party and professional liability insurance which account for 76% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

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

	For the six-month period ended June 30, 2014 (unaudited)					
	Compulsory motor	Motor property (CASCO)	Property and other branches*	Other liabilities branches**	Mortgage insurance	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Gross premiums	296,465	633,585	450,026	417,937	(11,678)	1,786,335
Reinsurance premiums	60,248	134,934	323,685	233,309	-	752,176
Premiums in retention	236,217	498,651	126,341	184,628	(11,678)	1,034,159
Change in outstanding unearned premiums, in retention	52,166	127,653	12,465	(4,848)	(35,291)	152,145
Earned premiums in retention	184,051	370,998	113,876	189,476	23,613	882,014
Profit from investments, net, and financing income	32,733	6,996	2,243	26,366	12,048	80,386
Income from commissions	10,000	25,279	63,632	27,553	-	126,464
Total income	226,784	403,273	179,751	243,395	35,661	1,088,864
Payments and changes in liabilities for insurance policies and investment contracts, gross	167,039	355,744	220,976	405,848	3,145	1,152,752
Reinsurers' share of payments and change in liabilities for insurance policies	38,680	67,630	170,367	226,417	-	503,094
Payments and changes in liabilities for insurance policies and investment contracts in retention	128,359	288,114	50,609	179,431	3,145	649,658
Commissions, marketing expenses and other purchasing expenses	33,878	90,893	110,054	64,841	-	299,666
General and administrative expenses	3,717	5,325	2,418	2,374	2,430	16,264
Other expenses	-	-	-	-	479	479
Financing expenses (income), net	(406)	(87)	(28)	(327)	19	(829)
Total expenses	165,548	384,245	163,053	246,319	6,073	965,238
Share of profits of equity accounted investees	13,863	2,963	950	11,166	705	29,647
Profit before taxes on income	75,099	21,991	17,648	8,242	30,293	153,273
Other comprehensive income before taxes on income	19,835	4,239	1,354	15,975	6,314	47,717
Total comprehensive income before taxes on income	94,934	26,230	19,002	24,217	36,607	200,990
Liabilities in respect of insurance policies, gross, as at December 31, 2014	2,669,907	761,698	935,122	5,285,838	589,901	10,242,466
Liabilities in respect of insurance policies, gross, as at December 31, 2014	2,258,090	609,294	171,536	1,914,864	589,901	5,543,685

* Property and other branches primarily include results of property loss insurance and comprehensive homeowners insurance, operations of which account for 73% of total premiums earned from these branches.

** Other liabilities branches include mainly results from third-party insurance and professional liability whose activities account for 78% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

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

	For the three-month period ended June 30, 2014 (unaudited)					
	Compulsory motor	Motor property (CASCO)	Property and other branches*	Other liabilities branches**	Mortgage insurance	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Gross premiums	92,118	170,906	201,679	162,985	(6,004)	621,684
Reinsurance premiums	19,028	37,153	144,046	112,002	-	312,229
Premiums in retention	73,090	133,753	57,633	50,983	(6,004)	309,455
Change in outstanding unearned premiums, in retention	(20,745)	(52,030)	(4,984)	(40,731)	(15,958)	(134,448)
Earned premiums in retention	93,835	185,783	62,617	91,714	9,954	443,903
Profit from investments, net, and financing income	22,213	4,684	1,527	17,912	7,380	53,716
Income from commissions	5,861	13,944	31,424	15,389	-	66,618
Total income	121,909	204,411	95,568	125,015	17,334	564,237
Payments and changes in liabilities for insurance policies and investment contracts, gross	89,082	172,212	118,486	222,636	4,575	606,991
Reinsurers' share of payments and change in liabilities for insurance policies	22,944	33,440	87,092	128,115	-	271,591
Payments and changes in liabilities for insurance policies and investment contracts in retention	66,138	138,772	31,394	94,521	4,575	335,400
Commissions, marketing expenses and other purchasing expenses	22,023	52,965	57,161	35,382	-	167,531
General and administrative expenses	2,027	2,982	1,645	1,505	1,172	9,331
Other expenses	-	-	-	-	241	241
Financing expenses (income), net	(1,320)	(288)	(90)	(1,062)	33	(2,727)
Total expenses	88,868	194,431	90,110	130,346	6,021	509,776
Share of profits of equity accounted investees	4,383	880	305	3,547	368	9,483
Profit (loss) before taxes on income	37,424	10,860	5,763	(1,784)	11,681	63,944
Other comprehensive income before taxes on income	(3,954)	(989)	(270)	(3,138)	(1,711)	(10,062)
Total comprehensive income (loss) before taxes on income	33,470	9,871	5,493	(4,922)	9,970	53,882
Liabilities in respect of insurance policies, gross, as at December 31, 2014	2,669,907	761,698	935,122	5,285,838	589,901	10,242,466
Liabilities in respect of insurance policies, in retention, as at December 31, 2014	2,258,090	609,294	171,536	1,914,864	589,901	5,543,685

* Property and other branches primarily include results of property loss insurance and comprehensive homeowners insurance, operations of which account for 72% of total premiums earned from these branches.

** Other liabilities branches include mainly results from third-party insurance and professional liability whose activities account for 76% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

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

	For the year ended December 31, 2014 (audited)					
	Compulsory motor	Motor property (CASCO)	Property and other branches*	Other liabilities branches**	Mortgage insurance	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Gross premiums	454,232	922,601	981,463	787,051	(23,718)	3,121,629
Reinsurance premiums	93,823	197,390	743,565	405,613	-	1,440,391
Premiums in retention	360,409	725,211	237,898	381,438	(23,718)	1,681,238
Change in outstanding unearned premiums, in retention	(13,281)	(18,731)	9,100	(53)	(68,030)	(90,995)
Earned premiums in retention	373,690	743,942	228,798	381,491	44,312	1,772,233
Profit from investments, net, and financing income	56,174	10,508	4,339	46,522	24,466	142,009
Income from commissions	21,789	52,299	132,885	60,261	-	267,234
Total income	451,653	806,749	366,022	488,274	68,778	2,181,476
Payments and changes in liabilities for insurance policies and investment contracts, gross	359,479	721,278	432,948	885,292	4,136	2,403,133
Reinsurers' share of payments and change in liabilities for insurance policies	77,783	142,084	330,939	511,785	-	1,062,591
Payments and changes in liabilities for insurance policies and investment contracts in retention	281,696	579,194	102,009	373,507	4,136	1,340,542
Commissions, marketing expenses and other purchasing expenses	78,912	191,516	215,238	134,933	-	620,599
General and administrative expenses	7,256	10,267	5,035	4,656	4,647	31,861
Other expenses	-	-	-	-	967	967
Financing expenses, net	17,786	3,327	1,374	14,730	47	37,264
Total expenses	385,650	784,304	323,656	527,826	9,797	2,031,233
Company's share of profits of equity accounted investees	31,862	5,961	2,461	26,387	2,156	68,827
Profit (loss) before taxes on income	97,865	28,406	44,827	(13,165)	61,137	219,070
Other comprehensive income before taxes on income	30,889	5,778	2,386	25,582	3,091	67,726
Total comprehensive income before taxes on income	128,754	34,184	47,213	12,417	64,228	286,796
Liabilities in respect of insurance policies, gross, at December 31, 2014	2,584,998	571,239	954,340	5,334,810	557,637	10,003,024
Liabilities in respect of insurance policies, in retention, at December 31, 2014	2,176,162	457,244	178,467	1,997,873	557,637	5,367,383

* Property and other branches consist mainly of the results of property loss insurance and comprehensive homeowners insurance, which account for 77% of total premiums in these branches.

** Other liabilities branches consist mainly of the results of third-party and professional liability insurance which account for 79% of total premiums in these branches.

Note 4 - Operating segments (Contd.)

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

	For the six-month period ended June 30, 2015 (unaudited)				For the sic-month period ended June 30, 2014 (unaudited)			
	Provident	Pension	Life assurance	Total	Provident	Pension	Life assurance	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Premiums earned, gross	-	-	2,193,576	2,193,576	-	-	1,891,456	1,891,456
Premiums earned by reinsurers	-	-	69,458	69,458	-	-	68,827	68,827
Premiums in retention	-	-	2,124,118	2,124,118	-	-	1,822,629	1,822,629
Profit (loss) from investments, net, and financing income	90	369	1,401,152	1,401,611	420	1,547	1,418,256	1,420,223
Income from management fees	109,071	128,870	240,248	478,189	106,110	116,127	217,408	439,645
Income from commissions	-	-	6,488	6,488	-	-	17,151	17,151
Total income	109,161	129,239	3,772,006	4,010,406	106,530	117,674	3,475,444	3,699,648
Payments and changes in liabilities for insurance policies and investment contracts, gross	964	5,466	3,155,737	3,162,167	933	5,159	3,132,164	3,138,256
Reinsurers' share of payments and change in liabilities for insurance policies	-	-	51,785	51,785	-	-	42,127	42,127
Payments and changes in liabilities for insurance policies and investment contracts in retention	964	5,466	3,103,952	3,110,382	933	5,159	3,090,037	3,096,129
Commissions, marketing expenses and other purchasing expenses	37,923	50,722	278,775	367,420	36,177	51,157	265,276	352,610
General and administrative expenses	38,524	33,641	157,305	229,470	37,960	30,648	149,596	218,204
Other expenses	6,687	1,338	10,628	18,653	8,066	1,191	10,628	19,885
Financing expenses (income), net	80	(4)	2,756	2,832	54	(7)	1,942	1,989
Total expenses	84,178	91,163	3,553,416	3,728,757	83,190	88,148	3,517,479	3,688,817
Share of profits of equity accounted investees	-	-	28,152	28,152	-	-	15,904	15,904
Profit (loss) before taxes on income	24,983	38,076	246,742	309,801	23,340	29,526	(26,131)	26,735
Other comprehensive income (loss) before taxes on income	(170)	(170)	(85,878)	(86,218)	726	2,254	58,207	61,187
Total comprehensive income before taxes on income	24,813	37,906	160,864	223,583	24,066	31,780	32,076	87,922

Note 4 - Operating segments (Contd.)

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

	For the three-month period ended June 30, 2015 (unaudited)				For the three-month period ended June 30, 2014 (unaudited)			
	Provident	Pension	Life assurance	Total	Provident	Pension	Life assurance	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Premiums earned, gross	-	-	986,894	986,894	-	-	934,100	934,100
Premiums earned by reinsurers	-	-	33,654	33,654	-	-	34,361	34,361
Premiums in retention	-	-	953,240	953,240	-	-	899,739	899,739
Profit (loss) from investments, net, and financing income	557	615	(2,562)	(1,390)	382	1,076	562,205	563,663
Income from management fees	54,350	65,594	21,947	141,891	53,754	59,144	78,029	190,927
Income from commissions	-	-	5,945	5,945	-	-	6,574	6,574
Total income	54,907	66,209	978,570	1,099,686	54,136	60,220	1,546,547	1,660,903
Payments and changes in liabilities for insurance policies and investment contracts, gross	472	2,699	466,004	469,175	467	2,608	1,454,065	1,457,140
Reinsurers' share of payments and change in liabilities for insurance policies	-	-	22,930	22,930	-	-	29,260	29,260
Payments and changes in liabilities for insurance policies and investment contracts in retention	472	2,699	443,074	446,245	467	2,608	1,424,805	1,427,880
Commissions, marketing expenses and other purchasing expenses	19,166	25,895	142,919	187,980	18,025	27,679	134,454	180,158
General and administrative expenses	18,760	16,722	76,273	111,755	19,121	15,469	73,303	107,893
Other expenses	3,337	497	5,314	9,148	4,036	683	5,314	10,033
Financing expenses (income), net	21	(2)	7,363	7,382	28	(6)	2,851	2,873
Total expenses	41,756	45,811	674,943	762,510	41,677	46,433	1,640,727	1,728,837
Share of profits of equity accounted investees	-	-	20,017	20,017	-	-	7,983	7,983
Profit (loss) before taxes on income	13,151	20,398	323,644	357,193	12,459	13,787	(86,197)	(59,951)
Other comprehensive income (loss) before taxes on income	(1,219)	(1,768)	(103,220)	(106,207)	111	833	3,520	4,464
Total comprehensive income (loss) before taxes on income	11,932	18,630	220,424	250,986	12,570	14,620	(82,677)	(55,487)

Note 4 - Operating segments (Contd.)

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

	For the year ended December 31, 2014			
	Provident	Pension	Life assurance	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
	-	-	3,797,466	3,797,466
Premiums earned by reinsurers	-	-	125,228	125,228
Premiums in retention	-	-	3,672,238	3,672,238
Profit from investments, net, and financing income	1,115	4,328	2,046,284	2,051,727
Income from management fees	220,316	246,644	381,099	848,059
Income from commissions	-	-	14,531	14,531
Total income	221,431	250,972	6,114,152	6,586,555
Payments and changes in liabilities for insurance policies and investment contracts, gross	1,875	10,407	5,598,775	5,611,057
Reinsurers' share of payments and change in liabilities for insurance policies	-	-	148,267	148,267
Payments and changes in liabilities for insurance policies and investment contracts in retention	1,875	10,407	5,450,508	5,462,790
Commissions, marketing expenses and other purchasing expenses	72,658	106,304	494,434	673,396
General and administrative expenses	75,133	64,336	292,357	431,826
Other expenses	16,977	2,045	21,255	40,277
Financing expenses, net	118	3	5,319	5,440
Total expenses	166,761	183,095	6,263,873	6,613,729
Share of profits of equity accounted investees	-	-	77,974	77,974
Profit (loss) before taxes on income	54,670	67,877	(71,747)	50,800
Other comprehensive income before taxes on income	596	539	111,825	112,960
Total comprehensive income before taxes on income	55,266	68,416	40,078	163,760

Note 5 - Taxes on income

The tax rates applicable to income of the Group companies

The statutory tax rates applicable to financial institutions, including the Company's subsidiaries which are financial institutions in all the periods presented in the financial statements are 37.71%.

Note 6 - Contingent liabilities and commitments

A. Contingent Liabilities

There is a general exposure which cannot be evaluated and/or quantified resulting, inter alia, from the complexity of the services provided by the Group to its insureds and customers. The complexity of these arrangements conceals, inter alia, the potential for arguments, interpretations and others, due to the 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. It is impossible to anticipate in advance the types of claims that might be raised in this field, and the exposure resulting from these and other allegations in connection with the Group's products raised, inter alia, through a mechanism of hearings set forth in the Class Actions Law.

New interpretations of the information in insurance policies and long-term term pension products may, in some instances, affect the Group's future profits in respect of the existing portfolio, in addition to the exposure inherent in requirements to compensate customers for past activity. Likewise, there is an element of exposure due to regulatory changes and instructions issued by the Commissioner, in circulars that are in force and in draft circulars that are still under discussion, as well as in the Commissioner's Position Papers and Decisions in Principle on various topics, some of which have far-reaching legal and operational ramifications. So for example, during the Reporting Period a Commissioner's Position Paper was published on the subject of the defining an insurance event in long-term care insurance, as a result of which the insurance liabilities were increased in 2014 on account of the revised morbidity assumptions (for additional information see Note 21 to the 2014 annual financial statements). This exposure is particularly strong in pension savings and long-term insurance, including health insurance. In these sectors, agreements with the policyholders, members and customers are over a period of many years during which there may be policy changes, regulatory changes and changes in the law, including in case law.

These rights are managed through complex automated systems, and in view of these changes they must be constantly adjusted. All these create considerable operational and mechanization exposure in these areas of activity. Among these regulatory changes, on December 21, 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 carry out to ensure that members' rights are reliably and fully recorded in the information systems, and that they are available and retrievable. The circular defines the stages of implementation of the optimization project as follows: (1) a gap study of the existing information at product, members and employers level - by March 31, 2013; (2) formulation of a mapping model and rating of the gaps found - by March 31, 2013; (3) a work plan is to be prepared to deal with any failure/s that are found - by September 30, 2013. The work plan will address the arrangement and saving of the existing information - by September 30, 2014. The company operates in accordance with the provisions of the circular. The optimization gaps are dealt with on an ongoing basis and are reflected in the financial statements. The optimization project is expected to be completed by June 30, 2016.

Furthermore, there is a general exposure due to complaints submitted to the Commissioner of Capital Markets, Insurance and Savings in the Ministry of Finance from time to time against the Group's financial institutions, relating to the rights of insureds under the insurance policies and/or the law. These complaints are routinely handled by the Company's public complaints division. The Commissioner's rulings on these complaints, if and to the extent that any decision is made, are liable to be given across the board and apply to large groups of insureds. Sometimes, the complaining entities even threaten to take legal action regarding their complaints in the form of class actions.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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 Commissioner 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.

Additionally, as part of the policy recently applied by the Ministry of Finance Capital Market, Insurance & Savings Division to enhance the controls and audits of financial institutions, from time to time the Commissioner conducts in-depth audits of a variety of activities of the Group's financial institutions. As a result of these audits, the Ministry of Finance may impose fines and/or financial penalties and it may also order that changes should be made with respect to various operations, both in the past and in the future. Regarding instructions with respect to past activity, the Commissioner may 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.

Within the context of the audits conducted by the Commissioner’s office, during the Reporting Period several in-depth audits were conducted of the pensions, investments, actuary, customer service, health insurance, reinsurance, life assurance, long-term care insurance sectors, information and claims systems. During the course of an audit of long-term care claims in Dikla, an audit report was received which includes requests to rectify several subjects, outlining a work plan for implementation of the changes, and a review of claims that have been settled. Dikla is working to implement the Commissioner’s instructions given in connection with the report findings.

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

Following are details of the exposure to class actions and applications to recognize claims as class actions filed against the Company and/or companies in the Group.

No provision was made in the financial statements for applications to certify legal actions as class actions as detailed below, where in management’s opinion, based, inter alia, on legal opinions that it received, it is more likely than not that the Company’s defense arguments will be accepted or the appeal arguments filed by the Company (or a subsidiary) or a proposed compromise arrangement will be accepted and certification of the action as a class action will be dismissed. In those applications for certification of a legal action as a class action in which, in relation to all or part of the claim, it is more reasonable that the Company’s defense arguments will be dismissed, the financial statements include provision to cover the exposure estimated by the Company's management and/or the managements of subsidiaries.

The Company's management believes, inter alia, based on legal opinions it received, that the financial statements contain reasonable provision, where such provision is required, to cover the exposure estimated by the Company and/or subsidiaries. The total provision included in the financial statements to cover the exposure is an insignificant amount.

Concerning applications to certify actions as class actions under Sections 35, 36, 37, 38 and 39 below, it is not possible at this early stage to estimate the chances that the applications will be approved as a class action and therefore no provision has been included in the financial statements for these claims.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

1. In April 2006, an action was filed against the subsidiary Harel Insurance and five other insurance companies in the Tel Aviv-Jaffa District Court together with an application for its certification as a class action. The cause of claim is that the Defendants had collected insurance premiums from the Plaintiffs for work disability insurance for the last three months of the policy period, despite the fact that for this period, the Plaintiffs were not eligible to receive insurance compensation even if they suffered loss of ability to work (because of the waiting period defined in the policy). The Plaintiffs claimed that the Defendants did not provide them with information about their intention to collect insurance premiums for the last three months of the policy period according to the policy. According to the Plaintiffs, the damage caused to all the plaintiffs by the Defendants is estimated, in accordance with an expert opinion, at NIS 47.61 million. The loss claimed by the Plaintiffs from Harel Insurance, totals, in their estimation NIS 1.54 million. On February 3, 2009, the court certified the action as a class action. Harel Insurance applied for permission to appeal this decision. On April 11, 2013, the court accepted the application for permission to appeal and returned the hearing of the action to the District Court for a decision on the question of whether the action should be treated as a class action, whether payment during the last three months of the policy is consideration for service which the insureds will never be entitled to receive or whether it is a form of payments in installments which is the result of an actuarial calculation, whether the Defendants were in breach of their proper disclosure obligations and whether prescription applies under the circumstances of the case at hand.

2. In April 2007, an action and an application for its certification as a class action were filed in the Tel Aviv-Jaffa District Court against Bank Hapoalim Ltd., Bank Leumi LeIsrael Ltd., Israel Discount Bank Ltd., First International Bank of Israel Ltd. ("The Banks"), Clal Finance, Batucha Investment Management Ltd., Migdal Capital Markets Ltd., and Harel Investment House (these last three will henceforth be called: "Fund Managers"). The cause of the claim is for the restitution of brokerage fees allegedly paid by the Plaintiffs from the beginning of 2004, in respect of their holdings of units of various mutual trust funds, as specified in the statement of claim, for charges of brokerage fees and commissions associated with foreign exchange trading at a rate higher than the rate that the Defendants ostensibly should have charged. According to the Plaintiff, from 2004, the Defendants charged a number of private entities, commissions at lower rates than those collected from mutual funds that were controlled by the banks.

   According to the statement of claim, the period relevant to Harel Investment House is from November 15, 2006 up to the end of March 2007. It is also claimed, that within the context of the sale by the banks of control of the mutual funds to the mutual fund managers, it was determined that the banks would ostensibly continue to provide the fund managers with share trading services on the Tel-Aviv Stock Exchange and / or banking services (buying/selling foreign currency), and that they would charge the same high commission as collected up to the time of sale, where this is expressed, allegedly, in the reduced price that was paid for acquiring the control of the mutual funds, to prevent the mutual fund managers from profiting from the collection of brokerage fees. The Plaintiffs estimate the sum of the claim against Harel Investment House at NIS 5,676 thousand.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

3. In January 2008 an action was filed in the Tel Aviv District Court against the subsidiary Harel Insurance and against four other insurance companies together with an application for its certification as a class action. The subject of the action is the allegation that the respondents unlawfully collected a "sub-annual factor" (a fee that insurance companies are allowed to collect when the insurance tariff is determined as an annual amount, but in practice the payment is made in several installments). The Plaintiffs claim damages in the amount of NIS 1,683.54 for each insurance year. 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 argument that Harel Insurance collected a sub-annual factor in excess of the permitted rate also for policies that were issued before 1992. As instructed by the court, the Plaintiff submitted an amended action and application for its certification as a class action. On December 29, 2013 the Insurance Commissioner filed a position that supports the position of the Defendants that there is no impediment to charging a sub-annual policy factor on the savings component of life insurance which includes savings and on other risk policies, including long-term care, work disability and accidental disability.

4. In April 2008 an action was filed in the Jerusalem District Labor Court against the subsidiary Harel Insurance and against three other insurance companies (“the Defendants”), together with an application for its certification as a class action. The subject of the action is the allegation that the Defendants generally credit women policyholders, when they reach the age of retirement, for old managers’ insurance policies that were sold until 2000, with a lower monthly benefit than the benefit received by male insureds with the same data, for the reason that women have a higher life expectancy. In contrast, the Defendants collect the same term (pure life) assurance premiums from the women as they collect from the men, despite the fact that the mortality rate for women, during the risk period, is ostensibly lower. The Plaintiffs argue that this conduct discriminates against female policyholders, in contravention of the statutory provisions. On August 17, 2014, the Jerusalem District Labor Court certified the action as a class action. The group that was certified for the class action consists of women who have or had an insurance policy with the four Defendants, and for whom no distinction was made between the tariff for men and women in the calculation of the risk premium. In December 2014, the Defendants filed an application for permission to appeal this ruling in the Jerusalem National Labor Court. Concurrently, the District Labor Court accepted the Defendants’ application for a stay of proceedings until a decision is made on the application for permission to appeal. In April 2015, the National Labor Court decided to grant the Defendants permission to appeal the decision, and to determine that the appeal will be heard before a panel of judges.

5. In July 2008, a claim and a request to certify the claim as a class action were filed in the Tel Aviv District Court against the subsidiary Harel Insurance. The Plaintiff claims that Harel Insurance ostensibly avoided paying and / or indemnifying its insured parties for damages caused to safety devices installed in their vehicles in the event of a total loss or constructive total loss or theft, and that it signs its policyholders, in contravention of the instructions of the Commissioner of Insurance, on a letter of settlement. The Plaintiff alleges that in this way, Harel Insurance enriches itself at the expense of the insured and is in breach of a statutory obligation. The Plaintiff notes that he does not have all the information available in order to accurately estimate the size of the group, but he does estimate that the amount of the claim for all members of the group, over a period of four and half years, at NIS 37 million.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

6. In April 2010 a legal action and an 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 (“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 relate to 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 policies owned by policyholders that have partially or temporarily expired. In November 2014, the opinion of the Commissioner of Insurance 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 Central (Lod) District Court partially certified hearing of the claim as a class action. The court certified the claim as a class action against Harel Insurance, but only on the subject of 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.

7. In May 2011, a claim was filed at the Central Region District Court against the subsidiary Harel Insurance and three other insurance companies (“the Defendants”), together with an application for its certification as a class action. The subject of the claim 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 claimants allege that according to instructions issued by the Commissioner of Insurance in the Capital Market, Insurance and Savings Division ("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 claimants, the total loss claimed for all members of the group against all the respondents' amounts to NIS 2,325 million, and against Harel Insurance, consistent with its share of the market, to NIS 386 million. On June 10, 2015, the parties filed an application in the court to approve the compromise settlement. The court appointed an inspector for the compromise settlement. Under the proposed compromise settlement, the Defendants will return to the group members 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 will deduct the future collection for the policy factor from the members of this group at a rate of 25% relative to the amount actually collected. Furthermore, insofar as the compromise settlement is approved, Harel Insurance will be required to pay compensation to the class plaintiff and cover the cost of his lawyer’s fees, of an amount to be decided upon by the court.

8. In June 2011, a claim was filed at the Central District Court against the subsidiary Harel Insurance and nine other insurance companies (“the Defendants”), with an application for certification as a class action. The subject of this class action is the allegation that when, due to attachments imposed on insurance benefits at the request of a third party, payment of the insurance benefits is withheld from policyholders, the insurance companies allegedly pay the policyholders the insurance benefits in nominal values without any revaluation, or in certain instances only with linkage differences, without the profits arising from them, as a result of this delay.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

The plaintiffs estimate that the total loss incurred by all members of the group as a result of the defendants' actions is NIS 350 million. The plaintiffs estimate the total loss against Harel Insurance in the amount of NIS 72 million. On February 8, 2012, the plaintiffs announced that they are abandoning their claim that foreclosures were imposed illegally. On December 12, 2012, the court approved conducting the claim as a class action. The mediation process being conducted by the parties was unsuccessful and the hearing of the action is now once again being conducted in court.

9. In May 2012, an action was filed against the subsidiary Dikla and against two other insurance companies and three health funds ("the Defendants"), in the Jerusalem District Court, with an application for certification as a class action. The subject of the action is that the Defendants refused to insure clients with disabilities in the context of the group LTC insurance provided by health funds, and this is ostensibly in breach of the provisions of the Law for Equal Rights of Persons with Disabilities, 1998, ("the Law"), thereby discriminating against them and abrogating their right to respect and equality. The Plaintiffs estimate the amount of the claim for all group members they wish to represent against all the Defendants at NIS 659 million. The parties are conducting a mediation process.

10. In May 2012, a claim was filed against the subsidiary Harel Insurance and the subsidiary Dikla and against four other insurance companies and one insurance agency ("the Defendants") in the Jerusalem District Court, together with an application for its certification as a class action. The subject of action is that the Defendants ostensibly refused to insure clients with disabilities in such individual insurance policies as healthcare, travel, pension, personal injury, life, LTC and work disability ("the personal lines insurances"), and this ostensibly in breach of the provisions of the Equal Rights for Persons with Disabilities Law, 1998 ("the Law"), thereby discriminating against them and abrogating their right to respect and equality. The Plaintiffs estimate the amount of the claim for all group members they wish to represent against all the Defendants at NIS 934 million. The parties are conducting a mediation process.

11. In July 2012, a claim was filed against the subsidiary Harel Insurance in the Petach Tikva District Court, with an application for its certification as a class action. The subject of the action is that in health insurance policies stipulating that the premium will change once every five years, Harel Insurance raises the premiums when the insured reaches the age of 65, even if five years have not yet passed from the date of purchase of the policy. The Plaintiff alleges that this is a breach of contract, an intention to mislead and unjust enrichment. The Plaintiff estimates that the amount of the claim for all group members is NIS 160 million. On October 16, 2013 the parties filed an application to approve the compromise settlement. The court instructed the parties to amend the definition of the Group in the settlement. On November 24, 2013 an amended application was filed in the court for approval of the compromise settlement. In accordance with the court's decision, the opinion of an inspector who was appointed to review the compromise settlement was submitted.

12. In July 2012, a claim 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. The subject of the class action claim is that in a group life insurance policy issued to members of the IDF Disabled Veterans Organization a certain insurance coverage ostensibly exists which was intended for cases where the insurance event takes place in the year between the age of 75 and 76 in the life of the insured, while Harel Insurance only provides insurance coverage for insurance events occurring up to the age of 75. The Plaintiff estimates the amount of the claim for all group members he wishes to represent at NIS 46 million. On June 5, 2014, the Tel Aviv District Court certified hearing of the claim as a class action. The group which was approved is all the beneficiaries of the IDF Disabled Veterans Organization who died between 2006 and 2012, when the insureds were aged between 75 and 76, and who suffered an insured event during that year and did not receive insurance benefits from Harel Insurance. On July 6, 2014, the Defendants filed an application for permission to appeal this decision in the Supreme Court. In November 2014, the Supreme Court ordered a stay of proceedings in the Tel Aviv District Court until another decision is made.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

13. In December 2012, a claim was filed against the subsidiary Harel Insurance and six other insurance companies ("the Defendants") in the Central District Court, with an application for its certification as a class action. The subject of the class action claim is that in the context of the reforms implemented in the vehicle licensing branch by the Ministry of Transportation in 2007, the 1961 Transportation Regulations were amended, thereby changing the classification of leisure ATVs and mini-vans ("the Vehicles") to private vehicles. The Plaintiffs claim that the Defendants chose to continue to define the Vehicles as commercial vehicles, ostensibly in contravention of the provisions of the law. It is also claimed that in respect of vehicles manufactured after the reform was in place, i.e. from the year 2008 and on, the Defendants changed their practice and insured the Vehicles as private vehicles, thus, ostensibly creating discrimination. The Plaintiffs claim that by classifying the Vehicles as commercial vehicles, even though they are classified by the Ministry of Transportation as private vehicles (M-1), the Defendants allegedly collect higher insurance premiums than they do for private vehicles. The Plaintiffs estimate the amount of the claim for all group members in relation to Harel Insurance at NIS 189 million.

14. In December 2012, a claim was filed against the subsidiary Harel Insurance in the Aviv District Court, together with an application for its certification as a class action. The subject of the claim is that Harel ostensibly pays the monthly LTC insurance benefit to customers insured under a group policy of the Israel Teachers Union ("the Policy") according to the CPI known at the beginning of the month, rather than the CPI known at the date of payment. In addition, it is claimed that Harel ostensibly pays the LTC benefit without linking it to the base CPI given in the Policy, but rather to a CPI that was published two months later, and this, ostensibly, in breach of the provisions of the Policy. The plaintiff does not mention the total sum that it claims for all members of the group. The parties are conducting a mediation process.

15. In May 2013, an action was filed in the Tel Aviv District Court together with an application for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel ostensibly refrains from paying insurance benefits to its policyholders together with linkage differences and interest, from the date of occurrence of the insured event up to the payment date of the insurance benefits. The total loss claimed for all members of the group amounts to sums varying from NIS 168 million to NIS 807 million. The mediation process conducted by the parties was unsuccessful and hearing of the action was returned to the court.

16. In July 2013, a claim was filed against the subsidiary Harel Insurance in the Central District Court in Lod, with an application for its certification as a class action. The subject of the action is the allegation that Harel Insurance allegedly refrains from publishing full information on its website in connection with the sums insured payable as compensation to policyholders when the surgery is paid for by another entity who is not the insured, and this ostensibly in contravention of the provisions of a circular issued by the Commissioner of Insurance - "Details of Insurance Benefits in Health Insurance Plans", and with the purpose, ostensibly, of reducing the amounts of compensation paid to policyholders according to the policies. The overall loss claimed for all members of the group amounts to NIS 35 million.

17. In October 2013, an action was filed in the Central District Court in Lod, together with an application for its certification as a class action, against the subsidiary Harel Insurance and three other insurance companies (“the Defendants”). The subject of the action is an allegation that where enrolment in the insurance takes place at the beginning of the month in which the insured purchased the policy, the Defendants ostensibly update the premiums for both index linkage and a change of age in life and health insurance policies which have a variable premium, on a date which precedes the date scheduled for updating, and they link the premium to an index preceding the index that should be applied. The overall loss claimed for all members of the group against all the Defendants amounts to NIS 399 million.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

18. In October 2013, an action was filed against the subsidiary Harel Insurance in the Central District Court in Lod, together with an application for its certification as a class action. The subject of the action is the allegation that Harel Insurance ostensibly refrains from paying to insureds who performed surgery that was fully or partially paid for by their healthcare provider (HMO), compensation of half the amount that it saved from the full cost of the surgery, due to the participation of the HMO. The total loss claimed for all members of the group amounts to NIS 14 million.

19. In April 2014, a claim was filed against the subsidiary Dikla Insurance in the Tel Aviv District Court, together with an application for its certification as a class action. The subject of the action is the allegation that 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).

20. In April 2014, an action was filed against the subsidiary Harel Insurance in the Central District Court in Lod, together with an application for its certification as a class action. This action was filed by way of an amended motion to certify as a class action a pending claim that was filed against 4 other insurance companies for the same reasons (“the Defendants”). The subject of the action is the allegation that the compulsory motor insurance that the Defendants issued to the Plaintiffs specifies the commencement of the insurance as the date noted in the insurance certificate with a reservation that the policy will not take effect before the actual date of payment of the certificate. The Plaintiffs argue that where the insured is late in paying the compulsory insurance certificate, after the given date on the certificate, he is not credited for the days from the date on the certificate up to the actual date of payment. The overall loss claimed for all members of the Group that the Plaintiffs wish to represent against Harel Insurance amounts to NIS 8.5 million, and against all the Defendants is NIS 34 million. In January 2015, the position of the Commissioner of Insurance was submitted, according to which the court’s suggestion that a limitation should be added in the insurance certificates so that the final date for payment of the certificate is the date on which the insurance takes effect or seven days after the insurance certificate is issued, whichever is later, is impossible under present legislative conditions and that regulation of such practice is undesirable.

21. In April 2014, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance pays the holders of Hiyunit profit-sharing policies for work disability and long-term care insurance (“the Policy”) monthly compensation (which consists of monthly compensation and the outstanding bonus), which is ostensibly calculated in contravention of the Policy provisions, and that Harel Insurance, allegedly, does not pay the policyholders the bonus they have accrued up to the date of payment of the first monthly compensation according to the Policy. The total loss claimed for all members of the Group that the Plaintiff wishes to represent amounts to NIS 381 million.

22. In April 2014, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against two other insurance companies (“the Defendants”). The subject of the action is the allegation that where Harel Insurance sells a service agreement that includes a replacement vehicle together with motor property insurance that includes cover for young drivers, the young drivers are unable to benefit from the service agreement as the service provider does not allow young drivers to drive replacement vehicles. The Plaintiffs argue that the policy does not contain a satisfactory exclusion which disallows young drivers from driving replacement vehicles. According to the Plaintiffs, the Defendants thus mislead their policyholders, acting in contravention of the law with respect to the insurer’s obligation to highlight the limitations that apply to the insurance cover.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

The Plaintiffs estimate that the total loss claimed for all members of the Group that they wish to represent amounts to NIS 17.3 million against Harel Insurance, and NIS 28.4 million against all the Defendants.

23. In April 2014, an action was filed against the subsidiary Harel Insurance in the Central District Court in Lod, together with an application for its certification as a class action. The subject of the action is that Harel Insurance does not provide the holders of health insurance for the diagnosis of critical illness (“the Policy”) with insurance cover if they are diagnosed with the specific illness from which the claimant suffered, despite the fact that according to the Plaintiff, the proper interpretation of the policy should ostensibly lead to the conclusion that insurance cover should be provided in such a case (even though the illness is excluded under the policy conditions). According to the action, the Plaintiff has made no estimate of the loss claimed for all members of the Group that it wishes to represent.

24. In May 2014, an action was filed against the subsidiary Harel Insurance in the Central District Court in Lod, together with an application for its certification as a class action. The subject of the action is the allegation that Harel Insurance pays insurance benefits to policyholders which include coverage for accidental disability, for insured events relating to disability in a limb that is not explicitly mentioned in the policy, according to a calculation mechanism which ostensibly is not included in the policy, thus operating in contravention of the law. Based on the action, the Plaintiffs estimate that the total loss claimed for all members of the Group that they wish to represent amounts to NIS 50 million.

25. In May 2014, a claim was filed in the Jerusalem District Court against the subsidiary Harel Insurance, with an application for its certification as a class action. The subject of the action is the allegation that Harel Insurance also provides life assurance and disability insurance for state employees who have motor insurance through Harel Insurance, ostensibly under conditions that differ from the policy conditions defined in the tender published by the State of Israel through the Accountant General (“the Tender”). As a result, Harel Insurance allegedly computed the insurance benefits differently from the way in which it was supposed to calculate the benefits under the Tender conditions. The total loss claimed for all members of the Group that the applicant wishes to represent amounts to NIS 15.75 million. The court sought to accept the position of the Commissioner of Insurance and the Accountant General in connection with the application for certification of the claim as a class action. In June 2015, the position of the attorney representing the Attorney General was submitted. The position noted that the opinion of the Capital Market Division in the matter of the restitution of insurance benefits differences is that the court should appoint its own expert who will examine whether, as part of the restitution process, the insurance benefits were repaid in full under the terms of the Accountant General’s tender. In the matter of sending the policy and restitution of the premiums, the Capital Market Division left the decision to the court’s discretion. Nevertheless, it was noted that at a hearing that took place on April 26, 2014, the Capital Market Division submitted its position whereby as a rule, the relief of restitution of premiums is in contradiction to the requested relief of enforcing the policy and payment of the insurance benefits. The Accountant General’s position concerning the restitution of premiums is that the Company should not be asked to refund premiums to all policyholders, given that the state, which paid most of the life assurance policies in the tender, has no interest in the refund. The parties accepted the court’s proposal to enter into a mediation process.

26. In June 2014, an action was filed against the subsidiary Dikla in the Tel Aviv District Court, together with an application for its certification as a class action. The subject of the action is the allegation that 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 instructions of the Commissioner of Insurance 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 application to accept the position of the Commissioner of Insurance relating to the dispute which is the subject of the application to certify the action as a class action.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

27. In June 2014, an action was filed in the Jerusalem District Court against the subsidiary Harel Insurance and against six other insurance companies ("the Defendants"), together with an application for its certification it as a class action. The subject of the action is the allegation that the Defendants set sums assured in life assurance policies that are required for mortgage loans, on the basis of information that is not based on the mortgage and interest track as determined by the lending bank, and for policy periods during which the sums are not revised in line with the outstanding amount of the mortgage. As a result, the Defendants allegedly collect sums insured that are higher than the amounts that should have been calculated according to the outstanding amount of the mortgage provided by the lending banks, and the Defendants therefore ostensibly mislead their insureds and operate in contravention of the law. The Plaintiffs estimate that the total loss claimed for all members of the Group that they wish to represent against Harel Insurance amounts to NIS 88 million, and NIS 1,182 million against all the Defendants. The court passed the application to accept the position of the Commissioner of Insurance on the questions arising from the aforesaid application.

28. In July 2014, an application for certification of a claim as a class action was filed in the Central Region District Court in Lod against Harel Pension Fund Management Ltd. and against four other pension fund management companies ("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.

29. In October 2014, 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. The subject of the action is the allegation that the Company ostensibly refunds its customers with amounts that it overcharged in their nominal values, without adding interest and linkage and/or without any additional payment for the consumer's expenses, as defined in the Consumer Protection Law, 1981. The Company therefore practices unlawful enrichment and operates contrary to the provisions of the law. The Plaintiff estimates the total loss claimed for all members of the Group that it wishes to represent to be NIS 136.5 million.

30. In November 2014, an application for certification of a claim as a class action was filed against the subsidiary Harel Insurance and Standard Insurance Ltd. and against other insurance companies and insurance agencies (together: "the Defendants") in the Central District Court in Lod. 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.

31. In December 2014, an application was filed in the Haifa District Court to certify a claim as a class action against the subsidiary Dikla and against Clalit Health Services (hereinafter together: "the Defendants"). The subject of the action is an allegation that Clalit Health Services allegedly gives Dikla the personal details of its members without their prior consent, and that Dikla uses this information to contact Clalit members to enroll them in the group long-term care insurance for members of Clalit Health Services.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

The Plaintiff argues that the Defendants therefore ostensibly operate in contravention of the Protection of Privacy Law, 1981, the Freedom of Information Law, 1998, and the Patient's Rights Law, 1996. The Plaintiff estimates the total loss claimed for all members of the Group that it wishes to represent at NIS 24 million.

32. In December 2014 an application was filed in the Tel Aviv District Court (Economic Department) to certify an action as a class action against Harel-Pia Mutual Funds Ltd. ("Harel-Pia"), against 8 other fund management companies and against 6 trust companies that served as trustees for the mutual funds (hereinafter together: "the Defendants"). The subject of the action is the allegation that before Amendment no. 14 to the Joint Investment Trust Law, 1994 ("the Investment Law") entered into force, the Defendants that are mutual fund management companies, performed transactions for the holders of participation units in the funds ("the Investors"), ostensibly without making any effort to reduce the brokerage fee that is paid by the Investors, and that the Defendant trust funds allegedly refrained from fulfilling their duty as trustee by not operating for the good of the Investors in the funds and they did not oversee the activity in the mutual funds. The Plaintiffs argue that the Defendants were therefore ostensibly in breach of their fiduciary obligation and/or the duty of caution towards the investing public, they operated contrary to the provisions of the Investment Law and statutory provisions, were in breach of a legislated obligation, practiced unjust enrichment, and acted so as to mislead and take advantage of the Investors monies. The Plaintiff estimates the total loss claimed for all members of the Group that it wishes to represent at NIS 45 million against Harel-Pia and a total of NIS 220 million against all the Defendants.

33. In March 2015, a claim was filed against the subsidiary Harel Insurance in the Rehovot Magistrates Court, together with an application for its certification as a class action. The subject of the action is the allegation that Harel Insurance ostensibly does not allow the recipients of advertising material sent by SMS to reply by SMS that they do not wish to receive any more advertising material from Harel Insurance and they must "opt out" through the Harel Insurance website. The Plaintiff argues that Harel Insurance therefore operates in contravention of the statutory provisions. The Plaintiff has made no estimate of the loss claimed for all members of the Group that it wishes to represent, but limits it to the limit of the Magistrate Court's authority, which is NIS 2.5 million. In July 2015, an agreed application was filed in the court for the Plaintiff to abandon the application for certification and to dismiss the personal claim, in which context Harel Insurance undertook that advertising material that is sends out in future by SMS will include an option to "opt out" by replying to the original message, and that the form informing insureds of the option to refuse to receive advertising material will be moved to a more accessible position on its website. Harel Insurance also agreed to pay the Plaintiff and her attorney, subject to the court's approval, compensation and attorney's fees of insignificant amounts. The application for abandonment is subject to the court's approval.

34. In March 2015, an action was filed against the subsidiary Harel Insurance in the Rishon LeZion Magistrate's Court together with an application for its recognition as a class action. The subject of the action is an allegation that Harel Insurance does not cover aesthetic disability for athletes in the personal accident policy, and this ostensibly, contrary to the provisions of the Sport Law, 1988, and the Sports (Insurance) Regulations, 1994. The Plaintiff has made no estimate of the loss claimed for all members of the Group that it wishes to represent, but limits it to the limit of the Magistrate Court's authority, which is NIS 2.5 million.

35. In April 2015, an action was filed in the Tel Aviv-Jaffa District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against Pelephone Communications Ltd. The subject of the action is the allegation that Harel Insurance allegedly practices prohibited discrimination on the basis of gender and sexual orientation between men who are not in a spousal relationship with a woman and men who are in a spousal relationship with a woman and women with respect to providing insurance cover for pregnancy and birth as part of health insurance policies. The Plaintiff estimates the total loss claimed for all members of the Group that it wishes to represent at NIS 52 million.

Note 6 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

36. In May 2015, a claim was filed in the Central Region (Lod) District Court against the subsidiary Harel Insurance and three other insurance companies (hereinafter together: The Defendants”), with an application for its certification as a class action. The subject of the action is the allegation that the Defendants ostensibly refrained from paying insurance benefits for the VAT component that applies to the cost of a repair in those instances where the damage was not actually repaired. This, ostensibly, in contravention of the provisions of the law and through unjust enrichment. The Plaintiffs estimate the total loss claimed for all members of the Group that they wish to represent in the amount of NIS 136 million against Harel Insurance, and NIS 489.5 million against all the Defendants.

37. In June 2015, a claim was filed in the Central Region District Court against the subsidiary Harel Insurance and another insurance company (“the Defendants”), together with an application for its certification as a class action. The subject of the action is the allegation that the Defendants ostensibly collect insurance premiums that include a “risk supplement” stemming from the nature of the insureds’ work, also in periods when the insureds are not working. This, ostensibly, in contravention of the provisions of the law, gaining unjust enrichment, in breach of a legislated obligation, in breach of contract, improper disclosure and deception. The Plaintiff has made no estimate of the loss claimed for all members of the Group that it wishes to represent

Actions filed after the Reporting Period

38. In July 2015, a claim was filed against the subsidiary Harel Insurance in the Central Region District Court, together with an application for its certification as a class action. The subject of the action is the allegation that Harel Insurance ostensibly compensates its insureds in the event of loss, theft or damage caused to an item of jewelry that was insured by Harel Insurance as part of a homeowners’ insurance policy, by way of providing a voucher to buy a piece of jewelry in one of the arrangement stores and/or by underpaying them for the jewelry. The Plaintiff argues that Harel Insurance is therefore in breach of the conditions of the standard homeowners’ policy, in breach of the provisions of the Supervision of Insurance Business Law, 1981 and of the provisions of the homeowners insurance policy issued and marketed by Harel Insurance. The Plaintiff has made no estimate of the loss claimed for all members of the Group that it wishes to represent.

39. In July 2015, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance (“Harel Insurance”) and against an additional insurance company (“the Defendants”). The subject of the action is the allegation that when the Defendants determine the premiums for comprehensive motor insurance, they ostensibly do not take into account the subjective, historic data about the insured vehicle which affects its value, but they do take this information into account when calculating the amount of compensation to which the insured is entitled for an entitling event based on the policy. The Defendants also do not specify the value of the vehicle in the policy as the basis for calculating the amount of the compensation when the entitling event occurs. The Plaintiffs argue that the Defendants are therefore in breach of the statutory provisions and that they harm the interest of certainty and reliance of the group’s members. The personal loss claimed by the plaintiff in relation to Harel Insurance is NIS 200 for each year in which his vehicle was insured by Harel Insurance. The Plaintiffs have not estimated the loss claimed for all members of the group they wish to represent

Note 6 - Contingent liabilities and commitments (contd.)

Summary table:

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

Type	Number of claims	Amount claimed NIS thousand
Actions certified a class action:		
Amount pertaining to the Company and/ or subsidiaries is specified	2	117,731
Claim relates to several companies and no specific amount was attributed to the Company and/ or subsidiaries	1	225,000
Claim amount is not specified	1	
Pending requests for certification of actions as class actions:		
Amount pertaining to the Company and/ or subsidiaries is specified	22	2,928,606
Claim relates to several companies and no specific amount was attributed to the Company and/ or subsidiaries	6	2,335,490
Claim amount is not specified	7	

The table does not include the claim and application for its certification as a derivative claim, as described in Section B(3) below (other contingent liabilities), and it does not specify a specific amount of a claim against the Company.

The total provision for claims filed against the Company as noted above amounts to NIS 41 million (at December 31, 2014, an amount of NIS 46 million).

Note 6 - Contingent liabilities and commitments (contd.)

B. Other contingent liabilities

1. In July 2013, an insurance claim was filed against the subsidiary Harel Insurance as part of a product liability policy, for an amount which at that time was estimated at NIS 150 million. Based on this estimate, most of the amount was covered by reinsurance. During the Reporting Period, as part of a compromise hearing between the parties, the amount of the claim was revised to NIS 293 million, of which Harel Insurance's self-retention is NIS 57 million, most of which was included as an expense in the Reporting Period. Harel Insurance has reinsurance for the balance of the amount.
2. In February 2014, a claim was filed in the Tel Aviv District Court (Economic Department) together with an application for its certification as a derivative claim against the subsidiary Harel Insurance, against four other insurance companies and against Clalit Health Services, in which the hearing was consolidated with a claim and application on the same subject that was filed in March 2014 against the subsidiary Harel Insurance, against four other insurance companies, and against Maccabi Healthcare Services (Clalit Health Services and Maccabi Healthcare Services, together - "the HMOs"). The applications to recognize the actions as derivative claims, after they were amended pursuant to a request which was accepted by the court, are the argument that the HMOs allegedly refrained from fully utilizing the right of participation available to them by virtue of the law, against the insurance companies in respect of expenses incurred as part of the supplementary health services ("SHS") in those instances where, ostensibly, the liabilities in the SHS overlap with those in the health insurance policies sold by the insurance companies, and in respect of expenses incurred by the HMOs as part of the services they render under the National Health Insurance Law, 1994 ("the Basic Basket of Services") in relation to those instances where there is such overlap between the Basic Basket of Services and the health insurance policies sold by the insurance companies. The Plaintiffs argue that most of the overlap is in respect of performing surgery (choice of surgeon and any related costs) and for medical consultations. The applications were filed after the HMOs made it clear to the Plaintiffs, subsequent to their request, that they refuse to file such an action against the insurance companies after explaining to the claimants that the action is unfounded both with respect to the provisions of the law and from other perspectives, and that as long as the present provisions of law remain unchanged, there is no place for such an action. The Plaintiffs estimate the amount of the claim against all the insurance companies being sued to be about NIS 5.2 billion. Based on the opinion of its legal advisors, the management of Harel Insurance is of the opinion that the action is more likely to be rejected than accepted and it therefore did not include provision in the financial statements for this action.The court passed the application to accept the Attorney General's position on the issues raised in the application for certification which will address the position of the Ministry of Finance, the Commissioner of Insurance and the Ministry of Health.

C. Claims that were settled during the Reporting Period

1. In March 2014, an action was filed in the Tel Aviv Regional Labor Court together with an application for its recognition as a class action against Harel Pension Fund Management Ltd. ("Harel Pensions"). The subject of the action is the allegation that the articles of the pension fund managed by Harel Pension stipulate that in order to exercise the right to receive a survivors pension, a common-law-spouse whose partner has died must conduct a legal proceeding to obtain confirmation proving his/her status in such a domestic arrangement, and this ostensibly contrary to public policy and the statutory provisions.
   On January 8, 2015, the Plaintiff filed an amended statement of claim against Manof Pension Fund Management Ltd. and against the Superintendent of the Capital Market, Insurance and Savings, replacing the application to certify the action as a class action. The amended claim requests declarative relief to instruct that the relevant clause in the pension fund's articles should be repealed and to repeal similar clauses in the articles of the pension funds, including the standard articles of the old pension funds. In its ruling on that date, the Regional Labor Court ordered a change in the categorization of the case so that it will no longer be defined as an application for certification as a class action. The hearing on the application for certification as a class action was therefore concluded.

Note 6 - Contingent liabilities and commitments (contd.)

C. Claims that were settled during the Reporting Period (contd.)

2. In October 2014, an action was filed against the subsidiary Harel Insurance in the Central District Court in Lod, together with an application for its certification as a class action. The subject of the action is the allegation that Harel Insurance ostensibly computes the insurance benefits for persons insured by policies that include cover for accidental disability, for insured events relating to a disability of the hand or foot, contrary to the natural expectation of the insureds, thus ostensibly operating in contravention of the provisions of the law. The Plaintiff asked to include the motion for certification as a class action in a previous motion to certify a class action on a similar subject (as noted in Section A (24) ("the Previous Application"). On February 23, 2015, the court instructed that the application for certification of the action as a class action against Harel Insurance should be struck out due to the fact that the previous application is broader and contains all the arguments and necessary information in this application.

3. In January 2008, an action was filed against the subsidiary Harel Insurance and four other insurance companies ("the Defendants") in the Tel Aviv District Court, together with an application for its certification as a class action. The subject of the action is a claim that the Defendants allegedly collected management fees from their policyholders on profit-sharing life assurance policies, contrary to the Supervision of Insurance Business (Conditions of Insurance Contracts) Regulations, 1981, and contrary to the circulars of the Commissioner of Insurance. The Plaintiffs claim that the Defendants collected management fees at a monthly rate higher than the permitted rate and also collected variable management fees on a monthly basis, instead of collecting them at the end of the year. On June 30, 2013, the parties filed an application to approve a compromise settlement in the class action. The parties submitted a motion to the court to approve an amended compromise settlement, following the court's comments in a hearing that took place after the State Attorney had submitted his opinion objecting to some of the elements in the compromise settlement. On March 18, 2015, the Tel Aviv-Jaffa District Court validated the amended compromise settlement as a court ruling. Pursuant to the compromise settlement, Harel Insurance will reimburse its insureds, members of the relevant group who held relevant policies (one or more) during the relevant period (all or part thereof) with fifty three percent (53%) of the difference between the methods of calculation - the difference between the accrued amount of savings actually credited to the insured in the policy and the amount that would have been accrued to that insured's credit in the policy, had Harel Insurance acted according to the Plaintiffs' method. Additionally, Harel will pay the Plaintiff and his attorney compensation and lawyers' fees of an insignificant amount.

4. In October 2013, an action was filed in the Central District Court in Lod, together with an application for its recognition as a class action, against the subsidiary Harel Insurance and against Maccabi Israel ("the Defendants"). The subject of the action is the allegation that Harel Insurance does not cover aesthetic disability in its Maccabi group personal accident policy ("the Policy"), contrary to the provisions of the Sports (Insurance) Regulations, 1994. Subsequent to the class applicant's motion to withdraw from the application for certification of the claim as a class action, on November 10, 2014, the court approved the request of the applicant's attorney to replace the class plaintiff as a result of which a claim and application for its certification as amended class actions were filed. In December 2014, the Defendants filed an application to strike out, in limine, the amended application for certification of the action as a class action. On March 19, 2015, the court accepted the application of Harel Insurance to strike out the application for certification of the action as a class action, in limine.

5. In September 2014, a motion was filed in the Tel Aviv District Court, together with an application to certify a claim as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance paid holders of its travel insurance policies, benefits for expenses that were incurred in New Israel Shekels, by an amount that is lower than the amount actually incurred. This, as a result of converting the amount to dollars and then converting it back into New Israel Shekels on different dates, and this, allegedly in contravention of the provisions of the policy and the statutory provisions. On June 30, 2015, a joint and agreed application was filed in the court for the Plaintiffs to abandon the application for certification. As part of the application for abandonment, Harel Insurance undertook to change the mechanism for payment of travel insurance claims for expenses incurred in New Israel Shekels so that there is no currency conversion for the

purpose of calculating the amount to be paid, and also to donate insignificant amounts that it had accumulated as a result of this payment mechanism in the three years preceding the filing of the claim. Furthermore, Harel Insurance agreed to pay the applicant and his attorney compensation and lawyers' fees of insignificant amounts. On June 30, 2015, the Tel Aviv District court approved the joint and agreed application for the Plaintiffs to abandon the application for certification.

D. Claims that were settled after the Reporting Period

In August 2012, a claim was filed in the Petach Tikva District Court together with an application for its certification as a class action against the subsidiary Harel Insurance and against four other insurance companies ("the Defendants"). The subject of the action is the allegation that the Defendants collect management fees from the total amount of the premium deposited by their policyholders in life assurance policies with a savings component, issued since the beginning of 2004, which are designed for both self-employed and salaried employees (hereinafter respectively: "management fees" and "the policies"), and this ostensibly in contravention of the provisions of the Supervision of Financial Services (Insurance) (Conditions of Insurance Contracts) 1981, ("the Regulations"). Additionally, the Plaintiffs argued that the Commissioner of Insurance exceeded his powers by allowing the Defendants to collect management fees in a manner that ostensibly differs from that prescribed in the Regulations and that any permission given by the Commissioner of Insurance to collect management fees in a manner which deviates from the Regulations is invalid and contrary to the statutory provisions. According to the Plaintiffs, the collection of any management fees from the premium is invalid and they must be returned to the policyholders. Alternatively, the maximum management fees which may be collected are 2% of the value of the investment portfolio ("management fees from the accrual") and any management fees in excess of this rate must be returned to the policyholders. Alternatively, the Plaintiffs argue that even if the collection of management fees from the premium is permissible, that part of the management fees from the premium which was collected in respect of the amount which is not directed to savings, must be returned to the policyholders. On June 29, 2015, a joint and agreed application was filed in the court for the Plaintiffs to abandon the application for certification and to strike out their personal claim. On July 2, 2015, the Central Region District Court approved the Plaintiff's' application to abandon the application for certification, and it instructed that the application for certification and the personal claim should both be struck out.

E. Other liabilities that were settled after the Reporting Period

In June 2004, a claim was filed in the Tel Aviv District Court together with an application for its certification as a derivative claim against the subsidiary Yedidim Holdings and Management (1984) Ltd. ("Yedidim"), the former chairman and CEO of Yedidim, and against another subsidiary, Harel Pension Fund Management Services (1987) Ltd., which is the controlling shareholder of Yedidim, by the minority shareholders of Leatid Pension Fund Management Services Ltd., a subsidiary of Yedidim ("LeAtid"), in the amount of NIS 15,605,000. The subject of the claim is compensation of Atidit Pension Fund Ltd. ("Atidit"), a pension fund managed by LeAtid, for the use of various resources of Atidit, such as: use of the operating services and goodwill, use of Atidit's proprietary rights, for taking over an ongoing pension fund and loss of profits. The plaintiffs also claim royalties in the amount of NIS 3,177,000 as part of their personal claim. On July 29, 2010, after investigations had been conducted and written summaries had been submitted as part of the application to certify the derivative claim, the Court accepted the application and granted the claimants the option of suing the defendants in LeAtid's name in respect of rights which they claim LeAtid is entitled to. On August 24, 2015, the court dismissed the plaintiffs' arguments in the matter of the derivative claim and it ruled that they are precluded from making any claim regarding rights stemming from the establishment of the new pension fund and that LeAtid is not entitled to compensation for the use of Atidit's resources for the purpose of setting up the new fund. The court accepted the plaintiffs' personal claim for royalties. To calculate the amount of the plaintiffs' right to royalties for the past, and the interest in respect of these royalties, the court appointed an auditor and also determined that LeAtid must pay the plaintiffs immediately, for the past, an undisputed amount of NIS 4.1 million on account of the royalties, plus interest. The court also ruled that the plaintiffs are entitled to compensation for attending board meetings as well as legal expenses and attorneys' fees of insignificant amounts.

Note 7 - Capital requirements and capital management

1. Following is information about the required and existing capital of the subsidiaries which are insurance companies according to Supervision of Insurance Business (Minimum Capital Required of an Insurer) Regulations, 1998 ("the Capital Regulations") and the Supervisor's directives:

	As at June 30, 2015			As at December 31, 2014		
	Harel Insurance	EMI	Dikla	Harel Insurance	EMI	Dikla
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Amount required according to regulations and Commissioner's directives (A)	**5,494,237**	**112,933**	**545,850**	5,240,766	127,770	498,368
Present amount calculated in accordance with the Capital Regulations:						
Tier-1 capital						
Basic tier-1 capital	**3,909,795**	**455,449**	**628,421**	3,780,737	471,918	591,975
Hybrid tier-1 capital	**350,530**	**-**	**-**	350,813	-	-
Total tier-1 capital	**4,260,325**	**455,449**	**628,421**	4,131,550	471,918	591,975
Tier-2 capital						
Subordinated tier-2 capital (B)	**201,221**	**-**	**-**	501,192	-	-
Hybrid tier-2 capital (C)	**1,221,945**	**-**	**99,886**	939,355	-	99,871
Total tier-2 capital	**1,423,166**	**-**	**99,886**	1,440,547	-	99,871
Hybrid tier-3 capital	**749,125**	**-**	**-**	753,816	-	-
	2,172,291	**-**	**99,886**	2,194,363	-	99,871
Total existing equity calculated in accordance with the Capital Regulations	**6,432,616**	**455,449**	**728,307**	6,325,913	471,918	691,846
Surplus at report date	**938,379**	**342,516**	**182,457**	1,085,147	344,148	193,478
Events after the balance sheet date						
Obsolescence of tier-2 capital	**-**	**-**	**-**	(71,325)	-	-
Replacement of Series 1	**-**	**-**	**-**	(202,150)	-	-
Issue of hybrid tier-2 capital after balance sheet date	**-**	**-**	**-**	283,264	-	-
Dividend distribution	**-**	**(15,000)**	**-**	(100,000)	(25,000)	-
Total events after the report date	**-**	**(15,000)**	**-**	(90,211)	(25,000)	-
Amount retained taking into account events after the balance sheet date	**938,379**	**327,516**	**182,457**	994,936	319,148	193,478

Note 7 - Capital requirements and capital management (contd.)

a. The amount required including, inter alia, capital requirements in respect of:

	As at June 30, 2015			As at December 31, 2014		
	Harel Insurance	EMI	Dikla	Harel Insurance	EMI	Dikla
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Activity in non-life insurance	**665,156**	**112,933**	**89,736**	653,248	127,770	90,185
Activity in long-term care insurance [LTC]	**87,547**	**-**	**219,784**	83,950	-	194,196
Capital requirements for yield-guaranteed plans	**45,087**	**-**	**-**	47,726	-	-
Investment assets and other assets (D)	**1,309,246**	**-**	**46,183**	1,205,688	-	37,117
Catastrophe risks in non-life insurance	**76,587**	**-**	**-**	79,439	-	-
Operating risks	**304,846**	**-**	**49,869**	299,951	-	47,039
Deferred acquisition costs in life assurance and insurance against illness and hospitalization	**1,314,175**	**-**	**129,982**	1,251,448	-	122,318
Investment in consolidated management companies, insurers and Taurus	**1,279,628**	**-**	**-**	1,218,426	-	-
Extraordinary risks in life assurance (E)	**351,323**	**-**	**9,668**	338,531	-	6,844
Unrecognized assets as defined in the Capital Regulations (F)	**60,642**	**-**	**628**	62,359	-	669
	5,494,237	**112,933**	**545,850**	5,240,766	127,770	498,368
Relief in capital requirements for cost of acquiring provident funds *	**201,132**	**-**	**-**	203,827	-	-

* The supplement, which is included in the calculation for capital required of Harel Insurance on account of the balance of the original difference attributed to the management companies and provident funds, for the purpose of a dividend distribution, amounts to NIS 114 million at June 30, 2015.

b. Including subordinated promissory notes in the amount of NIS 311,892 thousand that were issued until December 31, 2006 and constitute subordinated tier-2 capital.

c. On the issuance of bonds, the proceeds of which serves as hybrid tier-2 capital for the Company, see Note 8.

d. A capital requirement for assets with a total value of NIS 1,116 million in Harel Insurance and NIS 64 million in Dikla, which were rated in an internal rating, was determined in accordance with the capital requirement which is consistent with their defined rating level based on the internal rating plus 50% of the difference in the capital requirement between the aforesaid rating and the capital requirement for unrated assets. The additional capital requirement for these assets amounts to NIS 64 million in Harel Insurance and NIS 3.7 million in Dikla.

e. A capital requirement at a rate of 0.17% of the amount at risk in the self-retention, but no less than the requirement on the date of the transfer. The capital requirement for Harel Insurance is for an amount of no less than NIS 190 million.

f. Including an unrecognized asset of a negligible amount for a passive deviation from the investment regulations.

2. For information about the undertaking by Harel Investments to supplement the required equity of the subsidiaries that are financial institutions (insurers, provident fund management companies and pension fund management companies), see Note 8 to the annual financial statements. At the date of the financial statements, the Group's financial institutions are in compliance with the capital requirements that apply to them.

Note 7 - Capital requirements and capital management (contd.)

3. In March 2012, the ISA published draft Joint Investment Trust (Backing Account) Regulations, 2012 (“Backing Account Regulations”), which regulate the amount that an ETN manager is required to deposit in a backing account as a cushion to meet its obligations to the holders of the ETNs, according to the actual risk components of the ETN manager and based on the definitions prescribed in the Backing Account Regulations. The Backing Account Regulations are expected to be approved and enter into force together with the amended to legislation initiated by the ISA to regulate the ETN market, as part of the Joint Investment Trust Law, 1994. At this stage, it is impossible to estimate when the legislative amendment and the Backing Account Regulations will be completed and enter into force.

   At the publication date of the financial statements, the ETN issuing companies (Harel Sal Ltd. and Harel Sal Currencies Ltd.) are in compliance with the above-mentioned draft Backing Account Regulations.

4. Harel Investments provided a credit facility to Harel Financial Products in the amount of NIS 25 million, with the purpose of supporting the capital requirements of Harel Sal. The need to increase the equity of Harel Sal is due to the increase in the scope of its operations and to ISA instructions concerning a backing account. At the date of the financial statements, Harel Sal has not utilized the credit facility provided by Harel Investments

5. Subsidiaries which manage mutual funds and investment portfolios are obligated to hold minimum equity in accordance with the directives of the Israel Securities Authority. The companies work continuously to comply with this requirement. At June 30, 2015, the subsidiaries are in compliance with these requirements.

6. On March 18, 2015, the Board of Directors of Harel Insurance approved the distribution of a cash dividend in the amount of NIS 100 million, on the "green track" (distribution which does not require prior approval from the Commissioner, based on the Commissioner's instructions on the distribution of dividends by an insurer). The Board of Directors' decision was made after taking into account the financial results of Harel Insurance at December 31, 2014, presenting the distributable surplus of Harel Insurance at December 31, 2014, and examining the capital surplus and capital requirements of Harel Insurance as consistent with its equity management policy. The dividend was paid on March 29, 2015.

7. On August 16, 2015, the Board of Directors of EMI approved the distribution of a dividend in the amount of NIS 15 million, on the "green track" (distribution which does not require prior approval from the Commissioner, in accordance with the Commissioner's instructions concerning the distribution of dividends by insurers). The Board of Directors reached its decision after taking into account the financial results of EMI at June 30, 2015; the distributable surplus of EMI at June 30, 2015 was presented, and the capital surpluses and equity requirements of EMI were reviewed, based on the equity management policy of EMI. 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. Subsequent to this review, the Board of Directors confirmed that the Company was in compliance with the distribution test. The dividend was paid on August 18, 2015.

8. On May 17, 2015, the Board of Directors of EMI approved the distribution of a dividend in the amount of NIS 15 million, on the "green track" (distribution which does not require prior approval from the Commissioner, in accordance with the Commissioner's instructions concerning the distribution of dividends by insurers). The Board of Directors reached its decision after taking into account the financial results of EMI as at March 31, 2015; the distributable surplus of EMI as at March 31, 2015 was presented, and the capital surpluses and equity requirements of EMI were tested, based on the equity management policy of EMI. The dividend was paid on May 25, 2015

9. On March 15, 2015, the Board of Directors of EMI approved the distribution of a dividend in the amount of NIS 25 million, on the "green track" (distribution which does not require prior approval from the Commissioner, in accordance with the Commissioner's instructions concerning the distribution of dividends by an insurer). The Board of Directors reached its decision after taking into account the financial results of EMI as at December 31, 2014; the distributable surplus of EMI as at December 31, 2014 was presented, and the capital surpluses and equity requirements of EMI were tested, based on the equity management policy of EMI. The dividend was paid on March 26, 2015.

Note 7 - Capital requirements and capital management (contd.)

10. To enable Turk Nippon to comply with the capital regulations as an insurer operating in Turkey, on April 26, 2015 the Company's Board of Directors approved a capital injection of about NIS 13 million for 2015.
11. Information about the progress made for implementing Solvency II

    On April 19, 2015, the Commissioner's office published an instruction for performing an exercise for 2014 (IQIS4) which is based on the revised guidelines from Europe with adjustments to the Israeli market. The results of the exercise will be reported to the Commissioner by the end of August 2015, based on the instruction. In a letter accompanying the instructions, the Finance Ministry stated that the exercise reflects the Commissioner's decision with respect to the required adjustments for the Israeli market, and they will be expressed in the new instructions. Furthermore, the letter stated that in preparation for an additional exercise (IQIS5), to be held at a later date, the Commissioner's office will add and monitor developments in the European instructions, insofar as there are any, and will discuss the adjustments required for Israel.

    In July 2015, the Commissioner published a letter to insurance company executives concerning transition provisions for the implementation of Solvency II. The provisions are based on the Directive which allows an adjustment period during which the insurers may work to cover any capital shortfall, from January 1, 2017, the initial date of application, through December 31, 2018. Furthermore, the transition provisions prescribe a rescheduling of some of the capital requirements for holding shares over a period of seven years from the initial date of application.

    These directives, insofar as they are formulated as final instructions, are expected to affect the capital surpluses required for computing the capital requirements of the Group's financial institutions. The Group's insurance companies will review the effects based on the present exercise and will prepare a corresponding plan of action. The Company continues to make the necessary preparations for the second pillar of the Directive, which focuses on upgrading the risk management system, controls and corporate governance.

    According to the results of the IQIS4 exercise on a consolidated basis and taking into account the aforementioned transition provisions, Harel Insurance has an insignificant capital shortfall; Dikla, ICIC and EMI have capital surpluses based on the results of the aforesaid exercise.

    It should be emphasized that the model in its current format is extremely sensitive to changes in market and other variables, so that the capital requirements emerging from the model may be different on the actual date of application.
12. It should be noted that the application of the new capital requirements is subject to a change of the Supervision of Financial Services (Insurance) (Minimum Equity Required of an Insurer) Regulations, 1998. On the replacement of some of the Series 1 promissory notes that were issued by Harel Insurance, Finance and Share Issues, see Note 8.
13. On the issuance of bonds to the public, see Note 12.

Note 8 - Financial liabilities

A. Information about financial liabilities

	As at June 30		As at December 31	As at June 30		As at December 31
	(Unaudited)		(Audited)	(Unaudited)		(Audited)
	Book value			Fair value		
	2015	2014	2014	2015	2014	2014
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Financial liabilities presented at amortized cost						
Loans from banks (1)	**520,908**	341,725	557,163	**518,897**	341,725	557,163
Loans from non-bank corporations (1)	**94,315**	98,013	98,141	**96,020**	100,141	97,914
Loans from interested parties (1)	**23,852**	930	948	**23,852**	930	948
Short-term credit from banks and other corporations	**26,341**	27,436	33,649	**26,341**	27,436	33,649
Subordinated promissory notes (2)	**2,374,728**	2,478,207	2,406,280	**2,613,531**	2,775,075	2,679,536
	3,040,144	2,946,311	3,096,181	**3,278,641**	3,245,307	3,369,210
Financial liabilities stated at fair value through profit or loss						
Loans from banks (3)	**467,257**	85,838	238,862	**467,257**	85,838	238,862
Derivatives (4)	**727,530**	355,348	1,085,851	**727,530**	355,348	1,085,851
Short selling	**13,227**	73,655	54,872	**13,227**	73,655	54,872
	1,208,014	514,841	1,379,585	**1,208,014**	514,841	1,379,585
Total financial liabilities	**4,248,158**	3,461,152	4,475,766	**4,486,655**	3,760,148	4,748,795
Subordinated promissory notes that constitute tier-2 and tier-3 capital	**2,272,177**	2,292,930	2,294,234			

(1) Most of the loans are for short periods or with variable interest so that their fair value is close to their book value.

(2) The fair value of marketable promissory notes was calculated according to the price on the stock exchange at June 30, 2015, June 30, 2014 and December 31, 2014. The average annual linked interest rates used to determine the fair value of the non-marketable promissory notes is 1.74%, 1.5% and 1.5% at June 30, 2015, June 30, 2014 and December 31, 2014, respectively.

(3) Harel Financial Products has arbitrage activity that is performed as part of the ETNs assets. This activity includes the acquisition of contracts in lieu of the sale of underlying assets as well as the acquisition of underlying assets and the sale of contracts on these assets. Acquisition of the underlying assets is financed with bank credit. Harel Financial Products' policy with respect to this arbitrage is to fully hedge the transactions in a manner that does not create exposure to the underlying assets. At June, 2015 the outstanding financial liability for this activity was NIS 386 million.

(4) Derivative financial instruments held against insurance liabilities as part of the Group's asset liability management policy ("ALM"). Of the above, NIS 454 million as at June 31, 2015, NIS 267 million as at June 31, 2014, and NIS 624 million as at December 31, 2014, are included in the non- yield dependent liabilities, and the balance is included in the Group's yield-dependent liabilities. Most of the amount stems from the management of exposure to foreign currency and the CPI by means of derivatives. 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 their derivative activity. Furthermore, the Group's financial institutions deposited NIS 375 million as collateral to cover the liabilities arising from this activity.

Note 8 - Financial liabilities (contd.)

B. Fair value hierarchy of financial liabilities presented at fair value via profit or loss

The table below analyses financial liabilities carried at fair value. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical instruments

Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: inputs that are not based on observable market data (unobservable inputs).

	As at June 30, 2015 (unaudited)		
	Level 1	Level 2	Total
	NIS thousand	NIS thousand	NIS thousand
Loans from banks	-	467,257	467,257
Derivatives	40,110	687,420	727,530
Short selling	13,227	-	13,227
Total financial liabilities stated at fair value through profit or loss	53,337	1,154,677	1,208,014

	As at June 30, 2014 (unaudited)		
	Level 1	Level 2	Total
	NIS thousand	NIS thousand	NIS thousand
Loans from banks	-	85,838	85,838
Derivatives	13,613	341,735	355,348
Short selling	73,655	-	73,655
Total financial liabilities stated at fair value through profit or loss	87,268	427,573	514,841

	As at December 31, 2014 (audited)		
	Level 1	Level 2	Total
	NIS thousand	NIS thousand	NIS thousand
Loans from banks	-	238,862	238,862
Derivatives	19,948	1,065,903	1,085,851
Short selling	54,872	-	54,872
Total financial liabilities stated at fair value through profit or loss	74,820	1,304,765	1,379,585

Note 8 - Financial liabilities (contd.)

C. Additional information

1. Pursuant to that stated in Note 25(G)(3) in the Company's 2014 annual financial statements, on March 11, 2015, the board of directors of a subsidiary approved an additional partial early repayment of the capital note to Harel Investments, in the amount of NIS 5 million, in parallel to an identical early repayment to the bank. This partial repayment was made on March 15, 2015. On May 25, 2015, the subsidiary repaid the bank an additional amount of NIS 3 million and an identical amount of the capital note to the Company. On August 13, 2015, the subsidiary repaid a bank an additional amount of NIS 5 million and an identical amount of the capital note to the Company.

2. Shelf offering report

   On December 23, 2014, a shelf offering report of Harel Share Issues was published, which was amended on January 4, 2015. Within the context of the shelf offering report, Harel Share Issues contacted the holders of Series 1 bonds of Harel Share Issues with an exchange purchase offer in return for Series 9 bonds and Series 10 bonds of Harel Share Issues.

3. Financial covenants

   For information in connection with the financial covenants for significant loans from banks and non-bank corporations which the Company and its subsidiaries took, see Note 25 to the annual financial statements. At June 30, 2015 the Company and its subsidiaries are in compliance with the financial covenants which were determined.

4. Replacement of Series 1 promissory notes

   On January 7, 2015, some of the Series 1 promissory notes that were issued in 2006 ("Promissory Notes") by Harel Insurance, Financing and Issuances, a wholly owned subsidiary of Insurance, were replaced with two new series of marketable promissory notes, Series 9 and 10. In December 2014, these series received a rating of 'ilAA-' from Standard & Poor's Maalot ("Maalot") in the total amount of up to NIS 700 million par value, and after receiving the Commissioner's approval that the proceeds of the issuance could be used as hybrid tier-2 capital by Harel Insurance.

   The promissory notes were replaced by way of an exchange purchase offer based on a shelf proposal report of Harel Share Issues dated December 23, 2014, which was amended on January 4, 2015, and by virtue of a shelf prospectus of Harel Share Issues dated February 11, 2014 as amended on December 22, 2014.

   As part of this replacement, a total of NIS 236,308 thousand par value Series 1 bonds was replaced, accounting for 57.1% of the total Series 1 bonds in circulation, by a total of NIS 170,142 thousand par value Series 9 bonds and NIS 170,142 thousand par value Series 10 bonds. The new series will serve as hybrid tier-2 capital for Harel Insurance.

   Series 9: CPI-linked bearing a fixed interest of 2.4%. The interest will be paid in semi-annual installments. The principal will be paid on December 31, 2028, which is the final maturity date for the series.

   Series 10: CPI-linked bearing a fixed rate of interest of 2.4%. The interest will be paid in semi-annual installments. The principal will be paid on December 31, 2029, which is the final maturity date for the series.

Note 8 - Financial liabilities (contd.)

A. Additional information (contd.)

The replacement ratio determined is: for each NIS 1 par value Series 1 bonds, the Company issued NIS 0.72 par value Series 9 bonds and NI 0.72 par value Series 10 bonds. The bonds include a condition whereby three years before the final maturity date of each series, the Company may perform early redemption of the series, or part thereof. The right may be exercised subject to obtaining the Commissioner's approval. Furthermore, the Company is entitled to perform early redemption of the bonds, without giving the holders of the bonds or the trustee the right to choose, fifteen years after their date of issue, as specified in the terms of the prospectus.

The replacement described above was accounted for as a swap of debt instruments whose conditions are not significantly different, and there was therefore no effect on profit or loss The effective interest for Harel Insurance for the Series 9 and 10 promissory notes yield is 4.364% and 4.221% respectively.

5. Maalot Rating

In January 2015, S&P Maalot announced affirmation of the FSR (Financial Strength Rating) 'ilAA+/Stable' for the subsidiary Harel Insurance. Furthermore, the 'ilAA-' rating for tier-2 and tier-3 capital issued by Harel Share Issues as part of the Series 2-10 bonds was affirmed, and the 'ilAA' rating of the Series 1 (non-marketable) bonds of Harel Insurance and of the Series 1 promissory notes of Harel Share Issues, a wholly owned subsidiary of Harel Insurance, was affirmed. The rating outlook remained stable.

6. As part of the OTC transaction a subsidiary issued to a third party, in several transactions, non-marketable reverse debt certificates on certain shares. The value of the transaction in terms of the underlying asset is negligible. The transactions are to be completed one year from their execution date.

Note 9 - Investment property for yield-dependent contracts

A. Fair value compared with book value

Assets held against liabilities for yield-dependent insurance contracts presented in accordance with the provisions of Circular 2009-9-2 at amortized cost, and non-marketable assets held against a yield-dependent group long-term care portfolio that were classified to loans and receivables and are presented at amortized cost. The book value of these assets at June 30, 2015, is NIS 492,451 thousand (at June 30, 2014 and December 31, 2014 - NIS 416,394 thousand and NIS 432,357 respectively), while their fair value at June 30, 2015 is NIS 529,846 thousand (at June 30, 2014 and December 31, 2014 - NIS 461,698 thousand and NIS 470,727 thousand respectively).

Note 9 - Investment property for yield-dependent contracts (contd.)

B. Fair value hierarchy of financial assets

The table below presents an analysis of the assets held against insurance contracts and investment contracts carried at fair value by way of profit or loss. For further information regarding the different hierarchies, see Note 8B above.

	As at June 30, 2015 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets	17,145,538	9,141	5,276	17,159,955
Non-marketable debt assets	-	5,054,808	187,723	5,242,531
Shares	5,201,651	-	1,257,632	6,459,283
Other	4,296,164	404,409	2,245,756	6,946,329
Total	26,643,353	5,468,358	3,696,387	35,808,098

	As at June 30, 2014 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets	15,295,258	9,607	-	15,304,865
Non-marketable debt assets	-	4,707,999	120,229	4,828,228
Shares	4,210,000	-	635,555	4,845,555
Other	4,289,769	151,445	1,711,871	6,153,085
Total	23,795,027	4,869,051	2,467,655	31,131,733

	As at December 31, 2014 (audited)			
	Level 1	Level 2	Level 3	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets	16,584,929	2,582	5,332	16,592,843
Non-marketable debt assets	-	4,555,021	125,567	4,680,588
Shares	4,396,709	-	890,301	5,287,010
Other	4,502,812	179,398	1,965,032	6,647,242
Total	25,484,450	4,737,001	2,986,232	33,207,683

Note 9 - investment property for yield-dependent contracts (contd.)

C. Level 3 assets measured at fair value

For the six and three-month periods ended June 30, 2015

	Fair-value measurement on reporting date			
	Financial assets at fair value through profit or loss			
	Debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at January 1, 2015	130,899	890,301	1,965,032	2,986,232
Total profits (losses) that were recognized:				
In profit and loss	7,076	29,135	54,324	90,535
Interest and dividend receipts	(4,113)	(44,480)	(71,336)	(119,929)
Purchases	69,428	328,326	501,077	898,831
Sales	(82)	(25,680)	(108,637)	(134,399)
Redemptions	(14,540)	(12,260)	(2,414)	(29,214)
Transfers to Level 3 *	5,969	-	-	5,969
Transfers from Level 3 **	(1,638)	-	-	(1,638)
Classification of balances	-	92,290	(92,290)	-
Balance as at June 30, 2015	192,999	1,257,632	2,245,756	3,696,387
Total profit (loss) for Six-month period ended June 30, 2015 included in profit and loss for held assets	6,115	27,763	59,065	92,943

	Fair-value measurement on reporting date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at April 1, 2015	165,341	1,266,462	2,230,207	3,662,010
Total profits (losses) that were recognized:				
In profit and loss	(2,167)	14,954	(30,558)	(17,771)
Interest and dividend receipts	(2,363)	(20,425)	(25,099)	(47,887)
Purchases	44,539	8,332	142,100	194,971
Sales	(82)	(26)	(68,480)	(68,588)
Redemptions	(11,267)	(11,665)	(2,414)	(25,346)
Transfers to Level 3 *	636	-	-	636
Transfers from Level 3 **	(1,638)	-	-	(1,638)
Balance as at June 30, 2015	192,999	1,257,632	2,245,756	3,696,387
Total profit (loss) for Three-month period ended June 30, 2015 included in profit and loss for held assets	(3,128)	13,681	(30,480)	(19,927)

* For securities whose rating changed.
** For securities whose marketability changed.

Note 9 - investment property for yield-dependent contracts (contd.)

C. Level 3 assets measured at fair value (contd.)

For the six and three-month periods ended June 30, 2014

	Fair-value measurement on reporting date			
	Financial assets at fair value through profit or loss			
	Debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at January 1, 2014	100,922	618,689	1,433,444	2,153,055
Total profits (losses) that were recognized:				
In profit and loss	7,182	16,449	85,379	109,010
Interest and dividend receipts	(4,403)	(9,206)	(32,377)	(45,986)
Purchases	36,714	45,049	305,719	387,482
Sales	(67)	(6)	(74,065)	(74,138)
Redemptions	(6,530)	(13,196)	(6,229)	(25,955)
Transfers to Level 3	42	-	-	42
Transfers from Level 3 *	(13,631)	(22,224)	-	(35,855)
Balance as at June 30, 2014	120,229	635,555	1,711,871	2,467,655
Total profit (loss) for Six-month period ended June 30, 2014 included in profit and loss for held assets	7,182	13,472	86,892	107,546

	Fair-value measurement on reporting date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at April 1, 2014	116,819	609,246	1,644,572	2,370,637
Total profits (losses) that were recognized:				
In profit and loss	(720)	1,397	9,725	10,402
Interest and dividend receipts	(2,877)	(5,477)	(16,237)	(24,591)
Purchases	27,009	42,530	113,475	183,014
Sales	(20)	-	(33,514)	(33,534)
Redemptions	(6,393)	(12,141)	(6,150)	(24,684)
Transfers to Level 3	42	-	-	42
Transfers from Level 3 *	(13,631)	-	-	(13,631)
Balance as at June 30, 2014	120,229	635,555	1,711,871	2,467,655
Total profit (loss) for Three-month period ended June 30, 2014 included in profit and loss for held assets	2,141	1,397	11,398	14,936

* Mainly for securities that were issued for trade on the stock exchange.

Note 9 - investment property for yield-dependent contracts (contd.)

C. Level 3 assets measured at fair value (contd.)

For the year ended December 31, 2014

	Fair-value measurement on reporting date			
	Financial assets at fair value through profit or loss			
	Debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at January 1, 2014	100,922	618,689	1,433,444	2,153,055
Total profits (losses) that were recognized:				
In profit and loss	31,226	125,332	235,793	392,351
Interest and dividend receipts	(8,546)	(31,764)	(75,935)	(116,245)
Purchases	51,049	248,115	564,531	863,695
Sales	(20,118)	(33,141)	(185,196)	(238,455)
Redemptions	(23,422)	(14,706)	(7,605)	(45,733)
Transfers to Level 3 *	13,450	-	-	13,450
Transfers from Level 3 **	(13,662)	(22,224)	-	(35,886)
Balance as at December 31, 2014	130,899	890,301	1,965,032	2,986,232
Total profit for year included in profit and loss for assets held correct to December 31, 2014	8,660	130,483	232,344	371,487

* Mainly for securities whose marketability changed or their price was determined by means of an individual quote.

** Mainly for securities that were issued for trade on the stock exchange.

D. Information about fair value measurements at Level 2 and 3

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 financial 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 according to the 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* which operates a database of price quotes and interest rates for financial institutions for revaluation of non-marketable debt assets.

Note 10 - Other financial investments

A. Fair value compared with book value

	As at June 30, 2015 (unaudited)				
	Revalued at fair value through profit and loss	Available-for-sale	Held to maturity (*)	Loans and receivables	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets (1)	**703,957**	**6,942,775**	**325,641**	**-**	**7,972,373**
Non-marketable debt assets (2)	**326**	**-**	**-**	**10,491,491**	**10,491,817**
Shares (3)	**561**	**737,793**	**-**	**-**	**738,354**
Other (4)	**322,670**	**1,874,251**	**-**	**-**	**2,196,921**
Total	**1,027,514**	**9,554,819**	**325,641**	**10,491,491**	**21,399,465**

	As at June 30, 2014 (unaudited)				
	Revalued at fair value through profit and loss	Available-for-sale	Held to maturity (*)	Loans and receivables	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets (1)	1,115,773	7,240,406	360,885	-	8,717,064
Non-marketable debt assets (2)	782	-	-	9,702,880	9,703,662
Shares (3)	3,642	677,777	-	-	681,419
Other (4)	298,978	1,804,703	-	-	2,103,681
Total	1,419,175	9,722,886	360,885	9,702,880	21,205,826

	As at December 31, 2014 (audited)				
	Revalued at fair value through profit and loss	Available-for-sale	Held to maturity (*)	Loans and receivables	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets (1)	918,950	7,323,982	340,306	-	8,583,238
Non-marketable debt assets (2)	776	-	-	9,957,215	9,957,991
Shares (3)	116	673,791	-	-	673,907
Other (4)	300,575	1,976,472	-	-	2,277,047
Total	1,220,417	9,974,245	340,306	9,957,215	21,492,183

* Assets held to maturity are presented at amortized cost. The fair value of these assets at June 30, 2015, June 30, 2014 and December 31, 2014 is NIS 344,235, NIS 386,035, and NIS 360,775 thousand respectively.

Note 10 - Other financial investments (contd.)

A. Fair value compared with book value (contd.)

(1) Marketable debt assets

	Book value as at June 30		Book value as at December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand
Government bonds			
Presented at fair value through profit or loss designated upon initial recognition	**186,099**	489,118	347,459
Available-for-sale	**2,300,537**	3,247,024	3,103,301
Total government bonds	**2,486,636**	3,736,142	3,450,760
Other non-convertible debt assets			
Presented at fair value through profit or loss designated upon initial recognition	**511,306**	614,380	562,865
Held to maturity	**325,641**	360,885	340,306
Available-for-sale	**4,642,238**	3,993,382	4,220,681
Total other non-convertible debt assets	**5,479,185**	4,968,647	5,123,852
Convertible			
Presented at fair value through profit or loss designated upon initial recognition	**6,552**	12,275	8,626
Total other convertible debt assets	**6,552**	12,275	8,626
Total marketable debt assets	**7,972,373**	8,717,064	8,583,238
Outstanding impairments recognized in profit or loss for debt assets presented as available-for-sale	**2,464**	1,836	2,828

Note 10 - Other financial investments (contd.)

A. Fair value compared with book value (contd.)

(2) Non- marketable debt assets

	As at June 30		As at December 31	As at June 30		As at December 31
	(Unaudited)		(Audited)	(Unaudited)		(Audited)
	Book value			Fair value		
	2015	2014	2014	2015	2014	2014
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Government bonds						
Accounted for as loans and receivables:						
Earmarked bonds	**4,630,046**	4,396,453	4,501,247	**5,923,893**	5,289,661	5,784,022
Total government bonds	**4,630,046**	4,396,453	4,501,247	**5,923,893**	5,289,661	5,784,022
Other non-convertible debt assets						
Accounted for as loans and receivables, excluding bank deposits	**4,935,317**	4,598,391	4,689,230	**5,511,691**	5,230,162	5,319,043
Bank deposits	**926,128**	708,036	766,738	**1,015,480**	815,484	864,590
Total other non-convertible debt assets	**5,861,445**	5,306,427	5,455,968	**6,527,171**	6,045,646	6,183,633
Other convertible debt assets						
Presented at fair value through profit or loss designated upon initial recognition	**326**	782	776	**326**	782	776
Total other convertible debt assets	**326**	782	776	**326**	782	776
Total non-marketable debt assets	**10,491,817**	9,703,662	9,957,991	**12,451,390**	11,336,089	11,968,431
Outstanding impairments recognized in profit or loss	**7,490**	59,134	8,987			

Note 10 - Other financial investments (contd.)

A. Fair value compared with book value (contd.)

(3) Shares

	Book value as at June 30		As at December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand
Marketable			
Presented at fair value through profit or loss designated upon initial recognition	**561**	3,642	116
Available-for-sale	**657,441**	568,903	557,838
Total marketable shares	**658,002**	572,545	557,954
Non-marketable			
Available-for-sale	**80,352**	108,874	115,953
Total non-marketable shares	**80,352**	108,874	115,953
Total	**738,354**	681,419	673,907
Outstanding impairments recognized in profit or loss	**41,312**	55,555	48,944

(4) Other Financial Investments

	Book value as at June 30		As at December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand
Marketable			
Presented at fair value through profit or loss designated upon initial recognition	**5,118**	153,131	126,172
Available-for-sale	**862,206**	1,059,007	982,398
Derivative financial instruments	**759**	3,819	12,690
Total marketable financial investments	**868,083**	1,215,957	1,121,260
Non-marketable			
Presented at fair value through profit or loss designated upon initial recognition	**129,098**	70,560	72,265
Available-for-sale	**1,012,045**	745,696	994,074
Derivative financial instruments	**187,695**	71,468	89,448
Total non-marketable financial investments	**1,328,838**	887,724	1,155,787
Total other financial investments	**2,196,921**	2,103,681	2,277,047
Outstanding impairments for other financial investments presented as available-for-sale	**74,308**	79,578	70,943
Derivative financial instruments presented in financial liabilities	**453,875**	267,255	623,802

Note 10 - Other financial investments (contd.)

B. Fair value hierarchy of financial assets

The table below presents an analysis of financial assets measured at fair value on a seasonal basis, while using the evaluation method based on the fair value hierarchy. For a definition of the different levels, see Note 8B.

The balance in the financial statements for cash and cash equivalents, outstanding premiums, trade and other payables, and current tax assets, correspond with or are close to their fair values.

	As at June 30, 2015 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets	7,641,748	4,984	-	7,646,732
Non-marketable debt assets	-	-	326	326
Shares	658,002	-	80,352	738,354
Other	868,083	187,695	1,141,143	2,196,921
Total	9,167,833	192,679	1,221,821	10,582,333

	As at June 30, 2014 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets	8,352,681	3,498	-	8,356,179
Non-marketable debt assets	-	-	782	782
Shares	572,545	-	108,874	681,419
Other	1,215,958	71,467	816,256	2,103,681
Total	10,141,184	74,965	925,912	11,142,061

	As at December 31, 2014 (audited)			
	Level 1	Level 2	Level 3	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets	8,242,932	-	-	8,242,932
Non-marketable debt assets	-	-	776	776
Shares	557,953	-	115,954	673,907
Other	1,121,260	89,448	1,066,339	2,277,047
Total	9,922,145	89,448	1,183,069	11,194,662

Note 10 - Other financial investments (contd.)

C. Level 3 financial instruments measured at fair value

For the six and three-month periods ended June 30, 2015

	Fair-value measurement on reporting date – Financial assets at fair value through profit or loss and available-for-sale assets			
	Non-marketable debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at January 1, 2015	776	115,954	1,066,339	1,183,069
Total profits (losses) that were recognized:				
In profit and loss	(148)	17,623	59,214	76,689
In other comprehensive income	-	(16,640)	(47,707)	(64,347)
Interest and dividend receipts	-	(3,645)	(30,066)	(33,711)
Purchases	-	-	255,016	255,016
Sales	(302)	(922)	(47,627)	(48,851)
Maturities	-	-	(1,719)	(1,719)
Transfers from Level 3 *	-	(32,018)	(112,307)	(144,325)
Balance as at June 30, 2015	326	80,352	1,141,143	1,221,821
Total profit (loss) for six-month period ended June 30, 2015 included in profit and loss for held assets	(148)	3,336	25,785	28,973

	Fair-value measurement on reporting date – Financial assets at fair value through profit or loss and available-for-sale assets			
	Non-marketable debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at April 1, 2015	326	81,001	1,143,898	1,225,225
Total profits (losses) that were recognized:				
In profit and loss	-	(218)	2,394	2,176
In other comprehensive income	-	(61)	(20,170)	(20,231)
Interest and dividend receipts	-	(96)	(9,130)	(9,226)
Purchases	-	-	52,783	52,783
Sales	-	(274)	(26,913)	(27,187)
Maturities	-	-	(1,719)	(1,719)
Balance as at June 30, 2015	326	80,352	1,141,143	1,221,821
Total profit (loss) for Three-month period ended June 30, 2015 included in profit and loss for held assets	-	(218)	2,523	2,305

* Classification of amounts retained for investees

Note 10 - Other financial investments (contd.)

C. Level 3 financial instruments measured at fair value (contd.)

For the six and three-month periods ended March 31, 2014

	Fair-value measurement on reporting date Financial assets at fair value through profit or loss and available-for-sale assets			
	Non-marketable debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at January 1, 2014	788	107,212	700,800	808,800
Total profits (losses) that were recognized:				
In profit and loss	-	5,052	11,998	17,050
In other comprehensive income	-	1,060	32,581	33,641
Interest and dividend receipts	-	(2,078)	(9,960)	(12,038)
Purchases	-	4,211	106,483	110,694
Sales	(6)	-	(22,306)	(22,312)
Redemptions	-	-	(3,340)	(3,340)
Transfers from Level 3 *	-	(6,583)	-	(6,583)
Balance as at June 30, 2014	782	108,874	816,256	925,912
Total profit for Six-month period ended June 30, 2014 included in profit and loss for held assets	-	1,723	12,668	14,391

	Fair-value measurement on reporting date Financial assets at fair value through profit or loss and available-for-sale assets			
	Non-marketable debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at April 1, 2014	782	103,674	805,214	909,670
Total profits (losses) that were recognized:				
In profit and loss	-	345	4,423	4,768
In other comprehensive income	-	1,593	(337)	1,256
Interest and dividend receipts	-	(710)	(5,039)	(5,749)
Purchases	-	3,972	25,903	29,875
Sales	-	-	(10,568)	(10,568)
Redemptions	-	-	(3,340)	(3,340)
Balance as at June 30, 2014	782	108,874	816,256	925,912
Total profit for Three-month period ended June 30, 2014 included in profit and loss for held assets	-	345	4,978	5,323

* For securities issued for trading on the stock exchange.

Note 10 - Other financial investments (contd.)

C. Level 3 financial instruments measured at fair value (contd.)

For the year ended December 31, 2014

	Fair-value measurement on reporting date			
	Financial assets at fair value through profit or loss and available-for-sale assets			
	Non-marketable debt assets	Shares	Other	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Balance as at January 1, 2014	788	107,212	700,800	808,800
Total profits (losses) that were recognized:				
In profit and loss	(5)	1,546	36,511	38,052
In other comprehensive income	-	12,607	151,061	163,668
Interest and dividend receipts	-	(4,017)	(27,217)	(31,234)
Purchases	-	9,706	256,735	266,441
Sales	(7)	(4,517)	(47,881)	(52,405)
Maturities	-	-	(3,670)	(3,670)
Transfers from Level 3 *	-	(6,583)	-	(6,583)
Balance as at December 31, 2014	776	115,954	1,066,339	1,183,069
Total profit (loss) for year included in profit and loss for assets held at December 31, 2014	(5)	(1,778)	35,532	33,749

* For securities issued for trading on the stock exchange.

D. Level 2 and 3 assets measured at fair value

On the interests rates used to determine the fair value of non-marketable debt assets, see Note 9D.

Note 11 - Significant events during the Reporting Period

1. Bonus for Mssrs. Yair Hamburger, Gideon Hamburger and Yoav Manor for 2014

   On June 22, 2015, the Board of Directors of Harel Investments approved (in a resolution in which the senior officers who are the controlling shareholders did not participate) the results of the calculation of the bonus for 2014. According to the calculation, Yair Hamburger received a bonus in the amount of NIS 692,000; and Gideon Hamburger and Yoav Manor each received a bonus in the amount of NIS 411,000.

2. Approval of the revised compensation policy for Harel Group's financial institutions

   In June 2015, the boards of directors of the Group's financial institutions approved several insignificant revisions to the compensation policy of Harel Group's financial institutions. Additionally, and in view of the fact that the law memorandum has not yet been formulated as a bill, it was decided to extend to September 30, 2016 the discussion period on adjusting the compensation policy to the provisions of the memorandum of the Compensation for Officers of Financial Institutions (Special Approval and Limit to Expenses on account of Extraordinary Compensation) Bill, 2014 ("the Bill").

3. Bonus for 2014 for officers in the Group

   On June 22, 2015, the final bonuses were approved for officers of the Company and officers who are included in the compensation plan, as specified in Note 39 in the annual financial statements, based on the final figures published by the companies in the benchmark group. There were no significant changes between the amounts included as an estimate in the 2014 financial statements, and the final amounts that were approved.

4. Annual General Meeting

   On June 15, 2015, an annual general meeting was held. The items on the agenda were: (a) discussion of the 2014 Periodic Report; (b) reappointment of the Company's auditors; (c) reappointment of members of the Board who are not external directors, for a further term of office: Mr. Yair Hamburger (Chairman of the Board), Mr. Gideon Hamburger, Mr. Yoav Manor, Yosef Ciechanover, and Doron Cohen. The general meeting approved all the items on the agenda.

5. Approval of building rights in Harel House, Ramat Gan

   Harel House is an office building located at 3 Abba Hillel Road, Ramat Gan which consists of 21 floors of office space and a 5-storey underground car park. At present, Harel Insurance uses the building for its own purposes. In May 2015, the Regional Planning and Construction Committee approved the addition of 30 floors to Harel House. The final approval for the additional floors and publication in the Official Gazette was received in July 2015. The additional floors constitute 22,000 sq.m. of floor space, which will include commercial areas, offices and public areas ("the Additional Building Rights"). At this stage, Harel Insurance does not intend to begin building the additional floors, and the designation of these floors has not yet been determined.

   When construction work begins, and insofar as the additional rights are not designated as owner-occupied real estate, the additional value in respect of these additional rights will be recognized in the Company's financial performance. Nevertheless, part of this additional value (the difference between the fair value and the book value) is be used by the Company for calculating the due diligence of the reserves.

Note 11 - Significant events during the Reporting Period (contd.)

6. Dividend distribution by Harel Investments

On April 28, 2015, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 128 million (NIS 0.6 per share). The Board of Directors made its decision after taking into account the Company's financial performance for 2014. The Board of Directors was presented with information on the distributable profits, capital surpluses of the Company's subsidiaries, 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. Subsequent to this review, the Board of Directors confirmed that the Company was in compliance with the distribution test. The dividend was paid on May 17, 2015.

7. Merger of Dikla's insurance activity

In May, June, July and August 2015, the boards of directors of Harel Insurance and Dikla discussed and approved the merger of the insurance operations of Dikla into Harel Insurance and to the signing of a detailed agreement regulating aspects of the merger. Implementation of the merger is subject to obtaining necessary approvals: (a) approval from the court; (b) approval from the Commissioner; (c) approval from the Tax Authority; (d) approval from various third parties whose approval is required.

Subject to obtaining the necessary approvals, following the merger, commencing on January 1, 2016, all the insurance activity of Dikla will become part of Harel Insurance. From that date, or from any other later date as approved by the Commissioner, Dikla will cease to be an insurer and will continue to manage the activity relating to the rendering of operating services for the supplementary health services plan of Clalit Health Services and to provide claims settlement services and customer services for Harel Insurance.

The merger of the insurance activity is likely to have a positive impact on the capital requirements of Harel Insurance and the results of Harel Insurance and the Company, due to the calculation of the consolidated capital requirements and insurance liabilities of Dikla and Harel Insurance. Other than this, no effect is expected on the reports of Harel Insurance and the Company, mainly due to the fact that Dikla is a wholly owned subsidiary of Harel Insurance.

The actual impact of the merger might differ from the foregoing, and will be measured on the date of the merger and depend on the financial data and capital requirements as they may be at that time.

Completion of the merger of the insurance operations of Dikla into Harel Insurance is dependent on the materialization of the aforesaid conditions and there is therefore no certainty as to its actual completion or the date of completion.

8. Formation of a trade union in Dikla

On April 16, 2015, the Company announced that Dikla, a subsidiary of the Company, had received a letter from the New Labor Federation ("the Histadrut"), whereby more than one third of Dika's employees had elected to join the Histadrut. After the parties exchanged correspondence, as a result of which the Histadrut signed additional employees on the registration forms, on May 6, 2015, Dikla informed the Histadrut that after examining the information submitted to Dikla by the Histadrut, the Histadrut should in fact be recognized as the representative union of Dikla's employees. Dikla is discussing the need to formulate agreements with the representatives.

Note 11 - Significant events during the Reporting Period (contd.)

9. Termination of the supply of outsourcing services - Harel Hamishmar Computers Ltd.

   On February 2, 2015, Harel Hamishmar Computers, a Company subsidiary, informed IBM Israel Ltd ("IBM") that it was terminating the agreement for the supply of outsourced services. Under the agreement, IBM provides most of the Group companies with some of the operating and hosting services for their computer systems for the main facility and the back-up site. Termination of the agreement will enter into force during the course of 2015. Concurrently, HHM entered into agreement with several service providers to provide operating and hosting services for the Company's computer systems and to provide a back-up site. Termination of the agreement and the new agreements are not expected to significantly affect the Company's financial performance.

10. Early retirement agreement

    On November 16, 2014, Harel Insurance entered into an agreement whereby part of the arrangement for early retirement of a large employer will be made through yield-dependent insurance policies that pay for annuity that are issued by Harel Insurance. The policies are paid for with one-time deposits on the date of the employee's early retirement or at age 60, whichever is later. During the Reporting Period, one-time deposits in the amount of NIS 226 million were received for this transaction. Over the next five years, deposits in the total amount of an additional NIS 200 million are expected to be received.

11. Revised management and operating agreements - Harel Pension

    On January 26, 2015, the Board of Directors of Harel Insurance approved an extension for 2015 of the agreement between Harel Insurance and Harel Pension and Manof with respect to operating services rendered by Harel Insurance, in consideration of operating fees at an annual rate of 0.1% of the assets of the pension funds, excluding the assets of members covered by the IDF pension arrangement, as long as they are active members through this arrangement and are entitled to the fixed management fees prescribed therein. The agreement between Harel Pension and the Company, according to which Harel Pension pays management fees at an annual rate of 0.5% of the annual benefit contributions received by the pension funds managed by Harel Pension, excluding contributions received form the IDF, remains in force in accordance with its conditions.

12. Circular on the subject of the calculation of the Liability Adequacy Test in the financial statements (LAT) and letter of clarification on disclosure in the financial statements and requirement for a special report to be submitted to the Commissioner

    In August 2015 a circular was published concerning a Liability Adequacy Test (LAT) in the financial statements of insurance companies together with a letter of clarification regarding disclosure in financial statements and the requirement for a special report to the Commissioner ("hereinafter together: "Provisions concerning disclosure and measurement of liabilities for insurance contracts"). The circular prescribes several provisions relating to the manner of calculating the Liability Adequacy Test in the Financial Statements (LAT). Among other things, the instructions relate to the discounting rate used for the calculation, including in relation to the liquidity premium to be taken into account, the estimated anticipated future increase in life expectancy, the spreads in relation to the actuarial assumptions in calculating the LAT, and to the manner in which the additional difference in fair value should be taken into account with respect to the book value of non-marketable assets. As a result of implementing the provisions of this circular, the insurance liabilities increased by a total of NIS 145 million before tax. Of this amount, the effect of revising the liquidity premium that is included in the LAT calculation, is an increase in the reserve of NIS 11 million before tax.

Note 11 - Significant events during the Reporting Period (contd.)

Based on a test conducted by Harel Insurance at June 30, 2015, Harel Insurance included an increase of the insurance liabilities for reserves for personal lines life assurance policies. As noted, this increase was necessary mainly due to the provisions of the circular.

The aforementioned letter prescribes clarifications concerning disclosures in the financial statements as follows:

(a) Disclosure concerning changes in the calculation of insurance reserves in non-life insurance - pursuant to the disclosure on "calculation of insurance reserves in non-life insurance" based on Note 3C2(g) in the 2014 Periodic Report, insurance companies must include disclosure about the expected change in the calculation of the insurance reserves in non-life insurance in the 2015 quarterly financial statements. This disclosure will include a description of the main provisions in the Commissioner's circular. Additionally, insofar as the company formulates an estimate of the anticipated effect on the non-life insurance reserves, the company will provide quantitative disclosure in the form of an estimate or range. Disclosure will be given separately for the effect of elimination of the accrual and the effect of a best-practice estimate of the reserves, and it may be given as an amount or in terms of the anticipated percentage change at the date of the report.

(b) Disclosure concerning the company's estimates for implementation of Solvency II - insurance companies are required to submit to the Commissioner by August 31, 2015, the results of the QIS4 exercise, based on data from the financial statements at December 31, 2014. Insofar as the Company's estimate of the new solvency regime might have a significant negative effect on its solvency ratio on the application date, as expressed in a significant capital shortfall in the IQIS4 results, which requires the Company to take specific action with a significant impact of the Company's future profitability, the Company must provide disclosure in the directors' report as of the report for the third quarter of 2015, which addresses the following: (a) quantitative disclosure which reflects the scale of the negative effect on the solvency ratio at December 31, 2014 (the shortfall), based on the results of IQIS4, and taking into account the transition provisions; (b) the significant characteristics of the new solvency ratio that cause an increase in the required capital; (c) the types of actions that it plans to take to reduce the shortfall. The company will revise the disclosure taking into account the time period remaining to the date of implementation, and insofar as it has new information or that is has taken significant deployment action

13. Revision of the discounting interest rates used for calculating the insurance liabilities

In the first quarter of 2015 and in the wake of the decline in yields and the risk-free interest rate the discounting interest rates that are used to calculate some of the insurance liabilities were revised and this, in accordance with the characteristics of the liability, the relevant average duration, and the appropriate interest rate for each category of liability.

Following is the effect of the revised discounting interest and LAT test on financial results in each of the operating segments:

(a) In the life assurance and long-term savings segment - Harel Insurance revised the manner of calculating LAT, based on the Commissioner's instructions, as noted above, the discounting interest rates used for calculating the reserves for annuity and for calculating the liabilities for work disability, as well as the discounting interest rates used for calculating the LAT. Accordingly, a total of NIS 4 million before tax and NIS 2 million after tax, was included as income in the financial statements for the six-month period ended June 30, 2015, which increased profit and comprehensive income by this amount, and an amount of NIS 227 million before tax and NIS 141 million after tax was included as income in the financial statements for the three-month period ended June 30, 2015, increasing profit and comprehensive income by this amount.

Note 11 - Significant events during the Reporting Period (contd.)

(b) In the health insurance segment - Harel Insurance and Dikla revised the discounting interest rates used for calculating liabilities for long-term care claims in payment and the discounting interest rate used for calculating the LAT in the personal lines long-term care reserve. Accordingly, a total of NIS 5 million before tax and NIS 3 million after tax, was included as an expense in the financial statements for the six-month period ended June 30, 2015, which reduced profit and comprehensive income by this amount, and an amount of NIS 56 million before tax and NIS 35 million after tax was included as income in the financial statements for the three-month period ended June 30, 2015, increasing profit and comprehensive income by this amount.

(c) In the non-life insurance segment - Harel Insurance revised the discounting interest rates that used for calculating the insurance liabilities in the employers liability branch and third-party liability branch. Accordingly, a total of NIS 6 million before tax and NIS 4 million after tax, was included as an expense in the financial statements for the six and three-month periods ended June 30, 2015, which reduced profit and comprehensive income by this amount.

14. Extension of a special reinsurance treaty with National Indemnity

In December 2014, Harel Insurance renewed a special agreement for Quota Share reinsurance in the non-life insurance sectors with National Indemnity Company (NICO), a leading company in the insurance arm of Berkshire Hathaway, for 2015. Under the Quota Share reinsurance treaty, NICO insures 10% of the retention for 2015. For 2009 through 2014, NICO will continue to insure 20% of the retention in all the non-life insurance sectors, based on the agreements signed in the past.

15. D&O liability insurance

Pursuant to the information in Note 39(E)(12) in the Company's financial statements at December 31, 2014 concerning D&O liability insurance, on June 18, 2015 and on June 22, 2015, the Company's Compensation Committee and Board of Directors, respectively, approved the purchase of an additional layer of D&O liability insurance in the amount of USD 30 million over and above the existing, approved sum insured (which is USD 150 million). The additional approved layer is for the period commencing May 1, 2015 through September 30, 2015. Furthermore, the Compensation Committee and Board of Directors approved the renewal of a D&O liability insurance policy commencing October 1, 2015 for one year, so that the sum insured will be USD 180 million and the premium will not exceed USD 1 million.

16. Definition of a negligible transaction

On March 12, 2015 and March 18, 2015, the Company's Audit Committee and Board of Directors, respectively, determined that a transaction with a controlling shareholder shall be deemed negligible if it meets all the following conditions:

a. It is not an extraordinary transaction (according to the meaning of this term in the Companies Law).

b. Regarding insurance transactions, long-term savings and finance transactions: they are performed under the same rules applicable to benefits given to all the Group's employees, as approved on January 21, 2014 by the Board of Directors.

c. The sum insured in the Company's self-retention in each policy is no more than NIS 10 million (1.6% of the normative gain) and the sum insured in each policy is no more than NIS 50 million). This limitation does not apply to savings policies.

d. Other agreements, for which the cumulative annual cost to the Group is no more than NIS 100,000.

Note 11 - Significant events during the Reporting Period (contd.)

It is stipulated that any transaction for services provided by a controlling shareholder or his relative will not be classified as a negligible transaction.

It is further stipulated that separate transactions, that are interdependent, so that in practice they are part of the same agreement, shall be construed as a single transaction.

Transactions that fall within the parameters of negligible transactions do not require special approval.

17. Application to restructure Ormat Technologies Ltd.

In December 2014 and January 2015, the audit committees and boards of directors of financial institutions in the Group approved a request to restructure Ormat Technologies Ltd. ("Ormat Technologies"), by virtue of an agreement in which the financial institutions of Harel Group provided a loan to Ormat Technologies. Under the agreement, the parent company (Ormat Industries) will continue to control Ormat Technologies and any change in control which does not have Harel's advance consent will be grounds for immediate recall of the loan. The agreement was submitted for the approval of the audit committees and boards of directors due to the fact that Mr. David Granot, who chairs the Credit Committee, is a member of the non-yield dependent investments committee (nostro) and an external director in the Group's financial institutions, is also a director in Ormat Technologies. Pursuant to the recommendation of the credit and investment committees, the audit committees and boards of directors determined that the restructuring of Ormat Technologies does not harm the Group's financial institutions.

18. Distribution of a dividend by Interasco to the Company

On May 28, 2015, the Board of Directors of Interasco approved the distribution of a dividend in the amount of EUR 1 million. The Board of Directors reached its decision after taking into account the financial results of Interasco as at March 31, 2015; the distributable surplus of Interasco as at March 31, 2015 was presented, and the capital surpluses and equity requirements of Interasco were tested, based on the equity management policy of Interasco. The dividend distribution was completed on June 30, 2015.

19. Greek government debt arrangement

The Company is the full owner of Interasco Societe Anonyme General Insurance Company S.A.G.I ("Interasco"), an insurance company which operates in Greece in the health and non-life insurance sectors. The Company's management believes that since the financial exposure to Greece's capital market is insignificant, the crisis in Greece will not significantly affect the Group's performance.

20. Restructuring of the provident companies

As part of the Law to Promote Competition and Reduce Market Concentration, 2013, the Provident Funds Law was amended whereby a control permit will only be given to an entity that holds more than one management company if it complies with rules prescribed by the Commissioner, this pursuant to the principle set out in Section 2(C) of the Provident Funds Law whereby each company will manage only one fund in each category. On June 28, 2015, the boards of directors of Harel Provident Funds and Harel Atidit resolved to carry out a restructuring which will take effect on January 1, 2016. Accordingly, Harel Atidit will be merged into Harel Provident Funds and the provident funds managed by Harel Atidit will be merged into the funds managed by Harel Provident Funds. The restructuring is subject to the approval of the competent entities, including approval from the Commissioner, and court approval for a capital reduction to be performed by one of the Group companies as part of the move.

Note 11 - Significant events during the Reporting Period (contd.)

21. Restructuring of the pension companies

    As part of the Law to Promote Competition and Reduce Market Concentration, 2013, the Provident Funds Law was amended whereby a control permit will only be given to an entity that holds more than one management company if it complies with rules prescribed by the Commissioner, this pursuant to the principle set out in Section 2(C) of the Provident Funds Law whereby each company will manage only one fund in each category. As part of a Commissioner's letter dated April 20, 2015, it was determined that by January 1, 2016, the Group's management companies will take the necessary action so that they are responsible for the management of just one comprehensive pension fund. On June 28, 2015, the boards of directors of Harel Pension and Manof Pension resolved to carry out a restructuring which will take effect from January 1, 2016. Accordingly, Manof Pension will be merged into Harel Pension and the Harel Manof pension fund managed by Manof Pension will be merged into the Harel Gilad pension fund managed by Harel Pension. The restructuring is subject to the approval of the competent entities, including approval from the Commissioner and court approval for a capital reduction to be performed by one of the Group companies as part of the move.

22. On the announcement of a dividend by EMI, see Note 7

Note 12 - Significant events after the Reporting Period

1. On the partial repayment of a capital note to Harel Investments after the date of the report, see Note 8C.
2. On the announcement of a dividend by EMI after the date of the report, see Note 7.
3. Public issuance of bonds

   On August 17, 2015, the Board of Directors of Harel Share Issues, a wholly owned subsidiary of the Company, gave its approval in principle for a public issuance of bonds in the total amount of up to NIS 300 million, the proceeds of which will be recognized as hybrid tier-2 capital for Harel Insurance, and which will be repaid in one payment (principal). In this context, on August 19, 2015, Maalot issued an 'ilAA' rating for the issuance of hybrid tier-2 capital through a new series of bonds (Series 11) in the amount of up to NIS 300 million par value.

   The scope of the issuance, the conditions of the bonds and the interest and/or linkage they will bear, if and insofar they bear any interest or linkage, will be as prescribed in the shelf-offering report to be published, if and when it is published, by Harel Share Issues according to which the bonds will be issued, if and insofar as they are issued. The issuance of the bonds is subject to obtaining the relevant approvals required by law, including: approval from the Commissioner, approval of a rating prepared by one of the rating companies, and approval from the TASE for the listing of the bonds for trading. It should be clarified that there is no certainty that Harel Share Issues will actually publish such a shelf offering and that the aforementioned issuance will take place and/or that it will take place under the aforementioned conditions.

4. In August, share prices fell sharply in the capital markets in Israel and worldwide. These falling share prices will have a negative effect on the variable management fees that Harel Insurance will collect and on the financial margin for the marketable investment portfolio held against non-yield dependent liabilities attained by the subsidiaries. Furthermore, after the reporting date and further to the falling share prices, large amounts of redemptions were registered in the mutual funds market and in the mutual funds included in the Company's financial services segment. Insofar as they continue, these trends may negatively affect the Company's financial performance in the third quarter of 2015

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ANNEXES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Annex A - Details of assets for yield-dependent contracts and other financial investments in the Group's insurance companies

a. Assets for yield-dependent contracts

The following are details of assets held against insurance contracts and investment contracts presented at fair value through the statement of income:

	As at June 30		As at December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand
Investment property	**1,354,053**	1,294,362	1,331,182
Financial investments			
Marketable debt assets	**17,159,955**	15,304,865	16,592,843
Non-marketable debt assets	**5,242,531**	4,828,228	4,680,588
Shares	**6,459,283**	4,845,555	5,287,010
Other financial investments	**6,946,329**	6,153,085	6,647,242
Total financial investments	**35,808,098**	31,131,733	33,207,683
Cash and cash equivalents	**770,245**	879,359	1,153,223
Accounted for as loans and receivables including bank deposits			
Non-marketable debt assets *	**492,451**	416,394	432,357
Other	**412,474**	418,467	401,234
Total assets for yield-dependent policies	**38,837,321**	34,140,315	36,525,679
Trade and other payables	**37,729**	6,844	16,640
Financial liabilities **	**124,627**	50,892	439,636
Financial liabilities for yield-dependent contracts	**162,356**	57,736	456,276

* Assets held against liabilities for yield-dependent insurance policies presented in accordance with the provisions of Circular 2009-9-2 at amortized cost, and non-marketable assets held against a yield-dependent group long-term care portfolio that were classified to loans and receivables and are presented at amortized cost. The book value of these assets at June 15, 2015, is NIS 492,451 thousand (at June 30, 2014 and December 31, 2014 - NIS 416,394 thousand and NIS 432,357 respectively), while their fair value at June 30, 2015 is NIS 529,846 thousand (at June 30, 2014 and December 31, 2014 - NIS 461,898 and NIS 470,727 thousand respectively).

** Mainly derivatives and forward contracts.

Annex A - Details of assets for yield-dependent contracts and other financial investments in the Group's insurance companies (contd.)

b. Information about other financial investments

	As at June 30, 2015 (unaudited)				
	Revalued at fair value through profit and loss	Available-for-sale	Held to maturity (*)	Loans and receivables	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets (1)	**702,726**	**6,908,035**	**325,641**	**-**	**7,936,402**
Non-marketable debt assets (2)	**326**	**-**	**-**	**10,461,413**	**10,461,739**
Shares (3)	**-**	**737,785**	**-**	**-**	**737,785**
Other (4)	**314,702**	**1,612,784**	**-**	**-**	**1,927,486**
Total	**1,017,754**	**9,258,604**	**325,641**	**10,461,413**	**21,063,412**

	As at June 30, 2014 (unaudited)				
	Revalued at fair value through profit and loss	Available-for-sale	Held to maturity (*)	Loans and receivables	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets (1)	1,113,606	7,196,622	360,885	-	8,671,113
Non-marketable debt assets (2)	782	-	-	9,674,464	9,675,246
Shares (3)	-	620,907	-	-	620,907
Other (4)	286,083	1,313,385	-	-	1,599,468
Total	1,400,471	9,130,914	360,885	9,674,464	20,566,734

	As at December 31, 2014 (audited)				
	Revalued at fair value through profit and loss	Available-for-sale	Held to maturity (*)	Loans and receivables	Total
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable debt assets (1)	917,722	7,279,903	340,306	-	8,537,931
Non-marketable debt assets (2)	776	-	-	9,922,651	9,923,427
Shares (3)	-	645,371	-	-	645,371
Other (4)	284,624	1,700,322	-	-	1,984,946
Total	1,203,122	9,625,596	340,306	9,922,651	21,091,675

* The fair value of these assets at June 30, 2015 is NIS 344,235 thousand (as at June 30, 2014 and December 31, 2014 - NIS 386,035 thousand and NIS 360,775 thousand respectively).

Annex A - Details of assets for yield-dependent contracts and other financial investments in the Group's insurance companies (contd.)

b. Information about other financial investments (contd.)

1. Marketable debt assets

	Book value			Amortized cost (**)		
	As at June 30		As at December 31	As at June 30		As at December 31
	2015	2014	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Government bonds	**2,471,587**	3,714,287	3,428,853	**2,380,423**	3,531,848	3,284,084
Other debt assets						
Other non-convertible debt assets	**5,458,263**	4,944,551	5,100,452	**5,322,279**	4,653,005	4,900,162
Other convertible debt assets (*)	**6,552**	12,275	8,626	**5,445**	10,971	6,949
Total marketable debt assets	**7,936,402**	8,671,113	8,537,931	**7,708,147**	8,195,824	8,191,195
Outstanding impairments recognized in profit or loss for debt assets presented as available-for-sale	**2,464**	1,836	2,828			

* Convertible bonds were presented at cost and not on the basis of amortized cost.

** Amortized cost - cost net of principal payments plus (less) accumulated amortization using the effective interest method of any difference between cost and the repayment amount and net of any reduction due to impairment that is recognized in the statement of income.

Annex A - Details of assets for yield-dependent contracts and other financial investments in the Group's insurance companies (contd.)

b. Information about other financial investments (contd.)

2. Non-marketable debt assets

	Book value			Fair value		
	As at June 30		As at December 31	As at June 30		As at December 31
	2015	2014	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Government bonds						
Earmarked bonds	**4,630,046**	4,396,453	4,501,247	**5,923,893**	5,289,661	5,784,022
Other debt assets						
Accounted for as loans and receivables, excluding bank deposits	**4,912,068**	4,569,975	4,665,886	**5,488,078**	5,199,646	5,295,436
Bank deposits	**919,299**	708,036	755,518	**1,008,652**	815,484	853,370
Presented at fair value through profit or loss designated upon initial recognition	**326**	782	776	**326**	782	776
Total non-marketable debt assets	**10,461,739**	9,675,246	9,923,427	**12,420,949**	11,305,573	11,933,604
Fixed impairments recognized in aggregate in profit and loss	**7,490**	59,134	8,987			

3. Shares

	Book value			Cost		
	As at June 30		As at December 31	As at June 30		As at December 31
	2015	2014	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable shares	**657,441**	512,040	529,424	**519,949**	410,290	436,603
Non-marketable shares	**80,344**	108,867	115,947	**58,891**	82,320	77,853
Total shares	**737,785**	620,907	645,371	**578,840**	492,610	514,456
Outstanding impairments recognized in profit or loss for shares presented as available-for-sale	**41,312**	55,555	48,944			

Annex A - Details of assets for yield-dependent contracts and other financial investments in the Group's insurance companies (contd.)

b. Information about other financial investments (contd.)

4. Other financial investments

	Book value			Cost		
	As at June 30		As at December 31	As at June 30		As at December 31
	2015	2014	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
Marketable financial investments	**609,481**	713,472	833,179	**547,889**	647,989	735,323
Non-marketable financial investments	**1,318,005**	885,996	1,151,767	**957,819**	712,676	839,875
Total other financial investments	**1,927,486**	1,599,468	1,984,946	**1,505,708**	1,360,665	1,575,198
Fixed impairments recognized in aggregate in profit and loss	**74,308**	79,578	70,943			
Derivative financial instruments presented in financial liabilities	**453,569**	267,255	621,564			

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

HAREL INSURANCE INVESTMENTS & FINANCIAL SERVICES LTD

FINANCIAL INFORMATION FROM THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS RELATING TO THE COMPANY ITSELF

As at June 30, 2015

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

Telephone: 03-684 8000
Fax: 03-684 8444
Internet: www.kpmg.co.il

To:

The shareholders of Harel Insurance Investments and Financial Services Ltd.

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

Introduction

We reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, of Harel Insurance Investments and Financial Services Ltd. (hereinafter: "the Company") as at June 30, 2015 and for the six and three- month periods ended on that date. The separate interim financial information is the responsibility of the Company's Board of Directors and Management. Our responsibility is to express a conclusion on the separate interim financial information for these interim periods, based on our review.

We did not review the separate interim financial information from the financial statements of investee companies, in which the investment amounts to NIS 756,447 thousand as at June 30, 2015, and where the Company's profit from these investee companies amounts to NIS 36,968 thousand and NIS 21,953 thousand for the six and three-month periods, respectively, ended on that date. The financial statements of those companies was reviewed by other auditors whose review reports were furnished to us, and our conclusion, to the extent that it relates to amounts included for those companies, is based on the review reports of the other auditors.

Scope of the review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel "Review of financial information for interim periods performed by the entity's auditor". A review of separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit conducted in accordance with generally accepted auditing standards, and it therefore does not enable us to obtain assurance that we have become aware of all the significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Somekh Chaikin
Certified Public Accountants

August 30, 2015

Financial information from the condensed consolidated interim statements of financial position at

	June 30		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Deferred tax assets	**3,372**	2,988	2,688
Fixed assets	**1,945**	2,562	2,072
Investments in investee companies	**4,848,025**	4,537,614	4,713,384
Loans to investee companies	**350,530**	50,246	350,812
Investment property	**19,310**	18,215	18,275
Other receivables	**15,549**	17,851	19,095
Other financial investments			
Non marketable debt assets	**23,250**	28,416	23,344
Others	**167,448**	448,518	217,585
Total financial investments and others	**190,698**	476,934	240,929
Cash and cash equivalents	**58,635**	60,563	30,071
Total assets	**5,488,064**	5,166,973	5,377,326
Capital			
Share capital and premium on shares	**335,866**	332,135	338,849
Treasury stock	**(161,615)**	(168,514)	(173,231)
Capital reserves	**304,767**	404,335	451,871
Retained earnings	**4,395,395**	4,070,731	4,100,371
Total capital	**4,874,413**	4,638,687	4,717,860
Liabilities			
Liabilities for employee benefits, net	**22,191**	20,048	22,128
Other payables	**17,161**	132,919	36,890
Current tax liabilities	**7,798**	9,374	5,124
Financial liabilities	**566,501**	365,945	595,324
Total liabilities	**613,651**	528,286	659,466
Total liabilities and capital	**5,488,064**	5,166,973	5,377,326

Yair Hamburger	Michel Siboni	Shimon Elkabetz	Ronen Agassi
Chairman of the Board of Directors	Co-CEO	Co-CEO	VP Finance (CFO)

Date of approval of the financial statements: August 30, 2015

Financial information from the condensed consolidated interim statements of income

	For the six-months ended June 30		For the three-months ended June 30		For the year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Profits from investments, net, and financing revenues	**18,038**	5,891	**6,931**	4,072	9,021
Revenues from management fees	**44,210**	42,666	**21,144**	18,606	83,814
Total revenues	**62,248**	48,557	**28,075**	22,678	92,835
General and administrative expenses	**13,051**	10,270	**7,073**	4,727	22,518
Other expenses	**-**	-	**-**	-	178
Financing expenses	**9,851**	5,969	**6,201**	3,487	14,190
Total expenses	**22,902**	16,239	**13,274**	8,214	36,886
Company's shares in profits of investee companies	**389,629**	227,698	**331,707**	74,800	331,916
Income before taxes on income	**428,975**	260,016	**346,508**	89,264	387,865
Taxes on income	**9,893**	8,534	**3,364**	3,745	13,958
Income for period ended June 30 relating to the Company's shareholders	**419,082**	251,482	**343,144**	85,519	373,907

Financial information from the condensed consolidated interim statements of comprehensive income

	For the six-months ended June 30		For the three-months ended June 30		For the year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Profit for the period	**419,082**	251,482	**343,144**	85,519	373,907
Other items of comprehensive income which after initial recognition under comprehensive income were or will be transferred to profit or loss					
Net changes in fair value of financial assets available for sale	**(3)**	468	**(604)**	565	2,309
Net changes in fair value of financial assets available for sale transferred to statement of income	**(2,171)**	(599)	**(365)**	(427)	(3,046)
Foreign currency transaction's difference in respect of overseas operations	**(12,515)**	(2,063)	**(2,720)**	(2,425)	(711)
The Group share in the comprehensive income (loss) of investee companies	**(125,177)**	97,091	**(215,492)**	(17,532)	160,861
Tax on income for items of other comprehensive income which after initial recognition under comprehensive income were or will be transferred to profit or loss	**576**	35	**257**	(36)	196
Total other comprehensive income (loss) for the period which after initial recognition under comprehensive income was or will be transferred to profit or loss, net of tax	**(139,290)**	94,932	**(218,924)**	(19,855)	159,609
Other items of comprehensive income which will not be transferred to profit or loss					
Remeasurement of a defined benefit plan	**666**	344	**1,588**	374	(931)
Taxes on income for other items of comprehensive income which will not be transferred to profit or loss	**(177)**	(97)	**(421)**	(105)	238
Other comprehensive income (loss) for the period which will not be transferred to profit or loss, net of tax	**489**	247	**1,167**	269	(693)
Other comprehensive income (loss) for the year	**(138,801)**	95,179	**(217,757)**	(19,586)	158,916
Total comprehensive income for the year attributed to the company's owners	**280,281**	346,661	**125,387**	65,933	532,823

Financial information from the condensed consolidated interim statements of changes in equity

	Share capital and premium	Capital reserve for financing assets available for sale	Transactions with non-controlling interests	Translation reserve from overseas operations	Capital reserve for share based payments	Treasury stock	Capital reserve for revaluation of investment Fixed assets	Balance of retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
For the six-months ended June 30, 2015 (Unaudited)									
Balance as at January 1, 2015	338,849	437,951	(48,908)	3,475	20,040	(173,231)	39,313	4,100,371	4,717,860
Comprehensive income (loss) for year									
Profit for year	-	-	-	-	-	-	-	419,082	419,082
Total other comprehensive income (loss)	-	(90,655)	-	(52,270)	-	-	-	4,124	(138,801)
Total comprehensive income (loss) for the period	-	(90,655)	-	(52,270)	-	-	-	423,206	280,281
Transactions with owners recognized directly in equity									
Dividend paid	-	-	-	-	-	-	-	(128,182)	(128,182)
Share-based payment	-	-	-	-	(107)	-	-	-	(107)
Issue of shares	109	-	-	-	-	-	-	-	109
Purchase of Treasury shares	-	-	-	-	-	(5,387)	-	-	(5,387)
Re-issuance of Treasury shares	(7,164)	-	-	-	-	17,003	-	-	9,839
Exercising of options	4,072	-	-	-	(4,072)	-	-	-	-
Balance as at June 30, 2015	335,866	347,296	(48,908)	(48,795)	15,861	(161,615)	39,313	4,395,395	4,874,413

Financial information from the condensed consolidated interim statements of changes in equity

	Share capital and premium	Capital reserve for financing assets available for sale	Transactions with non-controlling interests	Translation reserve from overseas operations	Capital reserve for share based payments	Treasury stock	Capital reserve for revaluation of investment Fixed assets	Balance of retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
For the three-months ended June 30, 2015 (Unaudited)									
Balance as at April 1, 2015	336,578	553,236	(48,908)	(25,932)	20,277	(168,277)	39,313	4,169,387	4,875,674
Comprehensive income for year									
Profit for year	-	-	-	-	-	-	-	343,144	343,144
Total other comprehensive income (loss)	-	(205,940)	-	(22,863)	-	-	-	11,046	(217,757)
Total comprehensive income (loss) for year	-	(205,940)	-	(22,863)	-	-	-	354,190	125,387
Transactions with owners recognized directly in equity									
Dividends paid	-	-	-	-	-	-	-	(128,182)	(128,182)
Share based payment	-	-	-	-	(463)	-	-	-	(463)
Issue of shares	109	-	-	-	-	-	-	-	109
Purchase of treasury stock	-	-	-	-	-	(722)	-	-	(722)
Reissuing of treasury stock	(4,774)	-	-	-	-	7,384	-	-	2,610
Exercising of options	3,953	-	-	-	(3,953)	-	-	-	-
Balance as at June 30, 2015	335,866	347,296	(48,908)	(48,795)	15,861	(161,615)	39,313	4,395,395	4,874,413

Financial information from the condensed consolidated interim statements of changes in equity

	Share capital and premium	Capital reserve for financing assets available for sale	Transactions with non-controlling interests	Translation reserve from overseas operations	Capital reserve for share based payments	Treasury stock	Capital reserve for revaluation of investment Fixed assets	Balance of retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
For the six months ended June 30, 2014 (Unaudited)									
Balance as at January 1, 2014	316,595	313,637	(48,908)	(22,075)	34,172	(163,458)	39,313	4,037,093	4,506,369
Total comprehensive income (loss)									
Profit for the period	-	-	-	-	-	-	-	251,481	251,481
Total other comprehensive income (loss)	-	103,568	-	(3,500)	-	-	-	(4,889)	95,179
Total comprehensive income (loss) for the period	-	103,568	-	(3,500)	-	-	-	246,592	346,660
Transactions with owners recognized directly in equity									
Dividend	-	-	-	-	-	-	-	(212,954)	(212,954)
Share based payment	-	-	-	-	1,418	-	-	-	1,418
Purchase of treasury stock	-	-	-	-	-	(9,607)	-	-	(9,607)
Reissuing of treasury stock	2,250	-	-	-	-	4,551	-	-	6,801
Exercising of options	13,290	-	-	-	(13,290)	-	-	-	-
Balance as at June 30, 2014	332,135	417,205	(48,908)	(25,575)	22,300	(168,514)	39,313	4,070,731	4,638,687

Financial information from the condensed consolidated interim statements of changes in equity

	Share capital and premium	Capital reserve for financing assets available for sale	Transactions with non-controlling interests	Translation reserve from overseas operations	Capital reserve for share based payments	Treasury stock	Capital reserve for revaluation of investment Fixed assets	Balance of retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
For the three-months ended June 30, 2014 (Unaudited)									
Balance as at April 1, 2014	317,053	424,742	(48,908)	(18,035)	35,059	(167,618)	39,313	4,096,338*	4,677,944
Comprehensive income (loss) for year									
Profit for period	-	-	-	-	-	-	-	85,518	85,518
Total other comprehensive loss	-	(7,537)	-	(7,540)	-	-	-	(4,509)	(19,586)
Total comprehensive income (loss) for the period	-	(7,537)	-	(7,540)	-	-	-	81,009	65,932
Transactions with owners recognized directly in equity									
Dividend paid	-	-	-	-	-	-	-	(106,616)	(106,616)
Share based payment	-	-	-	-	531	-	-	-	531
Purchase of treasury stock	-	-	-	-	-	(2,687)	-	-	(2,687)
Reissuing of treasury stock	1,792	-	-	-	-	1,791	-	-	3,583
Exercising of options	13,290	-	-	-	(13,290)	-	-	-	-
Balance as at June 30, 2014	332,135	417,205	(48,908)	(25,575)	22,300	(168,514)	39,313	4,070,731	4,638,687

Financial information from the condensed consolidated interim statements of changes in equity

	Share capital and premium	Capital reserve for financing assets available for sale	Transactions with non-controlling interests	Translation reserve from overseas operations	Capital reserve for share based payments	Treasury stock	Capital reserve for revaluation of investment Fixed assets	Balance of retained earnings	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as at December 31, 2014 (Audited)									
Balance as at January 1, 2014	316,595	313,637	(48,908)	(22,075)	34,172	(163,458)	39,313	4,037,093	4,506,369
Comprehensive income for year									
Profit for year	-	-	-	-	-	-	-	373,907	373,907
Total other comprehensive income	-	124,314	-	25,550	-	-	-	9,052	158,916
Total comprehensive income for year	-	124,314	-	25,550	-	-	-	382,959	532,823
Transactions with owners recognized directly in equity									
Dividend paid	-	-	-	-	-	-	-	(319,681)	(319,681)
Share based payment	-	-	-	-	2,401	-	-	-	2,401
Purchase of treasury stock	-	-	-	-	-	(19,243)	-	-	(19,243)
Reissuing of treasury stock	5,721	-	-	-	-	9,470	-	-	15,191
Exercising of options	16,533	-	-	-	(16,533)	-	-	-	-
Balance as at December 31, 2014	338,849	437,951	(48,908)	3,475	20,040	(173,231)	39,313	4,100,371	4,717,860

Financial information from the condensed consolidated interim statement of cash flows

	Appendix	For the six-months ended June 30		For the three-months ended June 30		For the year ended December 31
		2015	2014	2015	2014	2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cash flows from operating activities						
Before taxes on income	A	**18,537**	16,935	**8,522**	(848)	10,015
Income tax paid		**(7,903)**	(5,863)	**(4,585)**	(3,526)	(3,318)
Net cash provided by (used for) operating activities		**10,634**	11,072	**3,937**	(4,374)	6,697
Cash flows from investing activities						
Investment in investee companies		**-**	(17,281)	**-**	(17,281)	(26,834)
Proceeds from the sale of an investment in an equity accounted investee		**210**	-	**-**	-	-
Investment in fixed assets		**(97)**	(847)	**(58)**	(847)	(1,376)
Proceeds from disposal of fixed assets		**-**	-	**-**	-	1,280
Dividends from investee companies		**100,000**	285,000	**-**	200,000	285,350
Financial investments, net		**55,195**	(102,804)	**135,659**	(49,287)	134,059
Loans to investee companies		**-**	(50,000)	**-**	-	(355,000)
Repayment of loans given to investee companies		**17,100**	4,772	**8,000**	-	11,115
Net cash provided by investing activities		**172,408**	118,840	**143,601**	132,585	48,594
Cash flows from financing activities						
Dividend paid		**(128,182)**	(106,616)	**(128,182)**	(106,616)	(319,681)
Loans from banks and others		**-**	-	**-**	-	250,014
Repayment of loans to banks and others		**(26,296)**	(25,556)	**(22,933)**	(22,177)	(50,965)
Net cash provided by financing activities		**(154,478)**	(132,172)	**(151,115)**	(128,793)	(120,632)
Increase (decrease) in cash and cash equivalents		**28,564**	(2,260)	**(3,577)**	(582)	(32,752)
Cash and cash equivalents at beginning of period		**30,071**	62,823	**62,212**	61,145	62,823
Cash and cash equivalents at end of the period		**58,635**	60,563	**58,635**	60,563	30,071

Financial information from the condensed consolidated interim statement of cash flows

	For the three-months ended June 30		For the six-months ended June 30		For the year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Appendix A – Cash flows from operating activities before taxes on income					
Profit for period attributed to the Company's shareholders	**419,082**	251,482	**343,144**	85,519	373,907
Items which do not involve cash flows					
Company's shares in revenues of investee companies	**(389,629)**	(227,698)	**(331,707)**	(74,800)	(331,916)
Net profits from financing activities	**(9,200)**	(3,393)	**(1,890)**	(2,600)	(2,561)
Profit from sale of fixed assets	**-**	-	**-**	-	(60)
Financing expenses (income), net	**(2,383)**	1,790	**4,993**	(1,330)	448
Taxes on income	**9,893**	8,534	**3,364**	3,745	13,958
Depreciation and amortization	**224**	201	**112**	82	-
Share-based payment	**(107)**	1,418	**(463)**	531	625
Changes in other balance sheet items					
Other receivables	**9,439**	(2,872)	**5,093**	(2,435)	(4,116)
Other payables	**(17,810)**	(12,737)	**(12,038)**	(9,539)	1,441
Revaluation of investment property	**(1,035)**	-	**(1,035)**	-	-
Liabilities for benefits to employees, net	**63**	210	**(1,051)**	(21)	2,290
Total adjustments required to present cash flows from operating activities	**(400,545)**	(234,547)	**(334,622)**	(86,367)	(319,891)
Total cash flows from operating activities, before taxes on income	**18,537**	16,935	**8,522**	(848)	54,016

Note 1 - Method of preparing the financial information from the Company's consolidated financial statements relating to the Company itself

a. General

Following is a summary of financial information from the condensed consolidated interim financial statements of the Group as at June 30, 2015 ("Consolidated Statements") which are published as part of the Periodic Reports, attributed to the company itself ("Condensed separate interim financial information"), which are presented in accordance with the provisions of Regulation 38D ("the Regulation") and Annex no. 10 to the Securities (Periodic and Immediate Reports) Regulations, 1970 ("Annex no. 10"), concerning a summary of separate, interim financial information for the corporation. This condensed, separate interim financial information should be read together with the separate financial information as at December 31, 2013, and with the consolidated financial statements.

b. Definitions

The Company	-	Harel Insurance Investments and Financial Services Ltd.
Consolidated/subsidiary companies	-	Companies, including joint ventures, whose reports are fully consolidated, directly or indirectly with those of the Company.
Investee companies	-	Subsidiaries, including partnerships, in which the Company's investment is included, directly or indirectly, in the financial statements based on the equity method (equity accounted investees).
Date of report	-	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 principles detailed in Note 1 to the separate annual financial statements of the Company.

Note 2 - Affiliations, agreements, and material transactions with investee companies

1. The Company provided a credit facility to Harel Financial Products in the amount of NIS 25 million, with the purpose of supporting the capital requirements of Harel Sal. The need to increase the equity of Harel Sal is due to the increase in its scope of operations and to ISA instructions concerning a backing account. At the date of the financial statements, Harel Sal has not utilized the credit facility provided by the Harel Investments.
2. To enable Turk Nippon to comply with the capital regulations as an insurer operating in Turkey, on April 26, 2015 the Company's Board of Directors approved a capital injection of about NIS 13 million for 2015.
3. On the partial repayment of a capital note to Harel Investments from a subsidiary during and after the Reporting Period, see Note 8(C) to the Consolidated Financial Statements.
4. On the distribution of a dividend to the Company by Harel Insurance, see Note 7 to the Consolidated Financial Statements.
5. On the distribution of a dividend to the Company by Interasco, see Note 11 to the Consolidated Financial Statements.

Note 3 - Significant events during the reporting period

1. On compliance with defined financial covenants, see Note 8(C) to the Consolidated Financial Statements.
2. On the termination of the supply of outsourcing services to Harel Hamishmar Computers, see Note 11 to the Consolidated Financial Statements.
3. Dividend distribution

   On April 28, 2015, the Company's Board of Directors approved the distribution of a cash dividend in the amount of NIS 128 million (NIS 0.6 per share). The Board of Directors made its decision after taking into account the Company's financial performance for 2014. The Board of Directors was presented with information about the distributable profits, capital surpluses of the Company's subsidiaries, 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 May 17, 2015.
4. On a bonus for Mr. Yair Hamburger, Mr. Gideon Hamburger and Mr. Yoav Manor for 2014, see Note 11 to the Consolidated Financial Statements.
5. On a bonus for other senior officers for 2014, see Note 11 to the Consolidated Financial Statements.

Harel Insurance Investments & 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):

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

In this instance, management consists of:

(a) Co-CEOs:

Mr. Michel Siboni, who also serves as CEO of Harel Insurance Ltd. and chairman of the boards of directors of the Group's subsidiaries that are financial institutions.

Mr. Shimon Elkabetz, who also serves as Chairman of the Board of Directors of Harel Finance Holdings Ltd., Chairman of the Board of Directors of Harel-Pia Mutual Funds Ltd., and Chairman of the Board of EMI - Ezer Mortgage Insurance Company Ltd.

(b) Mr. Ronen Agassi – CFO of the Corporation, Deputy CEO and head of the finance and resources division of Harel Insurance Company Ltd.

(c) Mr. Sami Babkov – CEO of Harel Finance Holdings and CEO of Harel-Pia Mutual Funds Ltd.

(d) Mr. Avi Keller, CEO of Dikla Insurance Company Ltd.

(e) Ms. Nataly Mishan-Zakai, General Counsel to the Cormpany and the Group's companies, and Deputy CEO of Harel Insurance Company Ltd.

(g) Mr. Amir Hessel, VP of the Company and manager of the Group's investments segment, Deputy CEO and head of the investment division of Harel Insurance Company Ltd.

(h) Ms. Osnat Manor Zisman, Internal Auditor of the Company and the Group’s companies.

Internal control over financial reporting and disclosure includes the Company's existing controls and procedures that were planned by or are under the supervision of the general manager and the most senior financial officer, or by the person who actually performs these functions, under the oversight of the Company's board of directors. The purpose of the controls and procedures is to provide a reasonable measure of assurance as to the reliability of the financial reporting and preparation of the financial statements pursuant to the provisions of the law, and to ensure that 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 functions, so as to ensure that decisions are made in a timely manner, with respect to the disclosure requirement.

Due to its inherent limitations, internal control over financial reporting and disclosure may not provide absolute assurance regarding the prevention or detection of misstatements.

Harel Insurance Company Ltd. and subsidiaries of the corporation are financial institutions that are governed by the instructions of the Commissioner of the Capital Market, Insurance and Savings Division in the Ministry of Finance, with respect to assessing the effectiveness of the internal control over financial reporting

In relation to the internal control by the aforementioned subsidiaries, the Corporation applies the following provisions:

- 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 on the effectiveness of the internal control over financial reporting and disclosure which was included in the quarterly report for the period ended March 31, 2014 (hereinafter – the quarterly report on the last internal control), the internal control was found to be effective.

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

At the date of the report, based on the information in the quarterly report about the last internal control, and based on information which was brought to the attention of management and the Board of Directors, as stated above, the internal control is effective.

Attestation

I, Michel Siboni, hereby attest that:

(1) I have reviewed the quarterly report of Harel Insurance Investments & Financial Services Ltd. ("the Company") for Q2 2015 ("the Reports").

(2) Based on my knowledge, the Reports contain no misstatement of a material fact nor do they omit any presentation of a material fact necessary to ensure that the presentations included therein, 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) I disclosed to the Company's external auditor, the Board of Directors and the Audit Committee and Financial Reports Committee, based on my most recent assessment of the internal control over financial reporting:

   (a) Any significant flaws and material weakenesses in the determination or application of the internal control over financial reporting and disclosure that may reasonably have an adverse effect on the Company's ability to collect, process, summarise 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 have a significant role in the Company's 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 controls and procedures are in place under my oversight, to ensure that material information pertaining to the Company, including its subsidiaries as defined in the Securities (Annual Financial Statements) Regulations, 2010, is brought to my attention by others in the Company and in the subsidiaries, specifically during the period in which the Reports are prepared; and -

   (b) I defined controls and procedures, or ensured that controls and procedures under my supervision are in place, designed to ensure with reasonable certainty that the financial reports are reliable and that they 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, was brought to my attention, that might alter the conclusions of the Board of Directors and management in relation to the effectiveness of the Company’s internal control over financial reporting and disclosure.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person, under any law.

August 30, 2015

Michel Siboni

Co-CEO

Attestation

I, Shimon Elkabetz, hereby attest that:

(1) I have reviewed the quarterly report of Harel Insurance Investments & Financial Services Ltd. ("the Company") for Q2 2015 ("the Reports").

(2) Based on my knowledge, the Reports contain no misstatement of a material fact nor do they omit any presentation of a material fact necessary to ensure that the presentations included therein, 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) I disclosed to the Company's external auditor, the Board of Directors and the Audit Committee and Financial Reports Committee, based on my most recent assessment of the internal control over financial reporting:

   (a) Any significant flaws and material weakenesses in the determination or application of the internal control over financial reporting and disclosure that may reasonably have an adverse effect on the Company's ability to collect, process, summarise 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 have a significant role in the Company's 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 controls and procedures are in place under my oversight, to ensure that material information pertaining to the Company, including its subsidiaries as defined in the Securities (Annual Financial Statements) Regulations, 2010, is brought to my attention by others in the Company and in the subsidiaries, specifically during the period in which the Reports are prepared; and -

   (b) I defined controls and procedures, or ensured that controls and procedures under my supervision are in place, designed to ensure with reasonable certainty that the financial reports are reliable and that they 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, was brought to my attention, that might alter the conclusions of the Board of Directors and management in relation to the effectiveness of the Company's internal control over financial reporting and disclosure.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person, under any law.

August 30, 2015

Shimon Elkabetz

Co-CEO

Attestation

I, Ronen Agassi, hereby attest that:

(1) I have reviewed the Interim Financial Statements and the other financial information included in the Interim Reports of Harel Insurance Investments and Financial Services Ltd. ("the Company") for Q2 2015 ("the Reports" or "the Interim Reports").

(2) Based on my knowledge, the Interim Financial Statements and other financial information included 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 included therein, 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 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 for the periods covered in the Reports;

(4) I disclosed to the Company's external auditor, the Board of Directors and the Audit Committee and Financial Reports Committee, based on my most recent assessment of the internal control over financial reporting:

   (a) Any significant flaws and material weakenesses in the determination or application of the internal control over financial reporting and disclosure, insofar at it relates to the Interim Financial Statements and other financial information included in the Reports, that might reasonably have an adverse effect on the Company's ability to collect, process, summarise 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 have a significant role in the Company's 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 controls and procedures are in place under my oversight, to ensure that material information pertaining to the Company, including its subsidiaries as defined in the Securities (Annual Financial Statements) Regulations, 2010, is brought to my attention by others in the Company and in the subsidiaries, specifically during the period in which the Reports are prepared; and -

   (b) I defined controls and procedures, or ensured that controls and procedures under my supervision are in place, to provide a reasonable measure of certainty that the financial reports are reliable and 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 included in the Interim Financial Statements, was brought to my attention, that might alter, in my opinion, the conclusions of the Board of Directors and management in relation to the effectiveness of the Company's internal control over financial reporting and disclosure.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person, under any law.

August 30, 2015

Ronen Agassi

CFO