Harel Insurance Investments and Financial Services Ltd.

Interim Report as at
March 31, 2023

HAREL
Insurance & Finance

Contents

Board of Directors Report

Harel Insurance Investments and Financial Services Ltd.

Board of Directors Report

for the three months ended March 31, 2023

The Board of Directors Report for the three months ended March 31, 2023 ("the Reporting Period"), reflects the principal changes in the state of the business of Harel Insurance Investments & Financial Services Ltd. ("Harel Investments" or "the Company") during this period, and it was prepared assuming that the reader is also in possession of the Group's full Periodic Report for 2022 which was published on March 30, 2023 ("the Periodic Report").

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

1 Description of the Company

1.1 General

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

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

B. In the long-term savings sector, the Company operates through the following subsidiaries that are provident fund and pension fund management companies: Harel Pension and Provident Ltd. (fully controlled) ("Harel Pension & Provident"), which manages pension and provident funds; Tzva Hakeva Savings Fund - Provident Funds Management Company Ltd. (under full control) ("Tzva Hakeva Saving Fund - Provident Funds Management Company Ltd. (fully controlled) ("Tzva Hakeva") which manages an education fund for IDF career soldiers and pensioners; 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 segment - the Company operates through the subsidiary Harel Finance Holdings Ltd. ("Harel Finance") (fully controlled by the Company) and its principal subsidiaries: Harel Mutual Funds Ltd. (“Harel Mutual Funds”) - a mutual fund management company; Harel Finance Investment Management Ltd. (“Harel Finance Investments”) - which is a licensed portfolio manager and manages investment portfolios; Harel Index Trade Ltd. - a company involved in market making for the ETFs managed by Harel Mutual Funds; Alfa Tech Investment Management Ltd., a licensed portfolio manager which manages investments for funds issued by Harel Mutual Funds using computerized models; Harel Finance Alternative Ltd., a company that serves as a general partner and investor in the partnerships Harel Alternative Real Estate and Harel Finance Alternative Hamagen, limited partnerships registered in the USA and Harel Finance Alternative Hamagen Europe, a limited partnership registered in Luxembourg; Harel Exchange Traded Deposit Ltd., a company that issued bonds backed by deposits.

D. In the credit sector - through the subsidiary Hamazpen Shutaphim Laderech Ltd. (in which the Company holds 70%) (“Hamazpen”) that creates innovative financing solutions for quality entrepreneurs providing credit to small and medium businesses, including the provision of mezzanine loans; through a company fully owned by Harel Insurance, Harel 60+ Ltd. (“Harel 60+”) that provides mortgage loans, including “reverse mortgage” which is a loan provided to borrowers aged 60 or more in the form of a lien on their homes; within the framework of development property finance activity, including sale guarantees in Harel Insurance; and also in the provision of financial guarantees and operating services for mortgage portfolios guaranteed by third parties through Harel Insurance and EMI.

   At March 31, 2023, the credit sector does not constitute an operating segment in the financial statements. Accordingly, the assets, liabilities and results of operations in the credit sector are included in the Company’s different operating segments as follows: Harel 60+ activity is included in the health insurance segment, activity relating to the provision of Sales Law guarantees forms part of the non-life insurance segment; while any other credit sector activity, including development property finance, is included in the segment “not attributed to operating segments and other”.

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

1.2 The Company’s shareholders

Yair Hamburger, Gideon Hamburger and Nurit Manor are the principal shareholders in the Company (in this section: “the Shareholders”), holding 47.78% of the voting rights and the issued share capital of the Company.

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

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

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

2.1.1 Issue of bonds (Series 19) by means of a second-tier subsidiary - Harel Finance & Issues

On an issue of bonds (Series 19) by means of a second-tier subsidiary - Harel Finance & Issues, see Note 6 to the Financial Statements.

2.1.2 Affirmation of a rating for Harel Insurance by Midroog

On the affirmation of a rating for Harel Insurance by Midroog, see Note 6 to the Financial Statements.

2.1.3 Affirmation of a rating for the Company by Midroog

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

2.1.4 Bond ratings by Midroog

On the rating of bonds issued by a second-tier subsidiary - Harel Finance & Issues, and of bonds issued by the Company, see Note 6 to the Financial Statements.

2.1.5 Agreement for the acquisition of Isracard Ltd.

For information about entering into an agreement to acquire all (100%) of the issued share capital of Isracard Ltd., see Note 9 to the Financial Statements.

2.1.6 Multi-year strategic plan

In August 2022, the Company entered into an agreement with a leading strategic consulting firm. Based on a review and collaboration between the Company and the consulting firm, in February 2023 the Company’s Board of Directors resolved to adopt a multi-year strategic plan called “Harel 2030”. The Harel 2030 strategy focuses on three key layers in the Group’s activity: 1. Accuracy of the core business performance in the insurance sector; 2. Relationship with the customer - enhancing and strengthening the distribution engines in the insurance sector; and - 3. Diversification of the Group’s profit sources.

For additional information see Section 8 in Chapter 2, Board of Directors Report, in the Company’s Periodic Report as at December 31 2022.

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

2.2.1 Special General Meeting

On May 8, 2023, a general meeting of the Company was held the agenda of which included the reappointment of Mr. Naim Najar as an external director in the Company for an additional three-year term of office commencing June 1, 2023. The meeting approved the topic on the agenda.

2.2.2 Revised employment conditions for Idan Tamir, relative of the controlling shareholder

On May 22, 2023 and on May 29, 2023, the compensation committees and boards of directors of the Company and Harel Insurance, respectively, approved revised employment conditions for Idan Tamir, a relative of Mr. Yair Hamburger, one of the Company's controlling shareholders. This revised employment conditions are subject to the approval of the Company's general meeting which is convened for July 5, 2023. For additional information about the agreement, see an Immediate Report of the Company concerning the convening of a general meeting published together with this report.

2.2.3 Convening of an annual and special general meeting

On May 29, 2023, it was decided to convene an annual and special general meeting of the Company, with the following items on the agenda: (1) discussion of the Periodic Report for 2022; (2) reappointment of the external auditors and appointing the Company's Board of Directors to determine their fee; (3) reappointment of the Company's incumbent directors, who are not external directors, for a further term as directors in the Company (Yair Hamburger, Gideon Hamburger, Ben Hamburger, Yoav Manor, Doron Cohen, Josef Ciechanover and Eli Defes); (4) revised employment conditions for Idan Tamir, the controlling shareholder's relative. The meeting is scheduled for July 5, 2023.

2.2.4 Full early redemption of bonds (Series 6) of Harel Finance & Issues

On a decision concerning the full early redemption of Series 6 bonds that were issued by Harel Finance & Issues, see Note 6 to the Financial Statements.

2.2.5 Option to issue Series 1 bonds of the Company by way of a series expansion

On examination of an option to issue Series 1 bonds of the Company by way of a series expansion, see Note 6 to the Financial Statements.

2.2.6 Approval for taking additional bank credit for the Company

On a decision of the Company's Board of Directors to take additional bank credit, see Note 6 to the Financial Statements

2.3 Developments in the macroeconomic environment of the Group

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

2.3.1 General

Initial figures for growth in Q1 2023 point to positive growth in most of the developed markets, exceeding the forecasts at the beginning of the year. Fears of a severe recession in Europe faded and economic activity in China intensified as the Covid-19 restrictions were lifted. Nonetheless, the volume of world trade slowed, and the events surrounding the collapse of America's Silicon Valley Bank (SVB) heightened the risk in the global banking system. The global inflation environment remained high in most countries but is in a trend of moderation. Consequently, interest rate increases continued but at a slower pace.

2.3.2 Developments in the Israeli economy

According to initial estimates, growth in Israel in Q1 2023 was positive at an annual rate of 2.5%. Economic activity in Israel continued to expand although there are early signs of the rate of growth slowing. Israel's labor market remained strong in the first quarter, with a historically low unemployment rate of 3.9%, high rate of participation in the work force and a large number of job vacancies. Nevertheless, there are growing signs of a slowdown, with the number of job vacancies continuing to fall for more than six months, and which is particularly marked in the high-tech sector following more than two years of rapid expansion.

2.3.3 Stock market

Global stock markets were positive for the most part in Q1 2023, with the MSCI World Index (in dollar terms) up 8% and the corresponding MSCI Emerging Markets Index up 4%. In contrast, in Israel, the TA-125 share index fell by 5%.

2.3.4 Bond market

Q1 2023 closed with an increase of 0.1% in the government bond index and 0.5% in the corporate bond index.

2.3.5 Mutual funds

Q1 2023 closed with the mutual funds recording net raisings of NIS 2.5 billion. The money-market funds continued to be favorable in the current quarter and recorded net raisings of NIS 16 billion, in contrast with redemptions of NIS 13 billion in the bond mutual funds.

2.3.6 ETFs

Q1 2023 closed with the ETFs recording net redemptions of NIS 700 million. Of this, approximately NIS 760 million was raised by the ETFs specializing in foreign funds, as against redemptions of NIS 1.5 billion in the ETFs specializing in shares in Israel.

2.3.7 Foreign exchange market

In the first quarter, the shekel weakened 3.3% against the Bank of Israel's basket of currencies, depreciating 2.7% against the US dollar and 4.8% against the euro.

2.3.8 Inflation

According to the last known index published at the end of Q1 2023 (February index), the CPI rose 1.1% in the quarter and 5.2% in the last 12 months.

2.3.9 Bank of Israel interest

In Q1 2023, the Bank of Israel raised the interest rate to 4.25% at the end of the quarter, the highest level since 2008.

2.3.10 Events after the date of the report

At the beginning of April, the Bank of Israel raised the interest rate once again to 4.5% and in May it raised the interest rate to 4.75%. The Bank's forecast for growth in 2023 is 2.5%.

In parallel, the Bank noted the tremendous uncertainty due to the legislative processes regarding the judicial system and their economic implications.

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

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

2.4.1 General

2.4.1.1 Provisions of law

On March 23, 2023, Chapter 9 of the Economic Plan (Legislative Amendments for Implementation of the Economic Policy for Fiscal Years 2023 and 2024) Bill, 2023, - Brokering of Insurance and Pension Savings, was published. The bill proposes amending several legislative provisions and prescribes, inter alia: a temporary provision until December 31, 2024, prohibiting financial institutions and their controlling shareholders from acquiring 20% or more of an insurance agency or obtaining a permit for such control, provisions obligating insurance agents and insurance companies to provide customers with transparent information about the amount of the fee payable for the insurance brokerage; provisions obligating financial institutions to pay agents a standard commission for groups of products to be defined by the Commissioner as substitute products; provisions allowing small banks (up to 10% of the value of the assets of all the banks) to control a corporate agency in the non-life insurance sector; provisions prohibiting financial institutions from discriminating between licensees with which they have an agreement, and also prohibiting financial institutions from refusing to enter into agreement with a pension advisor for performing a transaction on behalf of a customer, or terminating such an agreement, if the refusal is unreasonable based on the presumptions defined in the bill.

On March 30, 2023, a decision of the Knesset House Committee was published concerning the allocation and separation of the bill in which it was decided to separate the aforementioned topics from the bill and discuss them in an ordinary legislation process. This excluding the subject of no discrimination between licensees and the prohibition on unreasonable refusal to enter into agreement with a pension advisor, that passed a second and third reading in the Knesset on May 24, 2023, as part of the approval of the Arrangements Law. At the date of publication of the report, the text approved by the Knesset has not yet been published in *Reshumot* (the Official Gazette).

2.4.1.2 Circulars

2.4.1.2.1 On March 21, 2023, a circular was published amending the provisions of the Consolidated Circular on reports to be submitted to the Commissioner which sets guidelines on adjusting the insurance liabilities for the allocation of Hetz earmarked government bonds, and this following application of International Financial Reporting Standard (IFRS) 17, Insurance Contracts, in Israel. The principles underlying these guidelines are: the creation of a standard methodology, wherever possible, for making the allocation, to be based on the relevant methods and instructions for the financial statements by making adjustments that will help guarantee the yield on part of the commitments towards the insureds even after the forecast in the financial statements changes, as well as making adjustment for the effects of alternative investments in determining the full amount of entitlement to the face value of Hetz bonds.

2.4.1.2.2 On February 9, 2023, a circular was published amending the provisions of the Consolidated Circular - Allocation of assets that are not at fair value when assessing insurance reserves in non-life insurance. The draft circular clarifies how the method of revaluing the assets should be taken into account when assessing the insurance reserves in non-life insurance.

2.4.1.3 Draft circulars

On April 20, 2023, a draft was published concerning a third update of the Roadmap for the Adoption of IFRS 17, Insurance Contracts ("the Standard"), which proposed deferring by a year the initial date of application of the Standard and of IFRS 9, Financial Instruments, in Israel ("the Standards") to January 1, 2025. Accordingly, the transition date of the Standards will occur on January 1, 2024. At this stage, there is no intention of permitting early adoption of the Standard in Israel. The draft also proposes updating the milestones for 2023 and 2024 and the steps set out for deployment for application of the Standard in accordance with deferral of the initial date of application of the Standards, and it was proposed that guidelines should be added for conducting quantitative impact studies (QIS) in line with the Standards.

2.4.2 Life assurance and long-term savings

2.4.2.1 Provisions of law

2.4.2.1.1 On April 3, 2023, draft Supervision of Financial Services (Provident Funds) (Distribution Fees for Pension Insurance Agents) Regulations, 2023, were published. The draft regulations propose establishing a mechanism for the gradual refund of the non-recurring fees paid to agents in provident funds, if during the first six years following enrollment or the appointment of the agent, whichever is later, the money was transferred or withdrawn (other than from an investment provident fund) or appointment of the agent was cancelled. Payment of the distribution fee is conditional on that the agreement stipulates that the insurance agent will refund the non-recurring fee to the management company.

On that same date, a draft circular was published concerning discounts and cancellations in life assurance which proposes establishing a similar mechanism for the refund of non-recurring fees in life (risk) assurance. It is also proposed that if a discount is given on the insurance premium, the percentage discount will not decrease from the onset of the insurance and up to the end of the policy period.

2.4.2.1.2 On March 26, 2023, drafts were published amending the Income Tax (Rules for the Approval and Management of Provident Funds) Regulations, 1964, and the Supervision of Financial Services (Provident Funds) (Transfer of Money Between Provident Funds) Regulations, 2008. The amendments propose limiting the deposits that can be made in an insurance fund so that they will only be permitted for amounts that exceed the maximum deposit in a comprehensive pension fund. These drafts are proposed in accordance with a government decision from February 24, 2023 that was published as part of the Economic Plan for 2023 and 2024.

2.4.2.2 Circulars

On March 21, 2023, a circular was published amending the provisions of the Consolidated Circular on the management of investment assets (publication of a limit on external management costs as part of an advance declaration by institutional investors about their investment policy, establishment of an index tracking investment basket and reports to the investment committee about variable management fees that were collected). Among other things, the circular sets out a standard format according to which the rate of the limit on the external management fee will be published on the financial institution's website. On March 1, 2023, a second draft was published concerning the method of presenting the expected annual cost to members or insureds which proposes defining the calculation to be used to set the rate of the expected annual cost.

These provisions were prescribed further to the publication of the Supervision of Financial Services (Provident Funds) (Direct Expenses for Performing Transactions) (Amendment) Regulations, 2022, dated October 30, 2022. Among other things, the Regulations also determined that the maximum rate of direct expenses that institutional investors may collect in any calendar year will be determined by the institutional investor for each investment track it manages. It was also determined that financial institutions shall inform applicants wishing to join a provident fund that direct expenses will be collected in addition to the management fees, and information must also be provided about the rate of the direct expenses that were collected on the fund's assets in the previous year and the expected overall cost to be paid by such person in the forthcoming year on account of management fees and direct expenses.

2.4.3 Health insurance

2.4.3.1 Provisions of law

On May 24, 2023, the Knesset passed a second and third reading of the Economic Plan (Legislative Amendments for Implementation of the Economic Policy for Fiscal Years 2023 and 2024) Bill, 2023, Chapter 16: Health. The bill, the final version of which has not yet been published in *Reshumot*, stipulates that a chapter should be added to the Supervision Law that deals with situations in which a person is entitled to insurance cover for surgery in Israel, both by virtue of an insurance policy for surgery "from the first shekel" (in this section: "First Shekel Policy"), and by virtue of supplementary plans offered by the HMOs. This chapter stipulates, among other things, that insurance companies must transfer to the HMOs payment for private surgery in Israel that was paid for through the HMO supplementary insurance plans, and this if the patient who underwent the surgery is insured in a First Shekel Policy that includes cover for surgery, and if the doctor who performed the surgery is listed in the arrangement with the insurance company or is included in its list of specialist doctors. The amount to be transferred by the insurance company will be the price of the surgery according to the Ministry of Health price list or the price of the surgery to be determined by the Minister of Finance in an order (following the Commissioner's recommendation and with the agreement of the Ministry of Health, in accordance with the mechanism proposed in the bill), whichever is lower, and net of the deductible for the member in the Supplementary Health Services plan. The bill also states that insurance companies will transfer their insureds with From the First Shekel personal lines policies to policies for surgery offered by the supplementary health services. This transfer will take on the first date for renewal of the policy after October 1, 2023. Insureds may remain in the First Shekel Policy or return to the policy within one year of the date of the transfer.

2.4.3.2 Draft circulars

On May 1, 2023, a further draft publication was issued of the provisions comprising the health insurance reform (in this section and thereafter: "the Reform") at December 15, 2023, and this in view of the legislation proposed as part of the proposed Economic Plan detailed in Section 2.4.3.1 above which is due to enter into force on that date.

The Reform prescribes the following:

2.4.3.2.1 A circular amending the provisions of the Consolidated Circular - Section 6, Part 3, Chapters 1, 2, 3, 4 and 6 "Drawing up a health insurance plan", dated March 28, 2022. The circular sets out provisions consisting of a new format for health insurance policies, the main points of which define a standard basic health policy, and only after such a policy has been purchased, from the same company or another company, may additional health coverages and riders be purchased that were also defined in the circular. The circular also prescribes provisions concerning how a personal lines health policy should be marketed and how to present the premium to the candidate for insurance; the sale of multiple insurance in personal-lines indemnity policies is prohibited and a discount on the premiums may be offered to the insured at a fixed rate only and for a period of at least ten years.

On September 20, 2022, and on February 7, 2023, additional circulars on the same subject were published clarifying and amending some of the prescribed provisions and deferring the onset date for implementation of the Reform to May 1, 2023. As noted above, this was further deferred to December 15, 2023.

2.4.3.2.2 For the purpose of implementing these provisions, draft provisions of the Supervision of Financial Services (Insurance) (Conditions in an Insurance Contract for a Basic Health Policy) Regulations, 2021, were published on October 3, 2022. The draft regulations prescribe standard conditions for the basic health policy which will consist of three standard policies: a policy for transplants and special treatment abroad, a policy for medications that are not in the health services basket, and a policy for surgery and non-surgical treatment abroad. The draft provisions also stipulate that insurers may only change the wording of the proposed conditions with the Commissioner's approval.

On that same date, Supervision of Financial Services (Insurance) (Conditions of

Insurance Contracts for Surgery and Non-surgical Treatment in Israel) (Amendment) Regulations, 2022, were published. Among other things, the regulations stipulate that insurance companies may issue a policy that includes an extension of a policy for surgery.

On February 8, 2023, amendments were published to the Supervision Regulations, including among others, deferral of the onset date of the regulations to May 1, 2023, which as noted above was deferred again to December 15, 2023.

2.4.3.2.3 An amendment to the circular on introducing service notes and how they may be marketed was published on September 20, 2022. Among other things, the amendment determines that the obligation according to which insurance companies are required to offer insureds a choice of service provider will also apply to personal accident insurance and insurance for illness and hospitalization. Additionally, an exclusion to this obligation was determined whereby insurance companies may market service notes via a single service provider, subject to the Commissioner's approval, and after presenting him with a position to the effect that the company is only able to enter into agreement with one service provider.

On February 7, 2023, a circular was published postponing the onset date of these amendments to May 1, 2023. As noted above, this date was further deferred to December 15, 2023.

2.4.3.2.4 On September 20, 2022, a circular was published concerning revised tariffs in updated health policies. Among other things, the circular sets out conditions according to which insurance companies may update the premium in personal lines medical expenses insurance plans sold after the onset of the final circular without incurring an obligation to inform the Commissioner of the update in advance. Additionally, it was determined that insurance companies may offer insureds to reduce the amount of the premium increase by increasing the deductible or reducing the coverage, subject to the Commissioner's approval.

2.4.4 Non-life insurance

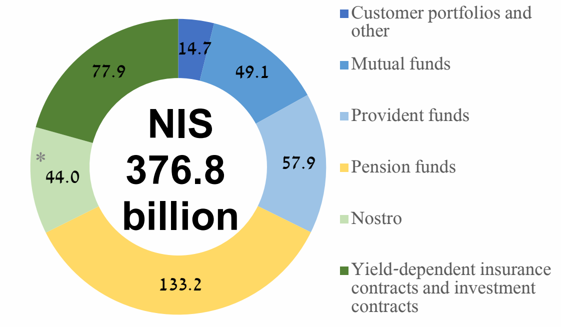
Provisions of law

On March 23, 2023, Chapter 25 - Miscellaneous, of the Economic Plan (Legislative Amendments for the Implementation of Economic Policy for Fiscal Years 2023 and 2024) Bill, 2023 was published. The bill proposes amending the Licensing of Services and Professions in the Motor Sector Law, 2016, and creating an index for estimating the cost of the ongoing maintenance of motor vehicles, to be based on data for the costs of transportation products installed in vehicles and vehicle maintenance services actually carried out (instead of the price lists published by the importers of spare parts). These data will be determined by the Ministry of Transport after consultation with the Commissioner and the Commissioner of the Competition Authority. The bill also proposes that the aforementioned index will be published on the Ministry of Transport website and will be updated by January 1 ever year. Motor vehicle marketers will be obligated to refer to the index in any car advertisements they publish.

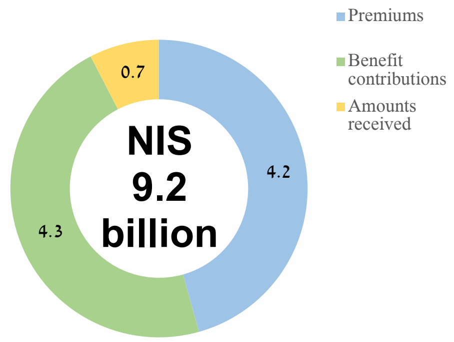
On March 30, 2023, a decision of the Knesset House Committee was published concerning the division and separation of the bill according to which it was decided that the aforementioned chapter will be separated from the bill and will be discussed as part of an ordinary legislative proceeding.

2.5 Condensed data from the consolidated financial statements of Harel Investments

The Group's AUM:



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



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

* Including certificates of deposit issued by Harel Finance in the amount of NIS 6.3 billion.

Amounts received in respect of investment contracts are not included within premiums but are recognized directly in liabilities for insurance contracts and investment contracts. In the Reporting Period, the amounts received for investment contracts recognized directly in the reserves for investment contracts amounted to NIS 656 million, as against NIS 1,383 million in the corresponding period last year.

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

	Notes	For the three months ended March 31 2023	2022	change in %	For the year ended December 31 2022
Life assurance and long-term savings					
Life assurance	A	(40)	(218)	(82)	(793)
Pension	B	14	15	(7)	57
Provident	B	8	10	(20)	46
Total life assurance and long-term savings segment		**(18)**	**(193)**	(91)	**(690)**
Non-life insurance	C				
Compulsory motor		31	5	-	(23)
Motor property		(27)	(70)	(61)	(253)
Property and other lines of business		28	26	8	103
Other liabilities lines of business		122	85	44	176
Mortgage insurance		7	8	(13)	28
Total non-life insurance segment		**161**	**54**	-	**31**
Health insurance	D	(54)	592	-	798
Insurance companies overseas	E	(9)	(30)	(70)	(25)
Financial services	F	14	12	17	73
Not attributed to segments of operation		(42)	22	-	(386)
Total before tax		**52**	**457**	(89)	**(199)**
Income tax (tax benefit)		16	130	(88)	(129)
Total comprehensive income (loss) after tax		**36**	**327**	(89)	**(70)**
Attributed to:					
Owners of the Company		**33**	326	(90)	(77)
Non-controlling interests		**3**	1	-	7
Other comprehensive income (loss) after tax		**36**	**327**	(89)	**(70)**
Return on Equity in annual terms		2%	15%		(1%)

The results of the Group's activity are considerably affected by changes in the capital markets that affect the Group's asset portfolios and as a consequence also affect the financial margin and management fees collected for the management of members' assets in profit-sharing policies, pension fund members and provident funds. Additionally, the Group's results are also partly affected by changes in the interest rate, regulatory reforms and changes and by actuarial studies and updates.

Results in the Reporting Period and in the corresponding period last year were affected by yields in the capital market that were higher than in the corresponding period last year and by the higher interest rate that led to a reduction of the insurance liabilities.

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

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

   Income from management fees amounted to NIS 124 million in the Reporting Period, as against NIS 131 million in the corresponding period last year.

   Pursuant to the mechanism for collecting management fees set out in the legislative arrangement, insurance companies will not collect variable management fees in respect of yield-dependent policies that were sold between 1991 and 2003, until sufficient investment profits are attained in respect of assets held to cover yield-dependent liabilities to cover the accrued investment losses. At March 31, 2023, the non-collection of management fees due to the real negative yield until a cumulative positive yield is attained was estimated at NIS 403 million. Notably, immediately prior to the date of publication of the financial statements, the estimate for the non-collection of management fees is NIS 385 million.

B. Pension and provident - the results were affected by capital market yields as described above.

   Additionally, results in the Reporting Period were affected by an increase of marketing and other acquisition costs and by the ongoing amortization of surplus costs created on October 1, 2021, following the acquisition of several provident funds and pension funds from Psagot. The increased expenses were partially offset by an increase of the management fees resulting from the growth of the managed assets portfolio, in part as a result of the completion of the aforementioned transaction.

C. Non-life insurance

   In the second quarter last year, the Company revised the procedure for the allocation of the non-marketable assets. According to the revised procedure, the Company may make transfers from time to time, as necessary, between the assets attributed to the different segments so as to take maximum advantage of the retained value, subject to the asset limitation.

   Additionally, in the second quarter last year, and as experience was gained in the application of the Best Practice model, the method of applying the model was revised so that the base reserves are measured on a Best Practice basis, and the assumptions in the actuarial model were updated, including in connection with taking into account the absence of full correlation between the different sectors, as permitted in the Commissioner's position on Best Practice ("Full Best Practice").

   In the Reporting Period a decrease was recorded in the insurance liabilities resulting from additional fair value of non-marketable assets that in the past were allocated to the health insurance segment and are now allocated to the non-life insurance segment.

   1. Compulsory motor and liabilities sectors - the results were affected by capital market yields as described above.

      Results in the Reporting Period and in the corresponding period last year were affected by a steep rise in the risk-free interest rate curve and by changes in the difference between the fair value and book value of the non-marketable assets which reduced the insurance liabilities (as noted above, the liabilities in non-life insurance are calculated from Q2 2022 according to the Full Best Practice model). For additional information, see Section 2.5.2 (A).

Compulsory motor sector - in the Reporting Period underwriting improved compared with the corresponding period last year due to optimization of the portfolio and a decrease in the average cost per claim.

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

   Motor property (CASCO) sector - in the Reporting Period underwriting improved compared with the corresponding period last year mainly due to an increase in the average premium. Results in the corresponding quarter last year were mainly affected by an increase in the number of claims and cost of the average claim that led to the recording of a premium deficiency.

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

1. Personal lines long-term care - results in this sector are partly affected by changes in the LAT reserve. The change in the LAT reserve is partly attributable to changes in the risk-free interest rate curve, changes in the difference between the fair value and book value of the non-marketable assets, and other changes.

   In the corresponding period last year, the steep rise in the risk-free interest rate curve led to a decrease of NIS 764 million before tax in the LAT reserve and to a reset of the LAT reserve, without the need to use the retained fair value of the non-marketable assets allocated to the personal lines long-term care sector.

2. Health insurance - results in the Reporting Period and in the corresponding period last year were affected by a deterioration of underwriting in group policies. In the Reporting Period, the number of claims in ambulatory cover increased. This underwriting deterioration was partially offset by improved underwriting in the cover for medications as additional medications were included in the health services basket. In the corresponding period last year, the number of claims in the cover for medications, surgery and ambulatory care increased.

E. Insurance companies overseas - the results were affected by capital market yields as described above.

Turk Nippon - the results are significantly influenced by macroeconomic factors affecting the Turkish economy, particularly rising inflation in Turkey (which reached an annual rate of 51% in the Reporting Period) accompanied by further erosion of the Turkish lira exchange rate. These macroeconomic factors significantly affected the results. Results in the Reporting Period include adjustment of the financial statements for inflation as the Turkish economy became hyper-inflationary, as well as discounting of some of the insurance liabilities in light of rising inflation and interest in Turkey.

The results in the corresponding period last year were mainly affected by macroeconomic factors, as noted above, which, among others, caused the price of spare parts to increase which in turn directly affects the rising cost of claims in the motor property sector and also pushes up the minimum wage, leading to an increase in the cost of material claims and bodily injuries claims which are paid on the basis of this wage.

F. Financial services segment - the results were affected by capital market yields as described above. Additionally, raisings continued in the money market funds.

In the corresponding period last year, the value of the AUM decreased due to redemptions and impairment in the markets.

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

The Company treats special effects as profit or loss that is not part of the normal course of the Company's business, including actuarial changes resulting from studies and changes in the actuarial models, extraordinary effects resulting from the amortization of surplus costs created in the process of business combinations and extraordinary expenses due to implementation of the "Harel 2030" multi-year strategic plan which focuses on three main layers of the Group's activity: accuracy of the core business performance in the insurance sector; enhancing and strengthening the distribution engines in the insurance sector; and diversification of the Group's profit sources ("Special Effects").

		For the period ended March 31			For the year ended December 31
	Notes	**2023**	**2022**	**Change**	**2022**
Comprehensive income (loss) for the period as published in the financial statement		36	327	(291)	(70)
Life assurance and long-term savings					
Application of a circular on a revision of the demographic assumptions		-	-	-	(279)
Update of the interest rate applied in calculating the reserves for annuity and work disability		-	-	-	227
Revised study of the retirement rate and annuity TUR		-	-	-	(51)
Update relating to the development of expenses in the actuarial model		-	-	-	(23)
Health insurance					
LAT - personal lines long-term care		-	764	(764)	764
Update of the interest rate applied in calculating the active reserve and reserve for claims in payment - personal lines long-term care		-	-	-	778
Revised assumptions resulting from studies - long-term care		-	-	-	(358)
Revised assumptions resulting from studies - personal lines health		-	-	-	28
Update relating to the development of expenses in the actuarial model		-	-	-	178
Application of a circular on a revision of the demographic assumptions		-	-	-	(12)
Non-life insurance					
Interest rate effects	A	186	167	19	524

	Notes	For the period ended March 31 2023	2022	Change	For the year ended December 31 2022
Actuarial updates			-	-	75
Extraordinary expenses due to the amortization of retained costs created in the acquisition of activities and/or companies and implementation of the "Harel 2030" multi-year strategic plan		(51)	*(8)	(43)	*(35)
Total effects, before tax		135	923	(788)	1,816
Effect of tax		46	316	(270)	621
Total effects, after tax		89	607	(518)	1,195
Total comprehensive loss adjusted for special effects		(53)	(280)	227	(1,265)

* Reclassified

A. Non-life segment, compulsory motor sector and liabilities sectors - results in the Reporting Period and in the corresponding period last year were affected by an increase of the risk-free interest rate curve and changes in the difference between the fair value and book value of the non-marketable assets that led to a reduction of the insurance liabilities.

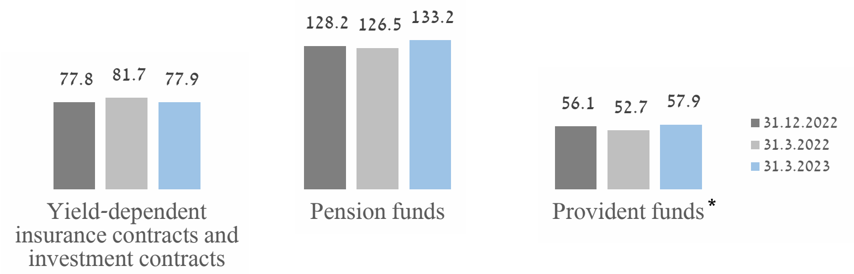
Segmentation of information by sector:

	For the period ended March 31 2023	2022	For the year ended December 31 2022
Changes in the interest rate curve and the difference between the fair value and book value of the non-marketable assets:			
Compulsory motor	58	64	218
Motor property	10	-	-
Labilities	118	103	306
Total effects on profit (loss), before tax	***186**	**167**	**524**

*As detailed in Section 2.5.1(C) above, in the second quarter last year, the Company revised the procedure for the allocation of non-marketable assets. Accordingly, the Company may make transfers from time to time, as necessary, between the assets attributed to the different segments so as to take maximum advantage of the retained value, subject to the asset limitation. In the Reporting Period a decrease of NIS 105 million before tax was recorded in the insurance liabilities in the non-life insurance segment resulting from the addition of retained fair value of non-marketable assets that in the past were allocated to the health insurance segment and are now allocated to the non-life insurance segment. Notably, the outstanding reserves in non-life insurance after offsetting the retained fair value of the non-marketable assets does not fall below the Best Estimate of the reserves. See also Note 9 to the Financial Statements.

2.6 Other key information and effects by segment

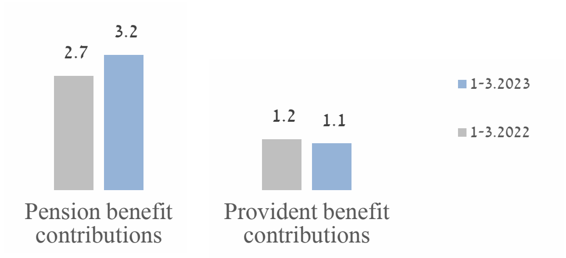
2.6.1 Assets managed for the Group's members and policyholders in the life assurance and long-term savings segment (NIS billion):



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

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

2.6.2 Data on benefit contributions (NIS billion):

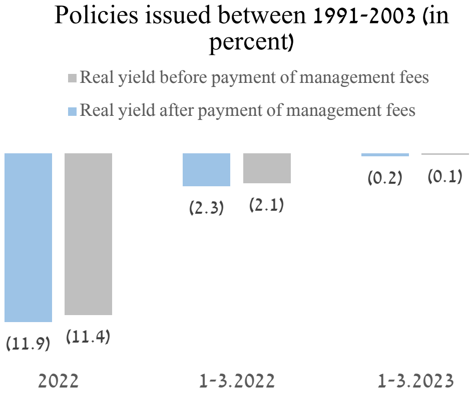


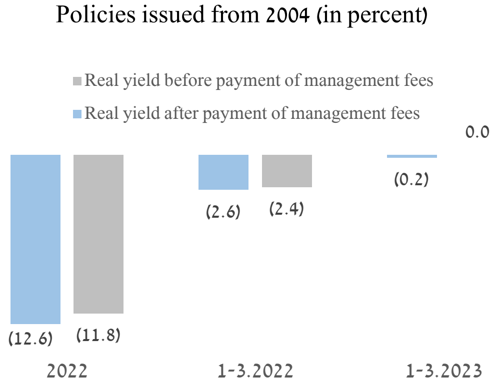
The benefit contributions in the provident funds and pension funds are not included in the Company's consolidated financial statements.

2.6.3 Life assurance:

Redemptions as a percentage of the average reserve amounted to 5.7% in the Reporting Period, compared with 4.5% in the corresponding period last year and 4.3% in 2022.

Yield-dependent policies:





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

	For the period ended March 31		**For the year ended December 31**
	2023	**2022**	**2022**
Profit (loss) after management fees	1,017	(1,113)	(5,937)
Total management fees	124	131	513

On May 30, 2021, Harel Insurance entered into an agreement with a large employer according to which a supplement will be paid for the annuity of the large employer's employees through personal lines profit-sharing annuity policies to be issued by Harel Insurance. Deposits in the policies will be made as lump-sum amounts and their purpose is to pay the retiree (and after his death, his survivors), a supplement to the monthly annuity. In the Reporting Period and the corresponding period last year, deposits in the amount of NIS 39 million and NIS 470 million, respectively, were received in respect of the aforementioned agreement.

During the agreement period which will end in 2037, deposits amounting to a total of NIS 3 billion are expected to be received. At March 31, 2023, the total deposits received were NIS 627 million.

2.6.4 Pension funds:

Income from management fees collected from the pension funds managed by the Group amounted to NIS 110 million in the Reporting Period, compared with NIS 103 million in the corresponding period last year.

2.6.5 Provident funds:

Income from management fees collected from the provident funds managed by the Group amounted to NIS 73 million in the Reporting Period, compared with NIS 71 million in the corresponding period last year.

2.6.6 Health insurance:

Harel Insurance is the insurer in the group LTC policy for members of Clalit Health Services. At the date of the report, the policy period is due to end on December 31, 2023. In addition to the group LTC policy for members of Clalit Health Services, Harel provides long-term care insurance for several other groups.

2.6.7 Non-life insurance:

For information about additional financial data relating to the non-life insurance segment, by sector, see Note 4B to the Financial Statements. For information about a change in the mechanism for the settlement of accounts between the National Insurance Institute ("NII") and the insurance companies regarding road accidents, see Note 36 to the 2022 Annual Financial Statements.

Change in the quantity of policies in terms of exposure:

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
Compulsory motor	(6%)	11%	26%
Motor property (CASCO)	(5%)	(1%)	15%
Property and other lines of business	6%	10%	12%
Other liabilities lines of business	2%	12%	9%

Number of policies in terms of exposure - non-life insurance activity typically involves policies for a period of up to a year. In view of the nature of the policies, quantity is a multiple of the number of policies within the policy period during the year. In other words, if underwriting is carried out for a policy with a period of less than a year, it is multiplied by the relative part of the period so that a policy for six months is half a unit.

2.6.7.1 Compulsory motor

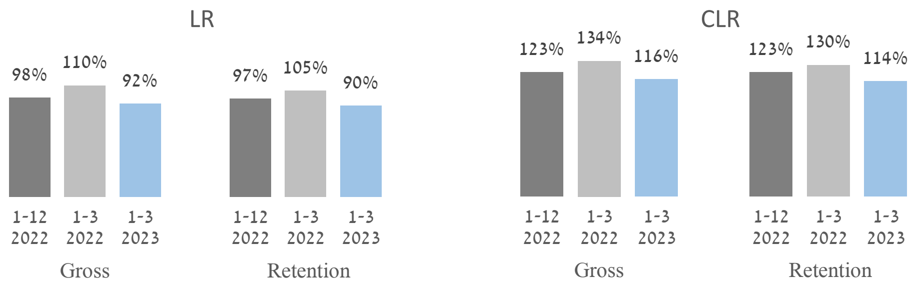
For additional information about the results of compulsory motor insurance, see Sections 2.5.1 and 2.5.2 above.

Given that car owners must insure their vehicles in accordance with the Motor Vehicle Insurance Ordinance, the owners of vehicles (usually motorcycles) who were rejected by the insurance companies may purchase insurance through the Pool (Israel pool for vehicle insurance), which operates as an insurance company to all intents and purposes. All the insurance companies which operate in the compulsory motor sector are partners in the Pool, and each company bears a share of the Pool's losses pro rata to its share of the compulsory motor insurance market for the previous year. In a letter from the Pool's CEO, the Company's temporary share of Harel Insurance in the net premiums for 2023 was set at 13.01% (as against 14.06% which was the Company's temporary share for 2022).

2.6.7.2 Motor property

For additional information about results for the motor property sector, see Section 2.5.1 and 2.5.2 above.

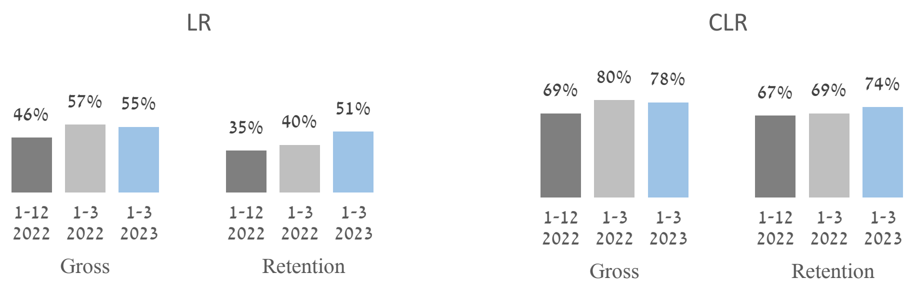
Loss ratio (LR) and combined loss ratio (CLR) in motor property insurance:



2.6.7.3 Property and other lines of business

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

Loss Ratio and Combined Loss Ratio in property and other lines of business:



2.6.7.4 Other liabilities lines of business

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

2.6.7.5 Credit insurance for residential mortgages (EMI)

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

2.6.8 Insurance companies overseas

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

<u>Turk Nippon</u>:

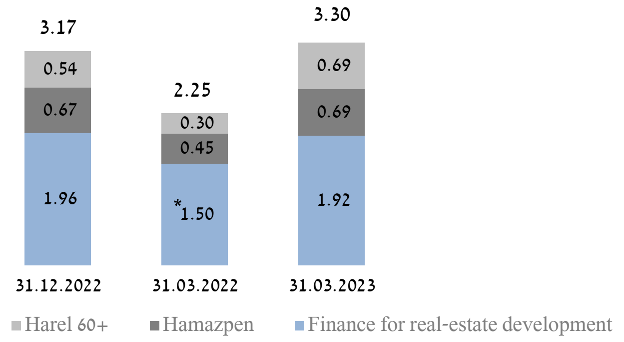
In 2022, the Company injected capital amounting to NIS 142 million Turkish lira (NIS 27 million) into Turk Nippon. In March 2023, the Company injected capital amounting to NIS 77.5 million Turkish lira (about NIS 15 million) into Turk Nippon.

<u>Interasco</u>:

In January 2023, the Greek regulator authorized Interasco to receive a Letter of Credit (LoC) from the Company in the amount of EUR 5 million. Provision of this LoC raises the solvency ratio of Interasco enabling it to invest in assets with a higher yield potential. Under the terms of the LoC, if the solvency ratio without taking the LoC into account falls below 105% in two consecutive quarters, the amount of LoC may be converted to capital in parts of EUR 0.5 million.

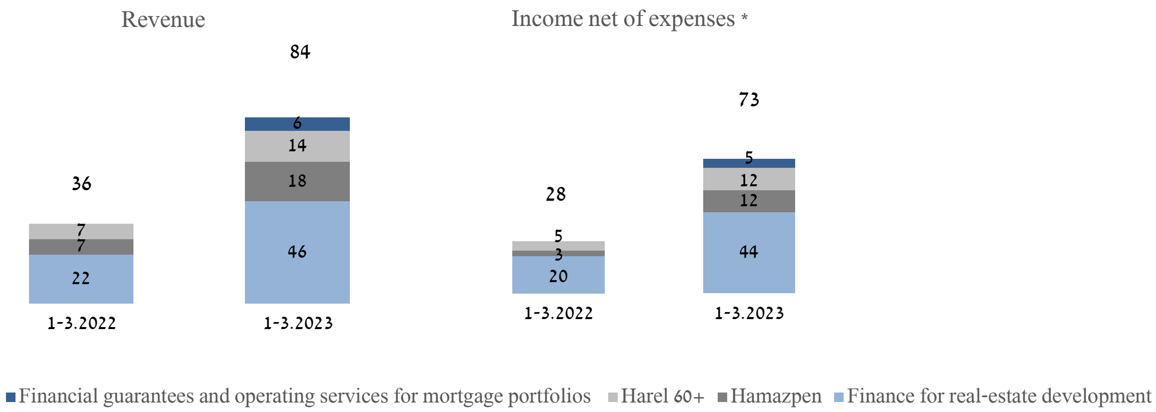
2.6.9 Credit sector

Size of the credit portfolio (NIS billion):



* Reclassified

Volume of revenues and income net of expenses for the period in the credit sector (NIS million):

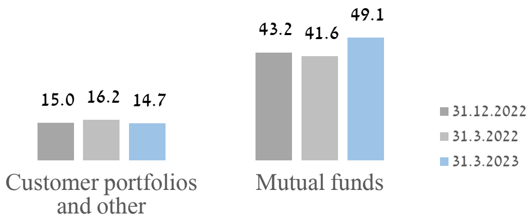


* Income net of expenses for development property finance and Harel 60+ is calculated as income net of operating expenses

At March 31, 2023, the credit sector does not constitute an operating segment in the financial statements. Accordingly, the assets, liabilities and results of credit-sector activity are included in the Company's different operating segments. See also Section 1.1 D above

2.6.10 Capital market and financial services

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



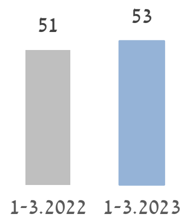
AUM in customer portfolios include financial assets that were issued by the Group and are managed in the portfolios.

Revenues in the capital market and financial services segment amounted to NIS 72 million in the Reporting Period, compared with NIS 58 million in the corresponding period last year.

AUM in the mutual funds and in customer portfolios are not included in the Company's consolidated financial statements.

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

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



2.7 Liquidity and sources of financing

2.7.1 Cash flows

Net cash flows used in operating activities were NIS 91 million in the Reporting Period. Net cash flows used in investment activity amounted to NIS 156 million. Net cash flows provided by financing activity were NIS 312 million. The effect of fluctuating exchange rates on the cash balances was a negative NIS 90 million. The outcome of all the above activity is a decrease of NIS 25 million in the cash balances.

2.7.2 Liquidity and financing of operations

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

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 Disclosure concerning the economic solvency ratio

Provisions concerning application of an economic solvency regime:

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

The provisions of the economic solvency regime include transitional measures which allow the reserves in respect of long-term insurance products that were sold in the past, to be increased gradually until 2032. Based on the transitional measures, insurance companies may, after obtaining the Commissioner's approval, include in the calculation of the insurance reserves in the transitional period, a deduction from the insurance reserve ("the Deduction"). The Deduction is calculated in accordance with the instructions in the Deduction Principles Letter and it is gradually reduced from a rate of 100% on the calculation of the insurance reserves at December 31, 2019, to 0% on the calculation of the insurance reserves at December 31, 2032. On November 21, 2022, the Commissioner's approval was received for recalculating the Deduction, which is performed at least once in two years. The Deduction was recalculated at June 30, 2022, in light of the material impact of the interest rate increase in the first half of 2022. Additionally, in the transitional period a reduced capital requirement is calculated which will gradually increase up to the end of 2023, for certain categories of investments, and a higher maximum recognition limitation will apply to Tier-2 capital.

On May 29, 2023, Harel Insurance published on its website a report on its economic solvency ratio in respect of data at December 31, 2022: https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx .

Based on the transitional measures, at December 31, 2022, Harel Insurance has a capital surplus of NIS 6,329 million and without taking the transitional measures into account, the capital surplus is NIS 2,590 million.

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

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

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

Economic solvency ratio and MCR:

Following is information about the solvency ratio and minimum capital requirement (MCR) at December 31, 2022, in accordance with the provisions of the economic solvency regime. The economic solvency ratio is calculated in accordance with the transitional measures which prescribe the transitional period.

A. Economic solvency ratio

	December 31	
	2022	2021
	(Audited)	(Audited)
	NIS million	
Equity for the purpose of SCR	**15,478**	17,873
Solvency capital requirement (SCR)	**9,149**	10,236
Surplus	**6,329**	7,637
Economic Solvency Ratio	**169%**	175%
Effect of material capital transactions that took place in the period between the date of the calculation and the publication date of the Economic Solvency Ratio Report:		
Capital raising (redemption) (*)	**20**	-
Equity for the purpose of SCR	**15,498**	17,873
Capital surplus	**6,349**	7,637
Economic Solvency Ratio	**169%**	175%

(*) In January 2023, NIS 500 million was raised through the issue of a new bond series (Series 19). On May 31, 2023, early redemption of Series 6 bonds is expected in the amount of NIS 273 million. This raising and redemption increases the eligible capital and surplus capital by NIS 20 million up to the limit of the Tier-2 eligible capital (50% of the capital requirement in the transitional period).

The capital position of Harel Insurance is influenced by its ongoing business development, changes in market variables, revised demographic and operating assumptions, continuous updates of models, updated regulatory instructions and capital transactions. For information about key changes that took place during the course of 2022 in contrast with comparative figures, see Section 2 in the Economic Solvency Report.

These data concerning the solvency ratio, taking into account the capital activity, as specified above, do not include the effect of the business activity of Harel Insurance after December 31, 2022, changes in the mix and size of the insurance investments and liabilities, revised actuarial assumptions, exogenous effects and regulatory changes which affect the business environment.

On the results of tests of sensitivity of the economic solvency ratio to various risk factors, including sensitivity to the interest rate, see Section 9 in the Economic Solvency Ratio Report of Harel Insurance as at December 31, 2022.

B. Minimum Capital Requirement (MCR)

	December 31	
	2022	2021
	(Audited)	(Audited)
	NIS million	
MCR	**2,869**	2,735
Own funds for the purpose of MCR	**11,497**	13,302

C. Restrictions on the distribution of dividends

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

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

On May 29, 2023, the Board of Directors of Harel Insurance approved the revised capital management plan and at this stage, threshold conditions were determined for the distribution of a dividend, which include a minimum economic solvency ratio of 135%, taking the transitional measures into account, and a minimum solvency ratio without taking the transitional measures into account, of 110%.

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

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

D. Solvency ratio without application of the transitional measures in the transitional period (TMTP) and without adjustment for equity risk

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

	December 31	
	2022	2021
	(Audited)	(Audited)
	NIS million	
Equity for the purpose of SCR	**12,953**	14,336
Solvency capital requirement (SCR)	**10,363**	12,308
Capital surplus	**2,590**	2,028
Solvency ratio (in percent)	**125%**	116%
Effect of material capital transactions that took place in the period between the date of the calculation and date of publication of the Economic Solvency Ratio Report:		
Capital raising (redemption) (*)	**-**	-
Equity for the purpose of SCR	**12,953**	14,336
Capital surplus	**2,590**	2,028
Solvency ratio (in percent)	**125%**	116%
Capital status after capital transactions relative to the Board of Directors target:		
Economic solvency ratio target set by the Board of Directors	**110%**	105%
Capital surplus relative to the target (NIS million)	**1,554**	1,412

(*) In January 2023, NIS 500 million was raised through the issue of a new bond series (Series 19). On May 31, 2023, an early redemption of Series 6 bonds is expected in the amount of NIS 273 million. This raising and redemption has no effect on the capital surplus and Economic Solvency Ratio since at December 31, 2022 there is an unutilized Tier-2 capital balance of NIS 409 million over and above the Tier-2 capital limitation (40% of the capital requirement calculated without the transitional period).

E. Own Risk and Solvency Assessment (ORSA) for insurance companies

On January 5, 2022, the Commissioner published an amendment to the provisions of the Consolidated Circular concerning reports to be submitted to the Commissioner of the Capital Market - Own Risk and Solvency Assessment of Insurance Companies ("ORSA - the Amendment") The Amendment stipulates that insurance companies shall report to the Commissioner their Own Risk and Solvency Assessment of Insurance Companies (ORSA) once a year, in January. According to the Amendment, Harel Insurance will submit a report to the Commissioner that includes a summary of the results, business position and reciprocal relationships, exposure to risk, assessment of solvency and capital requirements, forward-looking assessment and sensitivity analyses and scenarios. The Circular entered into force on January 1, 2023. Harel Insurance submitted the ORSA document to the Commissioner in January 2023, in accordance with the directives.

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

Yair Hamburger	Michel Siboni
Chairman of the Board of Directors	CEO

May 29, 2023

HAREL INSURANCE INVESTMENTS & FINANCIAL SERVICES LTD

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at March 31, 2023

Condensed consolidated interim statements of financial position at

	31 March		December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Intangible assets	**2,362**	2,257	2,346
Deferred tax assets	**23**	26	21
Deferred Acquisition Costs	**3,032**	2,768	2,916
Fixed assets	**1,410**	1,385	1,345
Investments in equity accounted investees	**1,624**	1,574	1,556
Investment property for yield-dependent contracts	**1,885**	1,995	2,060
Other investment property	**2,435**	2,331	2,408
Reinsurance assets	**5,331**	5,456	5,101
Current tax assets	**152**	5	100
Trade and other receivables	**1,711**	1,084	3,133
Premium due	**1,785**	1,741	1,532
Financial investments for yield-dependent contracts	**68,695**	74,771	67,420
Other financial investments			
Marketable debt assets	**11,151**	13,141	11,142
Non-marketable debt assets	**20,501**	17,682	19,999
Shares	**2,087**	2,757	1,814
Other	**4,193**	3,868	3,999
Total other financial investments	**37,932**	37,448	36,954
Cash and cash equivalents for yield-dependent contracts	**6,379**	4,430	6,450
Other cash and cash equivalents	**1,975**	1,843	1,929
Total assets	**136,731**	139,114	135,271
Total assets for yield-dependent contracts	**77,852**	81,726	77,848

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

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

	31 March		December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Equity and liabilities			
Equity			
Share capital and share premium	**359**	359	359
Treasury stock	**(237)**	(175)	(237)
Capital reserves	**493**	1,077	389
Retained earnings	**7,759**	7,620	7,824
Total equity attributed to the Company's owners	**8,374**	8,881	8,335
Non-controlling interests	**54**	33	52
Total equity	**8,428**	8,914	8,387
Liabilities			
Liabilities for non yield-dependent insurance contracts and investment contracts	**31,696**	31,152	31,234
Liabilities for yield-dependent insurance contracts and investment contracts	**76,574**	80,659	76,250
Deferred tax liabilities	**938**	1,294	924
Liabilities for employee benefits, net	**265**	289	264
Current tax liabilities	**17**	89	23
Trade and other payables	**5,051**	5,267	4,998
Financial liabilities	**13,762**	11,450	13,191
Total liabilities	**128,303**	130,200	126,884
Total equity and liabilities	**136,731**	139,114	135,271

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

Date of approval of the financial statements: May 29, 2023

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

Condensed Consolidated Interim Statements of Income

	For the three months ended March 31		For the year ended
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Premiums earned, gross	**4,217**	4,511	17,121
Premiums earned by reinsurers	**609**	524	2,250
Premiums earned on retention	**3,608**	3,987	14,871
Profit (loss) from investments, net, and financing income	**1,529**	(433)	(4,052)
Income from management fees	**363**	357	1,466
Income from commissions	**125**	95	417
Other income	**21**	7	53
Total income	**5,646**	4,013	12,755
Payments and changes in liabilities for insurance contracts and investment contracts, gross	**4,908**	2,378	8,149
Reinsurers' share of payments and change in liabilities for insurance contracts	**562**	438	1,623
Payments and changes in liabilities for insurance contracts and investment contracts in retention	**4,346**	1,940	6,526
Commissions, marketing expenses and other acquisition costs	**814**	739	3,063
General and administrative expenses	**424**	378	1,461
Other expenses	**17**	8	45
Financing expenses, net	**129**	94	427
Total expenses	**5,730**	3,159	11,522
Company's share of profits of equity accounted investees	**16**	58	78
Profit (loss) before income tax	**(68)**	912	1,311
Income tax (tax benefit)	**(23)**	291	398
Profit (loss) for the period	**(45)**	621	913
Attributed to:			
Owners of the Company	**(48)**	620	906
Non-controlling interests	**3**	1	7
Profit (loss) for the period	**(45)**	621	913
Basic and diluted earnings (loss) per share (NIS)	**(0.52)**	2.89	4.27

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended March 31		For the year ended
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Profit (loss) for the period	**(45)**	621	913
Other comprehensive income (loss) items that after initial recognition as part of comprehensive income were or will be transferred to profit or loss			
Net change in the fair value of financial assets classified as available-for-sale	**(115)**	(459)	(1,657)
Net change in fair value of financial assets classified as available-for-sale transferred to income statement	**111**	(68)	(132)
Loss from impairment of available-for-sale financial assets transferred to income statement	**29**	19	85
Foreign currency translation differences for foreign activity	**41**	22	134
Tax benefit (income tax) attributable to available-for-sale financial assets	**(11)**	173	579
Income tax for other comprehensive income items that after initial recognition as part of comprehensive income were or will be transferred to profit or loss	**(11)**	(5)	(36)
Total other comprehensive income (loss) for the year that after initial recognition as part of comprehensive income was or will be transferred to profit or loss, net of tax	**44**	(318)	(1,027)
Other comprehensive income (loss) items of that will not be transferred to profit or loss			
Revaluation reserve for fixed asset items	**52**	19	21
Remeasurement of a defined benefit plan	**2**	12	39
Income tax for other comprehensive income items that will not be transferred to profit or loss	**(17)**	(7)	(16)
Other comprehensive income for the period that will not be transferred to profit or loss, net of tax	**37**	24	44
Total other comprehensive income (loss) for the period	**81**	(294)	(983)
Total comprehensive income (loss) for the period	**36**	327	(70)
Attributed to:			
The Company's owners	**33**	326	(77)
Non-controlling interests	**3**	1	7
Total comprehensive income (loss) for year	**36**	327	(70)

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

Condensed consolidated interim statements of changes in equity

	Attributed to owners of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended March 31, 2023 (Unaudited)											
Balance as at January 1, 2023	359	222	(154)	31	(237)	(49)	339	7,824	8,335	52	8,387
Effect of the initial application of IFRS 9**	-	18	-	-	-	-	-	(18)	-	-	-
Balance as at January 1, 2023 after the initial application of IFRS 9	359	240	(154)	31	(237)	(49)	339	7,806	8,335	52	8,387
Comprehensive income (loss) for period											
Profit (loss) for the period	-	-	-	-	-	-	-	(48)	(48)	3	(45)
Other comprehensive income	-	14	30	-	-	-	36	1	81	-*	81
Total comprehensive income (loss) for period	-	14	30	-	-	-	36	(47)	33	3	36
Transactions with owners recognized directly in equity											
Share-based payment	-	-	-	6	-	-	-	-	6	-	6
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(1)
Balance as at March 31, 2023	359	254	(124)	37	(237)	(49)	375	7,759	8,374	54	8,428

* Less than NIS 1 million

** See Note 3A regarding the initial application of IFRS 9, Financial Instruments, with respect to some financial instruments that do not refer to subsidiaries that meet the definition of an insurer. In accordance with the elected method of transition, comparative figures were not restated

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 owners of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended March 31, 2022 (Unaudited)											
Balance as at January 1, 2022	359	1,347	(252)	6	(163)	(49)	321	7,292	8,861	32	8,893
Comprehensive income (loss) for period											
Profit for the period	-	-	-	-	-	-	-	620	620	1	621
Other comprehensive income (loss)	-	(335)	17	-	-	-	16	8	(294)	-*	(294)
Total comprehensive income (loss) for period	-	(335)	17	-	-	-	16	628	326	1	327
Transactions with owners recognized directly in equity											
Dividend distributed	-	-	-	-	-	-	-	(300)	(300)	-	(300)
Share-based payment	-	-	-	6	-	-	-	-	6	-	6
Purchase of Treasury stock	-	-	-	-	(12)	-	-	-	(12)	-	(12)
Balance as at March 31, 2021	359	1,012	(235)	12	(175)	(49)	337	7,620	8,881	33	8,914

* Less than NIS 1 million

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

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

	Attributed to owners of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2022 (Audited)											
Balance as at January 1, 2022	359	1,347	(252)	6	(163)	(49)	321	7,292	8,861	32	8,893
Comprehensive income (loss) for year											
Profit for year	-	-	-	-	-	-	-	906	906	7	913
Other comprehensive income (loss)	-	(1,125)	98	-	-	-	18	26	(983)	-*	(983)
Total comprehensive income (loss) for year	-	(1,125)	98	-	-	-	18	932	(77)	7	(70)
Transactions with owners recognized directly in equity											
Dividends declared	-	-	-	-	-	-	-	(400)	(400)	-	(400)
Share-based payment	-	-	-	25	-	-	-	-	25	-	25
Purchase of Treasury stock	-	-	-	-	(74)	-	-	-	(74)	-	(74)
Non-controlling interests in a newly established consolidated subsidiary	-	-	-	-	-	-	-	-	-	13	13
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-*	-
Balance as at December 31, 2022	359	222	(154)	31	(237)	(49)	339	7,824	8,335	52	8,387

* Less than NIS 1 million

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

Condensed consolidated interim statements of cash flows

	Annex	For the three months ended March 31		For the year ended
		2023	2022	2022
		(Unaudited)	(Unaudited)	(Audited)
		NIS million	NIS million	NIS million
Cash flows from operating activity				
Before taxes on income	A	**(31)**	(908)	2,703
Taxes paid		**(60)**	(239)	(518)
Net cash provided by (used for) operating activities		**(91)**	(1,147)	2,185
Cash flows from investment activity				
Acquisition of a subsidiary consolidated for the first time	B	**-**	-	(35)
Supplement of consideration for the acquisition of a subsidiary consolidated for the first time in 2021		**-**	(9)	(9)
Investment in investees		**(18)**	(90)	(187)
Proceeds from the sale of an investment in an equity accounted investee		**1**	6	97
Investment in fixed assets		**(38)**	(7)	(35)
Investment in intangible assets		**(105)**	(76)	(337)
Dividend and interest from investees		**4**	1	134
Proceeds from sale of fixed assets and intangible assets		**-**	1	1
Net cash used for investment activity		**(156)**	(174)	(371)
Cash flows from financing activity				
Proceeds of issuance of liability notes, net		**495**	-	-
Repayment of liability notes		**-**	-	(248)
Purchase of Treasury stock		**-**	(12)	(74)
Short-term credit from banks, net		**(61)**	41	(228)
Repayment of loans from banks and others		**(13)**	(13)	(27)
Repayment of lease liabilities		**(8)**	(9)	(34)
Dividend paid to non-controlling interests		**(1)**	-	-
Dividends paid		**(100)**	(100)	(400)
Net cash provided by (used for) financing activity		**312**	(93)	(1,011)
Effect of exchange rate fluctuations on cash balances and cash equivalents		**(90)**	50	(61)
Net increase (decrease) in cash and cash equivalents		**(25)**	(1,364)	742
Retained cash and cash equivalents at beginning of the period	C	**8,379**	7,637	7,637
Retained cash and cash equivalents at end of the period	D	**8,354**	6,273	8,379

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

Condensed consolidated interim statements of cash flows (contd.)

	For the three months ended March 31		For the year ended
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Annex A - Cash flows from operating activities			
Profit (loss) for the period	**(45)**	621	913
Items not involving cash flows			
Company's share of profits of equity accounted investees	**(16)**	(58)	(78)
Net losses (profits) from financial investments for yield-dependent insurance contracts and investment contracts	**(688)**	1,474	7,440
Losses (profits) net, from other financial investments			
Marketable debt assets	**(4)**	(146)	(406)
Non-marketable debt assets	**(136)**	(140)	(512)
Shares	**44**	(87)	(153)
Other investments	**115**	(23)	458
Change in financial liabilities	**(1,618)**	(390)	2,759
Change in fair value of investment property for yield-dependent contracts	**(2)**	(29)	(83)
Change in fair value of other investment property	**(25)**	(54)	(123)
Depreciation and amortization			
Fixed assets	**28**	28	113
Intangible assets	**89**	63	272
Change in liabilities for non-yield-dependent insurance contracts and investment contracts	**470**	53	129
Change in liabilities for yield-dependent insurance contracts and investment contracts	**324**	143	(4,266)
Change in reinsurance assets	**(228)**	(219)	130
Change in DAC	**(115)**	(103)	(256)
Payroll expenses for share-based payment	**6**	6	25
Income tax (tax benefit)	**(23)**	291	398
Changes in other statement of financial position items:			
Financial investments and investment property for yield-dependent insurance contracts and investment contracts			
Purchase of investment property	**(2)**	(3)	(14)
Proceeds from sale of investment property	**179**	-	-
Net purchase of financial investments	**97**	(2,181)	(1,445)
Other financial investments and investment property			
Purchase of investment property	**(2)**	(8)	(21)
Proceeds from sale of investment property	**-**	-	5
Net purchase of financial investments	**(227)**	(382)	(327)
Premiums due	**(252)**	(295)	(93)
Trade and other receivables	**1,248**	118	(1,721)
Trade and other payables	**749**	413	(442)
Liabilities for employee benefits, net	**3**	-	1
Total adjustments required to present cash flows from operating activity	**14**	(1,529)	1,790
Total cash flows from (used in) operating activity	**(31)**	(908)	2,703

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

(2) As part of the operating activities, interest received in the amount of NIS 362 million was stated (for the three months ended March 31, 2022, NIS 244 million, and for 2022 as a whole, NIS 1,501 million) and interest paid in the amount of NIS 5 million (for the three months ended March 31, 2022, an amount of NIS 5 million and for 2022 as a whole, NIS 119 million)

(3) As part of the operating activities, dividend received from other financial investments was stated in the amount of NIS 74 million (for the three months ended March 31, 2022 an amount of NIS 91 million and for 2022 as a whole, NIS 626 million)

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

Condensed consolidated interim statements of cash flows (contd.)

	For the three months ended March 31		For the year ended
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)
	NIS million	NIS million	NIS million
Annex B – Acquisition of a subsidiary consolidated for the first time Assets and liabilities of the consolidated subsidiary at the acquisition date			
Goodwill created on acquisition	-	-	(2)
Retained cost – intangible asset for customer relations – created on acquisition	-	-	(35)
Other financial investments	-	-	(5)
Liabilities for employee benefits, net	-		1
Trade payables	-	-	2
Non-controlling interests	-	-	4
Total cash deducted on acquisition of a consolidated company consolidated for the first time	-	-	(35)

	For the three months ended March 31		For the year ended
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Annex C - Cash and cash equivalents at beginning of period			
Cash and cash equivalents for yield-dependent contracts	**6,450**	5,012	5,012
Other cash and cash equivalents	**1,929**	2,625	2,625
Retained cash and cash equivalents at beginning of the period	**8,379**	7,637	7,637
Annex D - Cash and cash equivalents at end of period			
Cash and cash equivalents for yield-dependent contracts	**6,379**	4,430	6,450
Other cash and cash equivalents	**1,975**	1,843	1,929
Retained cash and cash equivalents at end of the period	**8,354**	6,273	8,379

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

Note 1 - General

A. The reporting entity

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

The Company is a holding company whose main holdings are in subsidiaries comprising insurance and finance companies. The condensed consolidated interim financial statements, as at March 31, 2023, include those of the Company and its consolidated subsidiaries ("the Group"), the Company's rights in jointly controlled entities and the Group's rights in affiliated companies.

The condensed consolidated interim financial statements mainly reflect the assets, liabilities and results of the consolidated insurance companies and were therefore prepared in a format similar to the format used for preparing interim financial statements of insurance companies.

Note 2 - Basis of preparation

A. Financial reporting framework

Until December 31, 2022, the Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), including with respect to data relating to consolidated subsidiaries that meet the definition of an insurer, as this term is defined in the Supervision of Financial Services (Insurance) Law, 1981 ("the Supervision Law").

Pursuant to the information in Note 3S2 to the Annual Financial Statements pertaining to the "Roadmap for the Adoption of IFRS 17 - Insurance Contracts - Second Update", published by the Capital Market, Insurance and Savings Authority on December 14, 2022 ("the Roadmap"), on April 20, 2023, the Capital Market, Insurance and Savings Authority published a document on "Roadmap for the Adoption of IFRS 17 - Insurance Contracts - Third Update - Draft" ("the Updated Draft Roadmap").

According to the Updated Draft Roadmap, the initial date of application of IFRS 17 and IFRS 9, for insurance companies in Israel (where their obligatory date of application by these companies according to IFRS should have been January 1, 2023) was revised and will apply on or after quarterly and annual periods commencing January 1, 2025. Accordingly, the transition date will be January 1, 2024. The Updated Draft Roadmap stipulates that at this stage there is no intention of permitting early adoption of the Standard in Israel.

Accordingly, from January 1, 2023 until the initial date of application of IFRS 17 and IFRS 9 by Israel's insurance companies, as noted above, insurance companies in Israel will continue to apply IFRS 4 - Insurance Contracts and IAS 39 - Financial Instruments: Recognition and Measurement, that they applied until now, and that were replaced by IFRS 17 and IFRS 9, respectively. Any other International Financial Reporting Standards are applied by Israel's insurance companies in accordance with the dates prescribed therein.

Consequently, and pursuant to the provisions of the Securities (Preparation of Annual Financial Statements) Regulations, 2010 ("Preparation of Financial Statements Regulations"), together with the instructions in Staff Accounting Position 99-10: "Applicative Issues in the Application of IFRS 17" published by the Israel Securities Authority ("ISA") staff ("Staff Position 99-10"), as of January 1, 2023, the Company's consolidated financial statements are not in full conformity with IFRS standards, so that the data in the Company's condensed consolidated interim financial statements with respect to subsidiaries that were consolidated and meet the definition of an insurer, according to its definition in the Supervision Law, are prepared in accordance with the instructions prescribed by the Commissioner of the Capital Market, Insurance and Savings ("the Commissioner") under the Supervision Law, whereas the data in the Company's condensed consolidated interim financial statements that do not relate to the aforesaid subsidiaries continue to be prepared in accordance with IFRS and IAS 34, Financial Reporting for Interim Periods.

The data presented within comparative figures in the condensed consolidated interim financial statements are the data actually published by the Company for those periods.

The condensed consolidated interim financial statements do not contain all the information required in the full Annual Financial Statements. They should be read together with the Company's consolidated financial statements at the date and year ended December 31, 2022 ("the Annual Financial Statements"). Additionally, the condensed consolidated interim financial statements were prepared in accordance with the provisions of Chapter D of the Securities (Periodic and Immediate Reports) Regulations, 1970, to the extent that these regulations apply to a corporation that consolidates insurance companies.

The condensed consolidated interim financial statements were approved for publication by the Company's Board of Directors on May 29, 2023.

Note 2 - Basis of preparation (contd.)

B. Use of estimates and discretion

In preparing the condensed, consolidated interim financial statements in accordance with IAS 34 and/or the requirements of the Commissioner pursuant to the Supervision Law and its subsequent regulations, the Group's management is required to exercise discretion, to use estimates, assessments and assumptions, including actuarial assumptions and estimates ("the Estimates") that affect application of the accounting policy, the amounts of assets and liabilities, income and expenses. It is stipulated that the actual results could differ from these Estimates, in part due to regulatory changes published or expected to be published in the insurance, pension and provident sectors and regarding which there is uncertainty as to their compatibility and repercussions. The key estimates included in the financial statements are based on actuarial assessments and on external valuations.

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

The assessments and discretion that management uses to apply the accounting policy in preparing the condensed consolidated interim financial statements are mainly consistent with those used in the preparation of the annual financial statements.

C. Functional and presentation currency

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

Note 3 - Significant accounting policies

Other than as specified below, the Group's accounting policies in these condensed consolidated interim financial statements is the accounting policy applied in the Annual Financial Statements. Following is a description of the main changes in accounting policy in these condensed consolidated interim financial statements:

A. Initial application of IFRS 9 - Financial Instruments, for financial instruments that do not refer to subsidiaries that meet the definition of an insurer

Commencing January 1, 2023 (“the Initial Date of Application”), the Group applies IFRS 9 - Financial Instruments (“IFRS 9” or “the Standard”), instead of the provisions of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (“IAS 39”), with respect to data that do not refer to subsidiaries that meet the definition of an insurer, as this term is defined in the Supervision Law (“hereinafter: “Financial Assets or Financial Liabilities within the Scope of IFRS 9”). For data that refer to subsidiaries that meet the definition of an insurer as noted above, which as mentioned above in Note 2(A) are prepared in accordance with the Commissioner’s instructions under the Supervision Law, the Group continues to apply the provisions of IAS 39.

The Group elected to apply IFRS 9 as noted above, from the initial date of application without amending comparative figures and with adjustment of the outstanding retained earnings and other components of equity at the initial date of application. As will be detailed below, the effects of the transition to IFRS 9 on the opening balances of the retained earnings and other components of equity are classification of an outstanding capital reserve for available-for-sale financial assets at January 1, 2023 in the amount of NIS 24 million before tax (NIS 18 million after tax) to the outstanding retained earnings.

The following presents the principle changes in the Group’s accounting policy as well as the key effects of the aforesaid accounting policy change.

Classification and measurement of financial assets and financial liabilities in accordance with IFRS 9

IFRS 9 comprises three classification groups for financial assets: amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI). Classification of financial assets under IFRS 9 is generally based on the entity’s business model for the management of financial assets and on the nature of the contractual cash flows of the financial assets. IFRS 9 eliminates the previous classification groups that were included in IAS 39: held to maturity investments, loans and receivables and available for sale financial assets. Under IFRS 9, embedded derivatives in which the host contract is a financial asset within the scope of the Standard, will no longer be separated. Instead, classification of the mixed instrument in its entirety is assessed in accordance with the provisions of the Standard. IFRS 9 does not significantly change the provisions of IAS 39 with respect to the classification and measurement of financial liabilities.

Note 3 - Significant accounting policies (contd.)

A. Initial application of IFRS 9 - Financial Instruments**, for financial instruments that do not refer to subsidiaries that meet the definition of an insurer (contd.)**

The following table presents the original measurement groups according to IAS 39 and the new measurement groups according to IFRS 9 for each of the financial assets within the scope of IFRS 9, as at January 1, 2023:

	Original classification	New classification	Book value	
	Under IAS 39	Under IFRS 9	Under IAS 39	Under IFRS 9
			NIS million	NIS million
Financial assets				
Cash and cash equivalents (3)	Loans and receivables	Amortized cost	474	474
Other receivables (3)	Loans and receivables	Amortized cost	16	16
Marketable debt assets (1)	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)	6	6
Marketable debt assets (1)	Available for sale	Fair value through profit or loss (FVTPL)	919	919
Non-marketable debt assets (5)	Fair value through profit or loss (designation)	Fair value through profit or loss (FVTPL)	4,631	4,631
Non-marketable debt assets (1) (3)	Loans and receivables	Amortized cost	2,043	2,043
Investment in shares (2)	Available for sale	Fair value through profit or loss (FVTPL)	187	187
Investment in shares (2)	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)	93	93
Other investments (2)	Available for sale	Fair value through profit or loss (FVTPL)	158	158
Other investments (2)	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)	70	70
Total financial assets			**8,597**	**8,597**

For financial liabilities within the scope of IFRS 9, there is no change of classification in the transition to IFRS 9 and they continue to be classified at amortized cost.

Following is a summary of the key accounting policy changes in light of the application of IFRS 9 for financial assets within the scope of IFRS 9:

(1) Under IFRS 9, financial assets that are debt assets are classified based on the Group's business model for the management of financial assets and on the nature of the contractual cash flows of the financial asset. As a consequence:

(a) Debt assets held within a business model whose objective is to hold assets to collect contractual cash flows and include solely payments of principal and interest, are measured according to IFRS 9 at amortized cost.

(b) Debt assets whose contractual cash flow characteristics do not include solely payments of principal and interest are measured according to IFRS 9 at fair value through profit or loss.

Note 3 - Significant accounting policies (contd.)

A. Initial application of IFRS 9 - Financial Instruments, for financial instruments that do not refer to subsidiaries that meet the definition of an insurer (contd.)

(c) Debt assets whose contractual cash flow characteristics include solely payments of principal and interest, but are held within a business model whose objective is both the sale and collection of contractual cash flows, are measured according to IFRS 9 at fair value through other comprehensive income.

(d) Debt assets whose contractual cash flow characteristics include solely payments of principal and interest, but are financial assets held for trading or are managed assets and whose performance is assessed on the basis of fair value, are measured at fair value through profit or loss.

The Group assesses the objective of the business model in which the financial asset is held at portfolio level, since this best reflects the way in which the business is managed and information is provided to management. In determining the Group's business model, the following considerations were taken into account:

- The declared policy and objectives of the portfolio and actual implementation of the policy, including whether management's strategy centers on receiving contractual interest, maintaining a specific interest profile, matching the duration of the financial assets to the duration of any liabilities associated with them or expected cash flows, or disposing of cash flows through sale of the assets;
- How performance of the business model and the financial assets held in this model are assessed and reported to key personnel in the entity's management;
- The risks affecting the business model's performance (and the financial assets held in that business model) and how those risks are managed;
- How the business managers are compensated (for example, whether the compensation is based on the fair value of the managed assets or on the collected contractual cash flows); and also
- The frequency, value and timing of sales of financial assets in prior periods, the reasons for the sales and expectations for future sale activity.

To assess whether the cash flows include solely principal and interest, "principal" is the fair value of the financial asset at initial recognition. "Interest" is the compensation for the time value of money, the credit risk associated with the unsettled principal for a specific period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether contractual cash flows are cash flows of solely principal and interest, the Group tests the instrument's contractual conditions, and in this framework it estimates whether the financial asset includes a contractual condition that might change the timing or amount of the contractual cash flows so that it no longer satisfies this condition.

(2) Under IFRS 9, investments in capital instruments are measured at fair value through profit or loss, other than investments not held for trading that the Group may choose to designate to fair value through other comprehensive income for which the amounts to be recognized in equity will not be classified to profit or loss, even if the investment is sold (except in the event of a distribution of dividends that are not a return on the investment). The Group did not choose this designation. Consequently, investments in capital instruments classified as available for sale are measured under IFRS 9 at fair value through profit or loss.

(3) IFRS 9 includes a new model for the recognition of credit losses, that replaces the impairment model of IAS 39 with the expected credit loss model. The model applies, inter alia, to financial assets measured at amortized cost and investments in debt assets measured at fair value through other comprehensive income, and it does not apply to investments in capital instruments.

The Group elected to measure the provision for expected credit losses in respect of customers, contract assets and receivables for leasing as an amount equal to the contractual credit losses throughout the life of the instrument.

For other debt assets, the Groups measures the provision for expected credit losses at the amount equal to the instrument's full lifetime expected credit losses, other than for the following provisions that are measured at an amount equal to the 12-month expected credit losses resulting from default events:

- Debt instruments that are determined as being low risk on the reporting date; and
- Other debt instruments and deposits, for which the credit risk has not increased significantly since the initial date of recognition.

Note 3 - Significant accounting policies (contd.)

A. Initial application of IFRS 9 - *Financial Instruments*, for financial instruments that do not refer to subsidiaries that meet the definition of an insurer (contd.)

When assessing whether the credit risk of a financial asset has increased significantly from its initial recognition and the assessment of expected credit losses, the Group considers reasonable and substantive information that is relevant and can be obtained without any excessive cost or effort. Such information includes quantitative and qualitative information as well as analysis, based on the Group's past experience and an assessment of the reported credit, and it includes forward looking information.

Expected credit losses are a probability weighted estimate of credit losses. Credit losses are measured at the present value of the difference between the cash flows to which the Group is entitled according to the contract and the cash flows that the Group expects to receive. The expected credit losses are discounted at the effective interest rate of the financial asset.

The amount of the provision for impairment according to this model, at January 1, 2023 and March 31, 2023, was not material.

(4) At each reporting date, the Group assesses whether the financial assets measured at amortized cost and the debt instruments measured at fair value through other comprehensive income, if there are any, have been impaired due to credit risk. A financial asset is impaired as a result of credit risk when one or more of the events that negatively affects the future cash flows estimated for this financial asset occurs. For financial assets impaired due to credit risk - the interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset (for non-impaired assets, the effective interest rate is applied to the financial asset's gross value).

(5) At the initial date of recognition, the Group might designate financial assets to fair value through profit or loss when such designation eliminates or significantly reduces an accounting mismatch.

Following the initial application of IFRS 9, as noted above, some of the Group's financial assets that were classified under IAS 39 as financial assets available for sale, are now classified as financial assets at fair value through profit or loss. Accordingly, an outstanding capital reserve for available-for-sale financial assets at January 1, 2023 in the amount of NIS 24 million before tax (NIS 18 million after tax) was reclassified to retained earnings at that date. From this date, these assets continue to be measured at fair value where net profits and losses, including interest or dividend, are recognized in profit and loss.

Note 3 - Significant accounting policies (contd.)

B. New standards not yet adopted by the Group's Israeli insurance companies in accordance with the instructions of the Capital Market, Insurance and Savings Authority

IFRS 17, Insurance Contracts ("IFRS 17" or "the Standard") and IFRS 9, Financial Instruments ("IFRS 9")

As mentioned in Note 2A above, pursuant to the information in Note 3S2 of the Annual Financial Statements pertaining to the "Roadmap for the Adoption of IFRS 17 - Insurance Contracts - Second Update", published by the Capital Market, Insurance and Savings Authority on December 14, 2022 ("the Roadmap"), on April 20, 2023, the Capital Market, Insurance and Savings Authority published a document on "Roadmap for the Adoption of IFRS 17 - Insurance Contracts - Third Update - Draft" ("the Updated Roadmap").

According to the Updated Draft Roadmap, the initial date of application of IFRS 17 and IFRS 9, with respect to insurance companies in Israel (where their obligatory date of application by these companies according to IFRS should have been January 1, 2023) was revised and will apply on or after quarterly and annual periods commencing January 1, 2025. Accordingly, the transition date will be January 1, 2024. The Updated Draft Roadmap stipulates that at this stage, there is no intention of permitting early adoption of the Standard in Israel.

In addition to the foregoing, the Updated Draft Roadmap sets out the disclosure to be provided to the public about the effects of the adoption of IFRS 17 and IFRS 9 in the annual and interim financial statements for 2024. Additionally, the Updated Draft Roadmap sets out the revised key preparatory measures and time schedules which, in the opinion of the Capital Market, Insurance and Savings Authority, are required to ensure quality deployment by Israel's insurance companies for the proper application of IFRS 17, including with respect to adapting their information systems, completion of formulating the accounting policy and deployment for the different reports required, performing tests to assess the quantitative repercussions of the application of IFRS 17 and IFRS 9, deployment for calculating the risk adjustment for non-financial risk (RA) and deployment for the audit of the auditors.

The Group continues to assess the implications of adopting these standards on its consolidated financial statements and is preparing to apply them within the said time frame.

B. Seasonality

1. Life assurance, health insurance and financial services

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

2. Non-life insurance

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

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

Note 4 - Operating segments

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

Segment performance is measured based on the profits of the segments before taxes on income. The results of inter-company transactions are eliminated in the framework of the adjustments for preparation of the condensed consolidated interim financial statements. Notably, there is no outstanding debit-credit balance from the transfer of financial assets between the difference segments, insofar as such transfers are made.

The Group operates in the following segments:

1. Life assurance and long-term savings

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

2. Health insurance

This segment includes the Group's insurance activities in the illness and hospitalization branches, personal accident, long-term care, foreign workers, travel insurance and dental insurance. The policies sold in the framework of these insurance branches cover the range of losses incurred by the insured as a result of illness and/or accidents, including long-term care and dental treatments. Health insurance policies are offered to individuals and to groups. Additionally, the results of the Harel 60+ activity are included in this segment.

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. the provision of Sale Law guarantees, homeowners, etc.).

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

4. Insurance companies overseas

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

Note 4 - Operating segments (Contd.)

5. Financial services

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

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

6. Not attributed to operating segments and other

Activities that are not attributed to operating segments include mainly activities of insurance agencies, various credit-related activities, including development property finance, as well as the capital activities of the consolidated insurance companies.

Note 4 - Operating segments (Contd.)

A. Information about reportable segments

	For the three months ended March 31, 2023 (Unaudited)							
	Life Assurance and Long-Term Savings	Health Insurance	Non-life insurance	Insurance companies overseas	Financial Services	Not Allocated To Operating Segments and other	Adjustments and Offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	1,520	1,539	1,039	120	-	-	(1)	4,217
Premiums earned by reinsurers	74	93	414	29	-	-	(1)	609
Premiums earned on retention	1,446	1,446	625	91	-	-	-	3,608
Profit (loss) from investments, net, and financing income	1,303	178	62	7	19	(39)*	(1)	1,529
Income from management fees	307	1	-	-	53	3	(1)	363
Income from commissions	23	4	80	5	-	24**	(11)	125
Other income	7	-	-	-	-	14	-	21
Total income	3,086	1,629	767	103	72	2	(13)	5,646
Payments and changes in liabilities for insurance contracts and investment contracts, gross	2,607	1,461	709	132	-	-	(1)	4,908
Reinsurers' share in payments and changes in liabilities for insurance contracts	36	164	291	72	-	-	(1)	562
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	2,571	1,297	418	60	-	-	-	4,346
Commissions, marketing expenses and other acquisition costs	321	261	206	35	-	2***	(11)	814
General and administrative expenses	200	90	15	9	44	68****	(2)	424
Other expenses	5	-	4	-	1	7***	-	17
Financing expenses, net	4	22	17	10	13	63	-	129
Total expenses	3,101	1,670	660	114	58	140	(13)	5,730
Company's share of profits of equity accounted investees	1	2	5	-	-	8	-	16
Profit (loss) before income tax	(14)	(39)	112	(11)	14	(130)	-	(68)
Other comprehensive income (loss) before income tax	(4)	(15)	49	2	-	88	-	120
Total comprehensive income (loss) before income tax	(18)	(54)	161	(9)	14	(42)*****	-	52
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	12,481	7,755	10,851	615	-	-	(6)	31,696
Liabilities in respect of yield dependent insurance contracts and investment contracts	71,347	5,227	-	-	-	-	-	76,574

* Total investment profits are for assets held to cover the equity of the Group's financial institutions

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, NIS 11 million are commissions paid to these agencies by the Group's financial institutions

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

**** Of the total general and administrative expenses, NIS 18 million is for expenses of the activity of the Group's insurance agencies

***** Total comprehensive income before income tax for the activity of the Group's insurance agencies was NIS 2 million

Note 4 - Operating segments (Contd.)

A. Information about reportable segments (contd.)

	For the three months ended March 31, 2022 (Unaudited)							
	Life Assurance and Long-Term Savings	Health Insurance	Non-life insurance	Insurance companies overseas	Financial Services	Not Allocated To Operating Segments and other	Adjustments and Offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	2,000	1,407	1,014	91	-	-	(1)	4,511
Premiums earned by reinsurers	46	81	378	20	-	-	(1)	524
Premiums earned on retention	1,954	1,326	636	71	-	-	-	3,987
Profit from investments, net, and financing income	(783)	70	141	7	7	126*	(1)	(433)
Income from management fees	305	1	-	-	51	1	(1)	357
Income from commissions	11	5	67	4	-	28**	(20)	95
Other income	7	-	-	-	-	-	-	7
Total income	1,494	1,402	844	82	58	155	(22)	4,013
Payments and changes in liabilities for insurance contracts and investment contracts, gross	1,070	430	785	94	-	-	(1)	2,378
Reinsurers' share in payments and changes in liabilities for insurance contracts	32	134	263	10	-	-	(1)	438
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	1,038	296	522	84	-	-	-	1,940
Commissions, marketing expenses and other acquisition costs	299	242	195	21	-	2***	(20)	739
General and administrative expenses	189	88	16	6	44	37****	(2)	378
Other expenses	5	-	2	-	1	-	-	8
Financing expenses , net	7	19	8	-	1	59	-	94
Total expenses	1,538	645	743	111	46	98	(22)	3,159
Company's share of profits of equity accounted investees	2	4	13	-	-	39	-	58
Profit (loss) before income taxes	(42)	761	114	(29)	12	96	-	912
Other comprehensive income (loss), before income tax	(151)	(169)	(60)	(1)	-	(74)	-	(455)
Total comprehensive income (loss) before income tax	(193)	592	54	(30)	12	22*****	-	457
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	12,093	7,180	11,343	541	-	-	(5)	31,152
Liabilities in respect of yield dependent insurance contracts and investment contracts	74,982	5,677	-	-	-	-	-	80,659

* Total investment profits are for assets held to cover the equity of the Group's financial institutions

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, NIS 20 million are commissions paid to these agencies by the Group's financial institutions

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

**** Of the total general and administrative expenses, NIS 22 million is for expenses of the activity of the Group's insurance agencies

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

Note 4 - Operating segments (Contd.)

A. Information about reportable segments (Contd.)

	For the year ended December 31, 2022							
	Life Assurance and Long-Term Savings	Health Insurance	Non-life insurance	Insurance companies overseas	Financial Services	Not allocated to operating segments and other	Adjustments and Offsets	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	6,504	5,928	4,245	448	-	-	(4)	17,121
Premiums earned by reinsurers	213	352	1,588	101	-	-	(4)	2,250
Premiums earned on retention	6,291	5,576	2,657	347	-	-	-	14,871
Profit (loss) from investments, net, and financing income	(4,705)	(46)	192	26	38	445*	(2)	(4,052)
Income from management fees	1,226	4	-	-	226	13	(3)	1,466
Income from commissions	56	19	281	19	-	121**	(79)	417
Other income	29	-	-	-	-	24	-	53
Total income	2,897	5,553	3,130	392	264	603	(84)	12,755
Payments and changes in liabilities for insurance contracts and investment contracts, gross	1,402	3,440	2,964	346	-	-	(3)	8,149
Reinsurers' share in payments and changes in liabilities for insurance contracts	136	526	915	49	-	-	(3)	1,623
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	1,266	2,914	2,049	297	-	-	-	6,526
Commissions, marketing expenses and other acquisition costs	1,164	1,000	862	107	-	9***	(79)	3,063
General and administrative expenses	710	335	62	24	174	161****	(5)	1,461
Other expenses	21	-	10	2	4	8***	-	45
Financing expenses (income), net	23	82	70	(8)	13	247	-	427
Total expenses	3,184	4,331	3,053	422	191	425	(84)	11,522
Company's share of profits (losses) of equity accounted investees	(5)	(1)	15	-	-	69	-	78
Profit (loss) before income tax	(292)	1,221	92	(30)	73	247	-	1,311
Other comprehensive income (loss) before income tax	(398)	(423)	(61)	5	-	(633)	-	(1,510)
Total comprehensive income (loss) before income tax	(690)	798	31	(25)	73	(386)*****	-	(199)
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	12,476	7,467	10,752	544	-	-	(5)	31,234
Liabilities in respect of yield dependent insurance contracts and investment contracts	71,058	5,192	-	-	-	-	-	76,250

* Total investment profits are for assets held to cover the equity of the Group's financial institutions

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, NIS 77 million are commissions paid to these agencies by the Group's financial institutions

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

**** Of the total general and administrative expenses, NIS 80 million is for expenses of the activity of the Group's insurance agencies

***** Total comprehensive income before income tax for the activity of the Group's insurance agencies was approximately NIS 20 million

Note 4 - Operating segments (Contd.)

B. Additional information about the non-life insurance segment

	For the three months ended March 31, 2023 (Unaudited)					
	Compulsory Motor	Motor Property	Property and Other sectors*	Other Liability sectors**	Mortgage insurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	221	373	393	393	-	1,380
Reinsurance premiums	2	8	298	139	-	447
Premiums in retention	219	365	95	254	-	933
Change in outstanding unearned premiums, in retention	80	101	21	107	(1)	308
Premiums earned on retention	139	264	74	147	1	625
Profit from investments, net, and financing income	22	6	6	27	1	62
Income from commissions	4	1	60	15	-	80
Total income	165	271	140	189	2	767
Payments and changes in liabilities for insurance contracts, gross	143	252	182	139	(7)	709
Reinsurers' share of payments and change in liabilities for insurance contracts	37	14	145	95	-	291
Payments and changes in liabilities for insurance contracts in retention	106	238	37	44	(7)	418
Commissions, marketing expenses and other acquisition costs	36	60	71	39	-	206
General and administrative expenses	4	3	4	2	2	15
Other expenses	2	1	1	-	-	4
Financing expenses, net	7	2	-	8	-	17
Total expenses (income)	155	304	113	93	(5)	660
Company's share of profits of equity accounted investees	2	1	-	2	-	5
Profit (loss) before income tax	12	(32)	27	98	7	112
Other comprehensive loss before income tax	19	5	1	24	-	49
Total comprehensive income (loss) before income tax	31	(27)	28	122	7	161
Liabilities for insurance contracts, gross, as at March 31, 2023	3,404	948	1,223	5,122	154	10,851
Liabilities for insurance contracts, retention, as at March 31, 2023	2,882	914	250	3,426	154	7,626

* Property and other sectors consist mainly of results from the property loss insurance and comprehensive homeowners branches, where the activity from these sectors accounts for 75% of all premiums in these lines of business

** Other liabilities sectors consist mainly of third-party insurance and professional liability branches where the activity from these sectors accounts for 77% of all premiums in these lines of business

Note 4 - Operating segments (Contd.)

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

	For the three months ended March 31, 2022 (Unaudited)					
	Compulsory Motor	**Motor Property**	**Property and Other sectors***	**Other Liability sectors****	**Mortgage insurance**	**Total**
	NIS million	**NIS million**	**NIS million**	**NIS million**	**NIS million**	**NIS million**
Gross premiums	246	383	385	469	(1)	1,482
Reinsurance premiums	41	25	293	154	-	513
Premiums in retention	205	358	92	315	(1)	969
Change in outstanding unearned premiums, in retention	44	101	29	161	(2)	333
Premiums earned on retention	161	257	63	154	1	636
Profits from investments, net, and financing income	54	12	8	62	5	141
Income from commissions	-	2	50	15	-	67
Total income	215	271	121	231	6	844
Payments and changes in liabilities for insurance contracts, gross	176	299	171	146	(7)	785
Reinsurers' share of payments and change in liabilities for insurance contracts	25	30	146	62	-	263
Payments and changes in liabilities for insurance contracts in retention	151	269	25	84	(7)	522
Commissions, marketing expenses and other acquisition costs	31	62	65	37	-	195
General and administrative expenses	5	4	3	2	2	16
Other expenses	1	1	-	-	-	2
Financing expenses, net	3	1	-	4	-	8
Total expenses (income)	191	337	93	127	(5)	743
Company's share of profits of equity accounted investees	5	1	-	7	-	13
Profit (loss) before income tax	29	(65)	28	111	11	114
Other comprehensive income before income tax	(24)	(5)	(2)	(26)	(3)	(60)
Total comprehensive income (loss) before income tax	5	(70)	26	85	8	54
Liabilities for insurance contracts, gross, as at March 31, 2022	3,550	878	1,149	5,577	189	11,343
Liabilities for insurance contracts, retention, as at March 31, 2022	2,984	808	219	3,490	189	7,690

* Property and other sectors consist mainly of results from the property loss insurance and comprehensive homeowners sectors, where the activity from these sectors accounts for 75% of all premiums in these lines of business

** Other liabilities sectors consist mainly of third-party insurance and professional liability sectors where the activity from these sectors accounts for 80% of all premiums in these lines of business

Note 4 - Operating segments (Contd.)

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

	For the year ended December 31, 2022					
	Compulsory Motor	Motor Property	Property and Other sectors*	Other Liability sectors**	Mortgage insurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Gross premiums	843	1,189	1,310	1,063	(2)	4,403
Reinsurance premiums	115	55	1,011	435	-	1,616
Premiums in retention	728	1,134	299	628	(2)	2,787
Change in outstanding unearned premiums, in retention	62	38	21	14	(5)	130
Premiums earned on retention	666	1,096	278	614	3	2,657
Profit from investments, net, and financing income	66	15	21	79	11	192
Income from commissions	7	6	205	63	-	281
Total income	739	1,117	504	756	14	3,130
Payments and changes in liabilities for insurance contracts, gross	673	1,140	587	592	(28)	2,964
Reinsurers' share of payments and change in liabilities for insurance contracts	108	71	486	250	-	915
Payments and changes in liabilities for insurance contracts in retention	565	1,069	101	342	(28)	2,049
Commissions, marketing expenses and other acquisition costs	132	272	279	179	-	862
General and administrative expenses	19	18	16	8	1	62
Other expenses	5	3	2	-	-	10
Financing expenses, net	28	5	2	35	-	70
Total expenses (income)	749	1,367	400	564	(27)	3,053
Company's share of profits of equity accounted investees	6	1	-	7	1	15
Profit (loss) before income tax	(4)	(249)	104	199	42	92
Other comprehensive income before income tax	(19)	(4)	(1)	(23)	(14)	(61)
Total comprehensive income (loss) before income tax	(23)	(253)	103	176	28	31
Liabilities for insurance contracts, gross, as at December 31, 2022	3,450	878	1,115	5,147	162	10,752
Liabilities for insurance contracts, retention, as at December 31, 2022	2,905	836	216	3,497	162	7,616

* Property and other sectors consist mainly of results from the property loss insurance and comprehensive homeowners sectors, where the activity from these sectors accounts for 71% of all premiums in these lines of business

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

Note 4 - Operating segments (Contd.)

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

	For the three months ended March 31, 2023 (Unaudited)				For the three months ended March 31, 2022 (Unaudited)			
	Provident	Pension	Life assurance	Total	Provident	Pension	Life assurance	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	-	-	1,520	1,520	-	-	2,000	2,000
Premiums earned by reinsurers	-	-	74	74	-	-	46	46
Premiums earned on retention	-	-	1,446	1,446	-	-	1,954	1,954
Profit (loss) from investments, net, and financing income	1	1	1,301	1,303	1	1	(785)	(783)
Income from management fees	73	110	124	307	71	103	131	305
Income from commissions	-	-	23	23	-	-	11	11
Other income	-	-	7	7	-	-	7	7
Total income	74	111	2,901	3,086	72	104	1,318	1,494
Payments and changes in liabilities for insurance contracts and investment contracts, gross	1	4	2,602	2,607	1	4	1,065	1,070
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	36	36	-	-	32	32
Payments and changes in liabilities for insurance contracts and investment contracts in retention	1	4	2,566	2,571	1	4	1,033	1,038
Commissions, marketing expenses and other acquisition costs	33	41	247	321	27	33	239	299
General and administrative expenses	32	49	119	200	30	44	115	189
Other expenses	1	4	-	5	1	4	-	5
Financing expenses, net	-	-	4	4	-	1	6	7
Total expenses	67	98	2,936	3,101	59	86	1,393	1,538
Company's share of profits of equity accounted investees	-	-	1	1	-	-	2	2
Profit (loss) before income tax	7	13	(34)	(14)	13	18	(73)	(42)
Other comprehensive income (loss) before income tax	1	1	(6)	(4)	(3)	(3)	(145)	(151)
Total comprehensive income (loss) before income tax	8	14	(40)	(18)	10	15	(218)	(193)

Note 4 - Operating segments (Contd.)

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

	For the year ended December 31,2022			
	Provident	Pension	Life assurance	Total
	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	-	-	6,504	6,504
Premiums earned by reinsurers	-	-	213	213
Premiums earned on retention	-	-	6,291	6,291
Profit (loss) from investments, net, and financing income	2	4	(4,711)	(4,705)
Income from management fees	283	430	513	1,226
Income from commissions	-	-	56	56
Other income	-	-	29	29
Total income	285	434	2,178	2,897
Payments and changes in liabilities for insurance contracts and investment contracts, gross	3	17	1,382	1,402
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	136	136
Payments and changes in liabilities for insurance contracts and investment contracts in retention	3	17	1,246	1,266
Commissions, marketing expenses and other acquisition costs	114	147	903	1,164
General and administrative expenses	110	186	414	710
Other expenses	6	15	-	21
Financing expenses, net	-	-	23	23
Total expenses	233	365	2,586	3,184
Company's share of losses of equity accounted investees	-	-	(5)	(5)
Profit (loss) before income tax	52	69	(413)	(292)
Other comprehensive loss before income tax	(6)	(12)	(380)	(398)
Total comprehensive income (loss) before income tax	46	57	(793)	(690)

Note 4 - Operating segments (Contd.)

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

Results by policy category

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			from 2004		Risk that was sold as a stand-alone policy		
	Until 1990 (1)	Up to 2003	Not yield-dependent	Yield dependent	Personal lines	Group	Total
For the three months ended March 31, 2023 (Unaudited)	NIS million						
Gross premiums	17	212	-	870	397	26	1,522
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(2)
Total							1,520
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	656	-	-	656
Financial margin including management fees - in terms of comprehensive income (2)	(58)	39	(12)	85	-	-	54
Payments and changes in liabilities for insurance contracts, gross	200	626	18	1,395	167	16	2,422
Payments and changes in liabilities for investment contracts	-	-	1	179	-	-	180
Total comprehensive income (loss) from life assurance business	(47)	(9)	(13)	(1)	25	5	(40)

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

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

Note 4 - Operating segments (Contd.)

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

Results by policy category (Contd.)

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			from 2004		Risk that was sold as a stand-alone policy		
	Until 1990 (1)	Up to 2003	Not yield-dependent	Yield dependent	Personal lines	Group	Total
For the three months ended March 31, 2022 (Unaudited)				NIS million			
Gross premiums	18	215	-	1,388	349	32	2,002
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(2)
Total							2,000
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	1,383	-	-	1,383
Financial margin including management fees - in terms of comprehensive income (2)	(90)	38	(68)	93	-	-	(27)
Payments and changes in liabilities for insurance contracts, gross	209	(52)	21	974	195	31	1,378
Payments and changes in liabilities for investment contracts	-	-	1	(314)	-	-	(313)
Total comprehensive income (loss) from life assurance business	(95)	(17)	(72)	23	(51)	(6)	(218)

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

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

Note 4 - Operating segments (Contd.)

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

Results by policy category (Contd.)

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			from 2004		Risk that was sold as a stand-alone policy		
Data For the year ended December 31, 2022	**Until 1990 (1)**	**Up to 2003**	**Not yield-dependent**	**Yield dependent**	**Personal lines**	**Group**	**Total**
	NIS million						
Gross premiums	73	866	-	3,991	1,476	108	6,514
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(10)
Total							6,504
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	3,936	-	-	3,936
Financial margin including management fees - in terms of comprehensive income (2)	(393)	147	(190)	365	-	-	(71)
Payments and changes in liabilities for insurance contracts, gross	933	(887)	74	1,837	787	82	2,826
Payments and changes in liabilities for investment contracts	-	-	(2)	(1,442)	-	-	(1,444)
Total comprehensive income (loss) from life assurance business	(447)	(78)	(188)	(11)	(72)	3	(793)

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

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

Note 4 - Operating segments (Contd.)

D. Additional information about the health insurance segment

Results by policy category

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
For the three months ended March 31, 2023 (Unaudited)	NIS million				
Gross premiums	203	470	746	133	1,552
Payments and changes in liabilities for insurance contracts, gross	263	593	520	85	1,461
Total comprehensive income (loss) from health insurance business	(29)	(25)	(1)	1	(54)

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
For the three months ended March 31, 2022 (Unaudited)	NIS million				
Gross premiums	193	419	697	103	1,412
Payments and changes in liabilities for insurance contracts, gross	(520)	371	498	81	430
Total comprehensive income (loss) from health insurance business	639	(25)	(14)	(8)	592

* Of this, personal lines premiums in the amount of NIS 554 million for the three months ended March 31, 2023 (personal lines premiums of NIS 495 million for the three months ended March 31, 2022) and group premiums of NIS 325 million, for the three-months ended March 31, 2023 (group premiums of NIS 305 million for the three months ended March 31, 2022).

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

Note 4 - Operating segments (Contd.)

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

Results by policy category (Contd.)

Data For the year ended December 31, 2022	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
	NIS million				
Gross premiums	786	1,756	2,846	534	5,922
Payments and changes in liabilities for insurance contracts, gross	(318)	1,510	1,905	343	3,440
Total comprehensive income (loss) from health insurance business	808	(122)	59	53	798

* Of this, personal lines premiums in the amount of NIS 2,142 million and group premiums in the amount of NIS 1,238 million

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

Note 5 - Taxes on income

Tax rates applicable to the income of the Group companies

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

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

Note 6 - Financial instruments

A. Assets for Yield-dependent contracts

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

	As at March 31		As at December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Investment property	**1,885**	1,995	2,060
Financial investments			
Marketable debt assets	**20,680**	21,401	19,962
Non-marketable debt assets (*)	**13,766**	15,720	14,475
Shares	**12,619**	17,612	13,283
Other financial investments	**21,630**	20,038	19,700
Total financial investments	**68,695**	74,771	67,420
Cash and cash equivalents	**6,379**	4,430	6,450
Other	**893**	530	1,918
Total assets for yield-dependent contracts*	**77,852**	81,726	77,848
Trade and other payables	**215**	528	184
Financial liabilities**	**655**	120	1,113
Financial liabilities for yield-dependent contracts	**870**	648	1,297
(*) Of which assets measured at amortized cost	**408**	415	407
Fair value of debt assets measured at amortized cost	**411**	466	421

* Including net assets (assets net of financial liabilities) in the amount of NIS 4,641 million, NIS 5,050 million, and NIS 4,615 million as at March 31, 2023, March 2022, and December 31, 2022 respectively, for a liability attributable to a group long-term care portfolio in which most of the investment risks are not imposed on the insurer

** Mainly derivatives and futures contracts

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 March 31, 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	18,225	2,455	-	20,680
Non-marketable debt assets	-	12,379	979	13,358
Shares	9,640	43	2,936	12,619
Other	11,584	93	9,953	21,630
Total	39,449	14,970	13,868	68,287

	As at March 31, 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	18,861	2,540	-	21,401
Non-marketable debt assets	-	14,606	699	15,305
Shares	14,670	181	2,761	17,612
Other	11,612	304	8,122	20,038
Total	45,143	17,631	11,582	74,356

	As at December 31,2022			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	17,678	2,284	-	19,962
Non-marketable debt assets	-	13,289	779	14,068
Shares	10,484	45	2,754	13,283
Other	10,107	30	9,563	19,700
Total	38,269	15,648	13,096	67,013

Note 6 - Financial instruments (Contd.)

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

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

For three-months ended March 31, 2023 (Unaudited)

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2023	779	2,754	9,563	13,096
Total profits (losses) that were recognized:				
In profit and loss (*)	3	105	242	350
Interest and dividend receipts	(14)	(7)	(89)	(110)
Purchases	240	96	360	696
Sales	-	(12)	(119)	(131)
Redemptions	(29)	-	(4)	(33)
Balance as at March 31, 2023	979	2,936	9,953	13,868
(*) Of which total unrealized profits for the period in respect of financial assets held correct to March 31, 2023	3	106	240	349

For three-months ended March 31, 2022 (Unaudited)

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2022	924	2,560	7,238	10,722
Total profits (losses) that were recognized:				
In profit and loss (*)	8	78	527	613
Interest and dividend receipts	(11)	(19)	(79)	(109)
Purchases	113	169	585	867
Sales	-	(27)	(141)	(168)
Redemptions	(300)	-	(8)	(308)
Transfers from Level 3 *	(35)	-	-	(35)
Balance as at March 31, 2022	699	2,761	8,122	11,582
(*) Of which total unrealized profits (losses) for the period in respect of financial assets held correct to March 31, 2022	(3)	77	525	599

* For securities whose rating changed

Note 6 - Financial instruments (Contd.)

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

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

For the year ended December 31, 2022 (Audited)

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at January 1, 2022	924	2,560	7,238	10,722
Total profits (losses) that were recognized:				
In profit and loss (*)	95	277	1,351	1,723
Interest and dividend receipts	(39)	(92)	(346)	(477)
Purchases	1,144	552	2,112	3,808
Sales	-	(543)	(765)	(1,308)
Redemptions	(1,285)	-	(27)	(1,312)
Transfers from Level 3 *	(60)	-	-	(60)
Balance as at December 31,2022	779	2,754	9,563	13,096
(*) Of which total unrealized profits (losses) for the period in respect of financial assets held correct to December 31, 2022	55	254	1,379	1,688

* For securities whose rating changed

Note 6 - Financial instruments (Contd.)

B. Other financial investments

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

	As at March 31		December 31	As at March 31		December 31
	(Unaudited)		(Audited)	(Unaudited)		(Audited)
	Book Value			Fair Value		
	2023	2022	2022	2023	2022	2022
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Assets measured at amortized cost:						
Designated bonds	**5,149**	4,895	5,031	**6,265**	6,812	6,217
Non-marketable, non-convertible debt assets, excluding bank deposits	**8,710**	7,896	8,758	**8,782**	8,630	8,881
Bank deposits (*)	**6,642**	4,891	6,210	**6,659**	4,935	6,229
Total non-marketable debt assets	**20,501**	17,682	19,999	**21,706**	20,377	21,327
Investments held to maturity:						
Marketable non-convertible debt assets	**-**	14	-	**-**	15	-
Total investments held to maturity	**-**	14	-	**-**	15	-
Total	**20,501**	17,696	19,999	**21,706**	20,392	21,327
Impairments recognized in profit and loss (in aggregate)	**43**	36	30			
(*) Of which debt assets measured at fair value	**4,996**	3,770	4,631			

Note 6 - Financial instruments (Contd.)

B. Other financial investments (Contd.)

2. Fair value hierarchy of financial assets

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

	As at March 31, 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	10,666	485	-	11,151
Non-marketable debt assets	-	4,996	-	4,996
Shares	1,481	10	596	2,087
Other	471	300	3,422	4,193
Total	12,618	5,791	4,018	22,427

	As at March 31, 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	12,465	662	-	13,127
Non-marketable debt assets	-	3,770	-	3,770
Shares	2,226	82	449	2,757
Other	807	283	2,778	3,868
Total	15,498	4,797	3,227	23,522

	As at December 31, 20222 (Audited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	10,623	519	-	11,142
Non-marketable debt assets	-	4,631	-	4,631
Shares	1,232	5	577	1,814
Other	460	246	3,293	3,999
Total	12,315	5,401	3,870	21,586

Note 6 - Financial instruments (Contd.)

B. Other financial investments (Contd.)

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

For three-months ended March 31, 2023 (Unaudited)

	Fair-value measurement on reporting date Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at January 1, 2023	577	3,293	3,870
Total profits (losses) that were recognized:			
In profit and loss (*)	1	28	29
In other comprehensive income	15	42	57
Interest and dividend receipts	(1)	(28)	(29)
Purchases	7	127	134
Sales	(3)	(40)	(43)
Balance as at March 31, 2023	596	3,422	4,018
(*) Of which total unrealized profits for the period in respect of financial assets held at March 31, 2023	1	36	37

For the three-months ended March 31, 2022 (Unaudited)

	Fair-value measurement on reporting date Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at January 1,2022	411	2,416	2,827
Total profits (losses) that were recognized:			
In profit and loss (*)	-	23	23
In other comprehensive income	37	274	311
Interest and dividend receipts	-	(26)	(26)
Purchases	3	169	172
Sales	(2)	(76)	(78)
Redemptions	-	(2)	(2)
Balance as at March 31, 2022	449	2,778	3,227
(*) Of which total unrealized profits for the period in respect of financial assets held at March 31, 2022	-	23	23

Note 6 - Financial instruments (Contd.)

B. Other financial investments (Contd.)

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

For the year ended December 31, 2022 (Audited)

	Fair-value measurement on report date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at January 1,2022	411	2,416	2,827
Total profits (losses) that were recognized:			
In profit and loss (*)	(2)	116	114
In other comprehensive income	103	458	561
Interest and dividend receipts	-	(131)	(131)
Purchases	68	664	732
Sales	(3)	(222)	(225)
Redemptions	-	(8)	(8)
Balance as at December 31, 2022	577	3,293	3,870
(*) Of which total unrealized profits (losses) for the period in respect of financial assets held at December 31, 2022	(2)	116	114

C. Financial liabilities

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

	As at March 31		As at December 31	As at March 31		As at December 31
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	Book Value			Fair Value		
	2023	2022	2022	2023	2022	2022
Financial liabilities presented at amortized cost	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Loans from banks	**335**	362	348	**279**	338	300
Loans from related parties	**3**	-	-	**-**	-	-
Short-term credit from banks and others	**259**	571	313	**259**	571	313
Bonds *	**6,998**	6,240	6,476	**6,973**	6,348	6,111
Financial guarantee	**104**	-	76	**102**	-	72
Total financial liabilities presented at amortized cost	**7,699**	7,173	7,213	**7,613**	7,257	6,796
Subordinated liability notes issued for compliance with the capital requirements	**5,478**	5,154	4,969			

* Including subordinated liability notes

Note 6 - Financial instruments (Contd.)

C. Financial liabilities (Contd.)

2. Interest rates used to determine the fair value

	As at March 31		As at December 31
	2023	2022	2022
Loans	**4.95%**	1.92%	4.63%
Bonds	**4.29%**	1.54%	3.80%

Note 6 - Financial instruments (Contd.)

C. Financial liabilities (Contd.)

3. Financial liabilities measured at fair value hierarchy

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

	As at March 31, 2023 (Unaudited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	6	893	899
Short sales (2)	4,531	633	5,164
Total financial liabilities	4,537	1,526	6,063

	As at March 31, 2022 (Unaudited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	11	273	284
Short sales (2)	3,810	183	3,993
Total financial liabilities	3,821	456	4,277

	As at December 31, 2022 (Audited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	476	963	1,439
Short sales (2)	4,081	458	4,539
Total financial liabilities	4,557	1,421	5,978

(1) Derivative financial instruments held to cover the insurance liabilities as part of the Group's policy for asset and liability management ("ALM"). Of the above, NIS 244 million, NIS 164 million, and NIS 325 million as at March 31, 2023, March 31, 2022 and December 31, 2022, respectively, are included in the non-yield-dependent liabilities, and the balance is included in the Group's yield-dependent liabilities. Most of the amount is attributable to the management of exposure through derivatives to foreign currency and the CPI. To cover these liabilities, the financial institutions deposited collaterals in accordance with the conditions set out in the contract. The Group's financial institutions have approved credit facilities for their derivative activity. Accordingly, the Group's financial institutions deposited NIS 546 million, NIS 41 million, and NIS 1,650 million as at March 31, 2023, March 2022 and December 31, 2022, respectively, as collateral to cover their liabilities attributable to this activity (these collaterals are presented under receivables)

(2) Harel Finance, a subsidiary of the Company, operates through subsidiaries involved in the short sale of government bonds (Israeli and foreign) and places the proceeds of the sales in deposit until the bond maturity date. In the Reporting Period, these companies made short sales of NIS 0.35 billion within the context of this activity. The balance of the backing amounts as at March 31, 2023, is NIS 5 billion.

Note 6 - Financial instruments (Contd.)

C. Financial liabilities (Contd.)

4. Additional information

1. Midroog rating

   A. On January 30, 2023, Midroog announced a financial strength rating for Harel Insurance of Aa1.il, rating outlook stable, and ratings of Aa2.il(hyb) for subordinated liability notes (hybrid Tier-3 capital) Series 7 bonds issued by Harel Finance & Issues, and ratings of Aa3.il(hyb) for subordinated liability notes (secondary capital and Tier-2 capital) that were issued by Harel Finance & Issues as part of Series 9 - 18 bonds, rating outlook stable.

   B. On March 6, 2023, Midroog announced affirmation of the Company's rating of Aa2.il rating outlook stable and affirmation of the Aa2.il rating (for Series 1 bonds) issued by the Company.

2. Financial covenants

   For information relating to financial covenants for a bank loan taken by the Company, in respect of short-term loans taken by a Company subsidiary and in respect of Series 1 bonds issued by the Company, see Note 24 to the Annual Financial Statements. At March 31, 2023 and at the date of publication of the report, the subsidiary is in compliance with the prescribed financial covenants.

3. Issue of Series 19 bonds of Harel Finance & Issues

   In January 2023, Harel Finance & Issues raised NIS 500 million as part of a public placement of a new series of bonds (Series 19) in accordance with a shelf offering report of Harel Finance & Issues dated December 18, 2023, which was published according to a shelf prospectus of Harel Finance & Issues bearing the date February 25, 2020, as extended on February 21, 2022 ("the Shelf Offering Report" and "Shelf Prospectus", respectively). Under the conditions set out in the Shelf Prospectus and Shelf Offering Report, the amount raised was deposited with Harel Insurance, to be used at its discretion and for which it is responsible, and Harel Insurance has an undertaking towards the trustee for the bonds to comply with the payment conditions of the bonds. Additionally, the issued bonds were recognized by the Commissioner of the Capital Market, Insurance and Savings Authority as a Tier-2 capital instrument held by Harel Insurance, all as detailed in the Shelf Prospectus and in the Shelf Offering Report. For the purpose of this issue, S&P Maalot announced a rating of 'ilAA-' for the Series 19 bonds.

4. Full early redemption of bonds (Series 6) of Harel Finance & Issues

   After the Reporting Period, on May 10, 2023, the board of directors of Harel Finance & Issues, a wholly owned subsidiary of Harel Insurance, resolved to make full, early redemption at the initiative of Harel Finance & Issues of the Series 6 bonds it had issued, which will take place on May 31, 2023.

5. Shelf prospectus of Harel Finance & Issues

   On February 27, 2023, Harel Finance & Issues published a shelf prospectus bearing the date February 28, 2023. By virtue of this shelf prospectus, Harel Finance & Issues will be able to place different categories of securities, in accordance with the statutory provisions. This shelf prospectus replaced a previous shelf prospectus of Harel Finance & Issues from February 2020, which was in force until February 2023.

6. Expansion of Series 3 bonds of Harel Exchange Traded Deposit Ltd.

   On May 23, 2023 after the Reporting Period, Harel Exchange Traded Deposit Ltd., a subsidiary of Harel Finance, a company fully owned by the Company, expanded the Series 3 bonds by NIS 809 million par value by means of a shelf offering report in accordance with a prospectus dated August 17, 2022. The proceeds from the bond issue were NIS 825 million.

7. Option to issue Series 1 bonds of the Company by way of a series expansion

   On May 29, 2023, after the Reporting Period and together with the approval of the financial statements, the Company reported that it is examining an option to issue Series 1 bonds of the Company by way of an expansion of this series which is in circulation and is traded on the TASE. If and to the extent that these bonds are offered to the public, they will be offered as a uniform offering by means of a shelf prospectus of the Company to be published, if and when it is published, in accordance with a shelf prospectus of the Company.

Note 6 - Financial instruments (Contd.)

C. Financial liabilities (Contd.)

4. Additional information (contd.)

8. Approval for taking additional bank credit for the Company

   On May 29, 2023, after the Reporting Period and together with the approval of the financial statements, the Company‘s Board of Directors approved an agreement to take bank credit. The parties are negotiating the amount and conditions of the credit.

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

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

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

Note 7 - Contingent liabilities, guarantees and commitments

A. Contingent Liabilities

There is a general exposure which cannot be evaluated and/or quantified resulting, *inter alia*, from the complexity of the services provided by the Group to its insured and its customers. Among other things, the complexity of these arrangements incorporates the potential for interpretive and other arguments, in part due to information gaps between the Group's companies and other parties to the insurance contacts and the Group's other products, pertaining to a long series of commercial and regulatory conditions, including arguments regarding the way in which the moneys of insureds and members are invested. It is impossible to anticipate in advance the types of arguments that might be raised in this area, and the exposure resulting from these and other allegations in connection with the Group's products which are raised as part of the various legal proceedings, *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. This exposure is particularly strong in pension savings and long-term insurance, including health insurance. In these sectors, agreements with the policyholders, members and customers are over a period of many years during which there may be policy changes, regulatory changes and changes in the law, including in case law. These rights are managed through complex automated systems, and in view of these changes they must be constantly adjusted. All these create considerable operational and mechanization exposure in these areas of activity. The Group's financial institutions have an enforcement plan according to which they review compliance with the regulatory provisions and take action to correct any deficiencies found.

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

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

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

As part of audits conducted by t various regulatory authorities, including the Capital Market, Insurance and Savings Authority, during the Reporting Period a number of in-depth audits were and are being conducted on pension and provident, health insurance, non-life insurance, claims settlement, in the life assurance and long-term care sectors, information systems and computerized databases, customer service and public complaints and also on the collection of statistical information (claims).

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

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

On December 1, 2021, Harel Insurance acquired the insurance activity of Shirbit, including the rights and obligations incorporated therein.

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

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

Regarding motions to approve an action as a class action under Sections 43, 49. 53, 55 and 56 below, it is not possible at this early stage to estimate the chances that the applications will be approved as a class action and therefore no provision was included in the financial statements for these claims.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

1. In January 2008, an action was filed in the Tel Aviv District Court against the subsidiary Harel Insurance and against four additional insurance companies (hereinafter together: “the Defendants”) together with an application for its certification as a class action. The subject of the action is a claim that the respondents unlawfully collected "sub-annual factor payments" (a fee that insurance companies are allowed to collect when the amount of the annual premium is paid in several installments). The plaintiffs claim damages in the amount of NIS 1,683.54 for each year of insurance. The plaintiffs estimate that the total claim for the entire class that they wish to represent against all defendants is about NSI 2.3 billion, of which about NIS 307 million is against Harel Insurance. On February 1, 2010, the court approved a request for a procedural arrangement between the parties, whereby the plaintiff will strike out from the motion and the action the claim that Harel Insurance collected a sub-annual factor fee exceeding the rate permitted in policies that were issued before 1992 as well. As instructed by the court, the plaintiff submitted an amended claim and request for its certification as a class action. On December 29, 2013 the Commissioner submitted a position that supports the position of the Defendants that there is no impediment to collecting sub-annual policy factors, on the savings component of life insurance combined savings and other term policies, including long-term care, work disability and accidental disability. On July 19, 2016, the Tel Aviv District Court approved the claim as a class action in connection with the collection of a sub-annual factor on the premium component which is known as the policy factor and on the savings component in combined savings and life assurance policies, and in connection with the collection of a sub-annual policy factor in health, disability, critical illness, work disability and long-term care policies. In December 2016, an application was filed for permission to appeal the decision of Tel Aviv District Court. Following a decision of the Supreme Court from January 2017, the respondents responded to the motion for permission to appeal the decision to certify the action as a class action and it was heard by a panel of judges. In April 2017, the Supreme Court accepted the request for a stay of implementation that was filed by the Defendants and it determined that the hearing would be stayed until a decision has been made on the application for permission to appeal and on the appeal. On May 31, 2018, the Supreme Court accepted the motion for permission to appeal, heard it as an appeal and accepted it, reversing the ruling of the District Court and dismissing the motion for certification of the action as a class action. On June 26, 2018, a motion was served to Harel Insurance to hold a further hearing on the judgment that the plaintiffs filed in the Supreme Court. In its decision from July 2, 2019, the Supreme Court instructed that another hearing on the judgment should take place before a panel of seven judges. In November 2019, the Attorney General announced that he would appear at the proceeding in person and in February 2020 he submitted his position supporting the judgment and the trend it reflects for strengthening the weight that should be given to the regulator’s professional position in the interpretation of his instructions and that in his view, there is no room to intervene in the decision made in the judgment which is the subject of the proceeding with respect to adopting the interpretive position of the Capital Market Authority. In July 2020, a further hearing on the ruling was head in the presence of a panel of seven judges and on July 4, 2021, a ruling was handed down in the additional hearing whereby the decision of the District Court, which determined that the motion for certification was accepted, it will remain unchanged and the case will be returned to the District Court for a hearing on the class action.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

2. In May 2011, an action was filed in the Central Region District Court against the subsidiary Harel Insurance and three other insurance companies (hereinafter together: “the Defendants”), together with an application for certification as a class action. The subject of the action is an allegation that the Defendants allegedly unlawfully collect a payment called a "policy factor" and/or "other management fees" at a considerable rate of the premium paid without their consent or knowledge and without compliance with a condition that enables such collection in the policy instructions. The plaintiffs argue that according to instructions issued by the Commissioner, companies may charge a policy factor under certain conditions; however they also claim that in addition to the Commissioner's authorization, the Defendants must stipulate collection of the policy factor in a contractual agreement with the policyholder. According to the plaintiffs, the total loss claimed for all members of the group against all the Defendants is NIS 2,325 million, and against Harel Insurance, based on its share of the market, is NIS 386 million. On June 10, 2015, the parties filed an application in the court to approve a compromise settlement. The court appointed a reviewer for the compromise settlement. Under the proposed compromise settlement, the Defendants undertook to reimburse the class members with a total amount of one hundred million shekels for the collection of a policy factor in the past. Harel Insurance’s share of this amount is NIS 14 million. Additionally, each of the Defendants undertook to reduce the future collection for the policy factor from these class members at a rate of 25% relative to the amount actually collected. The Defendants also agreed to bear the compensation to the class plaintiff and cover the cost of his lawyer’s fees, by an amount to be decided upon by the court. In its decision from November 21, 2016, the court dismissed the compromise settlement and approved litigation of part of the claim as a class action on the grounds of a breach of the insurance policy on account of collection of the policy factor fee with no legal basis, in a manner that compromises the insured’s accrued savings, starting from seven years prior to the date of filing the claim. The relief to be claimed as part of the class action will be to remedy the breach by way of revising the insured’s accrued savings by the additional amount of savings that would have been accrued if the policy factor had not been collected or by compensating the insured by the aforesaid amount. In addition, from now on, the policy factor will no longer be collected. The class in whose name the class action is litigated comprises insureds of the Defendants who have combined life assurance and savings policies that were drawn up between 1992-2003, where the savings accrued by the insured were compromised due to the collection of the policy factor. In May 2017, the Defendants filed a motion in the Supreme Court for permission to appeal this decision, in which context the compromise settlement was dismissed and the motion to certify the claim as a class action was partially approved. In September 2018, the Attorney General’s response was filed to the motion for permission to appeal, according to which his position is that the Central District Court was correct in its decision not to approve the compromise settlement and to partially approve the motion to certify the action as a class action. In February 2019, the motion for permission to appeal was struck out, after the Defendants accepted the Supreme Court’s recommendation to withdraw the motion for permission to appeal, while maintaining all their arguments and rights. The parties are conducting a mediation process in parallel with litigation of the class action. On September 23, 2022, a decision was handed down according to which the court’s position is that the lower threshold for compromise purposes should be 40% and not less. The parties are negotiating a compromise settlement.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

3. 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 Insurance ostensibly refrains from paying insurance benefits to its policyholders together with linkage differences and interest, from the date of occurrence of the insured event up to the payment date of the insurance benefits. The total loss claimed for all members of the group amounts to sums varying from NIS 168 million to NIS 807 million. The mediation process conducted by the parties was unsuccessful and litigation of the action was returned to the court. On August 30, 2015, the Tel Aviv District Court partially accepted the motion for certification, such that conducting of the claim as a class action was approved with respect to the argument concerning non-payment of interest as required under Section 28(A) of the Insurance Contract Law ("the Law"), and the motion was dismissed insofar as it relates to the argument that Harel Insurance does not link the insurance benefits in accordance with the provisions of Section 28(A) of the Law. The plaintiffs estimate that the overall loss claimed for all members of the group in relation to the Company according to the amended statement of claim amounts to NIS 120 million. In October 2015, an application was filed for permission to appeal the decision to certify the application as a class action. In accordance with the court's recommendation, in August 2016 the Defendants withdrew the application for permission to appeal. On February 28, 2021, a partial ruling was given on the action (the "Partial Ruling") adopting the ruling in the certification decision according to which the class action was accepted. According to the Partial Ruling, the group is defined as any eligible person (insured, beneficiary or third party) who in the period commencing three years prior to filing the action and its termination on the day of giving the Partial Ruling, received from Harel Insurance, not in accordance with a ruling on his affairs, insurance compensation without the inclusion of interest by law. Furthermore, the court stipulated that for the purpose of exercising the ruling, an expert will be appointed to determine the method of refunding the group members and calculating the amount of the refund, and it also determined that expenses will be paid to the representative plaintiffs and legal costs to their attorneys. In May 2021, Harel Insurance filed an appeal on the partial ruling in the Supreme Court. In June 2021, the Supreme Court accepted the Defendants' motion to stay implementation of the partial ruling in the sense that the proceeding to appoint an expert for implementation of the partial ruling will be delayed until a decision is made on the appeal proceeding. On November 9, 2022, the Supreme Court denied the appeal on the partial ruling, in the absence of grounds for judicial intervention in the interim decision. It was also stipulated that the appropriate place to investigate the appeal arguments is in the form of an appeal on the final judgment.

4. In April 2014, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance pays the holders of Hiyunit profit-sharing policies for work disability and long-term care insurance ("the Policy") monthly compensation (which consists of monthly compensation and the outstanding bonus), which is ostensibly calculated in contravention of the Policy provisions, and that Harel Insurance, allegedly, does not pay the policyholders the bonus they have accrued up to the date of payment of the first monthly compensation according to the Policy. The total loss claimed for all members of the Group that the plaintiff wishes to represent amounts to NIS 381 million. In March 2019, the Tel Aviv District Court certified litigation of the claim as a class action ("the Decision"). The class in whose name the class action is to be litigated is all insureds in profit-sharing life-assurance policies managed by Harel Insurance, in which the insurance benefits are paid based on an Rm formula. On July 17, 2019, Harel Insurance filed an application in the Supreme Court for permission to appeal the decision. On July 22, 2019, Harel Insurance was served with an appeal in the Supreme Court which was filed by the plaintiff in the motion for certification, on that part of the decision in which the District Court ruled not to certify litigation of the claim as a class action on the grounds of deception and that the definition of the class in the class action did not also include past insureds, including beneficiaries and heirs of insureds in the insurance policies in respect of which the claim had been certified as a class action. At the hearing, which took place in the Supreme Court on September 13, 2021, it was agreed that the group for which the class action was approved would be reduced and it was stipulated that it also includes past insureds and that the prescription period in respect of the insurance benefits is 3 years. Subject to this, with the consent of the parties, the motion for permission to appeal and the appeal were dismissed.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

5. In June 2014, an action was filed in the Tel Aviv District Court, together with an application for its certification as a class action, against the subsidiary Dikla Insurance Agency Ltd. (in its previous name Dikla Insurance Company Ltd. ("Dikla")) The subject of the action is the argument that under the provisions of the group long-term care insurance policy for members of Clalit Health Services Supplementary Long-term Care Plus ("the Policy"), Dikla fails to pay insureds who require long-term care insurance benefits for the days in which they were hospitalized in a general or rehabilitation hospital, and that these days are not included in the number of days for calculating the waiting period determined in the policy, and this ostensibly in contravention of the Commissioner' instructions and the provisions of the law. The plaintiff estimates the total loss claimed for all members of the Group that it wishes to represent at NIS 35 million. The court passed the motion to accept the Commissioner's position regarding the disputes that are the subject of the motion for certification of the action as a class action. In January 2016, the Commissioner's position was submitted which stated that the policy definition of the insured event does not violate the instructions of the Capital Market, Insurance and Savings Authority and that the policy which is the subject of the claim was approved separately by the Capital Market, Insurance and Savings Authority. In December 2018, the court dismissed the motion to certify the claim as a class action on the grounds that non-payment of the insurance benefits in respect of the hospitalization period is contrary to the Commissioner's instructions, but it approved the conducting of the action as a class action on the grounds of a breach of an insurance circular on the subject of fair disclosure to insureds when they are enrolled in a health insurance policy. The class in whose name the class action is to be conducted is all Dikla policyholders who purchased long-term care insurance after October 1, 2001, who were entitled to claim insurance benefits in the period between May 29, 2011 and May 29, 2014, and where the proper disclosure form attached to the purchased policy does not mention or refer to the section that states that the date of occurrence of the insured event is the date on which the insured first becomes eligible, or the date on which the insured was discharged from a general or rehabilitation hospital, whichever is later. In May 2019, Dikla filed a motion in the Supreme Court for permission to appeal the decision. In June 2019, the plaintiff in the motion for certification filed an appeal in the Supreme Court against the District Court's ruling not to certify litigation of the claim as a class action according to which non-payment of the insurance benefits for the hospitalization period contravenes the Commissioner's instructions and also that, as argued by the plaintiff, the court did not rule on the additional argument of breach of contract. At the hearing, which took place in the Supreme Court on May 10, 2021, the motion for permission to appeal and the appeal were dismissed, after the parties accepted the Supreme Court's recommendation to withdraw them, while preserving all their arguments. In January 2022, the parties informed the court of their agreement to enter into a mediation process. The parties are conducting a mediation process. The mediation process conducted by the parties was unsuccessful and the hearing of the action returned to the court.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

6. In July 2014, a motion for certification of a claim as a class action was filed in the Lod-Center District Court against the subsidiary Harel Pension & Provident and against four other pension fund management companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants raise the management fees paid by pension fund members from the cumulative savings (accrued balance) to the maximum rate permitted by law on the date on which the members become pensioners, receive their old-age pension and they are no longer able to move their pension savings. In this way, the Defendants ostensibly apply the contractual right to which they are entitled under the provisions of the pension fund articles, in an unacceptable manner, in bad faith and contrary to the provisions of the law. According to the plaintiffs, the total loss claimed for all members of the group that the plaintiffs wish to represent, amounts to NIS 48 million against all the Defendants. The court passed the application to the Commissioner for his opinion on the questions arising from the motion for certification. In September 2017, the Commissioner’s position was submitted supporting the Defendants’ position whereby the rate of the management fees collected from members during the savings period is not equal to the rate of the management fees collected from post-retirement annuity recipients, given that they relate to two different periods and have different characteristics. The post-retirement management fees are reset at the time of retirement and unrelated to the rate prior to retirement. This is therefore not considered an increase in the management fees but rather setting the rate of the management fees for the period of retirement. The “Management Fees Circular” which relates to the management companies’ obligation to notify their members does not apply to the setting of management fees for pensioners; and the obligation to give notice of a change in the management fees by virtue of the circular does not apply to the management companies with respect to annuity recipients. The mediation process conducted by the parties was unsuccessful and the hearing on the action was returned to the court. On March 18, 2022, the Lod-Center District Court certified litigation of the claim as a class action. The class in whose name the class action is to be litigated is anyone who is a member of a comprehensive pension fund which is listed as one of the Defendants, and who is eligible to receive an old-age pension and/or may in future be eligible to receive an old-age pension.
7. In September 2015, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiaries Harel Insurance and Dikla Insurance Agency Ltd. (in its previous name Dikla Insurance Company Ltd. (“Dikla”)) and against three other insurance companies (henceforth together: “the Defendants”). The subject of the action is the allegation that the Defendants allegedly adopted an interpretive approach whereby in order to recognize an insured in the investigation of a claim for long-term care as one who suffers from incontinence, this condition must be the outcome of a urological or gastroenterological illness or ailment only. This, ostensibly, in contravention of the provisions of the insurance policy. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate it to be hundreds of millions of shekels. The mediation proves conducted by the parties was unsuccessful and the hearing on the action was returned for litigation in the court. In April 2020, the Central District Court approved litigation of the claim as a class action against Harel Insurance, Dikla and against two other insurance companies, on the grounds of breach of the long-term care insurance contract that led to non-payment or underpayment of the long-term care benefits, due to non-recognition of the insureds as being eligible to points for incontinence ("control of bowel and bladder functions"). The group in whose name the class action is being conducted is anyone who had long-term care insurance that was sold by one of the Defendants against whom conducting the action as a class action was approved, and who suffered from the loss of ability to independently control bowel or bladder functions as a result of a combination of impaired control of these functions that has not developed to organic loss of control with deteriorated functional condition, and nevertheless did not receive from the Defendants against whom conducting the claim as a class action was approved (as applicable) points for incontinence in the framework of the assessment of his claim to receive long-term care benefits, in a manner that led to an infringement of his rights to insurance compensation in the period between September 8, 2012 and the date of approval of the action as a class action. The parties are conducting a mediation process.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

8. In September 2015, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension & Provident and against four other companies (“hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants were ostensibly in breach of their fiduciary duties towards the members of the provident funds they manage by paying commissions to the insurance agents at a rate derived from the management fees they collect from the members, thereby compensating the agents by an amount that increases in line with the increase in the management fees. Their argument is that the Defendants ostensibly practiced unjust enrichment by creating a mechanism aimed at increasing the management fees in favor of the agents and management companies. The plaintiffs estimate the loss for all members of the group they wish to represent in the amount of NIS 300 million per annum since 2008 and in total by approximately NIS 2 billion. On November 22, 2022, the Tel Aviv District Court denied the motion for certification of the action as a class action. On January 19, 2023, the subsidiary Harel Pension & Provident was served with an appeal on the judgment which the plaintiffs in the motion for certification filed in the Supreme Court.

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

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

10. In September 2016, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly collects payment from the holders of the Harel savings policy "Harel Migvan Personal Investments" for a component relating to investment management expenses which may be collected by law, but without contractual agreement in the policy conditions allowing it to collect this component. According to the plaintiff, Harel Insurance is therefore fundamentally in breach of the policy provisions, in breach of the fiduciary obligation applicable to it and misleads its policyholders. The plaintiff estimates the overall loss caused to all members of the group it seeks to represent in the amount of NIS 27.8 million. In May 2019, the Tel Aviv District Court approved litigation of the claim as a class action on the grounds of a breach of the insurance policy due to the unlawful collection of investment management expenses. The class in whose name the class action is to be litigated is all holders of the Migvan Personal Investment policy of Harel Insurance at the present time and in the seven years preceding the date of filing the motion. In September 2019, Harel Insurance filed a motion for permission to appeal the decision in the Supreme Court. In November 2019, the Supreme Court ruled that a response must be submitted to the motion for permission to appeal and it instructed the Attorney General to submit his position on the motion in writing. In August 2020, the Attorney General announced that he would appear at the motion for permission to appeal and he submitted his position on the motion for permission to appeal to the effect that the plaintiffs should be granted permission to appeal, the motion for permission to appeal and the actual appeal should be accepted, the decision approving litigation of the claim as a class action should be nullified and the motion for certification should be dismissed. In June 2021, notice was filed on behalf of the Attorney General, in which an update was provided whereby on June 28, 2021, a draft report on the subject of a review of the direct expenses prepared by the advisory committee to the Commissioner of the Capital Market was published for public comment. In this notice, the Attorney General made it clear that in his opinion, the contents of the report will not have any repercussions on the decision in the legal proceeding nor will they change his legal position, and he asked to submit a statement setting out his position with respect to the contents of the report. In July 2021, the Supreme Court accepted the Attorney General's request. On January 2, 2022, the Attorney General submitted his comments as to the repercussions of the report on the legal proceeding, according to which the information in the report will not change his position as submitted in the proceeding, whereby the motion to appeal and the actual appeal should be accepted, and the motions to certify litigation of the actions as class actions should be denied; the information in the report will not influence the judicial decision in the proceeding; nor does it in any way contradict his position as submitted in the proceeding and the information therein even reinforces his position from certain perspectives.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

11. In October 2016, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that until the annual report for 2015, Harel Insurance ostensibly neglected to disclose to its policyholders, who purchased long-term care insurance with a variable premium, what premium they will be charged from the age of 65, despite the fact that, according to the plaintiff, the premium on this policy increases by hundreds of percent at the age of 65. The plaintiff argues that Harel Insurance is therefore in breach of a statutory obligation and in breach of the obligation to provide disclosure, in breach of agreement, acts in bad faith, practices unjust enrichment and acts negligently. The plaintiff further argues that charging insureds for future premiums based on tariffs that are unknown to them is a discriminatory condition in a standard contract. The plaintiff has not quantified the total loss claimed for all members of the group that she wishes to represent against Harel Insurance, although she estimates it to be millions of shekels. In July 2017, the court approved the plaintiff's application to amend the motion for certification so that it also addresses the claim whereby Harel Insurance ostensibly neglected to present to its policyholders before the date of enrolment in the policy, the premium they would pay from the age of 65, despite the fact that it is obligated to do so according to the Commissioner's circular. In August 2017, an amended motion was filed for certification of the action as a class action. The subject of the amended motion is the allegation that Harel Insurance ostensibly neglected to present to its policyholders who have long-term care insurance with a variable premium, in the enrolment form and/or in the general conditions of the policy, the premium they would pay from the age of 65 onwards, before they enrolled in the insurance. In March 2019, the court ordered the transfer of the application for obtaining the Commissioner's position with respect to the dispute which is the object of the motion for certification. In November 2019, the Commissioner's position was received according to which the provisions of Circular 2001/9 "Fair Disclosure for Insureds Enrolling in Health Insurance Policies" ("the Circular") issued by the Authority as well as the statutory provisions, obligate insurers to inform candidates for insurance at the time of purchasing the insurance of the way in which premiums may change, but the text of the Circular does not address the question of how this obligation must be fulfilled prior to enrollment and whether the obligation must be fulfilled in writing. The mediation process conducted by the parties was unsuccessful and the hearing of the action returned to the court. On February 2023, the parties informed the court that they had managed to reach agreements in principle.

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

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

13. In January 2017, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance does not disclose (itself or through its insurance agents) to its motor insurance insureds, who are on the verge of crossing an age or driving seniority bracket in the policy period that they are able to update the driver’s age or driving seniority and receive a premium refund, and that as a result these insureds overpay the premium due to not having updated the premium in the policy period as a result of changing the age or seniority bracket. The plaintiffs estimate the loss caused to members of the class they wish to represent in the amount of at least NIS 12.25 million. On February 16, 2022, a judgment was handed down by the Central District Court in which a class action which had been filed against another insurance company on a similar matter (“the Corresponding Claim”) was dismissed. In March 2022, the District Court ordered a stay of proceedings until a ruling is given on an appeal to be filed in the Corresponding Claim.

14. In March 2017, an action was filed in the Jerusalem District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension & Provident. The subject of the action is the allegation that until the end of 2015, Harel Pension & Provident ostensibly collected from the members of Harel Otzma Taoz Provident Fund investment management expenses, which is permissible by law, but without contractual agreement in the provident fund articles allowing such expenses to be collected. The plaintiff estimates the loss caused to all members of the group it wishes to represent at NIS 127.1 million. In January 2018, it was decided to consolidate the hearing with additional motions to certify pending class actions on the subject of direct expenses in provident funds and education funds. In February 2018, the court ruled that the Commissioner’s opinion on the proceeding should be obtained. In May 2018, the Commissioner’s opinion was submitted supporting the position of the Defendants in which financial institutions are permitted to collect direct expenses from the members or insureds, even if this is not explicitly mentioned in the institution’s articles, and provided that this is done in accordance with the Supervision of Financial Services (Provident Funds) (Direct Expenses for Performing Transactions) Regulations, 2008 (“the Regulations”). In his position, the Commissioner noted that it is also relevant, with the necessary changes, for insurance companies that manage yield-dependent insurance.

15. In December 2017, an action was filed in the Jerusalem District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance, against two other insurance companies, against Clalit Health Services (“Clalit”) and against Maccabi Healthcare Services (“Maccabi”) (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly refuse to provide long-term care insurance for people on the autism spectrum or they set out unreasonable conditions for accepting them to the insurance, without their decisions being based on any statistical actuarial or medical data that is relevant to the insured risk and without providing a reason for their decision, as required by law. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, however they estimate it to be tens or hundreds of millions of shekels. In June 2019, the court ordered the application to be submitted for obtaining the position of the Attorney General on questions arising from the motion for certification. In January 2020, the Attorney General announced that his position was the same as the position he had submitted in a parallel case and which supports the arguments of Harel Insurance. On February 6, 2023, the Jerusalem District Court denied the motion for certification of the action as a class action. On April 17, 2023, Harel Insurance was served with an appeal on the judgment which the plaintiffs in the motion for certification filed in the Supreme Court.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

16. In January 2018, an action was filed in the Lod-Center District Court against the subsidiary Harel Insurance and against five other insurance companies (hereinafter together: "the Defendants"), together with an application for its certification as a class action. The subject of the action is the allegation that the Defendants ostensibly unlawfully refrain unlawfully from paying insurance benefits to insureds, to third parties and beneficiaries for the VAT component that applies to the cost of damages in those instances where the damage was not actually repaired. The plaintiff estimates the overall loss claimed for all members of the class that she wishes to represent against Harel Insurance at NIS 19 million for each year and the period that she wishes to sue for is from June 4, 2001, and alternatively from 7 years prior to the period of filing the previous claim and/or 7 years before the date of filing this motion. The grounds of the action and motion for certification are the same as those for which a previous action and motion for its certification were filed against the Defendants. On January 3, 2018 the Supreme Court dismissed an appeal on a ruling of the Central-Lod District Court dated February 20, 2017, in which the motion was struck out. On January 4, 2022, the Lod-Center District Court denied the motion for certification of the action as a class action. On April 11, 2022, the plaintiff filed an appeal in the Supreme Court against the decision of the District Court.
17. In April 2018 an action was filed in the Lod-Center District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly pays insureds who have policies for surgery that do not provide compensation at a rate of half the expenses saved if the surgery is performed by the HMOs, but they receive an undertaking for payment of this compensation for amounts that are actually less than half of the expenses subsequently saved by the company, and it is therefore ostensibly in breach of its undertaking towards them. The plaintiff estimates the overall loss claimed for all members of the class it wishes to represent at NIS 7 million. The parties are conducting a mediation process. On January 16, 2023, the parties filed a motion in the Lod-Center District Court to approve a compromise in which context it was agreed that the Group members, as they are defined in the compromise settlement, will receive a supplement to the compensation paid to them based on the cost of the components of each operation.
18. In June 2018, a claim was filed in the Jerusalem District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance and against another insurance company (hereinafter together: "the Defendants'). The subject of the action is the allegation that the Defendants refuse to recognize surgery performed for which there is a medical need as an insured event under the conditions of their health insurance policies, on the grounds that it is preventive surgery. The plaintiff has not estimated the total loss claimed by all members of the class that he wishes to represent. In September 2020, the court instructed that the Commissioner's position on the issues arising from the motion for certification should be accepted. In February 2021, the Commissioner's position was accepted that based on the proper and appropriate interpretation of the definition of the term "surgery" according to Insurance Circular 2004/20 concerning the definition of medical procedures in health insurance ("the Surgery Circular"), which was issued by the Commissioner of Insurance, a private health insurance policy provides the insured with a safety net against the illnesses listed in the policy, which also includes cover for surgery which will prevent these illnesses from developing or occurring. In January 2022, the Jerusalem District Court certified litigation of the action as a class action. The group in whose name the class action is to be conducted is any person who entered into a health insurance contract with the Defendants, which includes insurance cover for surgery, and whose claim for performing surgery was dismissed on the grounds that the surgery is preventive and is not covered in the policy (even if the reason was presented differently in the letter of dismissal). On May 24, 2022, the subsidiary Harel Insurance filed a motion for permission to appeal the decision in the Supreme Court.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

19. In December 2018, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance, against two other insurance companies (hereinafter together “the Defendant Insurance Companies”) and against four banks (hereinafter together “the Defendant Banks”). The subject of the action is the allegation that the Defendant Insurance Companies ostensibly issue structural insurance policies to the owners of buildings against which there is a lien due to a mortgage guarantee, despite the fact that when the policies are issued a policy guaranteeing the same building with respect to the same period already exists, whether through the same insurance company or through another insurance company. This, ostensibly, in breach of the explicit statutory provisions and misleading the insureds. The plaintiffs estimate the overall loss claimed for all members of the class they wish to represent to be a nominal amount of NIS 280 million. On April 30, 2023, the parties filed a motion in the Tel Aviv District Court to certify a compromise settlement in which it was agreed, among other things, that if insureds are found who insured a property for structural insurance with more than one policy for the same period, Harel Insurance will be awarded the cheaper of the premiums that were paid in that period.

20. In February 2019, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance asked insureds in a group policy for the employees of Israel Electric, who received insurance benefits from which tax was not withheld at source, to return the amounts it had paid for these tax payments. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 3 million. In July 2020, Harel Insurance filed a motion for summary abandonment of the motion for certification of the claim as a class action. In September 2020, the court accepted the motion filed by Harel Insurance for summary abandonment of the motion for certification of the action as a class action, and it instructed that the motion for certification should be summarily dismissed. On November 8, 2020, Harel Insurance was served with an appeal on the judgment which the plaintiff filed in the Supreme Court. Following a hearing that was held before the Supreme Court in February 2022, the court instructed the Attorney General to submit his position on a subject of principle arising from the appeal. On September 18, 2022, the Attorney General submitted her position according to which approval should not be given to conduct a class defense by way of judicial legislation, but only by way of primary legislation. Nonetheless, in appropriate cases, a class action may be conducted for declarative relief. On January 30, 2023, the Supreme Court accepted the appeal and returned the hearing to the Central District Court for it to hear the motion for certification of the action as a class action from outset.

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

22. In June 2019, an action was filed in the Tel Aviv-Jaffa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against three other insurance companies (hereinafter together: “the Defendants”). The subject of the action is the allegation that the Defendants ostensibly refrain from paying interest on insurance benefits to their insureds, from 30 days after the claim is filed. This action and motion address the same grounds as those in a previous action and motion for certification as a class action (“the First Claim”) which was partially certified as a class action on August 30, 2015 (“the Certification Decision”) by the Tel Aviv District Court and is currently being heard in its own right (see Section (A) (6) above), but they refer to a different period from the one for which the First Claim was certified and it was filed by the plaintiffs for reasons of caution and in parallel with their request to broaden the group represented in the First Claim also to the period from the issuing of the Certification Decision until the judgment is actually given. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance at about NIS 90 million, and against all the Defendants in the amount of NIS 264.4 million. In July 2020, the Tel Aviv District Court ordered a stay of proceedings until a verdict is issued on the first claim.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

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

24. In December 2019, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the consolidated subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly only disclosed to its policyholders who purchased Magen 1 life assurance policies with a variable premium and/or Harel LeAtid work disability policies, at the time of the purchase, the premium to be paid for a few years and not for the entire policy period. The plaintiff does not quantify the total loss caused to all members of the class it wishes to represent but he estimates the loss at hundreds of millions of shekels. In October 2020, the parties informed the court of their agreement to enter into a mediation process. The mediation process conducted by the parties was unsuccessful and the hearing of the action was returned to the court. In September 2021, the court submitted the motion to the Commissioner to obtain his position in relation to the disputes which are subject of the motion for certification of the action as a class action. In April 2022, the Commissioner's position was submitted stipulating that an obligation applies to the insurance companies to disclose the information concerning the premiums to be paid by the insured throughout the policy period. The parties renewed the mediation process. In October 2022, the parties filed a motion in the court to approve a compromise settlement in which it was agreed, *inter alia*, that Harel Insurance will pay the class members a lump-sum amount of compensation based on the mechanism set out in the compromise settlement.

25. In January 2020, an action was filed in the Beersheba District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against Kranot Hashotrim Be'Israel Ltd. (Israel Police funds). The subject of the action is the allegation that Harel Insurance ostensibly failed to provide a cop y of the insurance policy for its insureds who hold group life assurance and that it ostensibly neglected to disclose to them changes that were made in the policy regarding renewal of the policy. The plaintiffs did not quantify the financial loss alleged for all members of the classes they wish to represent, but they estimate the overall non-financial loss for all the class members at NIS 400 million. In December 2020, the motion for certification with respect to Israel Police Funds was dismissed outright and the action and the motion are now being litigated exclusively against Harel Insurance. In September 2021, the court sent the motion to the Commissioner to obtain his position on questions arising from the motion for certification. In January 2022, the Commissioner's position was submitted supporting the position of the Defendants to the effect that insofar as the Israel Police Funds transferred the policies and the policy schedule by electronic mail and by regular mail, as chosen by the insured and as arises from the pleadings, then the Israel Police Funds and Harel Insurance have in fact complied with the Authority's requirements regarding the method of informing the insureds of the entering into force of a new insurance policy. On May 30, 2022, the Beersheba District Court denied the motion to certify the action as a class action. On July 28, 2022, Harel Insurance was served with an appeal on the judgment which the plaintiffs in the motion for certification filed in the Supreme Court.

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

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

27. In April 2020, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against eleven other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies for premiums that were ostensibly overpaid by the policyholders in view of the seeming substantial reduction of the risk level to which the Defendants are exposed from March 2020 in view of the contraction of economic activity due to the outbreak of the COVID-19 pandemic and subsequent reduced volume of traffic. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 130 million, and against all the Defendants in the amount of NIS 1.2 billion. In June 2020, the court instructed that hearing of the motion should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in the proceeding before it and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court denied the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute or insofar as an appeal is filed on the ruling in the Supreme Court - until a ruling is given on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the judgement in the additional proceeding had become absolute.
28. In April 2020, an action was filed in the Central District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance, against six other insurance companies and against the company that manages the pool for compulsory motor insurance ("the Pool) (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies for premiums that were ostensibly overpaid by the policyholders in view of the seeming drastic reduction of the risk level to which the Defendants are exposed in view of the dramatic decrease in the number of claims submitted to the Defendants due to the contraction of economic activity as a result of the outbreak of the COVID-19 pandemic and alleged subsequent reduction in the volume of traffic on the roads and percentage of road accidents in Israel. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 110 million, and against all the Defendants in the amount of NIS 720 million. In June 2020, the court instructed that the hearing should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in the proceeding being heard by the court and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court dismissed the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute or insofar as an appeal is filed on the ruling in the Supreme Court - until a ruling is given on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the judgement in the additional proceeding had become absolute.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

29. In May 2020, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Pension & Provident and against thirteen other management companies ("the Defendants"). The subject of the action is the allegation that the Defendants ostensibly classify part of the provisions for their customers to the education funds that they manage as taxable provisions, despite the fact that they are not considered as such. The plaintiffs have not quantified the loss claimed for all members of the class they wish to represent, but they estimate it, on the low side, in the amount of hundreds of millions of shekels. In April 2021, a motion was filed for permission to file a third-party notice against the Tax Authority. In August 2021, the Tax Authority responded to the motion and argued, inter alia, that according its position, the motion for certification should have been filed in an appropriate proceeding against the Tax Authority and not against the defendants and that there is no place to approve the motion in the manner in which it was filed. Furthermore, the court asked to instruct that the Tax Authority should be included as a respondent to the proceeding and to instruct it to submit its position on the arguments set out in the motion for certification. In February 2022, the court instructed that the Tax Authority should be included as a respondent in the proceeding. The Tax Authority submitted its response in August 2022, and, among other things, argued that the proceeding is inconsistent with investigation as a class proceeding and that the respondents operate in these contexts as a "conduit" to transfer money. The Authority rejected the applicants' position whereby the calculation should be annual, stated that the statutory calculation should be monthly, and explained that in its circulars, over the years, it allowed the calculation to be made on an aggregate monthly basis. In February 2023, the parties informed the court of their agreement to enter into a mediation process.

30. In June 2020, an action was filed in the Central Region District Court together with a motion for its certification as a class action against the subsidiaries Harel Insurance and Harel Pension & Provident (hereinafter together "the Defendants"). The subject of the action is the allegation that as part of loan agreements between the Defendants and their customers, in loans that are linked to the Consumer Price Index ("the CPI"), it was allegedly determined that if the CPI decreases, principal and interest payments will not fall below their value as specified in the loan repayment schedule. This, ostensibly, in contravention of the law and which constitutes, as argued by the plaintiff, a discriminatory condition in a standard contract. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 3 million. The mediation process conducted by the parties was unsuccessful. In October 2022, the court instructed the Commissioner to state his position with respect to the issues in dispute. On March 13, 2023, the Commissioner's position was submitted in which, if it is determined that the linkage mechanism failed to meet the statutory provision, and restitution of the excess payment is required, this money may be refunded from the provident fund monies or from the insureds monies. In accordance with the court's decision, on April 23, 2023, the hearing was transferred to the Tel Aviv District Labor Court.

31. In July 2020, an action was filed in the Lod-Center District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against four other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly do not reduce the insurance premiums for insureds determined with exclusions on account of a pre-existing medical condition despite the fact that the exclusions allegedly reduce the insurance risk relative to the risk in policies for insureds for whom similar exclusions were not determined. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Harel Insurance in the amount of NIS 760 million, and against all the Defendants in the amount of NIS 1.9 billion.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

32. In August 2020, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly conditions the investigation of claims for disability in personal accident policies on the submittal of a medical opinion for the insureds and that it refuses to reimburse the insureds for the cost of the professional opinion and this, ostensibly in contravention of the policy provisions and also the allegation that Harel Insurance assesses each of the claim components separately, in contravention of the statutory provisions. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate that it is more than NIS 3 million. The parties are conducting a mediation process.

33. In September 2020, an action was filed against the subsidiary Harel Insurance in the Tel Aviv District Court, together with a motion for its certification as a class action. The subject of the action is the allegation that Harel Insurance allegedly does not disclose to its travel insurance policyholders that the limitation relating to baggage insurance with respect to the maximum amount of compensation for loss or theft of an item also applies to the loss or theft of a valuable item. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent in the amount of NIS 447 million. In December 2021, the court submitted the motion to the Commissioner to obtain his position in relation to the dispute which is subject of the motion for certification of the action as a class action. In March 2022, the Commissioner's position was submitted according to which Harel's interpretation is inconsistent with the simple wording of the policy.

34. In December 2020, an action was filed in the Tel Aviv Jaffa District Court, together with a motion for its certification as a class action, against the subsidiary Harel Pension & Provident. The subject of the action is the allegation that Harel Pension & Provident does not, ostensibly, comply with the statutory provisions relating to the location of members with whom contact has been lost and relating to the location and notification of beneficiaries and heirs of deceased members. It is further alleged that Harel Pension & Provident ostensibly collected excess management fees in a manner contrary to the statutory provisions. The plaintiffs have not quantified the loss claimed for all members of the class they wish to represent, but they estimate it to be tens and even hundreds of millions of shekels. On September 2022, the Tel Aviv District Court partially certified litigation of the claim as a class action. The class in whose name the class action will be litigated is all the lawful beneficiaries and/or heirs of deceased members, as well as all members with whom contact has been severed and that Harel Pension & Provident collected from their accounts management fees at a rate in excess of the rate permitted by law, and this, from 2006 and up to the date of filing the motion for certification. The parties are conducting a mediation process.

35. In March 2021, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly unlawfully rejects claims by insureds in personal accident policies for payment of compensation for hospitalization days in a medical center which is not a general hospital, on the grounds that the policy defines a "hospital" as a general hospital only, and that the policy is ostensibly worded in a misleading manner and in contravention of the law, while violating Circular 2001/9 of the Commissioner of Insurance on the subject of "proper disclosure for insureds when enrolling in a health insurance policy". The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million. In March 2023, the parties informed the court of their agreement to enter into a mediation process.

36. In March 2021, an action was filed against the subsidiary Harel Insurance in the Tel Aviv District Court, together with a motion for its certification as a class action. The subject of the action is the allegation that Harel Insurance ostensibly unlawfully rejects claims for insurance benefits in respect of cover for a medical device by insureds in a group health insurance policy for members of the Israel Teachers Union, arguing that the maximum cover in the policy has been utilized and this, ostensibly, based on a clause in the policy which the plaintiff argues did not exist in the original policy and was applied retroactively. The plaintiff does not quantify the total loss caused to all members of the class it seeks to represent but it estimates the loss at more than NIS 2.5 million. On January 3, 2023, the parties filed a motion in the Tel Aviv District Court to certify a compromise settlement according to which it was agreed, *inter alia*, that additional insurance benefits for the purchase of medical equipment would be paid to the class members, as they are defined in the compromise settlement, had the insurance limit not been applied.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

37. In March 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance and against two other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly reject claims by health insurance policyholders, which include cover for medications that are not included in the health services basket, in respect of the costs of medical cannabis, despite the fact that it is argued that medical cannabis ostensibly meets the definition of "medication" in the policies. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against all the Defendants in the amount of NIS 79 million. The parties are conducting a mediation process.
38. In April 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the Company and against 14 different financial institutions - banks, insurance companies, investment houses, credit companies and credit card companies (hereinafter together: "the Defendants"). The subject of the action is the allegation that personal information about the Defendants' customers who utilize the digital services on the Defendants websites and apps is ostensibly passed on to third parties, particularly to Google and its advertising services, without the customers' explicit consent. The plaintiffs have not quantified the loss claimed for all members of the class they wish to represent, but they estimate it to be millions of shekels. The parties are conducting a mediation process.
39. In April 2021, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly marketed personal accident policies in an unacceptable and misleading manner and in contravention of the provisions of circulars issued by the Commissioner of the Capital Market, which regulate the process of enrolling insureds in the insurance. The plaintiff has not quantified the total loss claimed for all members of the class that it wishes to represent but it estimates the amount at millions of shekels.
40. In July 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against six other insurance companies (hereinafter together: "the Defendants"). The subject of the action is the argument that when calculating the monthly benefit paid to insureds in life assurance policies which include profit sharing from the investment portfolio, the Defendants allegedly deduct interest from the monthly return accrued to the insureds, without any appropriate stipulation to this effect in the policy conditions and without the rate of interest being specified in the policies. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate that it is more than NIS 2.5 million.
41. In September 2021, an action was filed in the Jerusalem District Court together with a motion for its certification as a class action against the subsidiaries Harel Pension & Provident and Harel Insurance (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants allegedly send advertisements by SMS and email and this, ostensibly, without obtaining the recipient's consent to receive such advertisements, without specifying that it is advertising, without including a message concerning the right to refuse to receive advertisements and without providing an option to refuse. This ostensibly in contravention of the Communications (Telecommunications and Broadcasts) Law, 1982. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent in the amount of NIS 10 million. In August 2022, the parties informed the court of their agreement to enter into a mediation process.
42. In October 2021, an action was filed in the Lod-Center District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against an additional insurance company (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly and unlawfully dismiss insurance claims for special-needs children, in the context of a long-term care policy, despite the fact that, according to the plaintiffs, they meet the definition of "cognitively impaired" according to the policy, and this without conducting any examination as to whether their condition corresponds with this definition. The plaintiffs estimate the overall loss claimed for all members of the class they wish to represent against both defendants together in the amount of NIS 2.97 billion.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

43. In October 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance. The subject of the action is the allegation, in part, that Harel Insurance ostensibly does not pay insureds in profit-sharing life assurance policies, according to which the insurance benefits are paid on the basis of an Rm formula, the full payment for the investment profits according to the policy instructions and that it ostensibly fails to calculate the yield rate in accordance with the policy instructions. This action addresses grounds which correspond partially with those addressed in a previous action and motion for certification as a class action - the Ben Ezra case ("the First Claim"), which was partially certified for litigation as a class action on March 27, 2019, by the Tel Aviv District Court ("the Certification Decision") and the application of which was limited by the Supreme Court to a number of specific policies only (see Section (A)(4) above). As a result, this action and motion for its certification as a class action was filed in relation to the other policies which are no longer included in the First Claim. The plaintiff estimates the overall loss caused to all members of the class it wishes to represent in the amount of NIS 1.4 billion.
44. In November 2021, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance The subject of the action is the allegation that Harel Insurance ostensibly refuses to provide insurance cover for partial work disability for its insureds in group medical insurance, and this ostensibly in contravention of the policy instructions. The plaintiff has not estimated the total loss claimed by all members of the class that it wishes to represent.
45. In December 2021, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance allegedly increases the premiums collected from its insureds in home structural insurance policies when they are renewed without obtaining their express agreement in advance to raise the premiums. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate that it is more than NIS 2.5 million. The parties conducted a mediation process that was not successful and hearing of the action returned to the court.
46. In December 2021, an action was filed in the Haifa District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance The subject of the action is the allegation that Harel Insurance allegedly collects amounts for a "withdrawal fine" from its insureds in life assurance policies when the savings in the policy is withdrawn or moved, and this ostensibly in contravention of the provisions of the law and the policy and without giving any warning to this effect prior to moving the money. The plaintiff estimates the overall loss caused to all members of the class it wishes to represent in the amount of NIS 3.55 million
47. In March 2022, an action was filed against the subsidiary Harel Insurance, together with a motion for its certification as a class action, in the Tel Aviv District Court. The subject of the action is the allegation that Harel Insurance allegedly unlawfully collected and collects from the insureds a premium for insurance cover for preventive surgery. The plaintiff does not quantify the total loss claimed for all members of the class it wishes to represent but it estimates the loss to be substantially more than NIS 2.5 million.
48. In April 2022, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance is in breach of its lawful obligation to pay linkage differences in respect of insurance benefits paid in the non-life insurance sectors for the period between the date on which the insured event occurs and the date of payment of the insurance benefits. The plaintiff does not quantify the loss claimed for all members of the class it wishes to represent. On January 12, 2023, a hearing took place in which the parties informed the court that they had decided to enter into a mediation process.
49. In August 2022, with an application for its certification as a class action. The subject of the action is the allegation that the Company's website is not accessible for people with disabilities, in contravention of the provisions of the law. The plaintiff does not quantify the loss claimed for all members of the class it wishes to represent.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

A. Contingent Liabilities (Contd.)

50. In August 2022, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly misleads its insureds by stating, in a misleading manner, that a campaign conducted by it is for a short time only, and that ostensibly, it markets a campaign that does not provide the product presented in the advertisement. The plaintiff estimates the overall loss claimed for all members of the class it wishes to represent in the amount of NIS 2.660 million. The parties are negotiating to reach a compromise.
51. In August 2022, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance ostensibly saves and sends personal information about its customers, in contravention of the statutory provisions and in an infringement of their privacy. The amount of the action is estimated at more than NIS 500 million (estimate only until additional data is received).
52. In September 2022, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and four other insurance companies. The subject of the action is the allegation that the Defendants only indemnify women insureds for expenses for prenatal tests and examinations for newborns, thus ostensibly discriminating against male insureds in their health policies. The plaintiff does not estimate the overall loss caused to all members of the class it wishes to represent but estimates it to be more than NIS 2.5 million.
53. In September 2022, an action was filed against the subsidiary Harel Insurance in the Tel Aviv District Court, together with a motion for its certification as a class action. The subject of the action is the allegation that Harel Insurance ostensibly neglects to pay policyholders with the Preferred Bonus health policy ("the Policy") the full cumulative premiums, in contravention of the policy instructions, and that Harel Insurance ostensibly collected excess premiums from the insureds in this policy. The plaintiff does not estimate the overall loss caused to all members of the class it wishes to represent.

Actions filed in the Reporting Period

54. In February 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that Harel Insurance allegedly does not pay its insureds who have motor insurance and third parties, the full fee for the assessor who prepares the loss assessment for the vehicle, in contravention of the provisions of the policy and the law. The plaintiff does not quantify the total loss claimed for all members of the class it wishes to represent.
55. In March 2023, an action was filed in the Haifa District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action is the allegation that the Defendants collected from their insureds who have work disability insurance, monthly premiums for the last few months corresponding with the last possible waiting period defined in each insurance contract for work disability, a period in which, according to the insurance contracts, the Defendants are not liable to pay any insurance compensation. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimated that the claim amounts are more than NIS 2.5 million against each of the Defendants.
56. In May 2023, an action was filed against the subsidiary Harel Insurance in the Tel Aviv District Court, together with a motion for its certification as a class action. The subject of the action is the allegation that Harel Insurance ostensibly marketed a health insurance policy stipulating that the fourth child onwards will receive free insurance cover and that nonetheless it charged payment for a health policy for the fourth child onwards born after 2016. The plaintiffs have not quantified the overall loss claimed for all members of the group they wish to represent, but they estimate that it is more than NIS 2.5 million.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

B. Contingent Liabilities – Shirbit

Information about the exposure for class actions and motions for recognition of actions as class actions that were filed against Shirbit Insurance Company Ltd. ("Shirbit"), whose insurance activity was acquired by Harel Insurance on December 1, 2021.

1. In September 2015, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against Shirbit and against another insurance company. The subject of the action is the allegation that Shirbit allegedly refrains from paying insurance benefits to its insureds, together with interest and linkage differences, for the period from the occurrence of the insured event until the time of payment of the insurance payments, and alternatively, for the period commencing from 30 days after the insurance claim is filed and up to the actual date of payment of the insurance benefits. The total loss claimed for members of the class against Shirbit is NIS 10 million. On May 26, 2021, the Tel Aviv District Court accepted the motion for certification. According to the ruling, the group is defined as any eligible person (insured, beneficiary or third party) who in the period commencing three years prior to filing the action and its termination on the day of certification of the action as a class action, received insurance benefits from Shirbit, not in accordance with a judgement given on his case, without the inclusion of interest by law. In September 2021, Shirbit, together with other insurance companies who were sued in a number of motions for certification on the same grounds ("the Defendants"), filed a motion for a stay of proceedings on the action, until a ruling is given on an appeal filed in the Supreme Court as part of another class action that was approved on an identical matter against other insurance companies, including Harel Insurance (see Section (A)(4) above). In October 2021, the court denied the motion for a stay of proceedings. In January 2022, the Defendants filed another motion for a stay of proceedings. In March 2022, the District Court ordered a stay of proceedings until a ruling is given on an appeal filed in the Supreme Court on a corresponding claim and it instructed that the action should be litigated jointly following the ruling on the appeal. In November 2022, the Supreme Court denied the appeal on the partial ruling in the corresponding claim, in the absence of grounds for judicial intervention in an interim decision. It was also stipulated that the appropriate place to investigate the appeal arguments is in the form of an appeal on the final judgment. In May 2023, the court revoked its decision concerning a joint proceeding for the action with a corresponding claim and it instructed that the claims should be heard separately.
2. In January 2017, an action was filed in the Lod-Center District Court together with a motion for its certification as a class action against the Shirbit. The subject of the action is the allegation that Shirbit does not disclose to its motor insurance insureds, who are on the verge of crossing an age or driving seniority bracket that it applies in the policy period, that they are able to update the driver's age or driving seniority, and receive a surplus premium, and that as a result these insureds overpay the premium due to not having updated the premium in the policy period as a result of changing the age or seniority bracket. The plaintiffs estimate the loss caused to members of the class they wish to represent in the amount of NIS 43.31 million. On February 16, 2022, a judgment was handed down by the Central District Court in which a class action which had been filed against another insurance company on a similar matter ("the corresponding claim") was dismissed. In March 2022, the District Court ordered a stay of proceedings until a decision is given on an appeal to be filed in the corresponding claim.
3. In January 2018, an action was filed in the Lod-Central District Court, together with a motion for its certification as a class action, against Shirbit and against five other insurance companies (hereinafter together: "the Defendants"), including Harel Insurance (see Section (A)(16) above). The subject of the action was the allegation that the Defendants ostensibly unlawfully refrain from paying insurance benefits to insureds, to third parties and beneficiaries for the VAT component that applies to the cost of damages in those instances where the damage was not actually repaired. The plaintiff estimates the overall loss claimed for all members of the class that she wishes to represent against Harel Insurance at NIS 19 million for each year and the period that she wishes to sue for is from June 4, 2001, and alternatively from 7 years prior to the date of filing the previous claim and/or 7 years before the date of filing this motion. The grounds of the action and motion for certification are the same as those for which a previous action and motion for its certification were filed against the Defendants. On January 3, 2018 the Supreme Court dismissed an appeal on a ruling of the Central-Lod District Court dated February 20, 2017, in which the motion was struck out. On January 4, 2022, the Lod-Center District Court denied the motion for certification of the action as a class action. On April 12, 2022, the plaintiff filed an appeal in the Supreme Court against the decision of the District Court.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

B. Contingent Liabilities – Shirbit (contd.)

4. In December 2020, four motions to certify actions as class actions were filed against Shirbit (three motions to certify actions as class actions were filed in the Lod-Center District Court and one motion to certify an action as a class action was filed in the Tel Aviv District Court), on similar grounds of a data security failure against the backdrop of a cyber security attack on Shirbit's servers by hackers and the publication of personal information which belongs to Shirbit's customers. In June 2021, the plaintiffs in the four motions to certify actions as class actions, filed a consolidated motion for certification. The subject of the consolidated action is the allegation that alleged security omissions in Shirbit caused the leak of information and data in Shirbit's possession. The plaintiffs have not quantified the loss claimed for all members of the group they wish to represent, but they estimate that it is more than NIS 2.5 million. In January 2022, the parties informed the court of their agreement to enter a mediation process.
5. In April 2020, an action was filed in the Haifa District Court, together with a motion for its certification as a class action, against Shirbit and against eleven other insurance companies (hereinafter together: "the Defendants"), including Harel Insurance (see Section (A)(35) above). The subject of the action is the allegation that the Defendants do not refund the holders of their compulsory motor, comprehensive and third-party insurance policies premiums that were ostensibly overpaid by the policyholders in view of the supposedly substantial reduction of the risk level to which the Defendants are exposed from March 2020 in view of the contraction of economic activity due to the outbreak of the COVID-19 pandemic and subsequent reduced volume of traffic. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent against Shirbit in the amount of NIS 38 million, and against all the Defendants in the amount of NIS 1.2 billion. In June 2020, the court instructed that hearing of the motion should be transferred to the Tel Aviv District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in a proceeding being heard by the court and this until after a ruling on a proceeding to which Shirbit is not a party regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of COVID-19 and the restrictions on economic activity, in which context the Haifa District Court denied the motion to certify an action as a class action that had been filed against other insurance companies, becomes absolute ("Judgement in the Additional Proceeding") or insofar as an appeal on the ruling in the Judgement in the Additional Proceeding is filed in the Supreme Court - until a ruling is given on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the judgement in the additional proceeding had become absolute.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

B. Contingent liabilities (contd.)

Summary table:

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

Type	Number of claims	Amount claimed NIS million
Actions certified a class action:		
Amount pertaining to the Company and/ or subsidiaries is specified	7	1,267
Claim relates to several companies and no specific amount was attributed to the Company and/ or subsidiaries	1	48
Claim amount is not specified	3	
Pending requests for certification of actions as class actions:		
Amount pertaining to the Company and/ or subsidiaries is specified	22	4,979
Claim relates to several companies and no specific amount was attributed to the Company and/ or subsidiaries	4	5,329
Claim amount is not specified	24	

The total provision for claims filed against the Company and against Shirbit, as noted above, as at March 31, 2023, March 31, 2022, and December 31, 2022, is NIS 155 million, NIS 110 million, and NIS 156 million, respectively.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

C. Claims settled in the Reporting Period

1. In November 2020, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly does not allow service notes in a policy to be cancelled separately from the other components of the insurance plan, and that ostensibly it does not provide proper disclosure prior to entering into the agreement concerning the cancellation of service notes. On December 22, 2022, the applicant filed an agreed motion for abandonment of the motion for certification against Harel Insurance in the Central District Court in which the court was asked to approve the applicant’s abandonment of the motion for certification and to instruct that the applicant’s personal claim be dismissed. As part of the motion for abandonment, Harel Insurance agreed to provide disclosure about the option to cancel the service note only at any time. On January 9, 2023, the District Court approved the plaintiff’s motion to abandon the motion for certification, and it ordered the dismissal of the plaintiff’s personal claim.
2. In April 2020, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against an additional insurance company (hereinafter together: “the Defendants”). The subject of the action was the allegation that the Defendants ostensibly refuse to extend the validity of the insurance cover for insureds in work disability insurance (P.H.I.) that was purchased before 2017 and in which the policy period terminates at age 65, and to pay them insurance benefits up to the age of retirement which in 2004 increased to 67 for salaried employees and 70 for the self-employed. On April 18, 2022, the Tel Aviv District Labor Court denied the motion for certification of the action as a class action. On May 31, 2022, Harel Insurance was served with an appeal on the judgment which was filed by the applicant in the motion for certification filed in the National Labor Court. On February 12, 2023, the National Labor Court denied the appeal.
3. In April 2020, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against twelve other insurance companies (hereinafter together: “the Defendants”). The subject of the action was the allegation that the Defendants must refund to holders of their motor insurance and homeowners insurance policies part of the premiums which they ostensibly overpaid, in view of the alleged significant reduction of the risk that the Defendants undertook when they determined the premiums in these policies. This following the outbreak of the Covid-19 pandemic and the subsequent restrictions on movement and activity that were imposed and which allegedly led to a much lower volume of traffic and travel and consequently a significant decrease in bodily injury and damage to property. In February 2021, the court ordered dismissal of the motion concerning the motor insurance with respect to Harel Insurance and the other respondents (except for one insurance company) and that the motion will continue to be heard on the homeowners insurance policies. The court instructed that the plaintiffs should consider their next steps regarding the method of litigating the motion for certification, in view of the decision. In April 2021, the plaintiffs filed an appeal in the Supreme Court against the decision of the District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in the proceeding being heard by the court and this until after the ruling on the proceeding regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of Covid-19 and the restrictions on economic activity, in which context the Haifa District Court denied the motion to certify the action as a class action against Harel Insurance and other insurance companies, becomes absolute (“Judgement in the Additional Proceeding”) or insofar as an appeal on the ruling in the Judgement in the Additional Proceeding is filed in the Supreme Court - until a ruling is given on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the judgement in the additional proceeding had become absolute. On February 22, 2023, an agreed motion for abandonment of the motion for certification against the Defendants by the plaintiffs was filed in the Tel Aviv District Court, in which the court was asked to approve the plaintiffs’ abandonment of the motion for certification and to order the dismissal of their personal claim. On February 27, 2023, the Tel Aviv District Court approved the plaintiff’s motion to abandon the motion for certification, and it ordered the dismissal of the plaintiffs’ personal claim.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

C. Claims settled in the Reporting Period (contd.)

4. In December 2020, an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance ostensibly links the premiums and insurance benefits for insureds in the group long-term care policy for members of Clalit Health Services - Supplementary Plus LTC, to an erroneous index and this, ostensibly, in contravention of the Supervision of Financial Services (Insurance) (Group Long-term care insurance for HMO members) Law, 2015. In March 2022, the court instructed that issues in dispute should be submitted to the Commissioner for his position. In August 2022, the Commissioner's position was submitted in which regarding the issue of linkage of the insurance benefits, insofar as the court finds that payment was in fact deficient, these amounts must be returned to the eligible insureds. On February 22, 2022, an agreed motion for the plaintiffs' abandonment of the motion for certification against Harel Insurance was filed in the Lod-Center District Court in which the court is asked to approve the plaintiffs' abandonment of the motion for certification and to instruct that their personal claim be denied and that the motion for certification should be struck out. As part of the motion for abandonment, Harel Insurance agreed to present the premium tariffs after their linkage to the relevant index and to refund the insurance benefits that had been underpaid. On March 2, 2023, the Central District Court approved the plaintiff's motion to abandon the motion for certification, and it ordered the dismissal of the plaintiffs' personal claim.
5. In July 2021, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action. against the second-tier subsidiary Harel Financing and Issuing Ltd. ("Harel Finance & Issues"). The subject of the action was the allegation that Harel Finance & Issues allegedly does not make its reports accessible on the internet-based information systems operated by the Israel Securities Authority and the Tel Aviv Stock Exchange (the Magna and Maya systems, respectively), thus ostensibly preventing or limiting the possibility of people with disabilities from receiving information from these reports. This, ostensibly in contravention of the Equal Rights for Persons with Disabilities Law, 1998 and the Equal Rights for Persons with Disabilities (Service Accessibility Adjustments) Regulations, 2013. On March 5, 2023, the Tel Aviv District Court denied the motion for certification of the action as a class action.

D. Claims settled after the Reporting Period

1. In February 2022. , an action was filed in the Central District Court together with a motion for its certification as a class action against the subsidiary Harel Insurance. The subject of the action was the allegation that Harel Insurance allegedly pays insureds in group health policies for members of the Teachers Union a partial refund of the difference between the full amount paid for a specialist consultation and the amount of participation by the HMOs of which the insureds are members. At the hearing which took place on May 1, 2023, the Central District Court accepted the applicant's request to abandon the action and motion for its certification as a class action, and accordingly it instructed that the motion for certification be struck out and that the applicant's personal claim should be denied.

Note 7 - Contingent liabilities, guarantees and commitments (Contd.)

E. Claims settled in the Reporting Period - Shirbit

1. In April 2020, an action was filed in the Tel Aviv District Court, together with a motion for its certification as a class action, against Shirbit and against twelve other insurance companies (hereinafter together: "the Defendants"), including Harel Insurance (see Section (C)(3) above). The subject of the action was the allegation that the Defendants must refund to holders of their motor insurance and homeowners insurance policies part of the premiums which they ostensibly overpaid, in view of the alleged significant reduction of the risk that the Defendants undertook when they determined the premiums in these policies. This following the outbreak of the Covid-19 pandemic and the subsequent restrictions on movement and activity that were imposed and which allegedly led to a much lower volume of traffic and travel and consequently a significant decrease in bodily injury and damage to property. In February 2021, the court ordered abandonment of the motion concerning the motor insurance with respect to Shirbit and the other respondents (except for one insurance company) and that the motion will continue to be heard on the homeowners insurance policies. The court instructed that the plaintiffs should consider their next steps regarding the method of litigating the motion for certification, in view of the decision. In April 2021, the plaintiffs filed an appeal in the Supreme Court against the decision of the District Court. In October 2021, the Tel Aviv District Court ordered a stay of proceedings in a proceeding being heard by the court and this until after a ruling on a proceeding to which Shirbit is not a party regarding a refund of premiums to insureds in policies for insuring business premises, employers liability insurance and third-party insurance on account of an alleged reduction of the risk to which the Defendants are exposed following the outbreak of Covid-19 and the restrictions on economic activity, in which context the Haifa District Court denied the motion to certify the action as a class action against other insurance companies, becomes absolute ("Judgement in the Additional Proceeding") or insofar as an appeal on the ruling in the Judgement in the Additional Proceeding is filed in the Supreme Court - until a ruling is given on the appeal. In December 2021, the District Court ordered the stay of proceedings to be lifted, after the judgement in the additional proceeding had become absolute. On February 22, 2023, an agreed motion for abandonment of the motion for certification against the Defendants by the plaintiffs was filed in the Tel Aviv District Court, in which the court was asked to approve the plaintiffs' abandonment of the motion for certification and to order the dismissal of their personal claim. On February 27, 2023, the Tel Aviv District Court approved the plaintiff's motion to abandon the motion for certification, and it ordered the dismissal of the plaintiffs' personal claim.

Note 8 - Capital requirements and management

1. Solvency II based economic solvency regime

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

Economic solvency ratio:

The economic solvency ratio is calculated as the ratio between the eligible economic own funds of Harel Insurance and the solvency capital requirement (SCR).

The eligible economic own funds are defined as the sum of the equity arising from the economic balance and debt instruments which include loss-absorbing mechanisms (additional tier-1 capital, tier-2 capital instruments, subordinated tier-2 capital, hybrid tier-2 and tier-3 capital).

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

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

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

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

On May 29, 2023, Harel Insurance published a report on the economic solvency ratio in respect of data at December 31, 2022, on its website: https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx.

According to the report, Harel Insurance has a capital surplus even without taking the transitional measures into account.

The calculation prepared by Harel Insurance for data at December 31, 2022, was reviewed in accordance with ISAE 3400 - Review of Future Financial Information. This standard is relevant for audits of the solvency calculation and it is not part of the auditing standards applicable to financial reports. A special report prepared by the external auditors emphasized that the forecasts and assumptions are based, in principle, on past experience, as it emerges from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and changes in the economic environment, past data do not necessarily reflect future performance. In some cases, the information is based on assumptions about future events and management activity that do not necessarily materialize or that may materialize differently from the assumptions that formed the basis for the information. Moreover, actual performance could differ significantly from the information, given that the combination of scenarios of events could materialize in a significantly different manner from the assumptions in the information.

A special report prepared by the external auditors noted that they did not examine the reasonability of the Deduction amount in the transitional period as at December 31, 2022, other than to check that the Deduction does not exceed the projected discounted amount of the risk margin and the solvency capital requirement in respect of life and health risks for existing business in the transitional period, based on the pattern of future development of the required capital that affects calculation of the expected release of equity, as well as the release of the projected risk margin, as specified in the provisions concerning calculation of the risk margin. Furthermore, attention is drawn to the information in the Solvency Report concerning the uncertainty arising from regulatory changes and exposure to contingencies, the effect of which on the solvency ratio cannot be estimated.

Note 8 - Capital requirements and management (contd.)

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

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

2. Capital management policy of Harel Insurance

   It is Harel Insurance's policy to hold a robust capital base to guarantee its solvency and its ability to meet its commitments towards its insureds, to ensure that it is capable of continuing its business activity and so that it can provide a return for its shareholders. Harel Insurance is subject to the capital requirements and regulations stipulated with respect t the distribution of a dividend.

   On May 29, 2023, the Board of Directors of Harel Insurance approved a revised capital management plan and at this stage, threshold conditions were determined for a dividend distribution, which include a minimum economic solvency ratio taking the transitional measures into account of 135%, and a minimum solvency ratio without taking the transitional measures into account of 110%.

   For information about a dividend distribution policy approved by the Company's Board of Directors and Board of Directors of Harel Insurance on February 28, 2021, see Note 15D to the Annual Financial Statements.

3. Consolidated companies that manage mutual funds and investment portfolios are obligated to hold minimum capital in accordance with the directives of the Israel Securities Authority. The companies take regular action to ensure that they are in compliance with this requirement. As at March 31, 2023, the consolidated companies are in compliance with these requirements.

4. Plan to repurchase shares

   Pursuant to the information in Note 15B to the Annual Financial Statements, at March 31, 2023, the Company purchased 443,228 shares at a cost amounting to NIS 15 million. At the date of publication of the report, the Company has purchased 1,118,228 shares at a total cost of NIS 35 million.

5. Dividend declared by Mortgage Holdings Ltd.

   In May 2023, after the Reporting Period, the Board of Directors of Mortgage Holdings Ltd. approved the distribution of a dividend in the amount of NIS 60 million.

Note 9 - Material events in the Reporting Period

1. Effects of the changes in the interest rate and changes in the difference between the fair value and book value of the non-marketable assets on the insurance liabilities are set out below:

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Life assurance - decrease in insurance liabilities as a result of:			
Revised interest rate used for calculating the reserves for annuity and work disability	-	-	227
Total life assurance	-	-	227
Health insurance – decrease in the insurance liabilities as a result of:			
Liability Adequacy Test (LAT) – personal lines long-term care	-	764	764
Update of the interest rate applied in calculating the active reserve and reserve for claims in payment – personal lines long-term care	-	-	778
Total health insurance	-	764	1,542
Non-life insurance – decrease in the insurance liabilities as a result of:			
Interest rate effects	***186**	167	524
Total non-life-insurance	**186**	167	524
Total effects of interest on profit and comprehensive income before tax	**186**	931	2,293
Total effects of interest on profit and comprehensive income after tax	**122**	613	1,509

* Further to the information in Note 36E4(e) in the Annual Financial Statements, in the second quarter of 2022 Harel Insurance updated the procedure for allocation of the non-marketable assets. Accordingly, Harel Insurance may make transfers from time to time, as necessary, between the assets attributed to the different segments so as to take maximum advantage of the retained value, subject to the asset limitation. In the Reporting Period a decrease of NIS 105 million before tax was recorded in the insurance liabilities in the non-life insurance segment resulting from the addition of retained fair value of non-marketable assets that in the past were allocated to the health insurance segment and are now allocated to the non-life insurance segment. Notably, the outstanding reserves in non-life insurance after offsetting the retained fair value of the non-marketable assets does not fall below the Best Estimate of the reserves.

2. Due to falling prices in the capital markets in the Reporting Period, real, negative yields were recorded in profit sharing policies sold between 1991 and 2003. Pursuant to the mechanism for collecting management fees as set out in the legislative arrangement, variable management fees will not be collected in respect of yield-dependent policies that were sold between 1991 and 2003, until investment profits are attained in respect of assets held to cover yield-dependent liabilities, which will cover the accrued investment losses. In accordance with the described mechanism, Harel Insurance did not record variable management fees from the beginning of 2022, but only fixed management fees. At March 31, 2023, the estimate for management fees that will not be collected due to the real negative yield until a cumulative positive yield is attained, is NIS 403 million. See also Note 10(1).

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

3. Repurchase of shares

   On repurchases of shares which that took place during and after the Reporting Period, see Note 8.

4. Agreement for the acquisition of Isracard Ltd. (“Isracard”)

   On February 12, 2023, the Company entered into a binding agreement with Isracard and a fully owned special purpose subsidiary of the Company (“the Target Company”) by virtue of which the Company will acquire all (100%) of the fully diluted issued share capital of Isracard. The total consideration for the transaction expected to be paid by the Company to the shareholders of Isracard will be NIS 2.934 billion (“the Total Consideration”) plus interest and linkage (“the Transaction”).

   On March 19, 2023, the Company informed Isracard that it would increase the cash consideration per share, so that the total consideration will be the higher of:

   A. NIS 3.164 billion, where this amount might change due to linkage of the cash consideration per share plus interest.

   B. Approximately NIS 3.304 billion

   On March 27, 2023, Isracard reported that its general meeting had approved the transaction, thus fulfilling one of the suspensive conditions for completion of the transaction.

   Completion of the transaction is still subject to the fulfillment of suspensive conditions by the completion date, including the following: (a) obtaining any regulatory approvals that may be required - the Commissioner of Competition, Supervisor of Banks and the Commissioner of the Capital Market, Insurance and Savings Authority; (b) obtaining the parties approvals for Isracard’s material agreements as they are defined in the agreement; (c) at the completion date, there will be no material change for the worse in Isracard.

   For additional information, see Immediate Reports of the Company dated February 12, 2023, March 19, 2023, and March 27, 2023, Refs. 2023-01-013969, 2023-01-024046 and 2023-01-028774, respectively.

5. Share-based payment

   On February 16, 2023, 180,000 option warrants were allotted to 5 Harel Insurance employees as part of the plan described in Note 39 to the Annual Financial Statements. The exercise price for each option at the Grant Date is NIS 34.04. The fair value of the options at the Grant Date was NIS 1.6 million.

6. Credit facility provided to a subsidiary - Hamazpen Shutaphim Laderech Ltd.

   In December 2019, Hamazpen entered into agreement with Harel Insurance to receive a credit facility in the amount of NIS 150 million for the purpose of providing credit to its customers. In September 2020 the credit facility was increased by a further NIS 100 million, in November 2021, the credit facility was increased by a further NIS 50 million, and in December 2022 the credit facility was increased by an additional NIS 50 million. As collateral for providing this credit facility, the Company signed a letter of undertaking to invest the required amounts in Hamazpen’s capital from time to time so as to ensure that, at all times, Hamazpen’s equity will not fall below 15% of the total balance sheet of Hamazpen. At March 31, 2023 and at the date of publication of the report, the balance of the credit provided by Harel Insurance to Hamzpen was NIS 320 million.

Note 10 – Material Events after the Reporting Period

1. Further to the information in Note 9(2), immediately prior to the date of publication of the financial statements, share prices continued to fall on the capital markets. Immediately prior to the date of publication of the financial statements, the estimate for management fees that will not be collected due to the real, negative yield until a cumulative positive yield is attained, amounts to NIS 385 million.

2. On the publication of a solvency ratio report at December 31, 2022 by Harel Insurance, see Note 8

3. Share-based payment

   On April 27, 2023, 460,000 option warrants were allotted to 22 Harel Insurance employees and to an external consultant as part of the plan described in Note 39 to the Annual Financial Statements. The exercise price for each option at the Grant Date is NIS 31.5. The fair value of the options at the Grant Date was NIS 3.9 million.

4. On a dividend that was declared by Mortgage Holdings Ltd., see Note 8.

5. On a decision concerning the full early redemption of Series 6 bonds issued by Harel Finance & Issues, see Note 6.
6. On the expansion of bonds (Series 3) of Harel Finance & Issues Ltd, see Note 6.
7. Revised employment conditions for Idan Tamir, relative of a controlling shareholder

   On May 22, 2023 and on May 29, 2023, the compensation committees and boards of directors of the Company and Harel Insurance, respectively, approved revised employment conditions for Idan Tamir, a relative of Mr. Yair Hamburger, one of the Company's controlling shareholders. These revised employment conditions are subject to the approval of the Company's general meeting which is convened for July 5, 2023. An immediate report about convening of the meeting is published together with these financial statements.
8. On examination of an option to issue Series 1 bonds of the Company by way of a series expansion, see Note 6.
9. On the taking of additional bank credit for the Company, see Note 6.

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD

ANNEXES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

A. Information about other financial investments

	As at March 31, 2023 (Unaudited)			
	Revalued at fair value through profit and loss	Available for sale	Assets measured at amortized cost	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets (A1)	**1,579**	**9,572**	**-**	**11,151**
Non-marketable debt assets (*)	**4,996**	**-**	**15,505**	**20,501**
Shares (A2)	**497**	**1,590**	**-**	**2,087**
Other (A3)	**555**	**3,638**	**-**	**4,193**
Total other financial investments	**7,627**	**14,800**	**15,505**	**37,932**

	As at March 31, 2022 (Unaudited)				
	Revalued at fair value through profit and loss	Available for sale	Held to maturity	Non-marketable assets measured at amortized cost	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable debt assets (A1)	25	13,102	14	-	13,141
Non-marketable debt assets (*)	3,770	-	-	13,912	17,682
Shares (A2)	810	1,947	-	-	2,757
Other (A3)	427	3,441	-	-	3,868
Total other financial investments	5,032	18,490	14	13,912	37,448

	As at December 31, 2022			
	Revalued at fair value through profit and loss	Available-for-sale	Non-marketable assets measured at amortized cost	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets (A1)	6	11,136	-	11,142
Non-marketable debt assets (*)	4,631	-	15,368	19,999
Shares (A2)	93	1,721	-	1,814
Other (A3)	347	3,652	-	3,999
Total other financial investments	5,077	16,509	15,368	36,954

(*) For information about the composition of non-marketable debt assets at the level of the Company's consolidated financial statements, see Note 6 – Financial Instruments.

Annexes to the condensed consolidated interim financial statements

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

A1. Marketable debt assets

	Book value			Amortized cost		
	As at March 31		As at December 31	As at March 31		As at December 31
	2023	2022	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Government bonds	**6,660**	7,497	6,333	**7,170**	7,454	6,873
Other debt assets:						
Other non-convertible debt assets	**4,491**	5,644	4,809	**4,870**	5,547	5,194
Total marketable debt assets	**11,151**	13,141	11,142	**12,040**	13,001	12,067
Impairments recognized in profit and loss (in aggregate)	**-**	-	-			

A2. Shares

	Book value			Amortized cost		
	As at March 31		As at December 31	As at March 31		As at December 31
	2023	2022	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable shares	**1,490**	2,308	1,237	**1,425**	1,835	1,123
Non-marketable shares classified for trading	**81**	-	-	**81**	-	-
Non-marketable shares	**516**	449	577	**315**	314	377
Total shares	**2,087**	2,757	1,814	**1,821**	2,149	1,500
Impairments recognized in profit and loss (in aggregate)	**135**	62	137			

A3. Other financial investments

	Book value			Amortized cost		
	As at March 31		As at December 31	As at March 31		As at December 31
	2023	2022	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Marketable financial investments	**471**	807	461	**435**	772	449
Non-marketable financial investments	**3,722**	3,061	3,538	**2,477**	1,992	2,356
Total other financial investments	**4,193**	3,868	3,999	**2,912**	2,764	2,805
Impairments recognized in profit and loss (in aggregate)	**194**	202	196			
Derivative financial instruments presented in financial liabilities	**244**	164	325			

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

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD.

SEPARATE FINANCIAL INFORMATION FROM THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at March 31, 2023

Condensed Separate Interim Information on Financial Position as at

	March 31		December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Intangible assets	**2**	2	2
Fixed assets	**20**	22	21
Investments in equity accounted investees	**6,128**	7,805	6,098
Loans to investees	**867**	878	881
Investment property	**32**	28	29
Trade and other receivables	**65**	101	929
Assets for employee benefits	**26**	25	26
Other financial investments			
Marketable debt assets	**1,269**	320	630
Non-marketable debt assets	**33**	-	13
Shares	**186**	196	183
Other	**102**	182	133
Total other financial investments	**1,590**	698	959
Cash and cash equivalents	**317**	385	175
Total assets	**9,047**	9,944	9,120
Capital			
Share capital and share premium	**359**	359	359
Treasury stock	**(237)**	(175)	(237)
Capital reserves	**493**	1,077	389
Retained earnings	**7,759**	7,620	7,824
Total equity	**8,374**	8,881	8,335
Liabilities			
Deferred tax liabilities	**7**	15	5
Liabilities for employee benefits	**39**	37	38
Trade and other payables	**44**	393	153
Current tax liabilities	**7**	8	2
Financial liabilities	**576**	610	587
Total liabilities	**673**	1,063	785
Total liabilities and equity	**9,047**	9,944	9,120

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

Date of approval of the financial statements: May 29, 2023

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

Condensed Separate Interim Information on Profit and Loss

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Profits from investments, net, and finance income	**12**	19	35
Income from management fees	**36**	37	140
Total income	**48**	56	175
General and administrative expenses	**13**	12	45
Financing expenses, net	**3**	4	14
Total expenses	**16**	16	59
Company's share in profits (losses) of investee companies	**(70)**	590	823
Profit (loss) before taxes on income	**(38)**	630	939
Taxes on income	**10**	10	33
Profit (loss) for the period ended attributed to the Company's owners	**(48)**	620	906

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

Condensed Separate Interim Information on Comprehensive Income

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Profit (loss) for the period	**(48)**	620	906
Other comprehensive income (loss) items 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	**-**	(20)	(73)
Net change in fair value of financial assets classified as available for sale transferred to income statement	**-**	(4)	(4)
Loss from impairment of financial assets classified as available for sale transferred to income statement	**-**	1	8
Foreign currency translation differences for foreign activity	**4**	3	11
Group's share of the comprehensive income (loss) of investees	**25**	(298)	(962)
Tax benefit attributable to available-for-sale financial assets	**-**	5	16
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	**29**	(313)	(1,004)
Other comprehensive income items that will not be transferred to profit or loss			
Revaluation reserve for fixed asset items in investee companies	**52**	19	20
Remeasurement of a defined benefit plan	**-**	-	1
Other comprehensive income for the period that will not be transferred to profit or loss, net of tax	**52**	19	21
Other comprehensive income (loss) for the period, net of tax	**81**	(294)	(983)
Total comprehensive income (loss) for the period attributed to the Company's owners	**33**	326	(77)

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

Condensed Separate Interim Information on Changes in Equity

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended March 31, 2023 (Unaudited)									
Balance as at January 1, 2023	359	222	(154)	31	(37)	(49)	339	7,824	8,335
Effect of initial application of IFRS 9*	-	18	-	-	-	-	-	(18)	-
Balance as at January 1, 2023 after initial application of IFRS 9	359	240	(154)	31	(237)	(49)	339	7,806	8,335
Comprehensive income (loss) for the period									
Loss for the period	-	-	-	-	-	-	-	(48)	(48)
Other comprehensive income	-	14	30	-	-	-	36	1	81
Total comprehensive income (loss) for the period	-	14	30	-	-	-	36	(47)	33
Transactions with owners recognized directly in equity									
Share-based payment	-	-	-	6	-	-	-	-	6
Balance as at March 31, 2023	359	254	(124)	37	(237)	(49)	375	7,759	8,374

* See Note 1C on the initial application of IFRS 9, *Financial Instruments*. In accordance with he chosen transition method, comparative figures were not restated

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

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

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended March 31, 2022 (Unaudited)									
Balance as at January 1, 2022	359	1,347	(252)	6	(163)	(49)	321	7,292	8,861
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	-	-	620	620
Other comprehensive income (loss)	-	(335)	17	-	-	-	16	8	(294)
Total comprehensive income (loss) for the period	-	(335)	17	-	-	-	16	628	326
Transactions with owners recognized directly in equity									
Dividend distributed	-	-	-	-	-	-	-	(300)	(300)
Share-based payment	-	-	-	6	-	-	-	-	6
Purchase of Treasury stock	-	-	-	-	(12)	-	-	-	(12)
Balance as at March 31, 2022	359	1,012	(235)	12	(175)	(49)	337	7,620	8,881

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

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

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury stock	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2022 (Audited)									
Balance as at January 1, 2022	359	1,347	(252)	6	(163)	(49)	321	7,292	8,861
Comprehensive income (loss) for the year									
Profit for the year	-	-	-	-	-	-	-	906	906
Other comprehensive income (loss)	-	(1,125)	98	-	-	-	18	26	(983)
Total comprehensive income (loss) for the year	-	(1,125)	98	-	-	-	18	932	(77)
Transactions with owners recognized directly in equity									
Dividend distributed	-	-	-	-	-	-	-	(400)	(400)
Share-based payment	-	-	-	25	-	-	-	-	25
Purchase of Treasury stock	-	-	-	-	(74)	-	-	-	(74)
Balance as at December 31, 2022	359	222	(154)	31	(237)	(49)	339	7,824	8,335

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

Condensed Separate Interim Information on Cash Flows

	Annex	For the three months ended March 31		For the year ended December 31
		2023	2022	2022
		(Unaudited)	(Unaudited)	(Audited)
		NIS million	NIS million	NIS million
Cash flows from operating activities				
Before taxes on income	A	**(20)**	35	144
Taxes paid		**(3)**	(5)	(33)
Net cash provided by (used in) operating activities		**(23)**	30	111
Cash flows from investing activities				
Investment in investees		**(16)**	(10)	(72)
Proceeds from the disposal of an investment in an equity accounted investee		**-**	-	20
Investment in fixed assets		**-**	-	(1)
Proceeds from sale of fixed assets		**-**	-	1
Dividend and interest from investees		**502**	251	317
Financial investments, net		**(226)**	9	70
Repayment of loans and capital notes provided to investees		**19**	29	40
Net cash provided by investment activity		**279**	279	375
Cash flows from financing activity				
Repurchase of Company shares by the Company		**-**	(12)	(74)
Dividend to the Company's owners		**(100)**	(100)	(400)
Repayment of loans from banks and others		**(13)**	(13)	(27)
Repayment of lease liabilities		**(1)**	(1)	(3)
Repayment of liability notes		**-**	-	(9)
Net cash used for financing activity		**(114)**	(126)	(513)
Net increase (decrease) in cash and cash equivalents		**142**	183	(27)
Cash and cash equivalents at beginning of the period		**175**	202	202
Cash and cash equivalents at end of the period		**317**	385	175

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

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

	For the three months ended March 31		For the year ended December 31
	2023	**2022**	**2022**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS million	**NIS million**	**NIS million**
Annex A - Cash flows from operating activities			
Profit (loss) for the period attributed to the Company's shareholders	**(48)**	620	906
Items not involving cash flows			
Company's share of profits (losses) of equity accounted investees	**70**	(590)	(823)
Net losses (profits) from financial investments	**(2)**	(6)	17
Change in fair value of investment property	**(3)**	(2)	(3)
Financing income, net	**(4)**	(8)	(18)
Taxes on income	**10**	10	33
Depreciation and amortization	**1**	1	3
Changes in other statement of financial position items			
Trade and other receivables	**(36)**	(50)	22
Trade and other payables	**(9)**	60	7
Liabilities for employee benefits, net	**1**	-	-
Total adjustments required to present cash flows provided by (used in) operating activities	**28**	(585)	(762)
Total cash flows provided by (used in) operating activities	**(20)**	35	144

NOTE 1 - Method of preparing the separate financial information

A. General

The following is condensed separate interim financial information from the Group's Condensed Consolidated Interim Financial Statements as at March 31, 2023 ("Condensed Consolidated Interim Financial Statements") published as part of the Periodic Reports ("Condensed Separate Interim Financial Information"), which are presented in accordance with the provisions of Regulation 38D ("the Regulation") and the Tenth Schedule to the Securities (Periodic and Immediate Reports) Regulations, 1970 ("Schedule no. 10"), concerning the condensed separate, interim financial information of the Company. This condensed, separate interim financial information should be read in conjunction with the separate financial information for the Company as at December 31, 2022, and with the Condensed Consolidated Interim Financial Statements.

B. Definitions

The Company	-	Harel Insurance Investments & Financial Services Ltd.
Consolidated companies / subsidiaries	-	Companies, including partnerships, whose reports are fully consolidated, directly or indirectly, with the reports of the Company.
Investee companies	-	Consolidated companies and companies, including partnerships, in which the Company's investment therein is included, directly or indirectly, in the financial statements on the equity basis.
Date of the Report	-	The date of the Statement of Financial Position

C. Method of preparing the financial information

The condensed separate interim financial information was prepared in accordance with the accounting policy detailed in Note 2 to the Company's separate annual financial statements as at December 31, 2022.

Further to the information in Note 3A of the Condensed Consolidated Interim Financial Statements, as of January 1, 2023, the Company applies International Financial Reporting Standard 9, *Financial Instruments* ("IFRS 9" or "the Standard"), in the condensed separate interim financial information instead of the provisions of International Accounting Standard 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

The Company elected to apply IFRS 9, as noted above, from the initial date of application without restating comparative figures and with adjusting the balance of retained earnings and other components of equity at the initial date of application. The effects of the transition to IFRS 9 on the opening balances of the retained earnings and other components of equity are classification of capital reserve for available-for-sale financial assets at January 1, 2023 in the amount of NIS 24 million before tax (NIS 18 million after tax) to retained earnings.

Regarding changes in the accounting policy in the condensed separate interim financial information as a result of the initial application of IFRS 9, see Note 3A to the Condensed Consolidated Interim Financial Statements.

NOTE 2 - Material relationships, commitments and transactions with investees

1. In the Reporting Period, Harel Mutual Funds Ltd., a subsidiary of Harel Finance, a company wholly owned by the Company, made partial repayment of a capital note in the amount of NIS 17 million. The repayment was made from the independent sources of Harel Mutual Funds Ltd.
2. In the Reporting Period, Harel Finance, a company wholly owned by the Company, made partial repayment of a capital note in the amount of NIS 3 million. The repayment was made from the independent sources of Harel Finance.
3. On January 4, 2023, the Board of Directors of Harel UK approved the distribution of a dividend in the amount of USD 302,000. The dividend was paid on January 4, 2023.
4. On May 4, 2023, after the Reporting Period, the Board of Directors of Harel UK approved the distribution of a dividend in the amount of USD 378,000. The dividend was paid on May 5, 2023.
5. On May 5, 2023, after the Reporting Period, Harel Pension and Provident Ltd. made early repayment of a loan to the Company in the amount of NIS 192 million.
6. On a dividend that was declared from Mortgage Holdings Ltd. after the Reporting Period, see Note 8 to the Condensed Consolidated Interim Financial Statements.

NOTE 3 – Material events in the Reporting Period

1. On the affirmation of a rating for the Company and Series 1 bonds of the Company by Midroog, see Note 6 to the Condensed Consolidated Interim Financial Statements.
2. On an agreement to acquire Isracard Ltd., see Note 9 to the Condensed Consolidated Interim Financial Statements.

NOTE 4 – Material events after the Reporting Period

1. On a dividend received from Harel UK, see Note 2.
2. On the early repayment of a loan provided by the Company to Harel Pension and Provident Ltd., see Note 2.
3. On a dividend that was declared from Mortgage Holdings Ltd., see Note 2.
4. On examination of an option to issue Series 1 bonds of the Company by way of a series expansion, see Note 6 to the Consolidated Interim Financial Statements.
5. On approval for the Company to take additional bank credit, see Note 6 to the Consolidated Interim Financial Statements.

Harel Insurance Investments and Financial Services Ltd.

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

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

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

In this instance, management consists of:

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

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

C. Mr. Gilad Shapiro - General Counsel to the Company and the Group's companies, Deputy CEO of Harel Insurance Company Ltd.

D. Mr. Sami Babecov - VP of the Company and manager of the Group's investments, deputy CEO and manager of the investment division of Harel Insurance Company Ltd.

E. Ms. Osnat Manor Zisman - Internal Auditor of the Company and companies in the Group.

F. Mr. Nir Cohen – CEO of Harel Insurance Company Ltd.

G. Ms. Hagit Chitayat Levin - CEO of Harel Finance Holdings Ltd.

H. Mr. Tomer Goldberg – Director of the Group's strategic and alternative investments.

Internal control over financial reporting and disclosure includes the Company's existing controls and procedures that were planned by the general manager and the most senior financial officer or are monitored by them or by the person who actually performs these duties, under the oversight of the Company's board of directors. The purpose of these controls and procedures is to provide a reasonable measure of assurance as to the reliability of financial reporting and the preparation of the financial statements pursuant to the provisions of the law, and to ensure that the information that the Company is required to disclose in its published reports in accordance with the provisions of the law, is collected, processed, summarized and reported on the dates and in the format prescribed by law.

Among other things, the internal control consists of controls and procedures designed to ensure that the information that the Company is required to disclose, as noted, is accumulated and submitted to the Company's management, including to the CEO and most senior financial officer, or to the person who actually performs these duties, so as to ensure that decisions are made at the appropriate time, with respect to the disclosure requirement.

Due to its inherent limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that a misstatement or omission of information in the report can be prevented or detected.

With respect to the assessment of the internal control over financial reporting, Harel Insurance Company Ltd. and the Company's subsidiaries are financial institutions governed by the instructions of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance.

In relation to the internal control in the aforementioned subsidiaries, the Company applies the following instructions:

- Financial Institutions Circular 2010-9-7 from November 2010 - "Internal control over financial reporting – attestations, statements, and disclosures";
- Financial Institutions Circular 2010-9-6 from November 2010 – "Management's responsibility for the internal control over financial reporting - Amendment" (amendment to Financial Institutions Circular 2009-9-10);
- Financial Institutions Circular 2009-9-10, from June 2009 – "Management's responsibility for the internal control over financial reporting".

In the annual report concerning the effectiveness of the internal control over financial reporting and disclosure that was included in the periodic report for the period ended December 31, 2022 (hereinafter – the last annual report on internal control), the internal control was found to be effective. Based on this assessment, the Board of Directors and management of the Company concluded that the aforesaid internal control, as at December 31, 2022, is effective.

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

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

Certification

I, Michel Siboni, hereby certify that:

1. I have reviewed the quarterly report of Harel Insurance Investments and Financial Services Ltd. (hereinafter - the Company) for Q1 2023 ("the Reports");
2. Based on my knowledge, the Reports contain no misstatement of a material fact nor do they omit any statement of a material fact necessary for the purpose of ensuring that presentations they contain, in light of the circumstances under which such presentations were included, shall not be misleading with respect to the period covered in the Reports;
3. Based on my knowledge, the financial statements and other financial information contained in the Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and periods covered in the Reports;
4. Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee of the Company:
   A. Any significant deficiencies and material weaknesses in the determination or application of the internal control over financial reporting and disclosure that might reasonably compromise the Insurance Company's ability to record, process, summarize and report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of the law; and –
   B. Any fraud, whether material or immaterial, that involves the General Manager (CEO) or any person directly accountable to him or other employees who hold a significant role in the internal control over financial reporting and disclosure;
5. I, myself or together with others in the Company:
   A. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of ensuring that material information relating to the Company, including its subsidiaries as they are defined in the Securities (Annual Financial Reports) Regulations, 2010, is brought to my attention by others in the Company and the subsidiaries, particularly during the preparation of the Report; and -
   B. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of providing a reasonable measure of certainty as to the reliability of the financial reporting and to ensure that the financial reports are prepared in accordance with the provisions of the law, including in accordance with generally accepted accounting standards;
   C. No event or matter which took place during the period between the date of the last report (quarterly or periodic, as applicable) and the date of this report was brought to my attention, that might alter the conclusion of the Board of Directors and Management in relation to the effectiveness of the Company's internal control over financial reporting and disclosure.

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

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May 29, 2023	Michel Siboni CEO

<u>Certification</u>

I, Arik Peretz, hereby certify that:

1. I have reviewed the interim financial statements and other financial information contained in the interim financial statements of Harel Insurance Investments and Financial Services Ltd. ("the Company") for Q1 2022 ("the Reports" or "the Interim Reports");
2. Based on my knowledge, the interim financial statements and other financial information contained in the Interim Reports contain no misstatement of a material fact nor do they omit any statement of a material fact necessary to ensure that the statements they contain, in light of the circumstances under which such statements were included, shall not be misleading with respect to the period covered in the Reports;
3. Based on my knowledge, the Interim Reports and other financial information contained in the Interim Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and for the periods covered in the Reports;
4. Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee of the Company:

   A. Any significant deficiencies and material weaknesses in the determination or application of the internal control over financial reporting and disclosure to the extent that it relates to the interim financial statements and to any other information contained in the Interim Reports, that might reasonably compromise the Company's ability to record, process, summarize or report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of the law; and –

   B. Any fraud, whether material or immaterial, that involves the General Manager (CEO) or any person directly accountable to him or other employees who hold a significant role in the internal control over financial reporting and disclosure;
5. I, myself or together with others in the Company:

   A. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of ensuring that material information relating to the Company, including its subsidiaries as they are defined in the Securities (Annual Financial Reports) Regulations, 2010, is brought to my attention by others in the Company and the subsidiaries, particularly during the preparation of the Report; and -

   B. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of providing a reasonable measure of certainty as to the reliability of the financial reporting and to ensure that the financial reports are prepared in accordance with the provisions of the law, including in accordance with generally accepted accounting standards;

   C. No event or matter that took place during the period between the date of the last report (quarterly or periodic, as applicable) and the date of this report, in relation to the interim financial statements and to any other financial information contained in the Interim Financial Reports, was brought to my attention, that might, in my opinion, alter the conclusion of the Board of Directors and Management in relation to the effectiveness of the Corporation's internal control over financial reporting and disclosure.

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

May 29, 2023

Arik Peretz

CFO