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HAREL INSURANCE INVESTMENTS & FINANCIAL SERVICES LTD.

Interim Statement

As at September 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 nine months ended September 30, 2015

The Board of Directors' Report for the nine months ended September 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 "the Company/the Group estimates", "the Company/the Group information, where words such as: 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 second quarter of 2015, it is Israel's largest insurance group in terms of premiums, with a market share of 22%. In health insurance the Group is the largest and most prominent in the market. In the non-life sectors the Group is the second largest insurance group, and it ranked third with respect to the volume of life-assurance premiums. In the new pension fund management sector, the Group has a market segment of about 16.3%. 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 12.2%.

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 - 50.12% of the Company's voting rights and 49.62% 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 6C(3) 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 9(13) 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 6C(3) 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 9(9) to the Financial Statements.

2.1.5 Dividend distribution

On a dividend distribution on May 17, 2015, see Note 9(10) 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 9(11) 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 9(12) 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 9(8) 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 9(7) 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 9(26) 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 9(25) to the Financial Statements.

2.1.12 Issuance of hybrid tier-2 capital - Harel Share Issues

On approval in principle of the issuance of hybrid tier-2 capital (Series 11 bonds) through Harel Share Issues, see Note 6C(3) to the Financial Statements.

2.1.13 Expansion of Series 11 bonds by way of a private placement - Harel Share Issues

On the expansion of Series 11 bonds by way of a private placement through Harel Share Issues, see Note 6C(3) to the Financial Statements.

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

2.2.1 Signing of a consent decree under Section 50B of the Antitrust Law, 1988

On the signing by Harel Insurance of a consent decree under Section 50B of the Antitrust Law, 1988, see Note 10(4) to the Financial Statements.

2.2.2 Decision concerning a dividend distribution

On the Board of Directors’ decision to distribute a dividend, see Note 10(1) to the Financial Statements.

2.3 Developments in the Group’s macroeconomic environment

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 third quarter of 2015, global economic growth slowed due to more moderate economic activity in the emerging markets accompanied by slower-than-expected recovery in the developed markets.

Fears of an economic crisis in China, accompanied by lower-than-expected non-financial data in the developed markets, led share prices to fall sharply the world over in this quarter. There was also a renewed downturn in the price of commodities and the currencies of some emerging markets depreciated rapidly. Government bond yields in some countries declined in the third quarter, although this followed a sharp increase in the previous quarter.

Central banks in the Eurozone and in Japan continued their extremely expansionist monetary policy while several other central banks in the developed economies lowered interest rates. Despite the expectations for the US to be the first to raise interest rates, the Federal Reserve left them unchanged.

Third-quarter economic indicators in the US were mixed; private consumption continued to increase, the housing market improved, employment levels stabilized but exports and the industrial sectors remained weak. In the Eurozone, economic indicators remained positive in the third quarter showing further expansion of the economy but no significant acceleration.

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.

Indicators of economic activity were mixed in the third quarter; tax revenues, private consumption and the labor market continued to present a positive picture. In contrast, commodities exports and industry remained weak in the third quarter, following a significant decline in previous quarters as well. Initial estimates show that third-quarter growth was 2.5%, higher than in the second quarter (0.2% in annual terms).

2.3.3 Stock market

In the third quarter of 2015 share prices fell sharply in Israel and all over the world. In the third quarter, the MSCI world index fell by 8% (the sharpest fall since the third quarter of 2011), the MSCI emerging markets index dropped by 18% and the TA-100 index declined by 8.3% (but posted a 1% increase since the beginning of the year). The VIX index (a volatility index derived from the prices of options on shares on the S&P500 index) showed greater volatility and during the quarter the index rose to its highest level since 2011. The average daily turnover of trade in shares and convertibles was NIS 1.4 billion in the third quarter, similar to the average recorded in the first half of the year.

2.3.4 Bond market

In the third quarter of 2015, the general bond index rose 0.8% (1.5% since the beginning of the year), the government bond index rose 0.9% (1.4% since the beginning of the year), and the corporate bond index rose 0.7% (1.6% since the beginning of the year). The average daily turnover of trade in bonds was NIS 3.5 billion in the third quarter, compared with an average of NIS 4.7 billion in the first half of the year.

2.3.5 Mutual Funds

The mutual funds recorded net redemptions of NIS 9.7 billion during the third quarter of 2015, with redemptions of totaling NIS 25.3 billion since the beginning of the year. This is a record negative amount for the mutual funds industry. Most of the redemptions were in the money market funds (NIS 23.4 billion) in view of negative yields in this investment channel.

2.3.6 Index products

According to the Association of ETFs, at the end of the third quarter of 2015 assets under management amounted to NIS 104 billion, a 12% decline compared to the end of 2014 (NIS 118.1 billion). Deposit certificates were notably negative which recorded redemptions of NIS 13.4 billion from the beginning of the year in view of the negative yield in the investment channel.

2.3.7 Foreign exchange market

The shekel weakened by 4.1% against the US dollar (to NIS 3.923) in the third quarter of 2015, by 4.4% against the Euro (to NIS 4.4038) and by 2% against the nominal Bank of Israel basket of currencies. From the beginning of the year, the shekel depreciated 0.9% against the US dollar and appreciated by 6.8% against the Euro and by 5% against the Bank of Israel basket of currencies.

2.3.8 Inflation

According to the last known index, at the end of the third quarter of 2015, inflation was -0.4% in the 12 months up to the August index, after increasing by 0.3% in the third quarter (June-August). Inflation over the last 12 months (up to the September index) was -0.5%.

2.3.9 Bank of Israel interest

During the third quarter of 2015, the Bank of Israel Interest remained unchanged at 0.1%.

2.3.10 Material events after the balance sheet date

The Bank of Israel interest rate remained unchanged at 0.1%.

In October, the security situation took a turn for the worse and should it continue, will form a potential risk factor for private consumption and for the tourism and real-estate sectors in the fourth quarter of 2015.

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

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 On November 19, 2015, the Knesset passed the second and third readings of the proposed Economic Efficiency (Legislative Amendments to Achieve the Budget Targets for Fiscal Years 2015 and 2016) Bill, 2015, which 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 two and a half times the average wage in the economy.

2.4.1.1.2 On November 19, 2015, the Knesset passed the second and third readings of the proposed Economic Efficiency (Legislative Amendments for Implementing Economic Policy for Fiscal Years 2015 and 2016) Bill, 2015. The Bill proposes amending the Supervision of Financial Services (Pension Advice, Pension Marketing and Pension Clearing System) Law, 2005 and it determines, inter alia, that one who is engaged in pension marketing or an associate entity will not provide operating services to employers for whose employees they provide pension marketing, unless the conditions specified in the Bill are met, whereby every month the pension insurance agent will collect clearing fees from the employer for the operating services for each employee of at least 0.6% of the total amount deposited in the provident fund for the employee, plus VAT, or at least NIS 10.5 plus VAT, whichever is higher. The distribution fee that the financial institution pays the pension insurance agent will be deducted from this clearing fee, and the management fees payable by the employee will be reduced by the rate of the distribution fee and the default option fund will be chosen for the employee under Section 20 of the Supervision of Provident Funds law. The Bill further prescribes that pension advice or marketing will not be required when a customer performs a transaction involving a pension product directly with a financial institution, at the customer’s initiative (unless the customer is an active insured in an old fund, an active insured in an insurance fund, the transaction includes exclusions due to the customer's medical condition, or if additional conditions as may be prescribed by the Commissioner are met), the deposit of payments in a provident fund by an employer for an employee who 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; 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. The Bill also proposes amending the Supervision of Financial Services (Provident Funds) Law, 2005, and determining that an employee will be entitled to choose a license holder to provide pension marketing or pension advice or to perform transactions in a pension fund, other than depositing money, and that employers will not condition the deposit of money for employees or providing other benefits to employees on the rendering of pension marketing or advice or on any other transaction for the employee by a particular license holder.

2.4.1.1.3 On November 19, 2015, the Knesset passed a second and third reading of the health chapter of the proposed Economic Plan (Legislative Amendments for Implementing Economic Policy for Fiscal Years 2015 and 2016) Bill, 2015. In this context, it was proposed that plans for supplementary health services, in relation to cover for surgery, will not be approved, and HMOs and insurance companies will only be given permission to market insurance plans that include cover for surgery if they have sufficient arrangements for surgery to ensure that members or insureds will receive an adequate number of surgeons and operations with respect to the range of doctors, types of surgery and geographical distribution, including in the periphery; HMOs, as part of their supplementary health services, and insurance companies will pay doctors or medical institutions at which the surgery is performed for surgery in accordance with insurance plans or as part of the supplementary health services, only in accordance with an arrangement for surgery in which no payment or refund for surgery is made to patients other than as part of the exclusions in respect of which the Bill proposes that the HMOs or insurance companies will be entitled to submit for approval a list of 50 specialists for whom a refund may be offered; a doctor or medical institution or any person acting on their behalf will not ask for and will not accept any payment from patients for surgery or for choosing a surgeon, if the surgery is performed as part of an arrangement for surgery, other than the deductible; the list of surgeons shall not include doctors with whom the HMOs or insurance companies have surgery arrangements, unless they have a consulting arrangement with that doctor, and the Bill also proposes amending the National Health Insurance Law, 1994, and the Public Health Ordinance, 1940 so that any payment to a doctor or medical professional for service that is not a consultation, that s/he provides in the medical institution, will be made by the medical institution (except in those instances where the doctor or medical professional is entitled to payment from the insurance company or HMO as part of the agreement between them).

2.4.1.1.4 On November 19, 2015, the Knesset passed the proposed Economic Efficiency Bill (Legislative Amendments to Achieve Budget Targets for Fiscal Years 2015 and 2016), 2015. The Bill amends the National Insurance Law [Consolidated Version], 1995 and prescribes 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 online on a standard form; 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 15 years have elapsed from the date of the event. The Bill also proposes prescribing a mechanism for settling subrogation claims between the NII and the insurance companies, insofar as no other provision is prescribed in an agreement between the NII and the insurance companies. Concurrently, it was proposed 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 September 20, 2015, a draft Prohibition on Money Laundering (Obligations of Identification, Reporting and Keeping Records by Insurers, Insurance Agents and Management Companies, to Prevent Money Laundering and Terrorism Financing) Order, 2015, was published the purpose of which is to consolidate and replace the Prohibition on Money Laundering (Obligations of Identification, Reporting and Keeping Records by Provident Funds and Provident Fund Management Companies) Order, 2001 and the Prohibition on Money Laundering (Obligations of Identification, Reporting and Keeping Records by Insurers and Insurance Agents) Order, 2001, and to prescribe provisions, inter alia, concerning the duty to become acquainted with the customer when drawing up a life assurance contract (which is not a term life assurance contract only and is not an insurance fund) and when opening a provident fund account; provisions concerning recording the identifying particulars of a beneficiary and company; provisions concerning on-going control over the necessary procedures and transactions of the service recipient; additional reports on activity in a life assurance contract or account (which is not an insurance fund) or in connection with a loan; the duty to check details against the central list of known terror organizations; a financial institution’s obligation to establish a policy on risk management and tools concerning the prohibition on money laundering and terrorism financing, and provisions concerning record keeping and the saving of records. If and insofar it is published as binding, the order will become applicable six months from its date of publication and it will also apply to existing accounts and life assurance contracts that are in force on the commencement date, except for the exclusions specified in the order.

2.4.1.1.6 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 October 7, 2015, the Commissioner published a draft circular which amends the circular on compensation policy in financial institutions. Among other things, the amendment prescribes the following provisions: (1) compensation for directors (including chairman of the board of directors) who are not external directors or independent directors will not include a variable component; (2) compensation for directors, excluding chairman of the board of directors, will be determined in accordance with the provisions on compensation for external directors of financial institutions, in accordance with Financial Institutions Circular 2009-9-4 ("Circular on Compensation for External Directors"); (3) compensation paid to the chairman of the board will be determined relative to the compensation paid to external directors of financial institutions; (4) 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 a key position in another company or his service in another company, and financial institutions must ascertain that key employees or officeholders do not receive any compensation for serving in the financial institution from another entity; (5) 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; (6) the provisions of the circular on compensation paid by financial institutions were extended with respect to provisions that must be included in the compensation policy in connection with the restitution of money to a financial institution that was paid to a key officeholder as a variable component. The circular applies from its date of publication, to compensation agreements that were approved from its date of publication, including any extension or change of an existing compensation agreement. Agreements that were approved before the publication date of the circular will be adjusted to the provisions of the circular by December 31, 2017.

The Company is preparing to adjust its compensation policy based on the provisions of the circular, including to revise the provisions of the compensation policy regarding the restitution of money paid to key officeholders as a variable component and to adjust the compensation agreements, as necessary.

2.4.1.2.2 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 8(14) 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 9(16) to the Financial Statements).

2.4.1.2.3 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.

2.4.1.2.4 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 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.

2.4.1.2.5 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.

2.4.1.2.6 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 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.

2.4.1.2.7 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.

2.4.1.2.8 On May 10, 2015, the Commissioner published a circular on 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.

2.4.1.2.9 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

2.4.1.2.10 On April 30, 2015, the Commissioner published a circular on 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.

2.4.1.2.11 On April 19, 2015, the Commissioner published a circular on 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.

2.4.1.2.12 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.

2.4.1.2.13 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.

2.4.1.2.14 On November 13, 2014, the Commissioner published a circular 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 November 10, 2015, the Commissioner published a draft circular on retrieving personal information. The circular proposes that insurance companies will facilitate the creation of private accounts to be accessible using instruments of technology, that will allow an insured's details to be retrieved, including information about policies held by the insured or which are in the insured's possession, and insurance claims filed by the insured in the last three years. Furthermore, the draft circular proposes that insurance companies will be entitled to send insureds documents and notifications required by law, using instruments of technology, after obtaining the insured's documented approval, and also to allow insureds to submit documents to the company in the same manner.

2.4.1.3.2 On October 11, 2015, the Commissioner published a draft circular on management of information security risks in financial institutions (which will replace Circular 2006-9-6 on the same subject). The draft circular sets out provisions on the protection of data and cyber; cloud-based computer services; the duty to appoint a steering committee for information security, to define a risk management plan; to conduct information security surveys and the frequency of such surveys, as well as provisions concerning the security of communications channels with customers and with external entities. The insurance companies and the Commissioner are discussing the draft circular.

2.4.1.3.3 On September 16, 2015, the Commissioner published a draft appendix to the circular on the clarification and settlement of claims and the treatment of complaints by the public. The draft appendix sets out provisions for settling claims which include notification to be given to insureds or claimants, the information on which the settlement or dismissal of a claim must be based due to non-disclosure and the intention to defraud, the manner of investigating a claim using investigative reports, dismissal of a claim, and the settlement of LTC claims including with respect to the definition of the insured event, how claims should be filed and how a functional assessment should be performed. The insurance companies and the Commissioner are discussing the draft circular.

2.4.1.3.4 On July 7, 2015, the Commissioner published a draft circular which amends 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.

2.4.1.3.5 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 that investment policy approved by the board of directors must also include a policy for 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.

2.4.1.3.6 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

2.4.1.3.7 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. The Commissioner and the insurance companies are discussing the draft documents.

2.4.1.4 Instructions and clarifications

2.4.1.4.1 On October 11, 2015, the Commissioner published a letter to the directors of financial institutions on "Deployment for implementation of the provisions of the FATCA agreement". Among other things, the letter classifies the various entities and accounts, categories of entities and financial accounts which are under the oversight of the Capital Market Division with respect to the provisions of the agreement (exempt and obligatory entities), as well as clarifications regarding the obligations that apply to the financial institutions under the agreement when due diligence is performed

2.4.1.4.2 On February 12, 2015, the Commissioner published a ruling in principle 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.

2.4.1.4.3 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 November 5, 2015, the Supervision of Financial Services (Provident Funds) (Amendment no. 13), 2015, was published which prescribes that the term “non-annuity provident fund” will be abolished and that the name of a benefits provident fund that is not a pension fund or an insurance fund will be changed to “Savings Provident Fund”; that savers will also be able to withdraw money directly from a savings provident fund; and that payment of an annuity may be made from a provident fund by means of a combination of periodic withdrawal (annuity) and the purchase of a longevity plan from an external insurer or on-going payment from another provident fund for the rest of the member’s life. The amendment also prescribes a temporary provision allowing the consolidation of existing accounts in a pension fund which regulates a mechanism for transferring the money of inactive members in pension funds to active accounts of those same members in other pension funds, as well as provisions that prescribe a mechanism for transferring money to the accounts of newly enrolled members of a pension fund from inactive accounts of those members in other pension funds, provided that the members do not refuse these arrangements. The provisions on the consolidation of existing accounts in pension funds will enter into force on April 1, 2016, and the provisions on the consolidation of accounts when joining a pension fund will enter into force on January 1, 2017.

2.4.2.1.2 On August 5, 2015, the Supervision of Financial Services (Provident Funds) (Amendment no. 12) Law was published in the Official Gazette. 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. (This anchors the temporary provision that was in force until June 30, 2015.)

2.4.2.1.3 On November 8, 2015, draft Supervision of Financial Services (Provident Funds) (Individually Managed Provident Funds) (Amendment) Regulations, 2015 were published. The draft regulations propose, inter alia, amending the definition “portfolio manager" so as to allow savers to invest their money also through foreign portfolio managers who are residents of approved foreign countries and are licensed to engage in portfolio management in those countries. Likewise, it is proposed that insurance funds will not be able to serve as individually managed provident funds. Additionally, it is proposed that different categories of money may be managed in addition to the money that may be managed at present. The draft regulations further propose limiting deposits that may be made by members in all their education fund accounts that are managed in individually managed provident funds to four times the effective amount. It is proposed adding a list of products in which investments can be made and to revise the rules permitting expenses stemming from the investments of savers in ETNs and mutual funds, provided that the issuer is not a related party of the portfolio manager or the management company.

2.4.2.1.4 On September 24, 2015, draft Supervision of Financial Services (Provident Funds) (Payments to Provident Funds) (Amendment ____) Regulations, 2015 were published. The draft regulations propose amending the regulations and determining, inter alia, the conditions under which employers will not be obligated to provide information when money is deposited in a provident fund. The dates for giving feedback were changed and commencement of the regulations for employers who have fewer than thirty employees was postponed to January 1, 2017, and for employers who have at least thirty but no more than fifty employees was postponed to July 1, 2016.

2.4.2.1.5 On September 24, 2015, draft Supervision of Financial Services (Provident Funds) (Withdrawing money from Provident Funds) (Small Amounts) Regulations, 2015 were published. The draft regulations set out the conditions under which members who have, in one of their accounts which is an old fund, provident fund for retirement benefits, provident fund for savings and a personal provident fund for severance pay, that is not an insurance fund, money that is not severance pay money, may under certain conditions withdraw the money as a lump sum. The draft regulations also obligate the management company of that provident fund to send the member notification of his right to withdraw the money based on the formula and on the date stipulated by the Commissioner.

2.4.2.1.6 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 November 1, 2015, the Commissioner published a circular on periodic reports of management companies, the purpose of which is to revise the format of the report on the company's business and the board of directors report that are included in the periodic reports of management companies so that they are more focused, up to date, and have a standard format. Additionally, the circular includes a provision for reporting to the Commissioner in the event that a significant error is found in a management company's financial reports.

2.4.2.2.2 On September 21, 2015, the Commissioner published a circular on "Transactions performed by financial institutions for Employers". The circular sets out provisions concerning the transactions that a financial institution will allow an employer to perform; authorizations granted by employers to their operating entity, validity and cancellation of the employer's authorization; as well as provisions concerning a procedure for verifying an employer's authorization in pension products and life assurance plans or work disability insurance products, excluding such insurance plans that are included in a non-pension insurance product. The circular becomes applicable on February 1, 2016.

2.4.2.2.3 On February 17, 2015, the Commissioner published a circular on "Investment tracks in provident funds". The circular prescribes that in each of the provident funds that they manage, financial institutions will manage investment tracks adjusted to the members' ages (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 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. On September 16, 2015, the Commissioner published an amendment to the circular. Among other things, the amendment prescribes provisions on closing the general tracks in the pension products to new members, as well as provisions concerning general tracks and specialist tracks in education funds and personal-lines products, as well as for the setting up of host tracks by financial institutions. In this context, the list of investment tracks attached to the circular was also amended. The provisions of the circular will become applicable 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). On September 10, 2015, the Commissioner also published provisions concerning the manner of presenting a reply for an investment track in which the investment policy was changed (CM 2015-33166).

2.4.2.2.4 On August 6, 2015, the Commissioner published a circular on 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.

2.4.2.2.5 On July 22, 2015, the Commissioner published a circular on 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.

2.4.2.2.6 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.

On November 10, 2015, the Commissioner published a circular concerning an explanatory document that replaces the circular from June 2015 and prescribes that the instruction whereby in the event of a full explanatory document, the license holder will be required to contact the clearing house in order to clarify the customer's pension products, will enter into force on December 1, 2015.

2.4.2.2.7 On May 28, 2015, the Commissioner published a circular on 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 circular will apply to financial institutions and license holders from January 1, 2016.

2.4.2.2.8 On April 28, 2015, the Commissioner published a circular on 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 became applicable on October 1, 2015.

2.4.2.2.9 On April 27, 2015, the Commissioner published a circular on 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.

2.4.2.2.10 On April 14, 2015, the Commissioner published a circular 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.

2.4.2.2.11 On March 24, 2015, the Commissioner published a circular on 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. On September 20, 2015, the Commissioner published an announcement that the Capital Market, Insurance and Savings Division intends to postpone the commencement date of the circular to the beginning of 2017.

2.4.2.2.12 On March 18, 2015, the Commissioner published a circular 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.

2.4.2.2.13 On February 19, 2015, the Commissioner published a circular 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 apply from its date of publication.

2.4.2.2.14 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 November 12, 2015, the Commissioner published a draft circular on annual reports and quarterly reports for members and insureds in financial institutions which proposes updating Circular 2014-9-12 with the same name. Insofar as it is published as binding, the draft circular will become applicable in the annual reports sent to members for 2015.

2.4.2.3.2 On October 25, 2015, the Commissioner published a draft circular on provisions concerning the rights and obligations of members in the articles of new comprehensive pension funds. The draft circular sets out the suggested text of the pension fund articles which may be deviated from only with the Commissioner's approval. The draft circular also sets out provisions concerning reports to be sent to members about changes in the articles and the manner and timing of submitting the articles for the Commissioner's approval.

2.4.2.3.3 On September 21, 2015, the Commissioner published a draft circular on conditions for controlling the management company of an additional pension fund or the management company of an additional provident fund. The draft circular proposes that the holder of a permit to control a pension fund management company will be entitled to receive a permit to control another pension fund management company, and the holder of a permit to control a management company or a pension fund management company that also manages a non-annuity paying provident fund will be entitled to receive an additional permit to control another management company, for a defined period, provided that within 90 days of the date of the acquisition, the assets managed by the existing and additional companies are transferred to be managed by a single management company or the management company of one pension fund, as applicable, and the license of the other company will be revoked. Publication of the circular in its current draft version may have repercussions for the holding structure of the Group's provident funds and management companies. The Company is discussing the draft circular with the Commissioner's representatives. On a merger of pension fund and provident fund management companies, see Note 9(4) below.

2.4.2.3.4 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.

2.4.2.3.5 On July 28, 2015, the Commissioner published a draft circular on 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 these plans to 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.

2.4.2.3.6 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. On that same date, 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.

2.4.2.3.7 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 a variety of 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.

2.4.2.3.8 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. The Commissioner and the financial institutions are discussing the draft circular.

2.4.2.3.9 On May 4, 2015, the Commissioner published a draft circular 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.

2.4.2.3.10 On April 20, 2015, the Commissioner published a draft circular 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.

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; the absence of a qualifying period; standard 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 transfer of an insured between HMOs.

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 April 1, 2015, the Commissioner published a circular on “Stand-alone coverage in personal lines health insurance”. 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 insureds must be allowed to cancel 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 September 24, 2015, the Commissioner published a circular on “Stand-alone coverage in personal lines health insurance” which replaces a previous circular with the same name, and determines that insofar as the insurance involves variable premiums, insurers must emphasize to the insureds that the premiums are expected to change during the policy period and the insured must receive information about the premiums for the older age groups. Furthermore, the circular excludes work disability insurance and the commencement date was postponed to February 1, 2016.

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.

2.4.3.2.3 On September 24, 2015, the Commissioner published a circular on "Drawing up an insurance plan for personal lines health insurance", which replaces a previous circular with the same name and changes some of the provisions relating to notice to be sent to policyholders where their consent is required for renewing the insurance. The circular becomes applicable on February 1, 2016 and insurers who wish to market health insurance plans on the application date must submit revised insurance plans consistent with the provisions of the circular from October 11, 2015

2.4.3.2.4 On September 24, 2015, the Commissioner published a circular on "Provisions concerning the insurance cover in policies for prescription drugs", which replaces a previous circular with the same name and eliminates the provision determined therein whereby the policy period in personal lines policies that provide insurance for prescription drugs is for life. The provisions of the circular will apply to policies that insure prescription drugs that are sold or renewed by the insurance companies as of February 1, 2016.

2.4.3.2.5 September 24, 2015, the Commissioner published a circular on "Principles for changing tariffs in health insurance for existing policyholders". This circular replaces a previous circular with the same name and determines that the provisions of the circular will not apply to illness and hospitalization policies that are renewed or sold as of February 1, 2016, excluding work disability insurance, LTC insurance and dental insurance.

2.4.3.2.6 On September 24, 2015, the Commissioner published a circular on "Drawing up an insurance plan for critical illness", which replaces a previous circular with the same name and eliminates the provisions relating to the transfer of insureds to a policy with revised definitions if the policy is revised by the insurer, and notifications that must be given to insureds on this subject. The provisions of the circular become applicable on February 1, 2016.

2.4.3.2.7 On September 24, 2015, the Commissioner published instructions for implementation of the Supervision of Financial Services (Insurance) (Conditions of Insurance Contracts for Surgery and Non-surgical treatment in Israel) Regulations, 2015. The instructions prescribe provisions for including existing insureds in a policy that corresponds with the Supervision of Financial Services (Insurance) (Conditions in insurance contracts for surgery and non-surgical treatment in Israel) Regulations, 2015, and notifications that must be sent regarding the option to move over to a corresponding policy. The provisions become applicable on February 1, 2016 and they will apply to surgery policies that are in force on that date.

2.4.3.2.8 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 in a business-like manner, 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 insurance candidate with information about the medical underwriting process. The provisions of the circular become applicable on April 1, 2016.

2.4.3.2.9 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

2.4.3.3.1 On October 25, 2015, the Commissioner published a draft letter to the insurance company managers on "Provisions for the correction of deficiencies in the marketing of personal accident policies". The draft letter proposes that the insurance companies must take action to correct deficiencies that were found in the marketing of personal accident policies, including to make telephone contact with insureds who, when they joined the insurance, received a misleading description of the policy and to obtain their consent for continuing the insurance. Insofar as the insured states that he does not agree to the insurance, the insurance company must cancel the policy and refund the premiums that were paid from the date of enrollment in the policy. Furthermore, the draft letter sets out provisions concerning instances where the insured's consent is not obtained and regarding information that must be made clear to the insured when personal accident policies are sold. Reservations and comments on the draft letter will probably be submitted to the Commissioner before the binding version is published.

2.4.3.3.2 On September 16, 2015, the Commissioner published a draft position paper on "Clarification concerning a reappraisal of eligibility for LTC". The draft position prescribes what will be considered a reappraisal of entitlement, and that the insurance companies are under obligation to clarify, before the end of any approved period for the payment of insurance benefits which is shorter than the maximum period of entitlement, that the claimant is not entitled to insurance benefits and that payment of the insurance benefits must not be suspended until the matter has been clarified.

2.4.3.3.3 On January 25, 2015, the Commissioner 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 became applicable on July 27, 2015.

2.4.4.1.2 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. Present circular, 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 Circular Draft

On November 22, 2015, the Commissioner published the draft circular "Amendment to the Provisions of the Consolidated Circular in the Compulsory Motor Insurance Sector - Draft". The draft circular proposes updating the residual premiums for private and commercial vehicles, eliminating the option to set special premiums for fleets of cars and groups, abolishing the mechanism for linking compulsory motor premiums to the CPI, adjusting the mechanism for the approval of premiums in the compulsory motor sector in view of the revision of Section 40 of the Supervision of Financial Services (Insurance) Law, 1981, and extending the possibility to refund premiums to all vehicles at the end of the policy period. The Company is studying the provisions of the proposed amendment. The Company believes that the proposed amendments will significantly affect premiums in the compulsory motor sector, leading to lower profitability in this sector. The Company's estimate is forward-looking information which is uncertain information concerning the future based on information in the company's possession at the time of publishing the report and which includes the company's assessments at the date of the report. Actual performance may differ substantially from the results estimated or inferred from this information, in part in view of the final wording of the circular to be published and the behavior of competitors and customers after it enters into force.

2.4.4.3 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 nine months ended September 30		change %	For the three months ended September 30		For year ended December 31
	2015	2014		2015	2014	2014
Life assurance and long-term savings segment						
Gross earned premiums	3,186,140	2,835,110	12	992,564	943,654	3,797,466
Income from management fees	591,275	661,040	(11)	113,086	221,395	848,059
Profit (loss) from life assurance business	20,376	(95,698)	-	(226,366)	(69,567)	(71,747)
Profit from provident fund management	33,696	41,137	(18)	8,713	17,797	54,670
Profit from pension fund management	52,856	50,405	5	14,780	20,879	67,877
Total profit (loss) from life assurance and long-term savings	106,928	(4,156)	-	(202,873)	(30,891)	50,800
Total comprehensive income (loss) from life assurance and long-term savings	117,144	88,410	33	(106,439)	488	163,760
Non-life insurance segment						
Gross earned premiums	2,289,348	2,391,255	(4)	769,840	814,387	3,205,322
Premiums earned on retention	1,314,673	1,331,771	(1)	443,629	449,757	1,772,233
Total profit (loss) from non-life insurance	133,179	177,260	(25)	(23,121)	23,987	219,070
Comprehensive income (loss) from non-life insurance	55,824	243,658	(77)	(39,536)	42,668	286,796
Health insurance segment						
Gross earned premiums	2,955,915	2,652,945	11	1,029,837	929,480	3,571,159
Premiums earned on retention	2,799,442	2,491,906	12	978,031	872,812	3,354,979
Total profit (loss) from health insurance	(3,846)	142,194	-	(29,611)	48,966	101,019
Comprehensive income (loss) from health insurance segment	(37,520)	173,586	-	(37,261)	56,889	139,972
Insurance companies overseas segment						
Gross earned premiums	193,487	155,733	24	64,971	54,242	213,750
Premiums earned on retention	121,665	89,753	36	41,676	31,673	123,042
Total profit (loss) from insurance companies overseas segment	12,410	6,966	78	(121)	733	4,885
Total comprehensive income (loss) from insurance companies overseas	(5,754)	5,895	-	(4,303)	935	4,807

	For the nine months ended September 30		change %	For the three months ended September 30		For year ended December 31
	2015	2014		2015	2014	2014
Capital market and financial services segment						
Revenues from capital market and financial services	230,449	222,547	4	70,711	78,429	304,234
Total expenses from capital market and financial services	194,496	178,196	9	78,116	59,482	240,341
Total profit (loss) from capital market and financial services segment	35,943	44,373	(19)	(7,406)	18,905	63,902
Total comprehensive income (loss) from capital market and financial services segment	35,887	44,520	(19)	(7,405)	18,975	63,992
Items not included in operating segments						
Net profit (loss) from investments and financing income	108,565	219,636	(51)	(30,135)	73,451	241,989
Income from commissions	103,404	89,684	15	37,048	36,342	123,675
General & administrative expenses not recognized in operating segment reports	122,691	109,873	12	43,458	42,107	148,098
Financing expenses	77,062	83,475	(8)	34,357	34,026	106,997
Pre-tax profit (loss)	321,360	490,463	(34)	(322,604)	103,784	568,929
Net profit (loss) for the period	222,289	315,810	(30)	(196,921)	64,241	374,231
Other comprehensive income (loss) for the period, net of tax	(72,133)	146,125	-	66,738	50,843	158,910
Total comprehensive income (loss) for the period	150,156	461,935	(67)	(130,183)	115,084	533,141
Net profit (loss) for the period attributed to the Company's shareholders	222,281	315,560	(30)	(196,801)	64,079	373,907
Net profit (loss) attributed to non-controlling interests	8	250	(97)	(120)	162	324
Return on equity in annual terms in percent	4%	13%	(68)	(11%)	10%	11%

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

	At September 30			At December 31
	2015	2014	% change	2014
Total balance sheet	90,643	87,202	3.9	89,253
Assets for yield-dependent contracts	38,869	35,697	8.9	36,526
Other financial investments	20,915	21,509	(2.8)	21,492
Intangible assets	1,572	1,598	(1.6)	1,589
Reinsurance assets	5,264	5,440	(3.2)	5,497
Insurance liabilities (insurance reserves and outstanding claims) in life assurance				
For yield-dependent investment contracts and insurance contracts	34,535	31,694	9.0	32,324
For insurance contracts that are not yield dependent	11,236	11,255	(0.2)	11,246
In non-life insurance	9,758	10,110	(3.5)	10,003
In health insurance (yield dependent and non-yield dependent)	7,590	6,687	13.5	6,933
In insurance companies overseas (yield-dependent and non-yield-dependent)	256	237	8.0	263
Adjustments and Offsets between segments	(5)	(6)	(22.1)	(6)
Total insurance liabilities	63,370	59,977	5.7	60,763
Equity attributed to holders of the Company's equity	4,745	4,753	(0.2)	4,718

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

	September 30			December 31
	2015	2014	% change	2014
For yield dependent investment contracts and insurance contracts	38,869	35,697	8.9	36,526
For members of provident funds and pension funds *	63,879	59,145	8.0	60,466
For mutual fund customers *	27,482	35,496	(22.6)	33,650
For customers portfolios *	8,939	9,125	(2.0)	8,917
ETNs	14,157	14,769	(4.1)	15,298
Total assets under management for the Group's policyholders and members	153,326	154,232	(0.6)	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 premiums earned from insurance business during the Reporting Period amounted to NIS 8.62 billion compared with a total of NIS 8.03 billion during the corresponding period last year, an increase of 7% compared with the corresponding period last year.

Total earned premiums from insurance business in the third quarter of 2015 amounted to NIS 2.85 billion, compared with a total of NIS 2.74 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 67% to NIS 150 million in the Reporting Period, compared with NIS 462 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 and due to the volume of variable management fees that were lower than those collected in the corresponding period last year..

(b) Revision of an extraordinary claim in the liabilities and other lines of business to a total gross amount of USD 77.5 million before tax, of which the Company’s self-retention is USD 15 million. Most of the retention amount is included as an expense in the Reporting Period (for additional information, see Note 7 to the Financial Statements).

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

(d) 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.

(e) Payment of a special bonus of NIS 5,000 to each employee on the occasion of 80 years of insurance activity by the Hamburger family, and to mark 40 years of activity by Harel Insurance Group. The cost of the bonus amounted to NIS 30 million before tax and NIS 20 million after tax (see Note 9 to the Financial Statements).

(f) These effects were partially offset by the following -

1. 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 9 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. On the effect of a revaluation of owner-occupied real estate on the outstanding LAT, see Note 3. The increase in the outstanding LAT stemming from a revaluation of owner-occupied real estate had no effect on the Company's profit or equity.

(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 217 million before tax and NIS 135 million after tax.

2. A change in the accounting policy in relation to the measurement of owner-occupied real estate, from measurement on an amortized cost basis to measurement on a fair-value basis. This policy change increased comprehensive income before tax by NIS 72 million and after tax by NIS 47 million (see Note 3 to the Financial Statements). This profit was not attributed to the Company's segments of operation

The comprehensive loss after tax in the third quarter of 2015 increased to NIS 130 million, compared with comprehensive income of NIS 115 million in the corresponding quarter last year. The shift from comprehensive income to loss is mainly due to the following:

(a) 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 third quarter of 2015 in the amount of NIS 77 million, compared with the collection of variable management fees amounting to NIS 37 million in the corresponding quarter last year.

(b) On-going erosion in the results of group insurance activity in the health insurance segment, stemming from an increase in the percentage of claims.

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

(d) Payment of a special bonus of NIS 5,000 to each employee on the occasion of 80 years of insurance activity by the Hamburger family, and to mark 40 years of activity by Harel Insurance Group. The cost of the bonus amounted to NIS 30 million before tax and NIS 20 million after tax (see Note 9 to the Financial Statements).

(e) These effects were partially offset by the following –

(i) The effect of the interest rate and due diligence of the reserves - in the corresponding quarter, in view of the decrease in the risk-free interest, the discounting interest used for calculating some of the insurance liabilities were revised. As a as a result, the insurance liabilities increased by NIS 49 million before tax, and NIS 30 million after tax. These effects were not included in the current quarter, due to the fact that there was no change in the interest rates used for discounting the insurance liabilities. On the effect of a revaluation of owner-occupied real estate on the outstanding LAT, see Note 3 to the Financial Statements. The increase in the outstanding LAT stemming from a revaluation of owner-occupied real estate had no effect on the Company's profit or equity.

(ii) A change in the accounting policy regarding the measurement of owner-occupied real estate from measurement on an amortized cost basis to measurement on a fair-value basis. This policy change increased comprehensive income before tax by NIS 72 million and after tax by NIS 47 million (see Note 3 to the Financial Statements). This profit was not attributed to the Company's segments of operation.

Net profit decreased by 30% to NIS 222 million in the Reporting Period, compared with NIS 316 million in the corresponding period last year.

The net loss in the third quarter of 2015 was NIS 197 million, compared with profit of NIS 64 million in the corresponding quarter last year.

Pre-tax profit decreased by 34% to NIS 321 million in the Reporting Period, compared with NIS 490 million in the corresponding period last year.

There was a pre-tax loss of NIS 323 million in the third quarter of 2015, compared with pre-tax profit of NIS 104 million in the corresponding quarter last year.

During the Reporting Period income from investments, net, and financing income amounted to NIS 1,040 million, compared with profits of NIS 2,667 million in the corresponding period last year.

In the third quarter of 2015, net losses from investments and financing income amounted to NIS 835 million, compared with profits in the amount of NIS 856 million in the corresponding quarter last year.

Financing expenses that were not attributed to the operating segments amounted to NIS 77 million compared with financing expenses of NIS 83 million in the corresponding period last year.

The Company's equity at September 30, 2015, relating to the Company's shareholders, amounts to NIS 4,745 million, compared with equity of NIS 4,753 million at September 30, 2014 and NIS 4,718 million at December 31, 2014. The change in equity is attributable to: (a) comprehensive income of NIS 150 million attributed to the Company's shareholders; (b) a dividend in the amount of NIS 128 million; (c) insignificant amounts in respect of 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 8 to the Financial Statements.

On capital surpluses in accordance with the results of Solvency, see Note 8 to the Financial Statements.

2.7 Life assurance and Long-term savings

Comprehensive income in life assurance and long-term savings was NIS 117 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 175 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 first-time application of the Commissioner's circular on the manner of computing the adequacy of the reserves, which at June 30, 2015, led to an increase in the insurance liabilities of NIS 145 million before tax (see Note 9 to the Financial Statements).

iii. During the Reporting Period, the combination of all these effects amounted to a decrease of the liabilities by NIS 4 million before tax (for additional information, see Note 9 to the Financial Statements). On the effect of a revaluation of owner-occupied real estate on the outstanding LAT, see Note 3 to the Financial Statements. The increase in the outstanding LAT stemming from a revaluation of owner-occupied real estate had no effect on the Company's profit or equity.

(c) These effects were partially offset by yields on the capital market that were lower than those in the corresponding period last year and by the volume of variable management fees that were lower than the variable management fees collected in the corresponding period last year. During the Reporting Period, the Company collected variable management fees of NIS 29 million compared with NIS 138 million in the corresponding period last year.

The comprehensive loss on life assurance and long-term savings in the third quarter of 2015 was NIS 106 million, compared with comprehensive income amounting to a negligible NIS 0.5 million in the corresponding quarter last year. The shift from comprehensive income to loss is mainly due to the following:

(a) Capital market yields in the third quarter that were lower in the Reporting Period than in the corresponding quarter last year as well as a refund of variable management fees in the third quarter of 2015 in the amount of NIS 77 million, compared with the collection of variable management fees amounting to NIS 37 million in the corresponding quarter last year.

(b) These effects were partially offset by the effects of the interest rate and a due diligence of the reserves 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 49 million before tax. These effects were not included in the current quarter, due to the fact that there was no change in the interest rates used for discounting the insurance liabilities. On the effect of a revaluation of owner-occupied real estate on the outstanding LAT, see Note 3 to the Financial Statements. The increase in the outstanding LAT stemming from a revaluation of owner-occupied real estate had no effect on the Company's profit or equity.

Pre-tax profit in the life assurance and long term savings segment during the Reporting Period amounted to NIS 107 million compared with a pre-tax loss of NIS 4 million in the corresponding period last year.

Pre-tax loss in the life assurance and long-term savings segment in the third quarter of 2015 was NIS 203 million, compared with NIS 31 million in the corresponding quarter last year.

Life assurance

2.7.1 Total premiums earned during the Reporting Period increased by 12% to NIS 3,186 million, compared with NIS 2,835 million in the corresponding period last year. During the Reporting Period, single premiums were recorded in the amount of NIS 230 million which were received for early retirement arrangements drawn up with a large employer (for additional information see Note 9 to the Financial Statements). Premiums earned during the Reporting Period accounted for 37% of the total premiums earned by the Group during the Reporting Period.

Total premiums earned in the third quarter of 2015 increased by 5% to NIS 993 million, compared with NIS 944 million in the corresponding quarter last year.

Comprehensive income in life assurance was NIS 31 million in the Reporting Period, compared with a comprehensive loss of NIS 5 million in the corresponding period last year. The shift from comprehensive loss to comprehensive income 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 175 million before tax.

(b) The effect of the interest rate and due diligence 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 first-time implementation of the Commissioner's circular on the manner of computing the adequacy of the reserves, which at June 30, 2015, led to an increase in the insurance liabilities of NIS 145 million before tax (see Note 9 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 9 to the Financial Statements). On the effect of a revaluation of owner-occupied real estate on the outstanding LAT, see Note 3 to the Financial Statements. The increase in the outstanding LAT due to the revaluation of owner-occupied real estate did not affect the Company's profit or equity.

(c) These effects were partially offset by yields on the capital market that were lower than those in the corresponding period last year and due to the volume of variable management fees that were lower than the variable management fees collected in the corresponding period last year. During the Reporting Period, the Company collected variable management fees of NIS 29 million compared with NIS 138 million in the corresponding period last year.

The comprehensive loss in life assurance amounted to NIS 130 million in the third quarter of 2015, compared with NIS 37 million in the corresponding quarter last year. The increased comprehensive loss is mainly due to the following:

(a) Yields in the capital market in the Reporting Period that were lower than those in the corresponding period last year, as well as a refund of variable management fees in the third quarter of 2015 amounting to NIS 77 million, compared with the collection of variable management fees of NIS 37 million in the corresponding quarter last year.

(b) These effects were partially offset by the effects of the interest rate and due diligence of the reserves 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 49 million before tax. These effects were not included in the current quarter, due to the fact that there was no change in the interest rates used for discounting the insurance liabilities. On the effect of a revaluation of owner-occupied real estate on the outstanding LAT, see Note 3 to the Financial Statements. The increase in the outstanding LAT stemming from a revaluation of owner-occupied real estate had no effect on the Company's profit or equity.

Pre-tax profit from life assurance was NIS 20 million in the Reporting Period, compared with a pre-tax loss of NIS 96 million for the corresponding period last year.

The pre-tax loss from life assurance in the third quarter of 2015 was NIS 226 million, compared with NIS 70 million in the corresponding quarter last year.

Income from investments held against insurance liabilities in life assurance totaled NIS 619 million for the Reporting Period, compared with investment income of NIS 2,057 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 less than the financial margin in the corresponding period last year.

Losses from investments held against insurance liabilities in life assurance amounted to NIS 782 million in the third quarter of 2015, compared with NIS 639 million in the corresponding quarter last year. The shift from profit to loss is due to the financial margin which was lower in the third 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 and to a NIS 77 million refund of variable management fees compared with the collection of variable management fees amounting to NIS 37 million in the corresponding quarter last year.

During the Reporting Period redemptions totaled NIS 689 million and accounted for 2.3% of the average reserve in life assurance, compared to redemptions of NIS 651 million during the corresponding period last year that accounted for 2.4% of the average reserve last year.

Redemptions in the third quarter of 2015 totaled NIS 201 million, accounting for 2.1% of the average reserve in life insurance, compared with redemptions of NIS 217 million in the corresponding quarter last year, which accounted for 2.3% of the average reserve last year.

Total life assurance reserves totaled approximately NIS 46 billion at September 30, 2015.

Yield-dependent policies:

	Policies issued from 1991-2003			
	1-9.2015 (in percent)	1-9.2014 (in percent)	7-9.2015 (in percent)	7-9.2014 (in percent)
Real yield before payment of management fees	1.34	5.97	(2.88)	1.54
Real yield after payment of management fees	0.79	4.72	(2.59)	1.20
Nominal yield before payment of management fees	1.14	6.08	(2.59)	1.84
Nominal yield after payment of management fees	0.59	4.82	(2.29)	1.50

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

	Policies issued from 2004			
	1-9.2015 (in percent)	1-9.2014 (in percent)	7-9.2015 (in percent)	7-9.2014 (in percent)
Real yield before payment of management fees	0.85	5.73	(2.97)	1.37
Real yield after payment of management fees	0.01	4.82	(3.24)	1.07
Nominal yield before payment of management fees	0.65	5.83	(2.68)	1.67
Nominal yield after payment of management fees	(0.19)	4.92	(2.95)	1.37

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):

	1-9.2015	1-9.2014	7-9.2015	7-9.2014
Profits (losses) after management fees	12	1,347	(832)	427
Total management fees	232	316	(8)	99

Pension funds

2.7.2 At September 30, 2015, the pension funds managed by the Group have 942,000 members, of which 465,000 are active members, similar to the number of active members at December 31, 2014.

Assets under management held by the pension funds increased by 16% to NIS 35 billion at September 30, 2015, compared with NIS 30.2 billion at September 30, 2014, and NIS 31.4 billion at December 31, 2014, which is an increase of 11% relative to the previous year. The increase in comparison to the previous year is mainly attributable to an increase in the amounts of provision for members and the yield achieved during the Reporting Period.

The benefit contributions collected by the Group's pension funds increased by 12% to NIS 3,992 million in the Reporting Period, compared with NIS 3,552 million in the corresponding period last year.

Benefit contributions collected by the Group's pension funds increased by 11% to NIS 1,434 million in the third quarter, compared with NIS 1,294 million in the corresponding period last year.

Total assets under management held by the pension funds and the benefit contributions 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 9% to NIS 197 million during the Reporting Period, compared with NIS 180 million in the corresponding period last year.

Total revenues from management fees collected from the pension funds managed by the Group increased by 6% to NIS 68 million in the third quarter of 2015, compared with NIS 64 million in the corresponding quarter last year.

Total expenses in connection with management of the pension funds amounted to NIS 145 million, in the Reporting Period, compared with NIS 134 million in the corresponding quarter last year.

Total expenses relating to pension fund management amounted to NIS 53 million in the third quarter of 2015, compared with NIS 46 million in the corresponding quarter last year.

Comprehensive income before tax from pension fund management and the operation of an old pension fund amounted to NIS 53 million in the Reporting Period, compared with NIS 52 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 15 million in the third quarter of 2015, compared with NIS 20 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 53 million in the Reporting Period, compared with NIS 50 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 15 million in the third quarter of 2015, compared with NIS 21 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 September 30, 2015

Fund name	Investment yield (in percent)
Harel Gilad Pension	1.27
Harel - Manof	1.47

For the three months ended September 30, 2015

Fund name	Investment yield (in percent)
Harel Gilad Pension	(2.30)
Harel - Manof	(2.21)

Provident funds

2.7.3 At the report date, the Group manages 10 active 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 September 30, 2015, the Group has 34 tracks in its provident funds.

The volume of assets managed by the Group’s provident funds at September 30, 2015, amounted to NIS 28.9 billion, compared with NIS 29 billion at September 30, 2014, and NIS 29 billion at December 31, 2014. This represents a decrease of 0.5% compared to September 30, 2014, and relative to December 31, 2014. The decrease is mainly attributable to net negative accrual

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 decreased by 2% to NIS 162 million in the Reporting Period, compared with NIS 165 million in the corresponding period last year.

Revenues from management fees collected by the provident funds managed by the Group amounted to NIS 53 million in the third quarter of 2015, compared with NIS 59 million in the corresponding quarter last year.

Provident fund expenses amounted to NIS 129 million in the Reporting Period, compared with NIS 125 million in the corresponding period last year.

Provident fund expenses in the third quarter of 2015 amounted to NIS 45 million, compared with NIS 41 million in the corresponding quarter 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 33 million in the Reporting Period, compared with NIS 42 million in corresponding period last year. This decline is attributable to an erosion of the percentage of management fees and an increase in expenses.

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 8 million in the third quarter of 2015, compared with NIS 18 million in the corresponding quarter last year. This decline is attributable to an erosion of the percentage of management fees and an increase in expenses.

Total net 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 34 million in the Reporting Period, compared with NIS 41 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 9 million in the third quarter of 2015, compared with NIS 18 million in the corresponding quarter last year.

Net accrual (excluding investment profit) in the provident funds in the Reporting Period was a negative NIS 219 million, compared with positive accrual of NIS 602 million in the corresponding period last year.

2.8 Health Insurance

Premiums earned in the health insurance segment increased by 11% to NIS 2,956 million in the Reporting Period, compared with NIS 2,653 million in the corresponding period last year. Total premiums earned in the health insurance segment during the Reporting Period, accounted for 34% of all premiums earned by the Group.

Total premiums earned in the health insurance segment increased by 11% to NIS 1,030 million in the third quarter of 2015, compared with NIS 929 million in the corresponding period last year.

The comprehensive loss in the health insurance segment was NIS 38 million in the Reporting Period, compared with comprehensive income of NIS 174 million in the corresponding period last year. The shift from comprehensive income to comprehensive loss is mainly attributable to the following:

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

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

Comprehensive loss in the health insurance segment was NIS 37 million in the third quarter of 2015, compared with comprehensive income of NIS 57 million in the corresponding quarter last year. The shift from comprehensive income to comprehensive loss is attributable mainly to the following:

(a) Yields in the capital market that were lower during the quarter than in the corresponding quarter last year.

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

Pre-tax loss in the health insurance segment was NIS 4 million in the Reporting Period, compared with pre-tax profit of NIS 142 million in the corresponding period last year.

Pre-tax loss in the health insurance segment in the third quarter of 2015 was NIS 30 million, compared with pre-tax profit of NIS 49 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 10% to NIS 2,363 million during the Reporting Period, compared with NIS 2,151 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 17.7 million in the Reporting Period, compared with NIS 109 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						
	1-9.2015	1-9.2014	% change	7-9.2015	7-9.2014	% change	2014
Compulsory motor	405,283	387,192	4.7	94,799	90,727	4.5	454,232
Motor property	670,076	796,628	(15.9)	151,259	163,043	(7.2)	922,601
Property & other branches	634,649	700,757	(9.4)	219,241	250,731	(12.6)	981,463
Other liabilities branches	571,461	551,250	3.7	139,565	133,313	4.7	787,051
Credit & mortgage insurance*	(23,421)	(18,177)	-	(8,980)	(6,499)	-	(23,718)
Total	2,258,048	2,417,650	(6.6)	595,884	631,315	(5.6)	3,121,629

*Net of settlements

	Comprehensive income before taxes						
	1-9.2015	1-9.2014	% change	7-9.2015	7-9.2014	% change	2014
Compulsory motor	43,068	108,977	(60.5)	(21,725)	14,043	-	128,754
Motor property	(4,100)	30,496	-	(8,463)	4,266	-	34,184
Property & other branches	43,770	32,881	33.1	14,108	13,879	1.6	47,213
Other liabilities branches	(63,296)	20,614	-	(24,292)	(3,603)	-	12,417

	Gross premiums						
	1-9.2015	1-9.2014	% change	7-9.2015	7-9.2014	% change	2014
Credit & mortgage insurance*	36,382	50,690	(28.2)	836	14,083	(94.1)	64,228
Total	55,824	243,658	(77.1)	(39,536)	42,668	-	286,796

Gross premiums decreased by 7% to NIS 2,258 million in the Reporting Period, compared with NIS 2,418 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 6% to NIS 596 million in the thirdd quarter of 2015, compared with NIS 631 million in the corresponding quarter last year.

Premiums in retention amounted to NIS 1,354 million in the Reporting Period, compared with NIS 1,338 million in the corresponding period last year.

Premiums in retention increased by 4% to NIS 315 million in the third quarter of 2015, compared with NIS 304 million in the corresponding quarter last year.

Comprehensive income in non-life insurance amounted to NIS 56 million in the Reporting Period, compared with NIS 244 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 amount of USD 77.5 million before tax, of which the Company’s self-retention is USD 15 million. Most of the amount of retention is included as an expense in the Reporting Period (for additional information, see Note 7 to the Financial Statements).

(c) Revision of the discounting interest rate used to calculate some of the insurance liabilities (for additional information see Note 9 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 40 million in non-life insurance in the third quarter of 2015, compared with comprehensive income of NIS 43 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.

(b) 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 decreased by 25% to NIS 133 million in the Reporting Period compared with NIS 177 million in the corresponding period last year.

Pre-tax loss in non-life insurance in the third quarter of 2015 was NIS 23 million, compared with profit of NIS 24 million in the corresponding quarter last year.

2.9.1 Motor property

Gross premiums in motor property insurance decreased by 16% to NIS 670 million in the Reporting Period, compared with NIS 797 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 7% to NIS 151 million in the third quarter of 2015 compared with NIS 163 million in the corresponding quarter last year.

Premiums in retention decreased by 5% to NIS 594 million in the Reporting Period compared with NIS 626 million in the corresponding period last year.

Total premiums in retention in motor property insurance increased by 5% to NIS 134 million in the third quarter of 2015 compared with NIS 127 million in the corresponding quarter last year.

Comprehensive loss in motor property insurance amounted to NIS 4 million in the Reporting Period, compared with comprehensive income of NIS 30 million in the corresponding period last year. The shift from comprehensive income to loss is mainly attributable to a worsening of claims in the Reporting Period and the effect of the capital market where yields were lower than those in the corresponding period last year.

The comprehensive loss in motor property insurance in the third quarter of 2015 was NIS 8 million, compared with comprehensive income of NIS 4 million in the corresponding quarter last year. The shift from comprehensive income to loss can be attributed mainly to the deterioration of claims in the Reporting Period and to the effect of the capital market, where yields were lower than those in the corresponding period last year.

Pre-tax profit in motor property insurance in the Reporting Period amounted to NIS 2 million compared with NIS 24 million in the corresponding period last year.

Pre-tax loss in motor property insurance was NIS 8 million in the third quarter of 2015, compared with profit NIS 2 million in the corresponding quarter last year.

On October 11, 2015, Harel Insurance was informed that it had failed to win the tender published by the Accountant General in the Ministry of Finance for motor property insurance and compulsory motor insurance of state employees for 2016.
The results of the tender are not expected to significantly affect the financial results of Harel Insurance.

2.9.2 Compulsory motor

Gross premiums in compulsory motor insurance amounted to NIS 405 million in the Reporting Period, compared with NIS 387 million in the corresponding period last year.

Total gross premiums in compulsory motor insurance amounted to NIS 95 million in the third quarter of 2015, compared with NIS 91 million in the corresponding quarter last year.

Premiums in retention in compulsory motor insurance amounted to NIS 363 million in the Reporting Period, compared with NIS 307 million in the corresponding period last year.

Premiums in retention in compulsory motor insurance amounted to NIS 84 million in the third quarter of 2015, compared with NIS 71 million in the corresponding quarter last year.

Comprehensive income in compulsory motor insurance was NIS 43 million in the Reporting Period compared with NIS 109 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.

Comprehensive loss in the third quarter of 2015 was NIS 22 million, compared with comprehensive income of NIS 14 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.

Pre-tax profit in compulsory motor insurance was NIS 74 million in the Reporting Period, compared with NIS 78 million in the corresponding period last year.

There was a pre-tax loss of NIS 17 million from compulsory motor insurance in the third quarter of 2015, compared with pre-tax profit of NIS 3 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).

On October 11, 2015, Harel Insurance was informed that it had failed to win the tender published by the Accountant General in the Ministry of Finance for motor property insurance and compulsory motor insurance of state employees for 2016.

The results of the tender are not expected to significantly affect the financial results of Harel Insurance.

2.9.3 Liabilities and other branches

Gross premiums in liabilities and other insurance amounted to NIS 571 million in the Reporting Period, compared with NIS 551 million in the corresponding period last year.

Gross premiums in liabilities and other insurance amounted to NIS 140 million in the third quarter of 2015, compared with NIS 133 million in the corresponding quarter last year.

Premiums in retention in the Reporting Period increased by 9% to NIS 263 million, compared with NIS 241 million in the corresponding period last year.

Total premiums in retention amounted to NIS 55 million in the third quarter of 2015, compared with NIS 56 million in the corresponding quarter last year.

There was a comprehensive loss in liabilities and other insurance of NIS 63 million in the Reporting Period, compared with comprehensive income of NIS 21 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 USD 77.5 million before tax, of which the Company’s self-retention is USD 15 million. Most of the amount of retention is included as an expense in the Reporting Period (for additional information, see Note 7 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 9 to the Financial Statements).

The comprehensive loss in liabilities and other insurance amounted to NIS 24 million in the third quarter of 2015, compared with NIS 4 million for the corresponding quarter last year. The increase in the loss is attributable to 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.

The pre-tax loss in other liabilities insurance was NIS 36 million in the Reporting Period, compared with NIS 4 million in the corresponding period last year.

The pre-tax loss in liabilities and other insurance amounted to NIS 21 million in the third quarter of 2015, compared with NIS 12 million for the corresponding quarter last year.

2.9.4 Property and other branches

Premiums in property and other branches decreased by 9% to NIS 635 million in the Reporting Period, compared with NIS 701 million in the corresponding period last year.

Gross premiums in property and other insurance decreased by 13% to NIS 219 million in the third quarter of 2015 compared with NIS 251 million in the corresponding quarter last year

Premiums in retention decreased by 13% to NIS 158 million in the Reporting Period, compared with NIS 182 million in the corresponding period last year.

Premiums in retention decreased by 9% to NIS 51 million in the third quarter of 2015, compared with NIS 56 million in the corresponding quarter last year.

Comprehensive income in property and other branches amounted to NIS 44 million in the Reporting Period, compared with NIS 33 million in the corresponding period last year.

Comprehensive income in property and other insurance was NIS 14 million in the third quarter of 2015, similar to the corresponding quarter last year.

Pre-tax profit in property and other insurance amounted to NIS 46 million in the Reporting Period, compared with NIS 31 million in the corresponding period last year.

Pre-tax profit in property and other insurance amounted to NIS 15 million in the third quarter of 2015, compared with NIS 13 million for the corresponding quarter last year.

2.9.5 Mortgage credit insurance

Premiums earned on credit insurance for residential mortgages amounted to NIS 30 million in the Reporting Period, compared with NIS 34 million in the corresponding period last year.

Total premiums earned on credit insurance for residential mortgages amounted to NIS 9 million in the third 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 51 million in the corresponding period last year. The decline in comprehensive income is attributable to the effect of the capital market where yields were lower compared with the corresponding period last year.

Comprehensive income in credit insurance for residential mortgages amounted to NIS 1 million in the third quarter of 2015, compared with NIS 14 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 46 million in the Reporting Period compared with NIS 48 million in the corresponding period last year.

Pre-tax profit in credit insurance for residential mortgages amounted to NIS 8 million in the third quarter of 2015, compared with NIS 18 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 24% to NIS 193 million in the Reporting Period, compared with NIS 156 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 20% to NIS 65 million in the third quarter of 2015, compared with NIS 54 million for the corresponding quarter last year. Total premiums earned by the insurance companies overseas segment in the third quarter of 2015 account for 2% of all premiums earned by the Group

There was a comprehensive loss of NIS 6 million for the insurance companies overseas segment in the Reporting Period, compared with comprehensive income of NIS 6 million in the corresponding quarter last year. The shift from profit to loss is mainly attributable to the effects of the capital market where yields were lower than those in the corresponding period last year and to an erosion in the exchange rate for the Euro and Turkish lira against the shekel.

There was a comprehensive loss of NIS 4 million in the overseas insurance companies segment in the third quarter of 2015, compared with comprehensive income of NIS 1 million in the corresponding quarter last year. The shift from profit to loss is mainly attributable to the effects of the capital market where yields were lower than those in the corresponding period last year and to an erosion in the exchange rate for the Euro and Turkish lira against the shekel.

Pre-tax profit for the insurance companies overseas operating segment was NIS 12 million in the Reporting Period, compared with NIS 7 million in the corresponding quarter last year.

Pre-tax loss in the insurance companies' overseas segment was a negligible amount in the third quarter of 2015, compared with pre-tax profit in the amount of NIS 1 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 4% to NIS 230 million in the Reporting Period, compared with NIS 223 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 an increase in revenues from ETNs and deposit certificates.

The volume of assets under management in the capital market and financial services segment at September 30, 2015, was NIS 50.6 billion, compared with NIS 59 billion at September 30, 2014, and NIS 57.9 billion at December 31, 2014.

These amounts include mutual fund assets in the amount of NIS 27.5 billion at September 30, 2015, compared with NIS 35.5 billion at September 30, 2014 and NIS 33.7 billion at December 31, 2014, as well as ETN assets, which at September 30, 2015 amounted to NIS 14.2 billion, as against NIS 14.8 billion at September 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 36 million, compared with pre-tax profit and comprehensive income of NIS 44 million in the corresponding period last year. Profit in the Reporting Period includes an impairment of NIS 22 million before tax for the value of the mutual fund activity. After adjustment for this impairment, pre-tax profit in the capital market and financial services sector was NIS 58 million before tax, an increase of 32% compared with the corresponding period last year. The increase in profit relative to the corresponding period last year is mainly attributable to an increase in the volume of revenues in the ETN and deposit certificates sector. For a review of the value of the intangible asset recorded in the Company's books for mutual fund activity and the impairment that was recorded in the Reporting Period, see Note 9 to the Financial Statements.

The pre-tax loss and comprehensive loss in the capital market and financial services segment amounted to NIS 7 million in the third quarter of 2015, compared with pre-tax profit and comprehensive income of NIS 19 million in the corresponding quarter last year. The third-quarter loss includes an impairment of NIS 22 million before tax in the value of the mutual fund activity. After adjustment for this impairment, pre-tax profit in the capital market and financial services sector was NIS 15 million before tax, a decrease of 21% compared with the corresponding period last year. The decrease in profit relative to the corresponding period last year is mainly attributable to the erosion in the volume of managed assets in the mutual funds sector and in ETNs and deposit certificates.

2.12 Income tax

Income tax during the Reporting Period amounted to an expense of about NIS 99 million, compared with tax expenses of NIS 175 million in the corresponding period last year.

Taxes on income in the third quarter of 2015 amounted to income of NIS 126 million in the second quarter of 2015, compared with income tax expenses of NIS 40 million in the corresponding quarter last year.

2.13 Liquidity and sources of finance

2.13.1 Cash flows

Net cash flows from current operations amounted to NIS 778 million in the Reporting Period. Net cash flows used for investment activity amounted to NIS 308 million. Net cash flows used for financing activity and foreign exchange fluctuations amounted to NIS 820 million. The outcome of all the aforementioned activity is reflected in a decrease of the cash balances in the amount of NIS 350 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.

2.13.2.1 On the issuance of Series 9-10 bonds of Harel Share Issues by way of an exchange purchase offer, see Note 6C(3) to the Financial Statements.

2.13.2.2 On the issuance of Series 11 bonds of Harel Share Issues as part of a public offering - see Note 6C(3) to the Financial Statements.

2.13.2.3 On the expansion of Series 11 bonds of Harel Share Issues as part of a private placement - see Note 6C(3) 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 About the Company" in the Periodic Report.

4.2.3 Procedure for approval of the financial statements:

To approve the financial statements at September 30, 2015, the Committee convened on November 19, 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 November 19, 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 November 19, 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 November 24, 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**

November 24, 2015

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HAREL INSURANCE INVESTMENTS & FINANCIAL SERVICES LTD

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at September 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 September 30, 2015 and the condensed consolidated interim statements of income, comprehensive income, changes in capital and cash flows for the nine 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 16.99% of all the consolidated assets as at September 30, 2015 and whose revenues included in the consolidation account for 3.10% and 5.01% of all the consolidated revenues for the nine and three-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 126,796 thousand at September 30, 2015 and the Group's share of their profits is NIS 12,247 thousand and NIS 3,604 thousand for the nine and three-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 7A to the condensed consolidated interim financial statements regarding exposure to contingent liabilities.

Somekh Chaikin
Certified Public Accountants (Isr)

November 24, 2015

Condensed consolidated interim statements of financial position at

	September 30		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Intangible assets	**1,571,785**	1,598,120	1,589,254
Deferred tax assets	**10,699**	8,028	8,102
Deferred Acquisition Costs	**1,964,935**	1,774,663	1,810,432
Fixed assets	**1,118,390**	849,372	860,526
Investments in equity accounted investees	**1,534,486**	1,041,755	1,196,617
Investment property for yield-dependent policies	**1,373,276**	1,308,342	1,331,182
Other investment property	**1,536,066**	1,461,572	1,493,299
Reinsurance assets	**5,264,221**	5,439,666	5,497,249
Current tax assets	**296,711**	83,218	84,627
Trade and other receivables	**828,833**	571,595	779,735
Premium due	**1,144,760**	1,133,164	1,203,543
Financial investments for yield-dependent policies	**36,320,271**	33,190,253	33,640,040
Financial investments for holders of ETNs	**10,401,104**	10,887,486	11,241,144
Other financial investments			
Marketable debt assets	**7,581,301**	8,960,429	8,583,238
Non-marketable debt assets	**10,514,193**	9,715,615	9,957,991
Shares	**736,179**	706,978	673,907
Other	**2,083,290**	2,126,316	2,277,047
Total other financial investments	**20,914,963**	21,509,338	21,492,183
Cash and cash equivalents pledged for holders of ETNs	**4,114,342**	4,178,629	4,426,087
Cash and cash equivalents for yield-dependent contracts	**804,385**	782,737	1,153,223
Other cash and cash equivalents	**1,444,124**	1,384,545	1,445,313
Total assets	**90,643,351**	87,202,483	89,252,556
Total assets for yield-dependent policies	**38,868,626**	35,696,632	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

	September 30		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Equity and liabilities			
Equity			
Share capital and share premium	**335,098**	336,729	338,849
Treasury shares	**(159,762)**	(170,970)	(173,231)
Capital reserves	**376,465**	454,830	451,871
Retained earnings	**4,192,893**	4,132,827	4,100,371
Total equity attributed to shareholders of the Company	**4,744,694**	4,753,416	4,717,860
Non-controlling interests	**5,504**	5,719	5,721
Total equity	**4,750,198**	4,759,135	4,723,581
Liabilities			
Liabilities for non yield-dependent insurance policies and investment contracts	**25,166,404**	24,946,161	25,047,665
Liabilities for insurance contracts and yield-dependent investment contracts	**38,203,997**	35,030,432	35,715,364
Deferred tax liabilities	**835,161**	774,507	766,602
Liability for employee benefits, net	**275,407**	294,924	261,587
Current tax liability	**35,273**	27,100	30,624
Trade and other payables	**2,645,224**	2,554,521	2,939,887
Liabilities for ETNs and covered warrants	**14,142,288**	14,760,042	15,291,480
Financial liabilities	**4,589,399**	4,055,661	4,475,766
Total liabilities	**85,893,153**	82,443,348	84,528,975
Total equity and liabilities	**90,643,351**	87,202,483	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: November 24, 2015

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

Condensed consolidated interim statements of income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Premiums earned, gross	**8,617,626**	8,029,662	**2,853,206**	2,740,066	10,780,677
Premiums earned by reinsurers	**1,302,007**	1,385,088	**434,149**	477,309	1,858,185
Earned premiums in retention	**7,315,619**	6,644,574	**2,419,057**	2,262,757	8,922,492
Profit (loss) from investments, net, and financing income	**1,040,480**	2,667,314	**(835,285)**	855,726	2,721,618
Income from management fees	**775,635**	856,944	**171,269**	287,194	1,109,688
Income from commissions	**279,529**	322,193	**89,596**	108,898	426,819
Total income	**9,411,263**	10,491,025	**1,844,637**	3,514,575	13,180,617
Payments and changes in liabilities for insurance policies and investment contracts, gross	**7,691,065**	8,683,692	**1,602,463**	2,957,976	11,032,853
Reinsurers' share of payments and change in liabilities for insurance policies	**1,007,907**	994,524	**307,104**	341,599	1,424,334
Payments and changes in liabilities for insurance policies and investment contracts in retention	**6,683,158**	7,689,168	**1,295,359**	2,616,377	9,608,519
Commissions, marketing expenses and other purchasing expenses	**1,522,386**	1,429,872	**514,300**	474,961	1,902,040
General and administrative expenses	**872,031**	794,325	**307,994**	265,652	1,064,611
Other expenses	**61,844**	44,195	**35,661**	14,555	61,387
Financing expenses, net	**99,192**	116,323	**56,012**	60,770	159,786
Total expenses	**9,238,611**	10,073,883	**2,209,326**	3,432,315	12,796,343
Company's share of profits of equity accounted investees	**148,708**	73,321	**42,085**	21,524	184,655
Profit (loss) before taxes on income	**321,360**	490,463	**(322,604)**	103,784	568,929
Taxes on income	**99,071**	174,653	**(125,683)**	39,543	194,698
Profit (loss) for period	**222,289**	315,810	**(196,921)**	64,241	374,231
Attributed to:					
Shareholders of the Company	**222,281**	315,560	**(196,801)**	64,079	373,907
Non-controlling interests	**8**	250	**(120)**	162	324
Profit (loss) for period	**222,289**	315,810	**(196,921)**	64,241	374,231
Basic profit (loss) per share (in NIS)	**1.06**	1.50	**(0.93)**	0.30	1.78
Diluted profit (loss) per share (in NIS)	**1.05**	1.49	**(0.93)**	0.30	1.76

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

Condensed consolidated interim statements of income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Profit (loss) for period	**222,289**	315,810	**(196,921)**	64,241	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	**(77,379)**	373,513	**(81,793)**	113,861	370,761
Net change in fair value of financial assets classified as available-for-sale carried over to income statement	**(198,342)**	(158,204)	**(48,664)**	(60,104)	(185,029)
Loss from impairment of available-for-sale financial assets carried over to income statement	**42,663**	9,245	**36,553**	4,906	11,751
Foreign currency translation differences for foreign activity	**(35,983)**	16,229	**33,704**	20,102	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	**90,046**	(87,786)	**24,200**	(25,941)	(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	**(178,995)**	152,997	**(36,000)**	52,824	149,858
Other items of comprehensive income that will not be transferred to profit or loss					
Revaluation reserve for fixed asset items	**169,852**	-	**169,852**	-	-
Remeasurement of a defined benefit plan	**(2,348)**	(10,727)	**(8,836)**	(3,101)	15,160
Taxes on income for other items of comprehensive income that will not be transferred to profit or loss	**(60,642)**	3,855	**(58,278)**	1,120	(6,108)
Other comprehensive income (loss) for the period that will not be transferred to profit or loss, net of tax	**106,862**	(6,872)	**102,738**	(1,981)	9,052
Total other comprehensive income (loss) for the period	**(72,133)**	146,125	**66,738**	50,843	158,910
Total comprehensive income (loss) for the period	**150,156**	461,935	**(130,183)**	115,084	533,141
Attributed to:					
Shareholders of the Company	**150,373**	461,619	**(129,908)**	114,959	532,823
Non-controlling interests	**(217)**	316	**(275)**	125	318
Total income (loss) for the period	**150,156**	461,935	**(130,183)**	115,084	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 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 nine months ended September 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
Comprehensive income (loss) for period											
Profit for period	-	-	-	-	-	-	-	222,281	222,281	8	222,289
Total other comprehensive income (loss)	-	(149,781)	(28,989)	-	-	-	108,439	(1,577)	(71,908)	(225)	(72,133)
Total comprehensive income (loss) for period	-	(149,781)	(28,989)	-	-	-	108,439	220,704	150,373	(217)	150,156
Transactions with owners credited directly to equity											
Dividends paid	-	-	-	-	-	-	-	(128,182)	(128,182)	-	(128,182)
Share based payment	-	-	-	(20)	-	-	-	-	(20)	-	(20)
Issue of shares	109	-	-	-	-	-	-	-	109	-	109
Purchase of treasury stock	-	-	-	-	(7,317)	-	-	-	(7,317)	-	(7,317)
Reissuing of treasury stock	(8,915)	-	-	-	20,786	-	-	-	11,871	-	11,871
Exercising of stock options	5,055	-	-	(5,055)	-	-	-	-	-	-	-
Balance as at September 30, 2015	335,098	288,170	(25,514)	14,965	(159,762)	(48,908)	147,752	4,192,893	4,744,694	5,504	4,750,198

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

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

	Attributed to 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 months ended September 30, 2015 (Unaudited)											
Balance as at July 1, 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
Comprehensive income (loss) for period											
Loss for period	-	-	-	-	-	-	-	(196,801)	(196,801)	(120)	(196,921)
Total other comprehensive income (loss)	-	(59,126)	23,281	-	-	-	108,439	(5,701)	66,893	(155)	66,738
Total comprehensive income (loss) for period	-	(59,126)	23,281	-	-	-	108,439	(202,502)	(129,908)	(275)	(130,183)
Transactions with owners credited directly to equity											
Share based payment	-	-	-	87	-	-	-	-	87	-	87
Purchase of treasury stock	-	-	-	-	(1,930)	-	-	-	(1,930)	-	(1,930)
Reissuing of treasury stock	(1,751)	-	-	-	3,783	-	-	-	2,032	-	2,032
Exercising of stock options	983	-	-	(983)	-	-	-	-	-	-	-
Balance as at September 30, 2015	335,098	288,170	(25,514)	14,965	(159,762)	(48,908)	147,752	4,192,893	4,744,694	5,504	4,750,198

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

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

	Attributed to 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 nine months ended September 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
Comprehensive income (loss) for period											
Profit for period	-	-	-	-	-	-	-	315,560	315,560	250	315,810
Total other comprehensive income (loss)	-	141,048	11,883	-	-	-	-	(6,872)	146,059	66	146,125
Total comprehensive income for period	-	141,048	11,883	-	-	-	-	308,688	461,619	316	461,935
Transactions with owners credited directly to equity											
Dividends paid	-	-	-	-	-	-	-	(212,954)	(212,954)	-	(212,954)
Share based payment	-	-	-	1,975	-	-	-	-	1,975	-	1,975
Purchase of treasury stock	-	-	-	-	(13,733)	-	-	-	(13,733)	-	(13,733)
Reissuing of treasury stock	3,919	-	-	-	6,221	-	-	-	10,140	-	10,140
Exercising of stock options	16,215	-	-	(16,215)	-	-	-	-	-	-	-
Balance as at September 30, 2014	336,729	454,685	(10,192)	19,932	(170,970)	(48,908)	39,313	4,132,827	4,753,416	5,719	4,759,135

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

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

	Attributed to 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 months ended September 30, 2014 (Unaudited)											
Balance as at July 1, 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
Comprehensive income (loss) for period											
Profit for period	-	-	-	-	-	-	-	64,079	64,079	162	64,241
Total other comprehensive income (loss)	-	37,480	15,383	-	-	-	-	(1,983)	50,880	(37)	50,843
Total comprehensive income for period	-	37,480	15,383	-	-	-	-	62,096	114,959	125	115,084
Transactions with owners credited directly to equity											
Share based payment	-	-	-	557	-	-	-	-	557	-	557
Purchase of treasury stock	-	-	-	-	(4,126)	-	-	-	(4,126)	-	(4,126)
Reissuing of treasury stock	1,669	-	-	-	1,670	-	-	-	3,339	-	3,339
Exercising of stock options	2,925	-	-	(2,925)	-	-	-	-	-	-	-
Balance as at September 30, 2014	336,729	454,685	(10,192)	19,932	(170,970)	(48,908)	39,313	4,132,827	4,753,416	5,719	4,759,135

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

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

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury 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 period	-	-	-	-	-	-	-	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)
Reissuing 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 nine months ended September 30		For the three months ended September 30		For the 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	**1,003,871**	(2,152,971)	**1,175,609**	(730,946)	(2,276,722)
Income tax paid		**(226,031)**	(194,152)	**(157,883)**	(43,693)	(208,264)
Net cash from (used for) current operations		**777,840**	(2,347,123)	**1,017,726**	(774,639)	(2,484,986)
Cash flows from investing activity						
Investment in investees, net		**(155,946)**	(158,367)	**(17,924)**	(144,562)	(195,980)
Proceeds from the sale of an investment in an equity accounted investee		**38,140**	93,719	**1,014**	55,618	93,077
Investment in fixed assets		**(129,307)**	(39,501)	**(29,668)**	(17,787)	(71,109)
Investment in intangible assets		**(112,631)**	(83,448)	**(38,660)**	(24,390)	(122,164)
Dividend received from an investee		**51,675**	21,445	**33,399**	5,405	35,032
Proceeds from sale of fixed assets		**-**	-	**-**	-	1,598
Net cash used for investment activity		**(308,069)**	(166,152)	**(51,839)**	(125,716)	(259,546)
Cash flows from financing activities						
Proceeds from issuance of promissory notes		**294,453**	189,724	**295,553**	-	190,466
Purchase of Treasury shares, net		**4,663**	(3,593)	**102**	(787)	(4,052)
Proceeds of issuance (redemption) of ETNs and covered warrants, net		**(828,340)**	2,142,173	**(594,272)**	608,758	2,716,733
Short-term credit from banks, net		**(118,202)**	93,464	**(380,079)**	78,181	148,741
Loans received from (repaid to) interested parties		**10,384**	-	**(12,500)**	-	-
Long-term loans received from financial institutions		**-**	-	**-**	-	250,014
Repayment of loans from banks and others		**(50,961)**	(50,474)	**-**	-	(170,441)
Dividend paid to the Company's shareholders		**(128,182)**	(212,954)	**-**	(106,616)	(319,681)
Net cash from (used for) financing activity		**(816,185)**	2,158,340	**(691,196)**	579,536	2,811,780
Effect of exchange rate fluctuations on cash balances and cash equivalents		**(3,613)**	44,508	**3,839**	40,496	53,579
Increase (decrease) in cash and cash equivalents		**(350,027)**	(310,427)	**278,530**	(280,323)	120,827
Retained cash and cash equivalents at beginning of period	B	**2,598,536**	2,477,709	**1,969,979**	2,447,605	2,477,709
Retained cash and cash equivalents at end of period	C	**2,248,509**	2,167,282	**2,248,509**	2,167,282	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 nine months ended September 30		For the three months ended September 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 (1), (2), (3)					
Profit (loss) for period	**222,289**	315,810	**(196,921)**	64,241	374,231
Items not involving cash flows					
Company's share of profit of investee companies recorded on the equity basis	**(148,708)**	(73,321)	**(42,085)**	(21,524)	(184,655)
Net profits (losses) from financial investments for yield-dependent insurance policies and investment contracts	**369,627**	(1,353,808)	**1,041,196**	(543,982)	(898,622)
Losses (profits) net, from other financial investments					
Marketable debt assets	**(43,530)**	(261,286)	**(77,379)**	(147,178)	(262,276)
Non-marketable debt assets	**(13,529)**	(35,697)	**(37,499)**	(45,998)	(40,448)
Shares	**(23,318)**	(36,289)	**13,225**	(6,353)	(48,694)
Other investments	**(9,863)**	205,903	**283,974**	174,375	320,752
Financing expenses (incomes) for financial liabilities	**(444,933)**	604,419	**(613,583)**	363,798	557,213
Change in fair value of investment property for yield-dependent contracts	**(27,795)**	698	**(14,107)**	(4,931)	(2,315)
Change in fair value of other investment property	**(15,694)**	(59,292)	**(9,523)**	(28,952)	(76,039)
Depreciation and amortization					
Fixed assets	**45,024**	32,800	**15,468**	9,127	49,754
Intangible assets	**129,851**	101,347	**58,301**	33,039	150,977
Change in liabilities for non yield-dependent insurance policies and investment contracts	**153,811**	707,238	**(133,755)**	60,415	808,401
Change in liabilities for yield-dependent insurance policies and investment contracts	**2,488,633**	4,029,770	**(183,685)**	1,317,770	4,714,702
Change in reinsurance assets	**218,578**	(18,224)	**202,401**	8,326	(73,942)
Change in DAC	**(158,188)**	(174,529)	**(39,014)**	(35,681)	(209,858)
Payroll expenses (incomes) for share-based payment	**(20)**	1,975	**87**	557	2,401
Income tax expenses (incomes)	**99,071**	174,653	**(125,683)**	39,543	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	**(14,299)**	(168,504)	**(5,116)**	(9,049)	(188,331)
Net acquisitions of financial investments	**(3,108,764)**	(2,708,276)	**(810,021)**	(860,309)	(3,483,435)
Other financial investments and investment property					
Purchase of investment property	**(27,073)**	(49,088)	**(8,368)**	(18,102)	(64,069)
Net sales (acquisitions) of financial investments	**339,711**	(458,440)	**341,646**	(57,349)	(582,705)
Premiums due	**45,512**	82,207	**(23,139)**	27,415	(37,843)
Trade and other receivables	**64,636**	13,544	**63,167**	(9,518)	(134,050)
Financial investments for holders of ETNs	**840,040**	(1,687,939)	**487,689**	(526,125)	(2,041,597)
Cash and cash equivalents pledged for holders of ETNs	**311,745**	(1,123,933)	**1,022,610**	(504,572)	(1,371,391)
Trade and other payables	**(301,038)**	(229,943)	**(41,892)**	(14,646)	241,778
Liabilities for employee benefits, net	**12,095**	15,234	**7,615**	4,717	8,641
Total adjustments required to present cash flows from operating activity	**781,582**	(2,468,781)	**1,372,530**	(795,187)	(2,650,953)
Total cash flows from operating activity before taxes on income	**1,003,871**	(2,152,971)	**1,175,609**	(730,946)	(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 986 million (for the nine months ended September 30, 2014 an amount of NIS 1,128 million and for 2014 an amount of NIS 1,585 million) and interest was paid in the amount of NIS 72 million (for the nine months ended September 30, 2014 an amount of NIS 46 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 191 million (for the nine months ended September 30, 2014 an amount of NIS 130 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 nine months ended September 30		For the three months ended September 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 B - Cash and cash equivalents at beginning of period					
Cash and cash equivalents for yield-dependent contracts	**1,153,223**	1,088,024	**770,245**	879,359	1,088,024
Other cash and cash equivalents	**1,445,313**	1,389,685	**1,199,734**	1,568,246	1,389,685
Retained cash and cash equivalents at beginning of the period	**2,598,536**	2,477,709	**1,969,979**	2,447,605	2,477,709
Appendix C - Cash and cash equivalents at end of period					
Cash and cash equivalents for yield-dependent contracts	**804,385**	782,737	**804,385**	782,737	1,153,223
Other cash and cash equivalents	**1,444,124**	1,384,545	**1,444,124**	1,384,545	1,445,313
Retained cash and cash equivalents at end of the period	**2,248,509**	2,167,282	**2,248,509**	2,167,282	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 September 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 November 24, 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 also Note 9.

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, except for the following:

On September 30, 2015, the Group adopted an accounting policy for measuring owner-occupied real-estate whereby the entire group of owner-occupied real-estate will be presented on a fair value basis. Until now, the group of owner-occupied real-estate was presented on a cost basis. The Group believes that fair-value measurement is a more relevant basis for measuring the value of the group's assets and equity.

The effect of the change in measurement method was recorded in equity under the item "revaluation reserve" and is recognized in other comprehensive income. In contrast, and due to the fact that some of the surplus value was, in the past, included in the calculation of LAT, the insurance liabilities in the life assurance segment increased.

As a consequence, the following changes were included in the financial statements:

(a) At September 30, 2015, the balance of the revaluation reserve created as a result of the initial application amounted to NIS 170 million, and net of tax to NIS 108 million.

(b) The income statement included an expense of NIS 98 million before tax and NIS 61 million after tax for the increased insurance liabilities, due to an increase in the LAT balance in life assurance.

(c) The total equity of Harel Insurance increased by NIS 47 million after tax as a result of the foregoing.

The valuations were performed by independent, external appraisers who have recognized professional qualifications and considerable experience in dealing with the location and type of real estate that was valued.

The fair value was determined using several revaluation methodologies, including the comparative approach, and discounting of relevant rental fees from similar assets.

The fair value is classified to level 3 hierarchy.

A revalued asset is amortized based on the revalued amount. The revaluation is performed regularly to ensure that the balance in the financial statements does not differ significantly from the value that would have been determined according to the fair value method on the reporting date. Impairment of an asset that was revalued is recognized directly in other comprehensive income, up to the amount at which there is a positive balance in the revaluation reserve for that asset. Any further impairment will be recognized in profit or loss.

Any increase in the value of an asset as a result of revaluation is recognized in profit or loss up to the amount at which it offsets the impairment resulting from the revaluation of that asset, which was previously recognized in profit or loss. Any subsequent, further increase is recognized in the revaluation reserve.

The revaluation reserve is carried over directly to surpluses when the asset is derecognized.

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.

Note 3 - Significant accounting principles (contd.)

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.

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.

Note 4 - Operating segments (contd.)

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 regarding segment reporting

	For the nine months ended September 30, 2015 (Unaudited)							
	Life Insurance and Long-Term Savings	Health Insurance	General Insurance	Insurance companies overseas	Financial Services	Not Allocated To Any Specific Segment	Adjustments and Offsets	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Premiums earned, gross	3,186,140	2,955,915	2,289,348	193,487	-	-	(7,264)	8,617,626
Premiums earned by reinsurers	106,301	156,473	974,675	71,822	-	-	(7,264)	1,302,007
Premiums earned in retention	3,079,839	2,799,442	1,314,673	121,665	-	-	-	7,315,619
Net profit from investments and financial income	619,911	108,768	131,644	11,562	55,771	108,565	4,259	1,040,480
Income from management fees	591,275	6,968	-	-	173,531	4,174	(313)	775,635
Income from commissions	18,500	45,963	166,655	17,395	1,147	103,404	(73,535)	279,529
Total income	4,309,525	2,961,141	1,612,972	150,622	230,449	216,143	(69,589)	9,411,263
Payments and changes in liabilities for insurance and investment contracts, gross	3,371,216	2,362,583	1,865,380	91,823	-	-	63	7,691,065
Reinsurers' share in payments and changes for insurance contracts liabilities	66,477	120,817	795,577	24,973	-	-	63	1,007,907
Payments and changes in liabilities for insurance and investment contracts, in retention	3,304,739	2,241,766	1,069,803	66,850	-	-	-	6,683,158
Commission, marketing and other acquisition expenses	545,535	546,393	437,248	61,290	-	5,455	(73,535)	1,522,386
Management and general expenses	360,144	191,195	27,011	9,693	161,610	122,691	(313)	872,031
Other expenses (incomes)	27,933	(49)	-	379	31,244	2,337	-	61,844
Financing expenses, net	8,432	5,327	6,015	-	1,642	77,062	714	99,192
Total expenses	4,246,783	2,984,632	1,540,077	138,212	194,496	207,545	(73,134)	9,238,611
Company’s share of profits (losses) of investee companies recorded by the equity method	44,186	19,645	60,284	-	(10)	24,603	-	148,708
Profit (loss) before income taxes	106,928	(3,846)	133,179	12,410	35,943	33,201	3,545	321,360
Other comprehensive incomes (losses), before income tax	10,216	(33,674)	(77,355)	(18,164)	(56)	17,496	-	(101,537)
Total comprehensive income (loss) before income tax	117,144	(37,520)	55,824	(5,754)	35,887	50,697	3,545	219,823
Liabilities in respect of non-yield dependent insurance and investment contracts	11,235,859	3,921,204	9,758,055	256,294	-	-	(5,008)	25,166,404
Liabilities in respect of yield dependent insurance and investment contracts	34,535,210	3,668,787	-	-	-	-	-	38,203,997

Note 4 - Operating segments (contd.)

A. Information regarding segment reporting (Contd.)

	For the three months ended September 30, 2015 (Unaudited)							
	Life Insurance and Long-Term Savings	Health Insurance	General Insurance	Insurance companies overseas	Financial Services	Not Allocated To Any Specific Segment	Adjustments and Offsets	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Premiums earned, gross	992,564	1,029,837	769,840	64,971	-	-	(4,006)	2,853,206
Premiums earned by reinsurers	36,843	51,806	326,211	23,295	-	-	(4,006)	434,149
Premiums earned in retention	955,721	978,031	443,629	41,676	-	-	-	2,419,057
Net profit (loss) from investments and financial income	(781,700)	(37,288)	(2,982)	(329)	15,262	(30,135)	1,887	(835,285)
Income from management fees	113,086	2,613	-	-	55,093	543	(66)	171,269
Income from commissions	12,012	11,982	50,229	5,683	356	37,048	(27,714)	89,596
Total income	299,119	955,338	490,876	47,030	70,711	7,456	(25,893)	1,844,637
Payments and changes in liabilities for insurance and investment contracts, gross	209,049	767,413	591,671	33,044	-	-	1,286	1,602,463
Reinsurers' share in payments and changes for insurance contracts liabilities	14,692	41,460	239,872	9,794	-	-	1,286	307,104
Payments and changes in liabilities for insurance and investment contracts, in retention	194,357	725,953	351,799	23,250	-	-	-	1,295,359
Commission, marketing and other acquisition expenses	178,115	191,991	150,171	20,633	-	1,104	(27,714)	514,300
Management and general expenses	130,674	68,581	10,174	3,143	52,030	43,458	(66)	307,994
Other expenses (incomes)	9,280	(49)	-	125	25,662	643	-	35,661
Financing expenses, net	5,600	3,276	12,471	-	424	34,357	(116)	56,012
Total expenses	518,026	989,752	524,615	47,151	78,116	79,562	(27,896)	2,209,326
Company’s share of profits (losses) of investee companies recorded by the equity method	16,034	4,803	10,618	-	(1)	10,631	-	42,085
Loss before income tax	(202,873)	(29,611)	(23,121)	(121)	(7,406)	(61,475)	2,003	(322,604)
Other comprehensive incomes (losses), before income tax	96,434	(7,650)	(16,415)	(4,182)	1	32,628	-	100,816
Total comprehensive loss before income tax	(106,439)	(37,261)	(39,536)	(4,303)	(7,405)	(28,847)	2,003	(221,788)
Liabilities in respect of non-yield dependent insurance and investment contracts	11,235,859	3,921,204	9,758,055	256,294	-	-	(5,008)	25,166,404
Liabilities in respect of yield dependent insurance and investment contracts	34,535,210	3,668,787	-	-	-	-	-	38,203,997

Note 4 - Operating segments (contd.)

A. Information regarding segment reporting (Contd.)

	For the nine months ended September 30, 2014 (Unaudited)							
	Life Insurance and Long-Term Savings	Health Insurance	General Insurance	Insurance companies overseas	Financial Services	Not Allocated To Any Specific Segment	Adjustments and Offsets	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Premiums earned, gross	2,835,110	2,652,945	2,391,255	155,733	-	-	(5,381)	8,029,662
Premiums earned by reinsurers	103,966	161,039	1,059,484	65,980	-	-	(5,381)	1,385,088
Premiums earned in retention	2,731,144	2,491,906	1,331,771	89,753	-	-	-	6,644,574
Net profit from investments and financial income	2,062,098	214,372	124,784	7,628	37,994	219,636	802	2,667,314
Income from management fees	661,040	7,018	-	-	183,366	5,768	(248)	856,944
Income from commissions	23,160	57,545	196,372	17,319	1,187	89,684	(63,074)	322,193
Total income	5,477,442	2,770,841	1,652,927	114,700	222,547	315,088	(62,520)	10,491,025
Payments and changes in liabilities for insurance and investment contracts, gross	4,698,800	2,151,035	1,769,883	66,797	-	-	(2,823)	8,683,692
Reinsurers' share in payments and changes for insurance contracts liabilities	65,261	140,830	770,704	20,552	-	-	(2,823)	994,524
Payments and changes in liabilities for insurance and investment contracts, in retention	4,633,539	2,010,205	999,179	46,245	-	-	-	7,689,168
Commission, marketing and other acquisition expenses	513,744	460,260	462,979	52,007	-	3,956	(63,074)	1,429,872
Management and general expenses	326,048	160,748	23,349	9,283	165,272	109,873	(248)	794,325
Other expenses	29,574	-	723	199	10,372	3,327	-	44,195
Financing expenses, net	3,921	5,869	20,704	-	2,552	83,475	(198)	116,323
Total expenses	5,506,826	2,637,082	1,506,934	107,734	178,196	200,631	(63,520)	10,073,883
Company’s share of profits of investee companies recorded by the equity method	25,228	8,435	31,267	-	22	8,369	-	73,321
Profit (loss) before income taxes	(4,156)	142,194	177,260	6,966	44,373	122,826	1,000	490,463
Other comprehensive incomes (losses), before income tax	92,566	31,392	66,398	(1,071)	147	40,624	-	230,056
Total comprehensive income before income tax	88,410	173,586	243,658	5,895	44,520	163,450	1,000	720,519
Liabilities in respect of non-yield dependent insurance and investment contracts	11,254,625	3,350,728	10,110,020	237,220	-	-	(6,432)	24,946,161
Liabilities in respect of yield dependent insurance and investment contracts	31,694,022	3,336,410	-	-	-	-	-	35,030,432

Note 4 - Operating segments (contd.)

A. Information regarding segment reporting (Contd.)

	For the three months ended September 30, 2014 (Unaudited)							
	Life Insurance and Long-Term Savings	Health Insurance	General Insurance	Insurance companies overseas	Financial Services	Not Allocated To Any Specific Segment	Adjustments and Offsets	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Premiums earned, gross	943,654	929,480	814,387	54,242	-	-	(1,697)	2,740,066
Premiums earned by reinsurers	35,139	56,668	364,630	22,569	-	-	(1,697)	477,309
Premiums earned in retention	908,515	872,812	449,757	31,673	-	-	-	2,262,757
Net profit from investments and financial income	641,875	75,630	44,398	1,887	16,258	73,451	2,227	855,726
Income from management fees	221,395	2,554	-	-	61,846	1,504	(105)	287,194
Income from commissions	6,009	17,717	69,908	6,081	325	36,342	(27,484)	108,898
Total income	1,777,794	968,713	564,063	39,641	78,429	111,297	(25,362)	3,514,575
Payments and changes in liabilities for insurance and investment contracts, gross	1,560,544	755,094	617,131	26,009	-	-	(802)	2,957,976
Reinsurers' share in payments and changes for insurance contracts liabilities	23,134	44,051	267,610	7,606	-	-	(802)	341,599
Payments and changes in liabilities for insurance and investment contracts, in retention	1,537,410	711,043	349,521	18,403	-	-	-	2,616,377
Commission, marketing and other acquisition expenses	161,134	158,918	163,313	17,512	-	1,568	(27,484)	474,961
Management and general expenses	107,844	50,577	7,085	3,081	55,063	42,107	(105)	265,652
Other expenses (incomes)	9,689	-	244	(88)	3,670	1,040	-	14,555
Financing expenses, net	1,932	2,624	21,533	-	749	34,026	(94)	60,770
Total expenses	1,818,009	923,162	541,696	38,908	59,482	78,741	(27,683)	3,432,315
Company's share of profits (losses) of investee companies recorded by the equity method	9,324	3,415	1,620	-	(42)	7,207	-	21,524
Profit (loss) before income taxes	(30,891)	48,966	23,987	733	18,905	39,763	2,321	103,784
Other comprehensive incomes, before income tax	31,379	7,923	18,681	202	70	17,409	-	75,664
Total comprehensive income before income tax	488	56,889	42,668	935	18,975	57,172	2,321	179,448
Liabilities in respect of non-yield dependent insurance and investment contracts	11,254,625	3,350,728	10,110,020	237,220	-	-	(6,432)	24,946,161
Liabilities in respect of yield dependent insurance and investment contracts	31,694,022	3,336,410	-	-	-	-	-	35,030,432

Note 4 - Operating segments (contd.)

A. Information regarding segment reporting (contd.)

	For the year ended December 31, 2014 (Audited)							
	Life Insurance and Long-Term Savings	Health Insurance	General Insurance	Insurance companies overseas	Financial Services	Not Allocated To Any Specific Segment	Adjustments and Offsets	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
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 nine months ended September 30, 2015 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	insurance Mortgage	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS Thousands	NIS Thousands
Premiums earned, gross	405,283	670,076	634,649	571,461	(23,421)	2,258,048
Premiums earned by reinsurers	42,510	76,434	476,237	308,604	-	903,785
Retention premiums earned	362,773	593,642	158,412	262,857	(23,421)	1,354,263
Changes in premium balances that have not yet been earned, retention	62,264	83,306	(16,717)	(35,975)	(53,288)	39,590
Retention premiums earned	300,509	510,336	175,129	298,832	29,867	1,314,673
Profits from investments, net, and financing income	53,057	11,003	4,467	47,566	15,551	131,644
Commission income	8,930	23,809	88,724	45,192	-	166,655
Total income	362,496	545,148	268,320	391,590	45,418	1,612,972
Payments and changes in liabilities for insurance contracts, gross	291,713	476,941	308,852	790,833	(2,959)	1,865,380
Reinsurer's share of payments and changes in liabilities for insurance contracts	41,630	62,299	237,276	454,372	-	795,577
Payments and changes in liabilities for insurance contracts, retention	250,083	414,642	71,576	336,461	(2,959)	1,069,803
Commission, marketing expenses and other acquisition costs	56,528	124,360	147,708	108,652	-	437,248
Management and general expenses	6,279	8,890	4,717	3,914	3,211	27,011
Financing expenses, Net	2,738	568	230	2,454	25	6,015
Total expenses	315,628	548,460	224,231	451,481	277	1,540,077
Company’s share of profits of investee companies recorded by the equity method	27,166	5,632	2,287	24,349	850	60,284
Profit (loss) before income taxes	74,034	2,320	46,376	(35,542)	45,991	133,179
Other comprehensive loss, before income tax	(30,966)	(6,420)	(2,606)	(27,754)	(9,609)	(77,355)
Total comprehensive income (loss) for the period	43,068	(4,100)	43,770	(63,296)	36,382	55,824
Liabilities for insurance policies, gross, as at September 30, 2015	2,495,529	640,863	881,356	5,239,411	500,896	9,758,055
Liabilities for insurance policies, Retention as at September 30, 2015	2,121,021	554,666	169,802	1,989,656	500,896	5,336,041

* Property and other branches consist mainly of the results of property loss insurance and comprehensive homeowners insurance, which account for 81% 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 three months ended September 30, 2015 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	insurance Mortgage	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS Thousands	NIS Thousands
Premiums earned, gross	94,799	151,259	219,241	139,565	(8,980)	595,884
Premiums earned by reinsurers	10,633	17,140	168,151	84,572	-	280,496
Retention premiums earned	84,166	134,119	51,090	54,993	(8,980)	315,388
Changes in premium balances that have not yet been earned, retention	(18,549)	(40,498)	(4,221)	(47,142)	(17,831)	(128,241)
Retention premiums earned	102,715	174,617	55,311	102,135	8,851	443,629
Profits (losses) from investments, net, and financing income	(482)	(346)	174	(1,803)	(525)	(2,982)
Commission income	3,127	6,740	27,356	13,006	-	50,229
Total income	105,360	181,011	82,841	113,338	8,326	490,876
Payments and changes in liabilities for insurance contracts, gross	109,140	154,934	99,827	227,904	(134)	591,671
Reinsurer's share of payments and changes in liabilities for insurance contracts	12,622	17,151	78,289	131,810	-	239,872
Payments and changes in liabilities for insurance contracts, retention	96,518	137,783	21,538	96,094	(134)	351,799
Commission, marketing expenses and other acquisition costs	22,865	47,278	44,825	35,203	-	150,171
Management and general expenses	2,278	3,293	1,907	1,502	1,194	10,174
Financing expenses, Net	5,653	1,186	467	5,142	23	12,471
Total expenses	127,314	189,540	68,737	137,941	1,083	524,615
Company’s share of profits of investee companies recorded by the equity method	4,766	884	491	3,694	783	10,618
Profit (loss) before income taxes	(17,188)	(7,645)	14,595	(20,909)	8,026	(23,121)
Other comprehensive loss, before income tax	(4,537)	(818)	(487)	(3,383)	(7,190)	(16,415)
Total comprehensive income (loss) before income tax	(21,725)	(8,463)	14,108	(24,292)	836	(39,536)
Liabilities for insurance policies, gross, as at September 30, 2015	2,495,529	640,863	881,356	5,239,411	500,896	9,758,055
Liabilities for insurance policies, Retention as at September 30, 2015	2,121,021	554,666	169,802	1,989,656	500,896	5,336,041

* Property and other branches consist mainly of the results of property loss insurance and comprehensive homeowners insurance, which account for 82% of total premiums in these branches.

** Other liabilities branches consist mainly of the results of third-party and professional liability insurance which account for 68% of total premiums in these branches.

Note 4 - Operating segments (contd.)

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

	For the nine months ended September 30, 2014 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	insurance Mortgage	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS Thousands	NIS Thousands
Premiums earned, gross	387,192	796,628	700,757	551,250	(18,177)	2,417,650
Premiums earned by reinsurers	79,708	170,539	518,471	310,566	-	1,079,284
Retention premiums earned	307,484	626,089	182,286	240,684	(18,177)	1,338,366
Changes in premium balances that have not yet been earned, retention	28,103	68,159	9,342	(47,078)	(51,931)	6,595
Retention premiums earned	279,381	557,930	172,944	287,762	33,754	1,331,771
Profits from investments, net, and financing income	48,982	10,003	3,532	39,625	22,642	124,784
Commission income	15,844	39,355	97,683	43,490	-	196,372
Total income	344,207	607,288	274,159	370,877	56,396	1,652,927
Payments and changes in liabilities for insurance contracts, gross	267,650	537,162	335,865	624,264	4,942	1,769,883
Reinsurer's share of payments and changes in liabilities for insurance contracts	58,249	104,920	258,060	349,475	-	770,704
Payments and changes in liabilities for insurance contracts, retention	209,401	432,242	77,805	274,789	4,942	999,179
Commission, marketing expenses and other acquisition costs	55,661	144,094	162,541	100,683	-	462,979
Management and general expenses	5,415	7,646	3,473	3,305	3,510	23,349
Other expenses	-	-	-	-	723	723
Financing expenses, Net	9,913	2,021	715	8,019	36	20,704
Total expenses	280,390	586,003	244,534	386,796	9,211	1,506,934
Company’s share of profits of investee companies recorded by the equity method	14,577	2,973	1,051	11,792	874	31,267
Profit (loss) before income taxes	78,394	24,258	30,676	(4,127)	48,059	177,260
Other comprehensive income, before income tax	30,583	6,238	2,205	24,741	2,631	66,398
Total comprehensive income for the period	108,977	30,496	32,881	20,614	50,690	243,658
Liabilities for insurance policies, gross, as at September 30, 2014	2,640,960	688,443	946,412	5,259,486	574,719	10,110,020
Liabilities for insurance policies, Retention as at September 30, 2014	2,227,925	549,659	171,821	1,919,234	574,719	5,443,358

* Property and other branches primarily include results of property loss insurance and comprehensive homeowners insurance, operations of which account for 75% of total premiums earned from these branches.

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

Note 4 - Operating segments (contd.)

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

	For the three months ended September 30, 2014 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other Segments*	Other Liability Segments**	insurance Mortgage	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS Thousands	NIS Thousands
Gross premiums	90,727	163,043	250,731	133,313	(6,499)	631,315
Reinsurance premiums	19,460	35,605	194,786	77,257	-	327,108
Premiums in retention	71,267	127,438	55,945	56,056	(6,499)	304,207
Change in outstanding unearned premiums, in retention	(24,063)	(59,494)	(3,123)	(42,230)	(16,640)	(145,550)
Earned premiums in retention	95,330	186,932	59,068	98,286	10,141	449,757
Profit from investments, net, and financing income	16,249	3,007	1,289	13,259	10,594	44,398
Income from commissions	5,844	14,076	34,051	15,937	-	69,908
Total income	117,423	204,015	94,408	127,482	20,735	564,063
Payments and changes in liabilities for insurance policies and investment contracts, gross	100,611	181,418	114,889	218,416	1,797	617,131
Reinsurers' share of payments and change in liabilities for insurance policies	19,569	37,290	87,693	123,058	-	267,610
Payments and changes in liabilities for insurance policies and investment contracts in retention	81,042	144,128	27,196	95,358	1,797	349,521
Commissions, marketing expenses and other purchasing expenses	21,783	53,201	52,487	35,842	-	163,313
General and administrative expenses	1,698	2,321	1,055	931	1,080	7,085
Other expenses	-	-	-	-	244	244
Financing expenses, net	10,319	2,108	743	8,346	17	21,533
Total expenses	114,842	201,758	81,481	140,477	3,138	541,696
Share of profits of equity accounted investees	714	10	101	626	169	1,620
Profit (loss) before taxes on income	3,295	2,267	13,028	(12,369)	17,766	23,987
Other comprehensive income (loss) before taxes on income	10,748	1,999	851	8,766	(3,683)	18,681
Total comprehensive income (loss) before taxes on income	14,043	4,266	13,879	(3,603)	14,083	42,668
Liabilities for insurance policies, gross, as at September 30, 2014	2,640,960	688,443	946,412	5,259,486	574,719	10,110,020
Liabilities for insurance policies, Retention as at September 30, 2014	2,227,925	549,659	171,821	1,919,234	574,719	5,443,358

* Property and other branches primarily include results of property loss insurance and comprehensive homeowners insurance, operations of which account for 79% of total premiums earned from these branches.

** Other liabilities branches include mainly results from third-party insurance and professional liability whose activities account for 67% 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 nine months ended September 30 2015 (Unaudited)				For the nine months ended September 30 2014 (Unaudited)			
	Provident	Pension	Life-assurance	Total	Provident	Pension	Life-assurance	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Premiums earned, gross	-	-	3,186,140	3,186,140	-	-	2,835,110	2,835,110
Premiums earned by reinsurers	-	-	106,301	106,301	-	-	103,966	103,966
Premiums in retention	-	-	3,079,839	3,079,839	-	-	2,731,144	2,731,144
Profit from investments, net, and financing income	313	279	619,319	619,911	1,046	4,068	2,056,984	2,062,098
Income from management fees	162,217	196,912	232,146	591,275	164,724	180,382	315,934	661,040
Income from commissions	-	202	18,298	18,500	-	-	23,160	23,160
Total income	162,530	197,393	3,949,602	4,309,525	165,770	184,450	5,127,222	5,477,442
Payments and changes in liabilities for insurance policies and investment contracts, gross	1,479	8,830	3,360,907	3,371,216	1,394	7,646	4,689,760	4,698,800
Reinsurers' share of payments and change in liabilities for insurance policies	-	-	66,477	66,477	-	-	65,261	65,261
Payments and changes in liabilities for insurance policies and investment contracts in retention	1,479	8,830	3,294,430	3,304,739	1,394	7,646	4,624,499	4,633,539
Commissions, marketing expenses and other purchasing expenses	57,540	78,759	409,236	545,535	54,704	77,682	381,358	513,744
General and administrative expenses	59,728	51,112	249,304	360,144	56,381	47,158	222,509	326,048
Other expenses	10,015	1,977	15,941	27,933	12,085	1,548	15,941	29,574
Financing expenses, net	72	3,859	4,501	8,432	69	11	3,841	3,921
Total expenses	128,834	144,537	3,973,412	4,246,783	124,633	134,045	5,248,148	5,506,826
Share of profits of equity accounted investees	-	-	44,186	44,186	-	-	25,228	25,228
Profit (loss) before taxes on income	33,696	52,856	20,376	106,928	41,137	50,405	(95,698)	(4,156)
Other comprehensive income (loss) before taxes on income	(426)	96	10,546	10,216	527	1,313	90,726	92,566
Total comprehensive income (loss) before taxes on income	33,270	52,952	30,922	117,144	41,664	51,718	(4,972)	88,410

Note 4 - Operating segments (contd.)

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

	For the Three-month period ended September 30, 2015 (unaudited)				For the Three-month period ended September 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	-	-	992,564	992,564	-	-	943,654	943,654
Premiums earned by reinsurers	-	-	36,843	36,843	-	-	35,139	35,139
Premiums in retention	-	-	955,721	955,721	-	-	908,515	908,515
Profit (loss) from investments, net, and financing income	223	(90)	(781,833)	(781,700)	626	2,521	638,728	641,875
Income (expenses) from management fees	53,146	68,042	(8,102)	113,086	58,614	64,255	98,526	221,395
Income from commissions	-	202	11,810	12,012	-	-	6,009	6,009
Total income	53,369	68,154	177,596	299,119	59,240	66,776	1,651,778	1,777,794
Payments and changes in liabilities for insurance policies and investment contracts, gross	515	3,364	205,170	209,049	461	2,487	1,557,596	1,560,544
Reinsurers' share of payments and change in liabilities for insurance policies	-	-	14,692	14,692	-	-	23,134	23,134
Payments and changes in liabilities for insurance policies and investment contracts in retention	515	3,364	190,478	194,357	461	2,487	1,534,462	1,537,410
Commissions, marketing expenses and other purchasing expenses	19,617	28,037	130,461	178,115	18,527	26,525	116,082	161,134
General and administrative expenses	21,204	17,471	91,999	130,674	18,421	16,510	72,913	107,844
Other expenses	3,328	639	5,313	9,280	4,019	357	5,313	9,689
Financing expenses (income), net	(8)	3,863	1,745	5,600	15	18	1,899	1,932
Total expenses	44,656	53,374	419,996	518,026	41,443	45,897	1,730,669	1,818,009
Share of profits of equity accounted investees	-	-	16,034	16,034	-	-	9,324	9,324
Profit (loss) before taxes on income	8,713	14,780	(226,366)	(202,873)	17,797	20,879	(69,567)	(30,891)
Other comprehensive income (loss) before taxes on income	(256)	266	96,424	96,434	(199)	(941)	32,519	31,379
Total comprehensive income (loss) before taxes on income	8,457	15,046	(129,942)	(106,439)	17,598	19,938	(37,048)	488

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
Premiums earned, gross	-	-	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

A. Update of profit tax and wage tax rates

On September 10, 2015 the Value Added Tax Order was published, which reduced the VAT rate by 1%, so that it will be 17% from October 1, 2015.

To supplement the aforementioned revised VAT rate, on November 12, 2015 the Value Added Tax (Tax rate for Non Profits and Financial Institutions) (Amendment) Order, 2015 was published in the Official Gazette whereby the rate of profit tax and wage tax for financial institutions was lowered from 18% to 17%, as of October 1, 2015. In the 2015 tax year, the order will apply to salaries paid for work in October 2015 and thereafter and to the relative part of the profit in this tax year.

Consequently, the statutory tax rate declined from 37.71% to 37.58% in 2015, and to 37.18% from 2016 and thereafter.

The change in the rate of profit tax legislated after the reporting date was not expressed in the measurement of the deferred tax balances in the financial statements for the third quarter of 2015. These changes will appear in measurement of the deferred tax balances in the financial statements for the next reporting period.

The aforementioned change in the rate of profit tax does not significantly affect the profit and/or comprehensive income and/or equity of the Group.

B. Final tax assessments

1. Agreement on tax assessments for Dikla

On September 3, 2015, Dikla Insurance Company signed a tax assessment agreement for 2012. Dikla has a dispute with the tax authorities regarding the real-estate segment for the period 2010-2012. The subject of the dispute is that the tax filings of Dikla for this period included certain revenues in the real-estate segment and profit tax was not paid on them. The assessment officer argues that these revenues should be liable for profit tax as noted in the Value Added Tax Law. Dikla's position, as supported by its legal counsel, is that there is no basis for the Income Tax position for charging Dikla profit tax for revenues in the real-estate segment. Dikla Insurance has made adequate provision in respect of the tax exposure. In September 2015, injunctions were issued against Dikla in respect of this dispute for the period 2010-2012. On September 17, 2015, Dikla filed an appeal in the court in respect of these injunctions.

2. Agreement on tax assessments for Harel Insurance

On August 31, 2015, Harel Insurance Company signed a tax assessment agreement for the period 2011-2013. Harel Insurance has a dispute with the tax authorities regarding the real-estate segment for the period 2009-2013. The subject of the dispute is that the tax filings of Harel Insurance for this period included certain revenues in the real-estate segment and profit tax was not paid on them. The assessment officer argues that these revenues should be liable for profit tax as noted in the Value Added Tax Law. The position of Harel Insurance as supported by its legal counsel is that there is no basis for the Income Tax position for charging Harel Insurance profit tax for revenues in the real-estate segment. Harel Insurance has made adequate provision in respect of the tax exposure. In September 2015, Harel Insurance received best judgment assessments in respect of this dispute for the years 2011-2013, in respect of which it filed an objection to the Tax Assessment Officer. This dispute is further to the existing dispute between Harel Insurance and the tax authorities for the period 2009-2010, in respect of which Harel Insurance is in a litigation process with Income Tax. (In this context, see Note 36 to the annual financial reports at December 31, 2014).

Note 6 – Financial Instruments

A. Assets for yield-dependent contracts

1. Details of the assets held against insurance contracts and investment contracts, presented at fair value through profit and loss:

	As at September 30		As at December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousand	NIS thousand	NIS thousand
Investment property	**1,373,276**	1,308,342	1,331,182
Financial investments			
Marketable debt assets	**17,181,268**	16,258,311	16,592,843
Non-marketable debt assets (*)	**5,806,409**	5,202,276	5,112,945
Shares	**6,536,312**	5,215,245	5,287,010
Other financial investments	**6,796,282**	6,514,421	6,647,242
Total financial investments	**36,320,271**	33,190,253	33,640,040
Cash and cash equivalents	**804,385**	782,737	1,153,223
Other	**370,694**	415,300	401,234
Total assets for yield-dependent policies	**38,868,626**	35,696,632	36,525,679
Trade and other payables	**11,585**	14,616	16,640
Financial liabilities	**369,840**	312,144	439,636
Financial liabilities for yield-dependent contracts	**381,425**	326,760	456,276
(*) Of which debt assets that are measured at adjusted cost	**489,311**	429,130	432,357
Fair value of debt assets measured at adjusted cost	**524,046**	473,549	470,727

Note 6 – Financial instruments (contd.)

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

2. **Fair value hierarchy of financial assets**

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

Level 1 – fair value measured by use of quoted prices (not adjusted) on an active market for identical instruments.

Level 2 – fair value measured by using observed data, direct and indirect, which are not included in Level 1 above.

Level 3 – fair value measured by using data which are not based on observed market data.

	As at September 30 2015 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Marketable debt assets	**17,168,010**	**9,148**	**4,110**	**17,181,268**
Non-marketable debt assets	**-**	**5,050,900**	**266,198**	**5,317,098**
Shares	**5,070,730**	**14,757**	**1,450,825**	**6,536,312**
Other	**4,138,313**	**93,826**	**2,564,143**	**6,796,282**
Total	**26,377,053**	**5,168,631**	**4,285,276**	**35,830,960**

	As at September 30 2014 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Marketable debt assets	16,240,420	17,891	-	16,258,311
Non-marketable debt assets	-	4,652,844	120,302	4,773,146
Shares	4,439,627	-	775,618	5,215,245
Other	4,488,012	149,609	1,876,800	6,514,421
Total	25,168,059	4,820,344	2,772,720	32,761,123

	As at December 31, 2014 (audited)			
	Level 1	Level 2	Level 3	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
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 6 – Financial instruments (contd.)

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

3. **Financial assets measured at fair value level 3**

For the nine and three-month periods ended September 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 (*)	17,343	136,369	137,451	291,163
Interest and dividend receipts	(6,791)	(55,566)	(95,438)	(157,795)
Purchases	94,392	445,445	810,474	1,350,311
Sales	(5,412)	(27,688)	(155,616)	(188,716)
Redemptions	(28,390)	(15,569)	(5,470)	(49,429)
Transfers to Level 3 **	69,905	-	-	69,905
Transfers from Level 3 ***	(1,638)	(14,757)	-	(16,395)
Classification of balances	-	92,290	(92,290)	-
Balance as at September 30, 2015	270,308	1,450,825	2,564,143	4,285,276
(*) Of which total profit for the period that has not yet been exercised for financial assets held correct to September 30, 2015	15,824	134,417	142,182	292,423

	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 July 1, 2015	192,999	1,257,632	2,245,756	3,696,387
Total profits (losses) that were recognized:				
In profit and loss (*)	10,267	107,234	83,127	200,628
Interest and dividend receipts	(2,678)	(11,086)	(24,102)	(37,866)
Purchases	24,964	117,119	309,397	451,480
Sales	(5,330)	(2,008)	(46,979)	(54,317)
Redemptions	(13,850)	(3,309)	(3,056)	(20,215)
Transfers to Level 3 **	63,936	-	-	63,936
Transfers from Level 3 ***	-	(14,757)	-	(14,757)
Balance as at September 30, 2015	270,308	1,450,825	2,564,143	4,285,276
(*) Of which total profit for the period that has not yet been exercised for financial assets held correct to September 30, 2015	9,709	106,654	83,117	199,480

** For securities whose rating changed.

*** For securities whose marketability changed.

Note 6 – Financial instruments (contd.)

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

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

For the nine and three-month periods ended September 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 (*)	28,645	56,442	165,463	250,550
Interest and dividend receipts	(8,110)	(15,234)	(49,606)	(72,950)
Purchases	48,508	185,032	450,495	684,035
Sales	(19,720)	(32,643)	(116,076)	(168,439)
Redemptions	(17,182)	(14,444)	(6,920)	(38,546)
Transfers to Level 3 **	901	-	-	901
Transfers from Level 3 ***	(13,662)	(22,224)	-	(35,886)
Balance as at September 30, 2014	120,302	775,618	1,876,800	2,772,720
(*) Of which total profit for the period that has not yet been exercised for financial assets held correct to September 30, 2014	6,819	61,593	166,969	235,381

	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 July 1, 2014	120,229	635,555	1,711,871	2,467,655
Total profits (losses) that were recognized:				
In profit and loss (*)	21,463	39,993	80,084	141,540
Interest and dividend receipts	(3,707)	(6,028)	(17,229)	(26,964)
Purchases	11,794	139,983	144,776	296,553
Sales	(19,653)	(32,637)	(42,011)	(94,301)
Redemptions	(10,652)	(1,248)	(691)	(12,591)
Transfers to Level 3 **	859	-	-	859
Transfers from Level 3 ***	(31)	-	-	(31)
Balance as at September 30, 2014	120,302	775,618	1,876,800	2,772,720
(*) Of which total profit (loss) for the period that has not yet been exercised for financial assets held correct to September 30, 2014	(363)	48,121	80,077	127,835

** Mainly for securities whose rating changed.

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

Note 6 – Financial instruments (contd.)

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

3. Financial assets measured at fair value level 3 (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
(*) Of which total profit for the period that has not yet been exercised for financial assets held correct to December 31, 2014	8,660	130,483	232,344	371,487

** Mainly for securities whose marketability has changed or whose price is set by means of an individual quote.

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

Note 6 – Financial instruments (contd.)

B. Other financial investments

1. Non-marketable debt assets and held-to-redemption investments – fair value compared to book value

	September 30		December 31	September 30		December 31
	(Unaudited)		(Audited)	(Unaudited)		(Audited)
	Book Value			Fair Value		
	2015	2014	2014	2015	2014	2014
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Loans and receivables:						
Earmarked bonds	**4,654,500**	4,448,334	4,501,247	**5,939,301**	5,327,795	5,784,022
Non-marketable, non-convertible debt assets, excluding bank deposits	**4,995,200**	4,546,870	4,689,230	**5,551,885**	5,215,099	5,319,043
Bank deposits	**864,167**	719,635	766,738	**950,875**	825,238	864,590
Non-marketable, convertible debt assets	**326**	776	776	**326**	776	776
Total non-marketable debt assets	**10,514,193**	9,715,615	9,957,991	**12,442,387**	11,368,908	11,968,431
Investments held to maturity:						
Marketable non-convertible debt assets	**320,078**	355,190	340,306	**335,111**	381,416	360,775
Total Investments held to maturity	**320,078**	355,190	340,306	**335,111**	381,416	360,775
Total	**10,834,271**	10,070,805	10,298,297	**12,777,498**	11,750,324	12,329,206
Impairments recognized in profit and loss (in aggregate)	**7,409**	13,592	8,987			

Note 6 – Financial instruments (contd.)

B. Other financial investments (contd.)

2. Fair value hierarchy of financial assets

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

	As at September 30 2015 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Marketable debt assets	**7,256,250**	**4,973**	**-**	**7,261,223**
Non-marketable debt assets	**-**	**-**	**326**	**326**
Shares	**656,269**	**-**	**79,910**	**736,179**
Other	**782,914**	**55,219**	**1,245,157**	**2,083,290**
Total	**8,695,433**	**60,192**	**1,325,393**	**10,081,018**

	As at September 30 2014 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Marketable debt assets	8,602,058	3,181	-	8,605,239
Non-marketable debt assets	-	-	776	776
Shares	594,510	-	112,468	706,978
Other	1,142,794	76,611	906,911	2,126,316
Total	10,339,362	79,792	1,020,155	11,439,309

	As at December 31, 2014 (audited)			
	Level 1	Level 2	Level 3	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
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 6 – Financial instruments (contd.)

B. Other financial investments (contd.)

3. Financial assets measured at fair-value level 3

For the nine and three-month periods ended September 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)	17,314	46,137	63,303
In other comprehensive income	-	(16,251)	(8,709)	(24,960)
Interest and dividend receipts	-	(3,737)	(39,401)	(43,138)
Purchases	-	-	383,558	383,558
Sales	(302)	(1,352)	(86,983)	(88,637)
Redemptions	-	-	(3,477)	(3,477)
Transfers from Level 3 **	-	(32,018)	(112,307)	(144,325)
Balance as at September 30, 2015	326	79,910	1,245,157	1,325,393
(*) Of which total profit (loss) for the period that has not yet been exercised for financial assets held correct to September 30, 2015	(148)	3,037	12,701	15,590

	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 July 1, 2015	326	80,352	1,141,143	1,221,821
Total profits (losses) that were recognized:				
In profit and loss (*)	-	(309)	(13,077)	(13,386)
In other comprehensive income	-	389	38,998	39,387
Interest and dividend receipts	-	(92)	(9,335)	(9,427)
Purchases	-	-	128,542	128,542
Sales	-	(430)	(39,356)	(39,786)
Redemptions	-	-	(1,758)	(1,758)
Balance as at September 30, 2015	326	79,910	1,245,157	1,325,393
(*) Of which total loss for the period that has not yet been exercised for financial assets held correct to September 30, 2015	-	(299)	(13,084)	(13,383)

** Classification of balances for investee companies.

Note 6 – Financial instruments (contd.)

B. Other financial investments (contd.)

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

For the nine and three-month periods ended September 30, 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 (*)	(6)	1,440	24,173	25,607
In other comprehensive income	-	8,437	69,026	77,463
Interest and dividend receipts	-	(3,796)	(17,207)	(21,003)
Purchases	-	9,706	169,689	179,395
Sales	(6)	(3,948)	(36,064)	(40,018)
Redemptions	-	-	(3,506)	(3,506)
Transfers from Level 3 **	-	(6,583)	-	(6,583)
Balance as at September 30, 2014	776	112,468	906,911	1,020,155
(*) Of which total profit (loss) for the period that has not yet been exercised for financial assets held correct to September 30, 2014	(6)	(1,884)	24,763	22,873

	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 July 1, 2014	782	108,874	816,256	925,912
Total profits (losses) that were recognized:				-
In profit and loss (*)	(6)	(3,612)	12,175	8,557
In other comprehensive income	-	7,377	36,445	43,822
Interest and dividend receipts	-	(1,718)	(7,247)	(8,965)
Purchases	-	5,495	63,206	68,701
Sales	-	(3,948)	(13,758)	(17,706)
Redemptions	-	-	(166)	(166)
Balance as at September 30, 2014	776	112,468	906,911	1,020,155
(*) Of which total profit (loss) for the period that has not yet been exercised for financial assets held correct to September 30, 2014	(6)	(3,607)	12,095	8,482

** For securities issued for trade on the stock exchange.

Note 6 – Financial instruments (contd.)

B. Other financial investments (contd.)

3. Financial assets measured at fair-value level 3 (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)
Redemptions	-	-	(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
(*) Of which total profit (loss) for the period that has not yet been exercised for financial assets held correct to December 31, 2014	(5)	(1,778)	35,532	33,749

** For securities issued for trade on the stock exchange.

C. Financial liabilities

1. Fair value compared to book value – financial liabilities presented at amortized cost

	Book Value			Fair Value		
	September 30 (Unaudited)		December 31 (Audited)	September 30 (Unaudited)		December 31 (Audited)
	2015	2014	2014	2015	2014	2014
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Loans from banks (1)	**516,242**	342,391	557,163	**523,573**	342,391	557,163
Loans from non-bank corporations (1)	**94,614**	98,695	98,141	**94,380**	100,193	97,914
Loans from interested parties	**11,395**	939	948	**11,395**	939	948
Short-term credit from banks and other corporations	**401**	33,580	33,649	**401**	33,580	33,649
Subordinated promissory notes (2)	**2,676,371**	2,482,738	2,406,280	**2,898,781**	2,788,496	2,679,536
Total financial liabilities presented at amortized cost	**3,299,023**	2,958,343	3,096,181	**3,528,530**	3,265,599	3,369,210

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 liability notes was calculated based on the Stock Exchange price at September 30, 2015, September 30, 2014 and December 31, 2014. The average linked annual interest rates used to determine the fair value of the non-marketable liability notes is 2.1%, 1.35% and 1.5% at September 30, 2015, September 30, 2014 and December 31, 2014, respectively.

Note 6 – Financial instruments (contd.)

C. Financial liabilities (contd.)

2. Financial liabilities measured at fair value hierarchy

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

	September 30 2015 (Unaudited)		
	Level 1	Level 2	Total
	NIS Thousands	NIS Thousands	NIS Thousands
Derivatives (1)	**138,664**	**1,087,149**	**1,225,813**
Short sales	**13,324**	**-**	**13,324**
Loans from banks (2)	**-**	**51,239**	**51,239**
Total financial liabilities	**151,988**	**1,138,388**	**1,290,376**

	September 30 2014 (Unaudited)		
	Level 1	Level 2	Total
	NIS Thousands	NIS Thousands	NIS Thousands
Derivatives (1)	30,425	817,308	847,733
Short sales	77,401	-	77,401
Loans from banks	-	172,184	172,184
Total financial liabilities	107,826	989,492	1,097,318

	December 31 2014 (Audited)		
	Level 1	Level 2	Total
	NIS Thousands	NIS Thousands	NIS Thousands
Derivatives (1)	19,948	1,065,903	1,085,851
Short sales	54,872	-	54,872
Loans from banks	-	238,862	238,862
Total financial liabilities	74,820	1,304,765	1,379,585

1. Derivative financial instruments held against insurance liabilities as part of the Group's policy for asset and liability management ("ALM"). Of the above, NIS 639 million as at September 30, 2015, NIS 492 million as at September 30, 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 461 million as collateral to cover the liabilities arising from this activity.
2. Harel Financial Products has arbitrage activity which is performed as part of the ETN 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 those 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 so that there is no exposure to the underlying assets. At September 30, 2015, the outstanding financial liability for this activity is NIS 23 million.

Note 6 – Financial instruments (contd.)

C. Financial liabilities (contd.)

3. Additional items

1. Pursuant to that stated in Note 25(G)(3) in the Company's 2014 annual financial statements, during the Reporting Period, a subsidiary made partial early repayment of the capital note to the Company, in the amount of NIS 13 million, in parallel to an identical early repayment to the bank. In November 2015, the subsidiary repaid a bank an additional amount of NIS 7 million and an identical amount of the capital note to the Company.

2. Update of financial covenants in Harel-Pia

   Pursuant to Note 25(G)3 in the 2014 Financial Statements concerning a bank loan taken by Harel-Pia, in November 2015 Harel-Pia signed an amendment to the loan agreement whereby the total annual revenues from the management fees of Harel-Pia and Harel Investment Management will not fall below NIS 180 million per annum, provided that out of these revenues, the revenues of Harel-Pia are not less than NIS 140 million per annum. Prior to the amendment, the loan agreement contained a condition whereby the total annual revenues shall not be less than NIS 230 million. Additionally, the agreement prescribes that from the moment that the loan falls below NIS 30 million, a dividend may be distributed to Harel Investments without the need to make early repayment of the loan. Prior to the amendment, distribution of a dividend to Harel Investments included early repayment of the loan by an amount identical to the dividend distribution. At the publication date of the financial statements, Harel-Pia is in compliance with this financial covenant.

3. 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 a partial exchange purchase offering in return for Series 9 bonds and Series 10 bonds of Harel Share Issues.

4. Financial covenants

   For information relating to the financial covenants in respect of significant loans that the Company took from banks and non-bank companies, see Note 25 to the annual financial statements. As at September 30, 2015 the Company is in compliance with the financial covenants which were determined.

5. 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 liability 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 obtaining the Commissioner's approval for the proceeds of the issuance to be used as hybrid tier-2 capital by Harel Insurance.

   The promissory notes were replaced by way of a partial exchange purchase offer based on a shelf offering 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.

Note 6 – Financial instruments (contd.)

C. Financial liabilities (contd.)

As part of this replacement, a total of NIS 236,308 thousand par value Series 1 bonds accounting for 57.1% of the total Series 1 bonds in circulation were replaced 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 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 fixed 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.

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, without giving the holders of the bonds or the trustee the right to choose, to perform early redemption of the bonds 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 it therefore had no effect on profit or loss The effective interest for Harel Insurance for the Series 9 and 10 liability notes yield is 4.364% and 4.221% respectively.

6. Maalot Rating

   On January 18, 2015, Maalot announced affirmation of the FSR (Financial Strength Rating) 'ilAA+/Stable' for the subsidiary Harel Insurance. Maalot's announcement also included affirmation of the 'ilAA' rating for the Series 1 (non-marketable) liability notes of Harel Insurance and the Series 1 liability notes of Harel Share Issues, a wholly owned subsidiary of Harel Insurance. Likewise, an 'ilAA-' rating was affirmed for tier-2 and tier-3 capital issued by Harel Share Issues as part of the Series 2-8 bonds. The rating outlook remained stable.

7. As part of an OTC transaction a subsidiary issued to a third party, in several transactions, non-marketable liability notes that inversely track changes in certain shares. The value of the transaction in terms of the underlying asset is a negligible amount. The transactions are to be completed one year from their execution date.

8. Issuance of hybrid tier-2 capital (Series 11) through Harel Financing and Issues

   On September 2, 2015, Harel Insurance Financing and Share Issues, a wholly owned subsidiary of Harel Insurance, published a shelf offering report in accordance with a shelf prospectus of Harel Share Issues from February 12, 2014 as amended on December 22, 2014. According to the shelf offering report, Harel Share Issues offered the public up to NIS 300,000,000 par value bonds (Series 11), registered in name, each of NIS 1 par value. The Series 11 bonds are not linked to the CPI or to any currency. The Series 11 bonds were offered to the public by way of a tender on the annual rate of interest to be borne by the bonds, which under the terms of the tender must not be more than 4.36%. The Series 11 bonds were offered to the public in units, where each unit in the tender consists of NIS 1,000 par value Series 11 bonds ("Series 11 Units"). The Series 11 Units were offered at a price equal to their par value, namely - NIS 1,000 for each of the Series 11 Units. The offering of the Series 11 bonds was not guaranteed by underwriting.

Note 6 – Financial instruments (contd.)

C. Financial liabilities (contd.)

On August 31, 2015, Harel Share Issues received advanced undertakings from classified investors, as this term is referred to in the shelf offering report, to acquire 250,000 Series 11 Units as part of the tender, accounting for 83% of all the Series 11 Units that were offered in the shelf offering report.

On September 2, 2015, a public tender for the Series 11 Units was held, the results of which are as follows: in the tender, 47 subscriptions were received from the public to acquire 254,355 Series 11 Units, of which 35 subscriptions to acquire 250,000 Series 11 units were received as part of the tender for classified investors. As determined in the tender, the Series 11 bonds will bear an annual interest rate of 4.36%. Accordingly, the semi-annual rate of interest is 2.18%. The original risk margin for Series 11 is 2.20%.

In accordance with the results of the tender, Harel Share Issues allotted a total of 254,355 Series 11 Units, namely - NIS 254,335,000 par value Series 11 bonds. Harel Share Issues received total consideration (gross) of NIS 254.4 million for the Series 11 bonds that it allotted in accordance with the shelf offering report.

The effective interest rate, after costs of the issuance, of the Series 11 liability notes is 4.496%.

The Series 11 bonds will be repaid in one payment on December 31, 2030, unless before this date the Company exercises the right to make early redemption of the Series 11 bonds. The interest on the Series 11 bonds will be paid in June and December each year.

For the purpose of this issuance, on August 19, 2015, Maalot published an ilAA- rating for the Series 11 bonds.

9. Expansion of hybrid tier-2 capital (Series 11) through Harel Financing and Issues

In accordance with the approval of the Board of Directors of Harel Share Issues from September 2, 2015, on September 20 Harel Financing and Issues resolved to allot NIS 45,645,000 par value Series 11 bonds of Harel Share Issues to classified investors, according to the meaning of this term in the Securities (Manner of Offering Securities to the Public) Regulations, 2007, in a private placement by way of an expansion of an existing bond series (Series 11), that was first listed for trade on the Tel Aviv Stock Exchange ("TASE") based on a shelf prospectus of Harel Share Issues from February 12, 2014 (as amended on December 22, 2014), and a shelf offering report that was published by Harel Share Issues on September 2, 2015 ("the Additional Bonds").

The Additional Bonds were issued at a price of NIS 97.5 for every NIS 100 par value Series 11 bonds and for total consideration of NIS 44.5 million. The Additional Bonds were issued at a discount of 2.6%. The weighted discount rate of the Series 11 bonds after the private placement is 0.4%.

The effective interest rate, after costs of the issuance, of the additional Series 11 liability notes is 4.704%.

The Series 11 bonds will be repaid in one payment on December 31, 2030, unless before this date the Company exercises its right to redeem the Series 11 bonds early. The interest on the Series 11 bonds will be paid in June and December each year.

A Maalot rating of ilAA-, which was published on August 19, 2015, for the issue of hybrid tier-2 capital by means of the issue of the Series 11 bonds also applies to the bonds that were issued as part of the above-mentioned private placement.

Note 6 – Financial instruments (contd.)

D. Information about fair-value measurement at level 2 and level 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 on those deciles, and this in accordance with the risk premium stemming from the prices of transactions/issues on the non-negotiable market. The price quotes and interest rates used for the discounting are determined by Mirvah Hogen, a company that provides price quotes and interest rates for financial institutions for the revaluation of non-marketable debt assets.

Note 7 - Contingent liabilities and commitments

A. Contingent Liabilities

There is a general exposure which cannot be evaluated and/or quantified resulting, inter alia, from the complexity of the services provided by the Group to its 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 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. 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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, actuary, customer service, 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 implemented the Commissioner’s instructions issued in connection with the report findings and it submitted reports to the Commissioner in accordance with the provisions in the report.

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.

In connection with a merger of the insurance activity of Dikla into Harel Insurance, and in accordance with a request by Clalit Health Services which is Dikla’s main customer and where, as part of the agreement with Clalit Dikla provides operating and management services for the Supplementary Health Services Plan and the Long-term Care plan for Clalit’s members, Harel Insurance signed an indemnity note in which it undertook to indemnity Clalit Health Services for losses sustained by Clalit if and insofar as any losses are sustained, as a result of the split of operations, under the conditions set out in the indemnity note. On the merger of Dikla’s insurance activity, see Note 9 below.

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

No provision was made in the financial statements for applications to certify legal actions as class actions that are listed below, in which, based, *inter alia*, on expert legal opinions received, management believes that it is more likely than not that the defense arguments of the Company (or subsidiary) will be accepted and certification of the action as a class action will be dismissed, or where there is more than a 50% chance that in the final event the arguments of the Company (or subsidiary) will be accepted, or it is more likely than not that a proposed compromise settlement, that does not include a material obligation for monetary payment will be accepted. 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 than not 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

Concerning applications to certify actions as class actions under Sections 36, 37, 38, 39, 40, 41, 42, 43, 44 and 45 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.

1. In April 2006, an action was filed against the subsidiary Harel Insurance and five other insurance companies (hereinafter together: "the Defendants") 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 7 - 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 (hereinafter: “the Defendants”) 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 (hereinafter together: “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 7 - 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 (hereinafter together: “the Defendants”). The subject of the legal action is the allegation that in the event of a discontinuation of insurance in any month, after the insurance premium for that month was collected by the Defendants in advance, the defendants allegedly did not reimburse the insured the proportionate, surplus share of the premiums for that month, or alternatively they allegedly repaid the insurance premium in nominal values only. In the opinion of the applicants, the total damages to all members of the group, cumulatively claimed against all defendants, amount to NIS 225 million for a ten year period (the plaintiffs did not 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 (hereinafter together: “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 NIS 100 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. Following submittal of the reviewer’s expert opinion, on October 18, 2015 the court clarified its original position regarding the compromise settlement that had been given in a previous session of the court, whereby its clear inclination is not to approve the compromise settlement under the present conditions and it recommended that the parties significantly improve the terms of compromise settlement.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

8. In June 2011, a claim was filed at the Central District Court against the subsidiary Harel Insurance and nine other insurance companies (hereinafter together: “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. 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 (hereinafter together: "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 mediation process conducted by the parties was unsuccessful and the hearing of the action returned to the court.

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 mediation process conducted by the parties was unsuccessful and the hearing of the action returned to the court.

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 following which and in accordance with the court’s decision, in October 2015 an amended compromise agreement was submitted to the court.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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

13. In December 2012, a claim was filed against the subsidiary Harel Insurance and six other insurance companies (hereinafter together: "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. On August 30, 2015, the Tel Aviv District Court partially accepted the motion for certification, such that conducting of the claim as a class action was approved with respect to the argument concerning non-payment of interest as required under Section 28(A) of the Insurance Contract Law (“the Law”), and the motion was dismissed insofar as it relates to the argument that Harel Insurance does not link the insurance benefits in accordance with the provisions of Section 28(A) of the Law. In October 2015, a motion was filed for permission to appeal the decision to certify the application as a class action.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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 (hereinafter together: “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.

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 (hereinafter together: “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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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 (hereinafter together: "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. 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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 are conducting 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.

27. In June 2014, an action was filed in the Jerusalem District Court against the subsidiary Harel Insurance and against six other insurance companies (hereinafter together: "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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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 (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants raise the management fees paid by pension fund members from the cumulative savings (accrued balance) to the maximum rate permitted by law on the date on which the members become pensioners, receive their old-age pension and they are no longer able to move their pension savings. In this way, the Defendants ostensibly apply the contractual right to which they are entitled under the provisions of the pension fund articles, in an unacceptable manner, in bad faith and contrary to the provisions of the law. According to the Plaintiffs, the total loss claimed for all members of the group that the Plaintiffs wish to represent, amounts to NIS 48 million against all the Defendants.

29. In October 2014, an action was filed against the Company in the Tel Aviv District Court, together with an application for its certification as a class action. The subject of the action is the allegation that the Company 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. 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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

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, 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.

34. 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.

35. 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.

36. In June 2015, a claim was filed in the Central Region District Court against the subsidiary Harel Insurance and another insurance company (hereinafter together: "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.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

37. 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.

38. 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 (hereinafter together: "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.

39. In August 2015, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Dikla. The subject of the action is the claim that when settling claims in long-term care, Dikla ostensibly separates the activities of daily living for different parts of the body for the purpose of investigating whether the insured event has occurred, by performing a literal, quantitative review of the insured's ability to perform each of the ADLs. This in a manner that renders the content of the circulars of the Commissioner of Insurance meaningless, whereby their assessment is purely quantitative and contrary to the Commissioner's position on this matter from January 2015. The plaintiffs argue that Dikla is therefore in breach of the provisions of the insurance policy, that it provides a misleading description of the insurance transaction, practices unjust enrichment and violates a statutory obligation. The personal loss claimed by the Plaintiff is estimated at NIS 59,000 while the total loss claimed for all members of the Group that the Plaintiff wishes to represent is estimated at NIS 75.6 million.

40. In September 2015, an action was filed in the Central District Court together with an application for its certification as a class action against the subsidiaries Harel Insurance and Dikla and against three other insurance companies (henceforth together: "the Defendants"). The subject of the action is the allegation that the Defendants allegedly adopted an interpretive approach whereby in order to recognize an insured in the investigation of a claim for long-term care as one who suffers from incontinence, this condition must be the outcome of a urological or gastroenterological illness or ailment only. This, ostensibly, in contravention of the provisions of the insurance policy. The Plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate it to be hundreds of millions of shekels.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent Liabilities (contd.)

41. In September 2015, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against Harel Pension Funds Management Ltd. and against 4 other companies ("hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants were ostensibly in breach of their fiduciary duties towards the members of the provident funds they manage by paying the insurance agents with commissions at a rate derived from the management fees they collect from the members, thereby compensating the agents by an amount that increases in line with the increase in the management fees. Their argument is that the Defendants ostensibly practiced unjust enrichment by creating a mechanism aimed at increasing the management fees in favor of the agents and management companies. The Plaintiffs estimate the loss for all members of the group they wish to represent in the amount of NIS 300 million per annum since 2008 and by a total of NIS 2 billion.

42. In September 2015, an action was filed in the Central District Court together with an application for its certification as a class action against the subsidiaries Harel Insurance and Dikla and against two other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants allegedly collect full management fees from insureds who are reserve soldiers even when they are on reserve duty, despite the fact that the Defendants do not provide full insurance cover, but only partial insurance cover during this period, the value of which is significantly less than the premiums collected from them. The Plaintiffs claim that by such conduct, the Defendants practice unjust enrichment, are in breach of a statutory obligation, and in violation of the disclosure obligation that applies to them. The Plaintiffs further argue that the provisions that limit the insurance cover for insureds on reserve duty without reducing the premiums during this period constitute a discriminatory condition in a standard policy, and that they are contrary to the insureds' reasonable expectation. The Plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate it to be tens of millions of shekels.

43. In September 2015, an action was filed against the subsidiary Harel Insurance ("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 argument that Harel Insurance compensates insureds who have had surgery in a public hospital by an amount equal to only 25% of the fee for a surgeon who has an agreement with Harel Insurance, whereas according to the policy conditions it must compensate them by an amount equal to 50% of the agreement surgeon's fee for the relevant operation. The Plaintiff argues that Harel Insurance is therefore in breach of the provisions of the policy, acts negligently, in bad faith and misleads the insureds, and is in breach of the provisions of the Supervision of Financial Services (Insurance) Law, 1981. The Plaintiff estimates the loss for all members of the group it seeks to represent in the amount of NIS 13.1 million.

Actions filed after the Reporting Period

44. In October 2015, a claim was filed in the Jerusalem District Court with an application for its certification as a class action against the subsidiary Harel Insurance and another insurance company (hereinafter together: "the Defendants'). The subject of the action is the allegation that the Defendants ostensibly compensate insureds whose vehicles are damaged in road accidents and who received a repair proposal and/or assessment by an assessor listed in the Defendants' list of external assessors, by way of repairing the vehicle, paying insurance benefits or in any other way, while changing and significantly reducing the repair proposal and/or assessment prepared by the external assessor, instead relying on an opinion provided by their own assessor. This without having referred to the appeal mechanism before an adjudicating assessor. The Plaintiffs claim that by such conduct, the Defendants act in contravention of the provisions of a circular published by the Commissioner of Insurance on this subject, practice unjust enrichment, are in breach of a statutory obligation, and in violation of the duty of integrity. The Plaintiffs further argue that in those instances where the insureds are asked to sign a waiver as a condition for receiving the compensation, the Defendants are in breach of the Standard Contracts Law and their duty of integrity and have entered into an invalid contract, and that the signing of these forms constitutes extortion of the group's members. The Plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate it to be tens or even hundreds of millions of shekels.

Note 7 - Contingent liabilities and commitments (contd.)

A. Contingent liabilities (contd.)

45. In November 2015, an action was filed in the Central District Court together with an application for its certification as a class action against the subsidiary Harel Insurance ("Harel Insurance") and against Madanes Insurance Agency Ltd. ("Madanes") (hereinafter together: "the Defendants"). The subject of the action is that the Defendants entered into a long-term exclusivity agreement in connection with medical malpractice policies whereby Harel Insurance undertook to provide insurance exclusively for insureds referred by Madanes and to direct to Madanes any other insurance agent that might contact it for drawing up the insurance through it, and Madanes undertook to draw up medical malpractice insurance for its customers exclusively through Harel Insurance. The Plaintiffs argue that the Defendants therefore entered into a restrictive (cartel) arrangement, were in breach of a statutory obligation, abused their monopolistic position in a manner that might limit or harm competition, they were in breach of the Antitrust Law, practiced unjust enrichment, were negligent and in breach of the fiduciary obligations, disclosure obligations and duty of caution that apply to insurance agents. The Plaintiffs estimate the loss caused to all members of the group they wish to represent as an amount of more than NIS 300 million.

Summary table:

The table below 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	3	237,731
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	23	2,210,331
Claim relates to several companies and no specific amount was attributed to the Company and/ or subsidiaries	8	4,635,490
Claim amount is not specified	9	
Other material claims	1	15,605

The table does not include the claim and application for its certification as a derivative claim, as described in Section B(1) 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 42 million (at December 31, 2014, an amount of NIS 46 million).

Note 7 - Contingent liabilities and commitments (contd.)

B. Other contingent liabilities

1. 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. On October 28, 2015, the Plaintiffs appealed the ruling on the derivative claim in the Supreme Court, in which they asked for the ruling to be cancelled and the derivative claim to be accepted, and alternatively to return the case to the District Court for a hearing on the subject of the loss.

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.

Note 7 - Contingent liabilities and commitments (contd.)

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.

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.

Note 7 - Contingent liabilities and commitments (contd.)

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

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.
6. 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 was 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 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.

Note 7 - Contingent liabilities and commitments (contd.)

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

7. In March 2015, a claim was filed in the Rehovot Magistrate's Court against the subsidiary Harel Insurance, with an application for its certification as a class action. The subject of the action was 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 operated in contravention of the statutory provisions. 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 sending a return message, and that the form informing insureds of the option to refuse to receive advertising material will be transferred 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. On September 7, 2015, the Rehovot Magistrate's Court approved the motion for the Plaintiff to abandon the application for certification, and it instructed that the application for certification and rejection of the Plaintiff's personal claim should both be struck out.

D. Another liability that was settled

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 USD 40 million. Based on this estimate, most of the amount was covered by reinsurance. During the Reporting Period, as part of a compromise agreement between the parties, the amount of the claim was revised to USD 77.5 million, of which Harel Insurance's self-retention is USD 15 million, most of which was included as an expense in the Reporting Period. Harel Insurance has reinsurance for the outstanding amount. In August 2015 the claim was abandoned as part of a compromise settlement reached by the parties, in the amount of USD 77.5 million.

Note 8 - 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:

	September 30 2015			December 31 2014		
	Harel Insurance	EMI	Dikla	Harel Insurance	EMI	Dikla
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Amount required according to regulations and Commissioner's directives (A)	**5,523,009**	**106,120**	**562,538**	5,240,766	127,770	498,368
Present amount calculated in accordance with the Capital Regulations:						
Tier-1 capital						
Basic Tier-1 capital	**3,782,319**	**439,429**	**636,851**	3,780,737	471,918	591,975
Hybrid tier-1 capital	**350,681**	**-**	**-**	350,813	-	-
Total tier-1 capital	**4,133,000**	**439,429**	**636,851**	4,131,550	471,918	591,975
Tier-2 capital						
Subordinated tier-2 capital (B)	**201,878**	**-**	**-**	501,192	-	-
Hybrid tier-2 capital (C)	**1,520,631**	**-**	**99,894**	939,355	-	99,871
Total tier-2 capital	**1,722,509**	**-**	**99,894**	1,440,547	-	99,871
Hybrid tier-3 capital	**750,860**	**-**	**-**	753,816	-	-
	2,473,369	**-**	**99,894**	2,194,363	-	99,871
Total existing equity calculated in accordance with the Capital Regulations	**6,606,369**	**439,429**	**736,745**	6,325,913	471,918	691,846
Surplus at report date	**1,083,360**	**333,309**	**174,207**	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	**(100,000)**	**-**	**-**	(100,000)	(25,000)	-
Amount retained taking into account events after the balance sheet date	**983,360**	**333,309**	**174,207**	994,936	319,148	193,478

Note 8 - Capital requirements and capital management (contd.)

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

	September 30 2015			December 31 2014		
	Harel Insurance	EMI	Dikla	Harel Insurance	EMI	Dikla
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Activity in non-life insurance	**658,701**	**105,101**	**90,007**	653,248	127,770	90,185
Activity in long-term care insurance [LTC]	**91,794**	**-**	**227,886**	83,950	-	194,196
Capital requirements for yield-guaranteed plans	**43,791**	**-**	**-**	47,726	-	-
Investment assets and other assets (D)	**1,294,756**	**-**	**46,746**	1,205,688	-	37,117
Catastrophe risks in non-life insurance	**91,038**	**-**	**-**	79,439	-	-
Operating risks	**299,621**	**-**	**51,367**	299,951	-	47,039
Deferred acquisition costs in life assurance and insurance against illness and hospitalization	**1,346,702**	**-**	**134,712**	1,251,448	-	122,318
Investment in consolidated management companies, insurers and Taurus	**1,286,872**	**-**	**-**	1,218,426	-	-
Extraordinary risks in life assurance (E)	**356,959**	**-**	**11,179**	338,531	-	6,844
Unrecognized assets as defined in the Capital Regulations (F)	**52,775**	**1,019**	**641**	62,359	-	669
Total amount required under the amended Capital Regulations	**5,523,009**	**106,120**	**562,538**	5,240,766	127,770	498,368
Relief in capital requirements for cost of acquiring provident funds *	**199,761**	**-**	**-**	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 110 million at September 30, 2015.

b. Including subordinated promissory notes in the amount of NIS 312,884 thousand that were issued by 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 6.

d. A capital requirement for assets with a total value of NIS 992 million in Harel Insurance and NIS 58 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 58 million in Harel Insurance and NIS 3.4 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.

Note 8 - Capital requirements and capital management (contd.)

2. Further to the Commissioner's approval given on May 15, 2011 for the internal rating model of Harel Insurance and for a limitation from July 7, 2013, whereby Harel Insurance will be permitted to reduce the capital surplus allocation by 50% in respect of coordinated loans that were rated according to the internal model, on November 11, 2015 the Commissioner approved cancellation of this limitation. Accordingly, Harel Insurance will be able to allocate capital on account of non-marketable debt assets that were rated in accordance with the internal credit rating model under the Supervision of Financial Services (Insurance) (Minimum Equity Required of an Insurer), 1998, as of the fourth quarter of 2015. The approval further stipulates that if the loan has an outside rating, capital must be allocated according to the lower of the ratings. This approval is expected to reduce the capital requirements of Harel Insurance on the initial date of application by NIS 53.9 million.

3. 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.

4. In September 2015, In September 2015, the ISA published a revised version of Amendment No. 21 to the Joint Investments in Trust Law, 1994. According to the amendment, ETNs will cease to exist as a committed asset and will become closed, tracker mutual funds, namely - traded tracker funds. The amendment prescribes new provisions on certain subjects with respect to mutual funds in general and to closed tracker funds in particular, but the most important part of the future series of this sector will be regulated in secondary legislation which has yet to be published (regulations or provisions of the ISA).

   At this stage, Harel Sal and the Company are unable to estimate the effect of the amendment on the Company's financial results and position. Furthermore, the Company is unable to estimate the date on which the amendment will enter into force and the final text of the amendment.

5. 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.

6. 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

Note 8 - Capital requirements and capital management (contd.)

7. 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 September 30, 2015, the subsidiaries are in compliance with these requirements.
8. On November 24, 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 September 30, 2015, presenting the distributable surplus of Harel Insurance at September 30, 2015, and examining the capital surplus and capital requirements of Harel Insurance as consistent with its equity management policy.
9. 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.
10. 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.
11. 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.
12. 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 8 - Capital requirements and capital management (contd.)

13. 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 TRY 8 million (about NIS 11 million) for 2015. Following the revised provisions for calculating the capital required of an insurer in Turkey, and in order to meet the capital requirements at the end of the year, on October 18, 2015, the Board of Directors of the Company approved a further capital injection of TRY 2 million (about NIS 2.7 million) to enable Turk Nippon to comply with the capital requirements. The revised provisions for calculating the capital requirements, as noted above, are not expected to significantly affect the need for future injections of capital. The aforementioned injection of capital is expected to take place by the end of the year.

14. Information about the progress made to implement 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. 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 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 which was submitted to the Commissioner on August 31, 2015, and taking into account the aforementioned transition provisions, it appears that Harel Insurance has an insignificant capital shortfall; Dikla, ICIC and EMI have capital surpluses. After the Company re-examined the interpretation of the provisions, it made several corrections to the calculation. Based on the revised calculation, Harel Insurance, Dikla, ICIC and EMI have significant capital surpluses. The results of the revised exercise were submitted to the Board of Directors on November 24, 2015 and will be submitted to the Commissioner close to this date.

    Based on these results, Harel has a capital surplus, on a consolidated basis, of more than a billion shekels.

    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.

15. On the replacement of some of the Series 1 promissory notes that were issued by Harel Insurance, Finance and Share Issues, see Note 6.

16. On the issuance of bonds to the public, see Note 6.

Note 9 - Significant events during the Reporting Period

1. Group LTC policy for members of Clalit Health Services through Dikla

   By virtue of an agreement that was drawn up in 1998, Dikla provides group long-term care insurance for customers of Clalit Health Services ("Clalit") who chose to join the long-term care insurance ("supplementary LTC plan"). The format of the supplementary LTC plan is such that most of the insurance risk is imposed on the plan's reserves and not on the insurer. The policy was extended periodically, and at the date of this report it is in force until December 31, 2016. Within the context of the Commissioner's approval to extend the plan until December 31, 2016, it was noted that if designated regulations pertaining to group long-term care insurance for health fund members are promulgated, the approval will expire from the commencement date of the regulations and in addition, Clalit was given the right to shorten the agreement period by giving 60 days advance notice. Furthermore, the approval prescribed conditions concerning the manner of using information pertaining to insureds in supplementary LTC plans. Subsequently, Clalit and Dikla will sign an agreement to extend the agreement until December 31, 2016.

2. Special bonus for employees

   On the occasion of 80 years of insurance activity by the Hamburger Family and to mark 40 years of activity by Harel Insurance Group, it was decided to distribute a special bonus of NIS 5,000 gross per employee. The cost of the bonus amounted to NIS 30 million. The bonus was paid in September 2015.

3. Financial impairment

   Further to the falling share prices in the capital market and to the large scope of redemptions in the mutual funds sector in recent months, that led to a decline in the volume of assets under management in the mutual funds managed by Harel-Pia, a company owned by Harel Finance, Harel Finance and the Company reviewed the value of the intangible asset recorded in the Company's books for mutual fund activity. Based on the valuation prepared by an external appraiser at September 30, 2015 to examine the recoverable amount for the mutual fund activity, the Company reduced the value of the mutual fund activity by NIS 22 million before tax and NIS 16 million after tax. Accordingly, the outstanding value of the goodwill for the value of the mutual funds recorded in the books of Harel Finance was reduced by the aforementioned amounts.

4. Draft circular on conditions for controlling a management company

   On September 21, 2015, a draft circular was published on conditions for controlling the management company of an additional pension fund or the management company of an additional provident fund. The purpose of the draft circular is to establish rules for granting an additional permit for control of a management company to a company that has an existing control permit. The draft circular proposes that the holder of a permit to control a pension fund management company will be entitled to receive a permit to control another pension fund management company, and the holder of a permit to control a management company or a pension fund management company that also manages a non-annuity paying provident fund will be entitled to receive an additional permit to control another management company, for a defined period, provided that within 90 days of the date of the acquisition, the assets managed by the existing and additional companies are transferred to be managed by a single management company or the management company of one pension fund, as applicable, and the license of the other company will be revoked. Publication of the circular in its current draft version may have repercussions for the holding structure of the Group's provident funds and management companies. The Company is discussing the draft circular with the Commissioner's representatives. On a merger of pension fund and provident fund management companies, see Sections 25 and 26 below.

Note 9 - Significant events during the Reporting Period (contd.)

5. 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.

6. 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.

7. 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.

8. 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.

9. 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. On the method of revaluing owner-occupied real estate, see Note 3.

10. 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.

Note 9 - Significant events during the Reporting Period (contd.)

11. Merger of Dikla's insurance activity

During the Reporting Period, 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, it will receive an insurance agent's license 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. At the publication date of the reports, the relevant approvals have not been received.

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.

12. 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.

13. 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.

Note 9 - Significant events during the Reporting Period (contd.)

14. 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 230 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.

15. 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.

16. 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 on the initial date of application (June 30, 2015). 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.

Based on a test conducted by the Company on the initial application date of the provisions of the circular (June 30, 2015), the Company 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.

Note 9 - Significant events during the Reporting Period (contd.)

16. 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 (contd.)

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 3(C)(2)(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.

For information about progress in the deployment for implementing Solvency II, see Note 8 (14).

17. Surplus reserve and best practice

Pursuant to disclosure (3)(C)(2)(g) concerning “Calculation of reserves for non-life insurance” in the 2014 Periodic Report, application of the Commissioner’s instructions on the elimination of the reserve for surplus income over expenses and calculation of reserves in non-life insurance in accordance with the best practice, commencing with the financial statements as at December 31, 2015 will be accounted for as a change in accounting policy. Whereas retrospective application is inapplicable, the effect of the change will be recognized as an adjustment to surpluses at December 31, 2015, without retrospective application.

The effect of the change includes a cancellation of the reserve for surplus income over expenses, which in retention at September 30, 2015 amount to NIS 75 million before tax, and NIS 47 million after tax. This effect might be different due to a revision of the surplus reserve at December 31, 2015, and due to effects, insofar as there are any, arising from a calculation of the reserves in accordance with the best practice.

At the publication date of the financial statements, the Company has not yet formulated an estimate of the anticipated effect on the non-life insurance reserves for calculating the reserves in accordance with the best practice.

Note 9 - Significant events during the Reporting Period (contd.)

18. 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 nine months ended September 30, 2015, which increased profit and comprehensive income by this amount.

On the effect of a revaluation of owner-occupied real estate on the LAT balance, see Note 3. The increase in the LAT balance stemming from a revaluation of owner-occupied real estate did not affect the Company’s comprehensive income or equity.

(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 nine-month period ended September 30, 2015, which reduced 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 nine months ended September 30, 2015, which reduced profit and comprehensive income by this amount.

The revised interest rate had no effect on profit and comprehensive income in the financial statements for the three months ended September 30, 2015

19. 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.

20. 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.

Note 9 - Significant events during the Reporting Period (contd.)

21. 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.

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.

22. 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.

23. 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.

24. 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.

Note 9 - Significant events during the Reporting Period (contd.)

25. 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.

26. 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.

27. On the announcement of a dividend by Harel Insurance and EMI, see Note 8.

Note 10 - Significant events after the Reporting Period

1. Dividend distribution by Harel Investments

   On November 24, the Company's Board of Directors resolved to distribute a cash dividend in the amount of NIS 107 million (NIS 0.5 per share). The Board of Directors made its decision after taking into account the Company's financial performance for the third quarter of 2015. 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.

2. Distribution of a dividend to the Company by ICIC

   On November 18, 2015, the Board of Directors of ICIC approved the distribution of a dividend in the amount of NIS 50 million. The Board of Directors reached its decision after taking into account the financial results of ICIC for the third quarter of 2015; the distributable surplus of ICIC for the third quarter of 2015 was presented, and the capital surpluses and equity requirements of ICIC were reviewed, based on the capital management policy of ICIC. Based on its percentage holding, the Company received half the dividend.

3. Distribution of a dividend to the Company by Harel Finance

   On November 11, 2015, the Board of Directors of Harel Finance approved the distribution of a dividend in the amount of NIS 4.8 million. The Board of Directors reached its decision after taking into account the financial results of Harel Finance for the third quarter of 2015; the distributable surplus of Harel Finance for the third quarter of 2015 was presented, and the capital surpluses and equity requirements of Harel Finance were reviewed, based on the capital management policy of Harel Finance. The dividend was paid on November 12, 2015.

4. Signing of a consent decree under Section 50B of the Antitrust Law, 1988

   On October 20, 2015, the subsidiary Harel Insurance signed a consent decree under Section 50B of the Antitrust Law, 1988 (“the Antitrust Law”). The consent decree relates to an agreement dated November 15, 2009 (“the Agreement’) between Harel Insurance and Madanes Insurance Agency Ltd. (“Madanes”), an agency in which the Company has a 24.73% stake, which regulates cooperation between the parties with respect to medical malpractice insurance in Israel.

   Within the context of the consent decree, Harel Insurance and Madanes undertook:

   (1) To immediately cancel all the provisions of the agreement pertaining to exclusivity and non-competition between the parties with respect to medical malpractice insurance.

   (2) Harel Insurance will pay NIS 4 million to the State treasury.

   (3) Madanes will pay NIS 2.4 million to the State treasury.

   According to the consent decree it was also agreed that subject to approval of the consent decree by the Antitrust Court, and to Harel Insurance and Madanes meeting their obligations as noted above, the Antitrust Commissioner will not take enforcement measures against Harel Insurance, Madanes, or any other person connected with any of them or acting on their behalf, including their company officers, advisors, employees, managers and owners of the rights therein, for provisions that ostensibly contravene the Antitrust Law, in the period until the end of the present agreement period, namely up to November 15, 2019. The consent decree further states that the agreements therein do not constitute admission or agreement by Harel Insurance, Madanes, or any person acting on their behalf, including their company officers, of a breach of the Antitrust Law in any manner whatsoever. The consent decree will enter into force after it has been approved by the Antitrust Court.

Note 10 - Significant events after the Reporting Period (contd.)

5. Circular on the compensation policy of financial institutions

   On October 7, 2015, the Commissioner published a draft circular which amends the circular on compensation policy in financial institutions. Among other things, the amendment prescribes the following provisions: (1) compensation for directors (including chairman of the board of directors) who are not external directors or independent directors will not include a variable component; (2) compensation for directors, excluding chairman of the board of directors, will be determined in accordance with the provisions on compensation for external directors of financial institutions, in accordance with Financial Institutions Circular 2009-9-4 ("Circular on Compensation for External Directors"); (3) compensation paid to the chairman of the board will be determined relative to the compensation paid to external directors of financial institutions; (4) 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 a key position in another company or his service in another company, and financial institutions must ascertain that key employees or officeholders do not receive any compensation for serving in the financial institution from another entity; (5) 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; (6) the provisions of the circular on compensation paid by financial institutions were extended with respect to provisions that must be included in the compensation policy in connection with the restitution of money to a financial institution that was paid to a key officeholder as a variable component. The circular applies from its date of publication, to compensation agreements that were approved from its date of publication, including any extension or change of an existing compensation agreement. Agreements that were approved before the publication date of the circular, will be adjusted to the provisions of the circular by December 31, 2017.

   The Company is preparing to adjust its compensation policy based on the provisions of the circular, including to revise the provisions of the compensation policy regarding the restitution of money paid to key officeholders as a variable component and to adjust the compensation agreements, as necessary.

6. On the partial repayment of a capital note to Harel Investments after the date of the report, see Note 6C(3).

7. On the approval of a framework to inject further capital into Turk Nippon after the date of the report, see Note 8.

8. On the distribution of a dividend to the Company by Harel Insurance after the Reporting Period, see Note 8.

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HAREL INSURANCE INVESTMENTS & FINANCIAL SERVICES LTD

ANNEXES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

a. Information about other financial assets

	At September 30 2015 (Unaudited)				
	Presented at fair value through profit or loss	Available for sale	Held to maturity*	Loans and Receivables	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Negotiable debt assets (a1)	647,103	6,582,936	320,078	-	7,550,117
Non-negotiable debt assets (*)	326	-	-	10,490,647	10,490,973
Shares (a2)	-	736,171	-	-	736,171
Other (a3)	193,792	1,614,460	-	-	1,808,252
Total other financial investments	841,221	8,933,567	320,078	10,490,647	20,585,513

	At September 30 2014 (Unaudited)				
	Presented at fair value through profit or loss	Available for sale	Held to maturity*	Loans and Receivables	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Negotiable debt assets (a1)	988,139	7,572,570	355,190	-	8,915,899
Non-negotiable debt assets (*)	776	-	-	9,691,450	9,692,226
Shares (a2)	-	645,766	-	-	645,766
Other (a3)	266,475	1,457,480	-	-	1,723,955
Total other financial investments	1,255,390	9,675,816	355,190	9,691,450	20,977,846

	At December 31 2014 (Audited)				
	Presented at fair value through profit or loss	Available for sale	Held to maturity*	Loans and Receivables	Total
	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands	NIS Thousands
Negotiable debt assets (a1)	917,722	7,279,903	340,306	-	8,537,931
Non-negotiable debt assets (*)	776	-	-	9,922,651	9,923,427
Shares (a2)	-	645,371	-	-	645,371
Other (a3)	284,624	1,700,322	-	-	1,984,946
Total other financial investments	1,203,122	9,625,596	340,306	9,922,651	21,091,675

* For information about the composition of non-marketable debt assets at the level of Harel Investments' consolidated statements, see Note 6B "Financial instruments".

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

a1. Marketable debt assets

	Book value			Amortized cost		
	As at September 30		As at December 31	As at September 30		As at December 31
	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	**2,025,287**	3,680,018	3,428,853	**1,950,538**	3,493,573	3,284,084
Other debt assets:						
Other non-convertible debt assets	**5,519,144**	5,224,035	5,100,452	**5,417,930**	4,945,001	4,900,162
Other convertible debt assets	**5,686**	11,846	8,626	**4,750**	10,170	6,949
Total marketable debt assets	**7,550,117**	8,915,899	8,537,931	**7,373,218**	8,448,744	8,191,195
Impairments recognized in profit and loss (in aggregate)	**2,063**	1,931	2,828			

a2. Shares

	Book value			Amortized cost		
	As at September 30		As at December 31	As at September 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	**656,269**	533,306	529,424	**558,068**	416,859	436,603
Non-marketable shares	**79,902**	112,460	115,947	**58,060**	78,537	77,853
Total shares	**736,171**	645,766	645,371	**616,128**	495,396	514,456
Impairments recognized in profit and loss (in aggregate)	**53,572**	54,441	48,944			

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

a3. Other financial investments

	Book value			Amortized cost		
	As at September 30		As at December 31	As at September 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	**516,189**	742,230	833,179	**500,991**	669,305	735,323
Non-marketable financial investments	**1,292,063**	981,725	1,151,767	**1,023,401**	762,632	839,875
Total other financial investments	**1,808,252**	1,723,955	1,984,946	**1,524,392**	1,431,937	1,575,198
Impairments recognized in profit and loss (in aggregate)	**93,534**	76,885	70,943			
Derivative financial instruments presented in financial liabilities	**639,022**	491,351	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.

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HAREL INSURANCE INVESTMENTS & FINANCIAL SERVICES LTD

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

As at September 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 September 30, 2015 and for the nine and three-month periods ended on that date. The separate interim financial information is the responsibility of the Company's Board of Directors and Management. Our responsibility is to express a conclusion on 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 733,038 thousand as at September 30, 2015, and where the Company's profit (or loss) from these investee companies amounts to NIS 34,692 thousand and NIS 2,275 thousand for the nine 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

November 24, 2015

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

	September 30		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Deferred tax assets	**2,846**	2,017	2,688
Fixed assets	**1,640**	2,426	2,072
Investments in investee companies	**4,691,459**	4,640,818	4,713,384
Loans to investee companies	**350,681**	50,394	350,812
Real estate for investment	**19,310**	18,215	18,275
Other receivables	**24,076**	20,669	19,095
Other financial investments			
Non marketable debt assets	**23,220**	23,389	23,344
Others	**166,948**	347,922	217,585
Total financial investments and others	**190,168**	371,311	240,929
Cash and cash equivalents	**83,628**	71,519	30,071
Total assets	**5,363,808**	5,177,369	5,377,326
Capital			
Share capital and premium on shares	**335,098**	336,729	338,849
Treasury stock	**(159,762)**	(170,970)	(173,231)
Capital reserves	**376,465**	454,830	451,871
Retained earnings	**4,192,893**	4,132,827	4,100,371
Total capital	**4,744,694**	4,753,416	4,717,860
Liabilities			
Liabilities for benefits to employees, Net	**23,072**	20,544	22,128
Other payables	**22,747**	28,991	36,890
Liabilities for current taxes	**6,636**	7,280	5,124
Financial liabilities	**566,659**	367,138	595,324
Total liabilities	**619,114**	423,953	659,466
Total liabilities and capital	**5,363,808**	5,177,369	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: November 24, 2015

Financial information from the condensed consolidated interim statements of income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	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	**20,176**	8,316	**2,138**	2,425	9,021
Revenues from management fees	**65,711**	63,010	**21,501**	20,344	83,814
Total revenues	**85,887**	71,326	**23,639**	22,769	92,835
General and administrative expenses	**18,129**	16,087	**5,078**	5,817	22,518
Other expenses	**-**	-	**-**	-	178
Financing expenses	**15,262**	9,012	**5,411**	3,042	14,190
Total expenses	**33,391**	25,099	**10,489**	8,859	36,886
Company's shares in profits (losses) of investee companies	**183,713**	280,626	**(205,916)**	52,928	331,916
Income (loss) before taxes on income	**236,209**	326,853	**(192,766)**	66,838	387,865
Taxes on income	**13,928**	11,293	**4,035**	2,759	13,958
Income (loss) for period relating to the Company's shareholders	**222,281**	315,560	**(196,801)**	64,079	373,907

Financial information from the condensed consolidated interim statements of comprehensive income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Profit (loss) for the period	**222,281**	315,560	**(196,801)**	64,079	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	**132**	1,850	**135**	1,382	2,309
Net changes in fair value of financial assets available for sale transferred to statement of income	**(2,171)**	(1,748)	**-**	(1,149)	(3,046)
Foreign currency transaction's difference in respect of overseas operations	**(14,127)**	(2,699)	**(1,612)**	(636)	(711)
The Group share in the comprehensive income (loss) of investee companies	**(56,203)**	148,565	**68,974**	51,474	160,861
Taxes on income for items of other comprehensive income which after initial recognition under comprehensive income were or will be transferred to profit or loss	**540**	(27)	**(36)**	(62)	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	**(71,829)**	145,941	**67,461**	51,009	159,609
Other items of comprehensive income which will not be transferred to profit or loss					
Remeasurement of a defined benefit plan	**(108)**	173	**(774)**	(171)	(931)
Taxes on income for other items of comprehensive income which will not be transferred to profit or loss	**29**	(55)	**206**	42	238
Other comprehensive income (loss) for the period which will not be transferred to profit or loss, net of tax	**(79)**	118	**(568)**	(129)	(693)
Other comprehensive income (loss) for the period, net of tax	**(71,908)**	146,059	**66,893**	50,880	158,916
Total income (loss) for the period Attributed to the company's owners	**150,373**	461,619	**(129,908)**	114,959	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 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 nine months ended September 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 period									
Profit for period	-	-	-	-	-	-	-	222,281	222,281
Total other comprehensive income (loss)	-	(149,781)	-	(28,989)	-	-	108,439	(1,577)	(71,908)
Total comprehensive income (loss) for period	-	(149,781)	-	(28,989)	-	-	108,439	220,704	150,373
Transactions with owners credited directly to equity									
Dividends paid	-	-	-	-	-	-	-	(128,182)	(128,182)
Share-based payment	-	-	-	-	(20)	-	-	-	(20)
Issue of shares	109	-	-	-	-	-	-	-	109
Purchase of treasury stock	-	-	-	-	-	(7,317)	-	-	(7,317)
Reissuing of treasury stock	(8,915)	-	-	-	-	20,786	-	-	11,871
Exercising of options	5,055	-	-	-	(5,055)	-	-	-	-
Balance as at September 30, 2015	335,098	288,170	(48,908)	(25,514)	14,965	(159,762)	147,752	4,192,893	4,744,694

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 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 September 30, 2015 (Unaudited)									
Balance as at July 1, 2015	335,866	347,296	(48,908)	(48,795)	15,861	(161,615)	39,313	4,395,395	4,874,413
Comprehensive income (loss) for period									
Loss for period	-	-	-	-	-	-	-	(196,801)	(196,801)
Total other comprehensive income (loss)	-	(59,126)	-	23,281	-	-	108,439	(5,701)	66,893
Total comprehensive income (loss) for period	-	(59,126)	-	23,281	-	-	108,439	(202,502)	(129,908)
Transactions with owners credited directly to equity									
Share based payment	-	-	-	-	87	-	-	-	87
Purchase of treasury stock	-	-	-	-	-	(1,930)	-	-	(1,930)
Reissuing of treasury stock	(1,751)	-	-	-	-	3,783	-	-	2,032
Exercising of options	983	-	-	-	(983)	-	-	-	-
Balance as at September 30, 2015	335,098	288,170	(48,908)	(25,514)	14,965	(159,762)	147,752	4,192,893	4,744,694

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 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 nine months ended September 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
Comprehensive income (loss) for period									
Profit for period	-	-	-	-	-	-	-	315,560	315,560
Total other comprehensive income (loss)	-	141,048	-	11,883	-	-	-	(6,872)	146,059
Total comprehensive income for period	-	141,048	-	11,883	-	-	-	308,688	461,619
Transactions with owners credited directly to equity									
Dividends paid	-	-	-	-	-	-	-	(212,954)	(212,954)
Share based payment	-	-	-	-	1,975	-	-	-	1,975
Purchase of treasury stock	-	-	-	-	-	(13,733)	-	-	(13,733)
Reissuing of treasury stock	3,919	-	-	-	-	6,221	-	-	10,140
Exercising of options	16,215	-	-	-	(16,215)	-	-	-	-
Balance as at September 30, 2014	336,729	454,685	(48,908)	(10,192)	19,932	(170,970)	39,313	4,132,827	4,753,416

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 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 September 30, 2014 (Unaudited)									
Balance as at July 1, 2014	332,135	417,205	(48,908)	(25,575)	22,300	(168,514)	39,313	4,070,731	4,638,687
Comprehensive income (loss) for period									
Profit for period	-	-	-	-	-	-	-	64,079	64,079
Total other comprehensive income (loss)	-	37,480	-	15,383	-	-	-	(1,983)	50,880
Total comprehensive income for period	-	37,480	-	15,383	-	-	-	62,096	114,959
Transactions with owners credited directly to equity									
Share based payment	-	-	-	-	557	-	-	-	557
Purchase of treasury stock	-	-	-	-	-	(4,126)	-	-	(4,126)
Reissuing of treasury stock	1,669	-	-	-	-	1,670	-	-	3,339
Exercising of options	2,925	-	-	-	(2,925)	-	-	-	-
Balance as at September 30, 2014	336,729	454,685	(48,908)	(10,192)	19,932	(170,970)	39,313	4,132,827	4,753,416

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 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 (loss) for year	-	124,314	-	25,550	-	-	-	382,959	532,823
Transactions with owners credited directly to equity									
Dividends 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 nine months ended September 30		For the three months ended September 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	**27,777**	30,282	**9,240**	13,625	54,016
Income tax paid		**(12,574)**	(9,444)	**(4,671)**	(3,581)	(14,730)
Net cash provided by operating activities		**15,203**	20,838	**4,569**	10,044	39,286
Cash flows from investing activities						
Investment in investee companies		**-**	(17,281)	**-**	-	(26,834)
Proceeds from the sale of an investment in an equity accounted investee		**210**	-	**-**	-	-
Investment in fixed assets		**(146)**	(847)	**(49)**	-	(1,376)
Proceeds from realizing fixed assets		**286**	-	**286**	-	1,280
Dividends from investee companies		**116,381**	285,000	**16,381**	-	285,350
Net Financial investments		**53,256**	4,496	**(1,939)**	107,300	134,059
Loans to investee companies		**-**	(50,000)	**-**	-	(355,000)
Repayment of loans given to investee companies		**22,845**	5,000	**5,745**	-	11,115
Net cash provided by investing activities		**192,832**	226,368	**20,424**	107,300	48,594
Cash flows from financing activities						
Dividends paid		**(128,182)**	(212,954)	**-**	(106,616)	(319,681)
Loans from banks and others		**-**	-	**-**	-	250,014
Repayment of loans to banks and others		**(26,296)**	(25,556)	**-**	-	(50,965)
Net cash used for financing activities		**(154,478)**	(238,510)	**-**	(106,616)	(120,632)
Increase (Decrease) in cash and cash equivalents		**53,557**	8,696	**24,993**	10,728	(32,752)
Cash and cash equivalents at beginning of period		**30,071**	62,823	**58,635**	60,791	62,823
Cash and cash equivalents at end of the period		**83,628**	71,519	**83,628**	71,519	30,071

Financial information from the condensed consolidated interim statement of cash flows

	For the nine months ended September 30		For the three months ended September 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 (loss) for period attributed to the Company's shareholders	**222,281**	315,560	**(196,801)**	64,079	373,907
Items which do not involve cash flows					
Company's shares in losses (revenues) of investee companies	**(183,713)**	(280,626)	**205,916**	(52,928)	(331,916)
Net losses (profits) from financing activities	**(6,769)**	(3,978)	**2,431**	(585)	(2,561)
Profit from sale of fixed assets	**-**	-	**-**	-	(60)
Financing expenses (incomes), net	**(5,846)**	3,490	**(3,463)**	1,700	448
Taxes on income	**13,928**	11,293	**4,035**	2,759	13,958
Depreciation and amortization	**292**	337	**68**	136	-
Share-based payment	**(20)**	1,975	**87**	557	625
Changes in other balance sheet items					
Other receivables	**(3,855)**	(5,690)	**(13,294)**	(2,540)	(4,116)
Other payables	**(8,430)**	(12,895)	**9,380**	(159)	1,441
Revaluation of real estate for investment	**(1,035)**	110	**-**	110	-
Liabilities for benefits to employees, net	**944**	706	**881**	496	2,290
Total adjustments required to present cash flows from operating activities	**(194,504)**	(285,278)	**206,041**	(50,454)	(319,891)
Total cash flows from operating activities, before taxes on income	**27,777**	30,282	**9,240**	13,625	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 September 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, 2014, 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

Except for the information specified in Note 3 to the Consolidated Financial Statements, 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 January 26, 2015 the Company's Board of Directors approved a capital injection of TRY 8 million (about NIS 11 million) for 2015. As a result of the revised provisions for calculating the equity required of an insurer in Turkey, and in order to comply with the capital requirements at the end of the year, on October 18, 2015 the Company's Board of Directors an additional injection of capital of TRY 2 million (about NIS 2.7 million) to enable Turk Nippon to comply with the capital requirements. The revised provisions for calculating the capital requirements noted above is not expected to significantly affect to make any future injections of capital. The inject of capital based on the above-mentioned framework is expected to take place by the end of the year
3. On the partial repayment of a capital note to Harel Investments from a subsidiary during and after the Reporting Period, see Note 6(C) to the Consolidated Financial Statements.
4. On the distribution of a dividend to the Company by Harel Insurance, see Note 8 to the Consolidated Financial Statements.
5. On the distribution of a dividend to the Company by Interasco, see Note 9 to the Consolidated Financial Statements.

Note 3 - Significant events during the reporting period

1. On compliance with defined financial covenants, see Note 6(C) to the Consolidated Financial Statements.
2. On the termination of the supply of outsourcing services to Harel Hamishmar Computers, see Note 9 to the Consolidated Financial Statements.
3. <u>Dividend distribution</u>

   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 9 to the consolidated financial statements.
5. On a bonus for other senior officers for 2014, see Note 9 to the consolidated financial statements.
6. On the impairment of an intangible asset in respect of mutual fund activity in the books of Harel Finance, see Note 9 in the Consolidated Financial Statements.

Note 4 – Material events after the Reporting Period

1. On the distribution of a dividend by the Company, see Note 10 in the consolidated financial statements.
2. On the distribution of a dividend by the Company to ICIC, see Note 10 in the consolidated financial statements.
3. On the distribution of a dividend by the Company to Harel Finance, see Note 10 in the consolidated financial statements.
4. On the publication of a circular on the compensation policy of financial institutions, see Note 10 in the consolidated financial statements.
5. On the distribution of a dividend to the Company by Harel Insurance, see Note 8 to the consolidated financial statements.

Harel Insurance Investments & Financial Services Ltd.

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

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

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 Company 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 June 30, 2015 (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 Q3 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.

November 24, 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 Q3 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 weaknesses 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, summarize or report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of the law; and -

   (b) Any fraud, whether material or immaterial, that involves the general manager (CEO) or any person directly accountable to him or other employees who 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.

November 24, 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 Q3 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 weaknesses 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, summarize or report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of the law; and -

  (b) Any fraud, whether material or immaterial, that involves the general manager (CEO) or any person directly accountable to him or other employees who 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.

November 24, 2015

Ronen Agassi

CFO