Harel Insurance Investments and Financial Services Ltd.

Interim Report as at

September 30, 2023

Swords of Iron

Message from the Chairman

Israel is currently facing one of the most difficult, if not the most difficult, periods in the nation's history. The horrific terror attack launched on October 7, the festival of Simchat Torah, shocked the entire country and Israeli society, and the aftereffects of this day will remain with us for many years to come.

Since that day, Harel Group has been busy working on behalf of Israel's civilian population, with particular emphasis on the Gaza Envelope communities, as well as the defense forces and the IDF. The Group's actions involve money as well as volunteer assistance for any and every need emerging in the field - education, the economy, agriculture, security, employment, etc.

Looking forward

Despite the immense pain and distress, we are looking forward to a better future. The State of Israel is a miracle that was established here 75 years ago and it is the life mission of all of us to ensure the continuity of this miracle in the best possible way. To continue to foster a strong, united Israeli society that will ensure an even better state than that preceding the events of October 7.

Now more than ever, we firmly believe in the strength and future of Israel's economy and we are certain that our country's economic strength, thanks to its human capital, will prevail in the face of this difficult period as well. We are extremely proud of our forthcoming investment in Isracard (assuming that it is approved by the regulatory authorities), which is an expression of complete trust in the State of Israel and its future.

We mourn the victims murdered on that wretched day, our heart goes out to the families whose sons and daughters have fallen in battle and we pray for the speedy recovery of all those injured.

Now more than ever we are certain that Israel's spirit is the insurance that will protect each and every one of us here in the State of Israel.

Yair Hamburger,

Harel Insurance Investments and Financial Services Ltd.

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Board of Directors Report

Harel Insurance Investments and Financial Services Ltd.

Board of Directors Report

for the nine months ended September 30, 2023

The Board of Directors Report for the nine months ended September 30, 2023 ("the Reporting Period"), reflects the principal changes in the business position of Harel Insurance Investments & Financial Services Ltd. ("Harel Investments" or "the Company") during this period, and it was prepared assuming that the reader is also in possession of the Group's full Periodic Report for 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 medium-sized businesses, including the provision of mezzanine loans; through a subsidiary 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 September 30, 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 48.17% 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 and a rating of Series 19 bonds by Maalot S&P, see Note 6 to the Financial Statements.

2.1.2 Affirmation of a Midroog rating for Harel Insurance

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

2.1.3 Affirmation of a Midroog rating for the Company

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

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

2.1.6 Issue of Series 1 bonds of the Company by way of a series expansion

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

2.1.7 Agreement to take bank credit as part of the Company’s deployment to finance the Isracard Ltd. (“Isracard”) transaction

On approval by the Company’s Board of Directors of an agreement to take bank credit as part of the Company’s deployment to finance the Isracard transaction, see Note 6 to the Financial Statements.

2.1.8 Shelf prospectus of Harel Finance & Issues

On the publication of a shelf prospectus of Harel Finance & Issues in February 2023, see Note 6 to the Financial Statements.

2.1.9 Agreement for the acquisition of Isracard

For information about an agreement to purchase all (100%) of the issued share capital of Isracard, and about notice by the Company to Isracard on an extension of the final date for meeting the suspensive conditions, see Note 9 to the Financial Statements.

2.1.10 Multi-year strategic plan

In August 2022, the Company entered into an agreement with a leading international 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.

2.1.11 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.

2.1.12 Revised employment conditions for Idan Tamir, relative of a controlling shareholder

On May 22, 2023, May 29, 2023, and July 5, 2023, the compensation committees and boards of directors of the Company and Harel Insurance and the general meeting of the Company, respectively, approved the revised employment conditions for Idan Tamir, a relative of Mr. Yair Hamburger, one of the Company's controlling shareholders. For additional information about the agreement see an Immediate Report of the Company on the convening of a general meeting (Ref.: 2023-01-057276).

2.1.13 Annual and Special General Meeting

On July 5, 2023, an annual and special general meeting of the Company took place, with the following items on the agenda: (1) discussion of the Periodic Report for 2022; (2) reappointment of 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 of office (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 approved all the items that were listed on the agenda.

2.1.14 Shelf prospectus of the Company

On the publication of a shelf prospectus of the Company in July 2023, see Note 6 to the Financial Statements.

2.1.15 Insignificant private allotment of options to the CEO of the subsidiary, Harel Insurance

On an insignificant private allotment of stock options to the CEO of the subsidiary, Harel Insurance, see Note 9 to the Financial Statements and also an Immediate Report of the Company dated September 6, 2023 (Ref.: 2023-01-084706).

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

2.2.1 Swords of Iron War

On October 7, 2023, after the Reporting Period, the Hamas terror organization launched a surprise, ruthless attack on the State of Israel which included the firing of rockets and the infiltration of thousands of terrorists from the Gaza Strip into Israel. Following this criminal attack, the government of Israel declared the Swords of Iron War ("the War"), called up large swathes of its reserve forces and launched a counter offensive against Hamas operating from the Gaza Strip. In parallel, there was a serious escalation of the security situation on Israel's northern border, facing Hezbollah.

The war's impact on the Israeli economy is felt at several levels, including the temporary closure of many businesses or reduction of work hours, restrictions on gatherings in the work place or large crowds at events, restrictions on the education system, etc. These restrictions, together with the extensive calling up of the reserves, led, up to the date of publication of the financial statements, to curtailing of activity in the Israeli economy and a drop in economic activity. The effect of the war is also felt in the capital market with considerable volatility in the financial markets and the shekel exchange rate vis-a-vis foreign currencies, as a result of the higher risk levels and greater uncertainty.

The effect of the war has also left its mark on Israel's credit rating. Moody's and Fitch placed Israel on a negative watchlist, while S&P placed Israel on a negative debt rating outlook. Consequently, yields on State of Israel bonds began to be traded at levels typical of countries with lower ratings.

There is considerable uncertainty regarding the repercussions of the war on activity in the Israeli economy in general and specifically on the Group's business activity and performance. Due to the nature of its activity, the Group is exposed to falling prices in the financial markets, to a slowdown of business activity in the economy, as well as to other risks stemming from the War, and it is constantly assessing the ramifications of these events on the Group's activity.

At this stage it is impossible to predict the duration of the War although estimates are that it will continue for several more weeks or even months and at the time of publication of the financial statements, the Israeli economy is beginning to settle into a routine in the shadow of the fighting. Consequently, this is an evolving situation and at this stage it is impossible to estimate the full extent of the impact of the War on the Group and its results.

Below we outline the key effects of the War for the Group up to the publication of the financial reports:

1. **Business continuity:**

   The Group companies deployed rapidly to working in a hybrid format and business continuity is maintained at work, enabling them to provide a full response to customers and agents, while at the same time supporting the needs of their employees.

2. **Insurance sector:**

   Notably, generally an initial assessment shows that up to immediately prior to publication of the financial statements the War did not result in any significant change in the scope of the exposure to insurance risks, as follows:

Life assurance and long-term savings: Most of the exposure resulting from the War is likely to be attributable to term insurance (simple life assurance), work disability and disabilities to the extent that claims arise in these sectors. Harel Insurance believes that at the time of publication of the financial statements, the increase in the cost of claims in these sectors is estimated at NIS 50 million before tax (NIS 33 million after tax). Furthermore, close to the date of publication of the financial statements, there was no material change in the volume of withdrawals and redemptions arising from the War.

Health insurance, including long-term care: The scope of the exposure resulting from the War in the health and long-term care segment is not expected to be significant.

Non-life insurance: As a rule, property losses arising from war events are not covered by property policies so that the scope of the exposure due to the War is not expected to be significant.

3. **Financial assets under management (AUM):**

From the outbreak of the War and up to the date of publication of the financial statements, there was no material change in the Group's AUM. The estimate for management fees that will not be collected on yield-dependent policies sold between 1991 and 2002 on account of a real, aggregate negative yield until a cumulative positive yield is attained, amounts to NIS 344 million immediately prior to the date of publication of the financial statements.

4. **Changes in the risk-free interest rate and the illiquidity premium:**

The War triggered a significant increase in the risk-free interest rate curve to above its level on September 30, 2023, as well as an increase in the illiquidity premium, which could lead to a reduction of the insurance liabilities. In contrast, the increase in the interest rate curve and falling prices on the capital markets could negatively impact the value of the financial and other assets in a manner that might reduce this aforesaid impact. An initial estimate shows that from the outbreak of the War and up to the date of publication of the financial statements, the loss in the Nostro assets portfolio was NIS 80 million before tax (NIS 53 million after tax). Notably, the information described above should not be construed as an estimate of the Company's financial results. This information is only partial and it does not include other components of profit or loss from investments and other effects.

5. **Liquidity, financial position and sources of finance:**

At the date of publication of the financial statements, the War has had no material impact on the Group's liquidity. Additionally, at September 30, 2023, and at the date of publication of the financial statements, the Group is in compliance with the prescribed financial covenants regarding its liabilities.

6. **Cyber risks:**

Since the outbreak of the War, the number of cyber attacks on Israel has increased. The Group constantly monitors the map of threats, which changes in light of the situation, and it is adjusting its level of security and required controls in line with the relevant risk level.

7. **Credit risks:**

The War might negatively affect the volume of credit losses. Immediately prior to publication of the financial statements, no increase has been observed in the scope of credit losses resulting from the War. In view of the significant uncertainty that the War creates for the economy, the Company is unable, at this stage, to estimate and/or evaluate the scope of the War's future repercussions on the Group's credit losses. The extent of the effect will depend on a number of factors, including the duration of the War and the extent to which it affects economic activity.

8. **Financial services:**

The principal effect on financial services activity depends on the duration of the War and the length of time in which volatility in the stock market and corporate bonds market continues.

From the outbreak of the War and up to the date of publication of the financial statements, there was no significant change in the assets of the managed mutual funds and assets of the managed portfolios. Nonetheless, potential fluctuations in commodity prices, foreign exchange rates, availability of raw materials, availability of manpower, domestic services and access to local resources could, at a later stage, affect the Company's financial services activity in the future.

9. **Corporate responsibility:**

In the wake of the Swords of Iron War and as part of Harel's corporate responsibility, the Company has mobilized on behalf of Israeli society which is currently in the throes of one of the most challenging crises that the State of Israel has ever known and it has accelerated its social activity, focusing on assistance for Israeli society at this time. As part of this activity, and together with other business enterprises, the Company has adopted Kibbutz Kfar Aza and is helping to raise funds through its activity centers.

The Company has also intensified its support for new ventures, initiatives and charitable organizations through the M.E.H. Foundation and the Company's corporate social responsibility system, as well as encouraging and enhancing voluntary work by employees in activities relating to the War and its repercussions for the home front and the economy. Among other things, many employees have participated in a range of agricultural volunteer work, packing equipment for kindergartens and schools for (displaced) children from the Gaza Envelope, volunteering with children from the south, helping to transport equipment to the IDF mobilization areas, helping with the elderly in retirement homes and more.

Up to publication of the report, the Company's activity and donations in connection with the War and its repercussions are estimated at millions of shekels.

It is emphasized that the Company's assessments concerning the possible ramifications of the War on its activity are uncertain and are beyond the Company's control. These assessments are based on the Company's best knowledge at this stage. The Company's assessments are forward-looking information, according to its definition in the Securities Law, 1968, based on the Company's best judgment assessments on the basis of the information available to it in the context of these topics. It is possible that all or part of the assessments will not materialize, or they may materialize differently due to factors beyond the Company's control, and specifically macroeconomic, security and political events, including a significant escalation and/or continuation of the current state of war.

2.2.2 Revised compensation policy for the Company

On the convening of a General Meeting of the Company to approve a revised compensation policy for the Company, see Note 10 to the Financial Statements.

2.2.3 Revised compensation policy for the Group's financial institutions

On the approval of the revised compensation policy for the Group's financial institutions, see Note 10 to the Financial Statements.

2.2.4 Approval of the employment conditions of the Company's controlling shareholders:

On the convening of a General Meeting to approve the employment conditions of the Company's controlling shareholders, see Note 10 to the Financial Statements.

2.2.5 Convening of a Special General Meeting of the Company

On the convening of a Special General Meeting of the Company, see Note 10 to the Financial Statements.

2.2.6 Updates concerning the agreement for the acquisition of Isracard

On developments that took place in connection with the agreement for the acquisition of Isracard, see Note 9 to the Financial Statements.

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

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

2.2.8 Expected termination of term of office by the Company's CEO, Mr. Michel Siboni

On November 27, 2023, Mr. Michel Siboni, CEO of the Company and Chairman of the Board of Directors of Harel Insurance, announced his wish to step down from his position after more than 30 years with Harel Group. His resignation will enter into force on a date to be agreed upon by the parties. Mr. Siboni will continue to serve as a director in Harel Insurance and as Chairman of the Board of Hamazpen, a subsidiary engaged in providing credit to medium enterprises, and there is also an intention to appoint him as a director in Harel Investments. Further to Mr. Siboni's aforementioned announcement, the Board of Directors of Harel Investments approved the appointment of Mr. Nir Cohen, who is currently the CEO of Harel Insurance, as CEO of Harel Investments as well. Mr. Cohen's appointment will enter into force when Mr. Siboni steps down.

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[1] in Israel and worldwide.

Following are the key factors in the macroeconomic environment that affect the Group's activity:

[1] The Swords of Iron war began after the date of the report, see also Section 2.2.1 above and Section 2.3.10 below.

2.3.1 General

The pace of economic activity worldwide moderated in Q3 2023 in light of the high interest rate, the ongoing war in Ukraine, the slowdown of global industry and slowdown in China's real-estate market. However, growth in the US accelerated in the quarter.

Inflation declined slowly in most parts of the world, partly due to the renewed increase in energy prices. Core inflation (excluding food and energy products) continued to moderate but remains above the central bank targets. Interest rate increases in most parts of the world were therefore moderate.

2.3.2 Developments in the Israeli economy

According to the most recent estimates, GDP grew at an annual rate of 2.8% in Q3 2023, similar to the previous quarter. This growth was driven by exports and private consumption that was also supported by the strong labor market, so that at the end of the quarter unemployment was below 3.2%. Additionally, the number of available jobs continued to fall.

2.3.3 Stock market

In Q3 2023, the MSCI World Index (gross in dollar terms) fell by 3% while the S&P 500 Index was 4% down, and the corresponding MSCI Emerging Markets Index was down 3%. In contrast, in Israel, the TA-125 share index rose by 6% in the same period.

2.3.4 Bond market

Q3 2023 closed with the government bond index 1.6% down and an increase of 0.7% in the corporate bond index.

2.3.5 Mutual funds

Q3 2023 closed with the mutual funds raising a net NIS 12.5 billion. The money-market funds remained favorable in the current quarter, recording net raisings of NIS 13 billion. Mutual funds specializing in foreign activity recorded net raisings of NIS 3.2 billion, as against redemptions of NIS 3 billion in the bond mutual funds.

2.3.6 ETFs

Q3 2023 closed with the ETFs recording net raisings of NIS 5.5 billion. Of this, approximately NIS 4.5 billion was raised by the ETFs specializing in foreign shares.

2.3.7 Foreign exchange market

The shekel continued to depreciate in Q3 2023, weakening by 3% against the US dollar and by 1% against the Euro

2.3.8 Inflation

According to the last known index published at the end of Q3 2023 (August index), the CPI increased by 0.8% in the quarter and by 4.1% in the last 12 months to August.

2.3.9 Bank of Israel interest

In Q3 2023, the Bank of Israel left the interest rate unchanged at 4.75%, its highest level since 2006.

2.3.10 Events after the date of the report - Swords of Iron War

The horrific terror attack perpetrated by Hamas on October 7, 2023, resulted in an unprecedented number of deaths, hostages and injuries and to a declaration of war - the Swords of Iron War. Beyond the large number of casualties, the War led to a reduction of economic activity due to the temporary closure and/or curtailing of work hours by many businesses, restrictions on gatherings in the work place or at events, a drop in demand, extensive calling up of the reserves, restrictions on the education system, etc. At this stage, as long as the War is under way, it is too early to quantify the economic impact and effect on society due to the uncertainty regarding its scope and duration. The longer the War continues or the greater the area it covers, the more severe the negative ramifications will be. The expectation is that growth in the last quarter of 2023 will be negative. At the time of publication of the financial statements, the Israeli economy is beginning to settle into a routine in the shadow of the fighting.

On the eve of the War, Israel's economy had a current account surplus, low debt to GDP ratio, high foreign exchange reserves and a tight labor market with almost full employment. The Israeli economy is stable with strong foundations and in the past managed to recover from difficult periods.

In the wake of the War, the Bank of Israel announced that it would sell up to USD 30 billion from its foreign exchange reserves in order to ease the pressure to depreciate the shekel, in addition to other activity including specific assistance to households and businesses that have been harmed. In its decision regarding the interest rate in October, the Bank of Israel left the rate unchanged at 4.75%. The Bank of Israel's Research Department believes that the War will reduce GDP growth by 0.5% - 1% in each of the years 2023 and 2024, assuming that the lion's share of the fighting is concentrated in the southern front and that it will not extend beyond the fourth quarter of 2023. For additional information, see Section 2.2.1.

The rating companies Moody's and Fitch placed Israel on a negative watchlist, while S&P shifted its debt rating for Israel to negative.

Inflation in the last 12 months to September (published after the end of the third quarter) fell to 3.8%.

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 Swords of Iron War

In the Reporting Period, a number of regulatory provisions were published with the purpose of adjusting the work of the financial institutions to the security situation due to the Swords of Iron War and the special situation on the home front. These include:

On October 18, 2023, the Postponement of Deadlines (Temporary Provision - Swords of Iron) (Contract, Verdict or Payment to the Authority) Law, 2023, was published. The law prescribes a temporary provision that allows certain defined populations, including soldiers, police officers and the residents of evacuated communities, to postpone by 30 days, the deadlines for the implementations of actions defined in a contract or verdict, if this date falls in the period between October 7, 2023 and November 7, 2023. On November 7, 2023, an order was published extending this period to December 7, 2023, and extending the deferment period by a further 30 days, so that such actions can be postponed by 60 days, or until December 31, 2023, whichever is earlier.

On October 23, 2023, a circular was published concerning the Commissioner's emergency instructions. The circular prescribes as a temporary provision a series of instructions amending existing circulars or deferring their commencement date, on topics relating to the provision of service to customers, suspension of a policy at the customer's request, flexibility in the purchase of bonds, an option to defer the submittal of reports and also an extension of the dates for submittal of periodic reports to the Commissioner.

On October 17, 2023, a letter was published to the heads of financial institutions concerning guidelines for financial institutions against the backdrop of the Swords of Iron War. These include directives and emphases relating to their mode of operation in this period, with reference to how service should be provided to customers, corporate governance and risk management.

2.4.1.2 Provisions of law

On June 6, 2023, the Economic Plan (Legislative Amendments for Implementation of the Economic Policy for Fiscal Years 2023 and 2024) Bill, 2023, Chapter 6 - Brokering Insurance and Pension Saving, was published. In this context, the Supervision of Financial Services (Pension Advice, Pension Marketing and Pension Settlement System) Law, 2005, prescribes 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 according to the presumptions defined in the law.

2.4.1.3 Circulars

2.4.1.3.1 On June 1, 2023, the Roadmap for the Adoption of IFRS 17, Insurance Contracts ("the Standard") - Third Revision, was published which deferred by a year the initial date of application of the Standard and of IFRS 9, Financial Instruments, ("the Standards"), in Israel 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. Likewise, the milestones for 2023 and 2024 and the steps set out for deployment for application of the Standards were revised in accordance with deferral of the initial date of application of the Standards, and guidelines were added for conducting quantitative impact studies (QIS) in line with the Standards.

2.4.1.3.2 On March 21, 2023, a circular was published amending the provisions of the Consolidated Circular on reports to be submitted to the Commissioner and sets guidelines on adjusting the insurance liabilities for the allocation of Hetz earmarked government bonds, and this following the application of IFRS 17 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.

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

2.4.2 Life assurance and long-term savings

2.4.2.1 Provisions of law

2.4.2.1.1 On July 12, 2023, provisions 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 limit the deposits and transfers that can be made in an insurance fund so that they will only be permitted for amounts that exceed the maximum deposit in an annuity provident fund that is not an insurance fund. These provisions were prescribed in accordance with the government's decision in the Arrangements Law from February 24, 2023.

2.4.2.1.2 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.

2.4.2.2 Circular

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 reporting 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 July 20, 2023, a circular was published concerning the method of presenting the expected annual cost for members or insureds, which prescribes a standard formula for calculating the expected annual cost and provisions for the method of presenting them to customers.

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.

2.4.2.3 Draft circular

On September 10, 2023, a draft was published concerning a list of investment tracks. Among other things, the draft proposes amending the list of investment tracks that financial institutions may administer and adding tracks that incorporate bonds and have limited exposure to shares - up to 20% of the track's assets. This will broaden the supply of investment tracks in savings products in which the funds do not have to be paid in the form of annuity. The draft also proposes eliminating the flexible specialist track and updating the standardized investment policy in credit and bond tracks.

2.4.2.4 Instructions and clarifications

On September 28, 2023, a letter was published to the heads of financial institutions concerning preparations for implementation of the investment tracks circular. The letter sets out several points to be emphasized when the financial institutions implement adjustment of the investment tracks in the savings products that they administer to the list of the investment tracks published as part of the circular dated December 20, 2022 on provident fund investment tracks (the "Investment Tracks Circular"), in which the range of investment tracks that may be administered by a financial institution was extended.

Notably, in view of the Swords of Iron War, and based on the understanding that the financial institutions are operating in an emergency format and also in view of the difficulty facing the investing public in making decisions relating to their pension savings at this time, the commencement date for the Investment Tracks Circular was deferred to July 1, 2024 (instead of January 1, 2024), within the context of the Commissioner's Emergency Instructions circular detailed in Section 2.4.1.1 above.

2.4.3 Health insurance

2.4.3.1 Provisions of law

2.4.3.1.1 On September 26, 2023, a second draft of the provisions of the Supervision of Financial Services (Insurance) (Group Long-term Care Insurance for HMO Members) (Amendment) Regulations, 2023, was published. The draft provisions propose amending the Supervision of Financial Services (Insurance) (Group Long-term Care Insurance for HMO Members) (Amendment) Regulations, 2015, including to reduce by 10% the monthly insurance benefits for insureds residing at home, in line with the insured's initial age of enrollment, and to link the insurance benefits to the known CPI at the date of the onset of the draft, when it is published as binding, instead of the present situation in which the insurance benefits are linked to the CPI from July 1, 2016. It is also proposed extending the exclusion for an insured event so that it will be stipulated that the policy will not include cover for an event that first occurred in the first 60 months of the insured's life and that the entering into force of the provisions pertaining to the purchase of an extended long-term care layer will be deferred to January 1, 2028 (instead of July 1, 2021).

On September 21, 2023, a circular was published on the same subject which proposes amending the provisions of the Consolidated Circular on Long-term care insurance and cancelling the provision that sets a minimum threshold for insurers to take an insurance risk.

2.4.3.1.2 On June 6, 2023, the Economic Plan (Legislative Amendments for the Implementation of Economic Policy for Fiscal Years 2023 and 2024) Bill, 2023, Chapter 19: Health, was published (in this section - the Economic Plan Law). The bill stipulates that a chapter shall be added to the Supervision Law addressing situations in which a person is entitled to insurance cover for surgery in Israel, by virtue of a private insurance policy for surgery "with full coverage" (in this section: "Full Coverage Policy"), and also by virtue of supplementary health service (SHS) plans offered by the HMOs. Among other things, this chapter stipulates that insurance companies must transfer payment to the HMOs for private surgery in Israel that was paid for through the HMO SHS plans, and this if the patient who underwent the surgery is insured in a Full Coverage Policy that includes cover for surgery, and if the doctor who performed the surgery is part of an arrangement with the insurance company or he is included in the list of the company's specialists. 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 set out in the bill), whichever is lower, and net of the member's deductible in the supplementary health services plan. It was also determined that insurance companies will transfer their policyholders who have personal lines Full Coverage Policies to supplementary health services policies for surgery. This transfer will be made on the first renewal date of the policy after October 1, 2023. Insureds may remain in the Full Coverage Policy or return to the policy within one year of the date of the transfer.

On September 28, 2023, circulars were published implementing the provisions of the Economic Plan Bill, including a circular on an online interface for surgery in Israel which details the information to be transferred between the insurance companies and the HMOs for the purpose of transferring money and insureds from a Full Coverage policy to a Supplementary Health Services policy, and it also prescribes provisions about how this information should be transferred. Additionally, an amendment to the circular on the transfer of information required on the financial institution's website was published adjusting presentation of the list of surgeons who have an arrangement with the insurance company on the company's website.

2.4.3.2 Circulars

On May 1, 2023, supervisory provisions and circulars were published once again deferring the provisions comprising the health insurance reform (in this section and thereafter: "the Reform") to October 1, 2023, and this in view of the legislation published as part of the proposed Economic Plan detailed in Section 2.4.3.1.2 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 on 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; it prohibits the sale of multiple insurance in personal-lines indemnity policies 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, that as noted was deferred once again, to October 1, 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 included in the health services basket, and a policy for surgery and non-surgery treatment abroad. The draft provisions also stipulate that insurers may only change the wording of the conditions with the Commissioner's approval.

On that same date, Supervision of Financial Services (Insurance) (Conditions of Insurance Contracts for Surgery and Non-surgery 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, that as noted above was deferred once again, to October 1, 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 an opinion 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 deferring the onset date of these amendments, once again, to October 1, 2023.

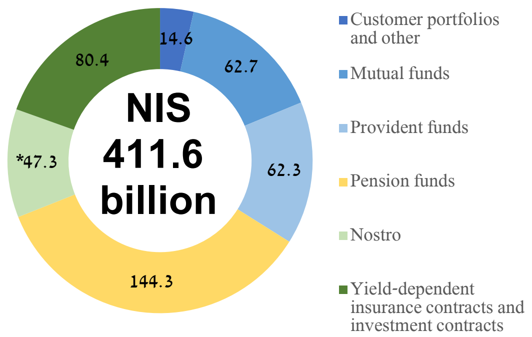
2.4.3.2.4 On September 20, 2022, a circular was published concerning revised tariffs in updated health policies. Among other things, the circular sets out conditions according to which insurance companies may update the premium in personal lines medical expenses insurance plans sold after the onset of 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.

2.4.3.3 Draft circular

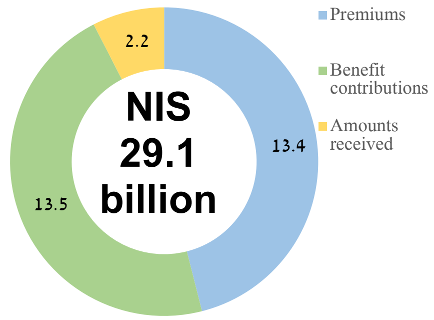
On July 10, 2023, a draft circular was published amending the provisions of the Consolidated Circular on the obligation to offer a plan with additional insurance cover through the Supplementary Health Services (SHS). The draft circular proposes updating the rules that will apply to SHS additional policies in light of the provisions of the Reform. Among other things, the draft circular proposes that insureds who move over to a follow-on policy shall be eligible for the conditions offered at the time of the transfer to a Full Coverage Policy, and to define the instances in which the insurance company will indemnify an insured in an SHS additional policy, based on the provisions of the Reform.

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 8.6 billion, NIS 5.8 billion and NIS 6 billion at September 30, 2023, September 30, 2022 and December 31, 2022, respectively

Amounts received in respect of investment contracts are not included within premiums but are recognized directly in liabilities for insurance contracts and investment contracts. As a result of the high interest environment and fact that the capital markets have become less attractive than bank deposits, the amounts received in the Reporting Period for investment contracts recognized directly in investment contract reserves fell to NIS 2.2 billion, as against NIS 3.3 billion in the corresponding period last year.

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

	Notes	For the nine months ended September 30		change in %	For the three months ended September 30		For the year ended December 31
		2023	2022		2023	2022	2022
Life assurance and long-term savings							
Life assurance	A	109	(761)	-	131	(264)	(793)
Pension	B	56	45	24	18	14	57
Provident	B	29	32	(9)	11	12	46
Total life assurance and long-term savings segment		**194**	**(684)**	-	**160**	**(238)**	**(690)**
Non-life insurance	C						
Compulsory motor		9	(19)	-	33	(1)	(23)
Motor property		(39)	(210)	(81)	7	(66)	(253)
Property and other lines of business		94	74	27	36	33	103
Other liabilities lines of business		140	172	(19)	43	24	176
Mortgage insurance		23	17	35	7	7	28
Total non-life insurance segment		**227**	**34**	-	**126**	**(3)**	**31**
Health insurance	D	69	368	(81)	88	(23)	798
Insurance companies overseas	E	(12)	(25)	(52)	(7)	(1)	(25)
Financial services	F	58	48	21	21	18	73
Not attributed to segments of operation		26	(342)	-	(6)	(137)	(386)
Total before tax		**562**	**(601)**	-	**382**	**(384)**	**(199)**
Tax expenses (income)		156	(246)	-	108	(137)	(129)
Other comprehensive income (loss) after tax		**406**	**(355)**	-	**274**	**(247)**	**(70)**
Attributed to:							
Shareholders of the Company		**397**	**(359)**	-	**271**	**(249)**	**(77)**
Non-controlling interests		**9**	**4**	-	**3**	**2**	**7**
Return on Equity in annual terms		6%	(6%)		13%	(12%)	(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 third quarter were affected by improved real proprietary (Nostro) yields in the capital market (zero yield in the Reporting Period and third quarter) compared with real negative Nostro yields in the corresponding period last year and corresponding quarter last year.

Likewise, results in the Reporting Period and third quarter were affected by the rising interest rate curve applied in calculating the insurance liabilities (increase in the risk-free interest rate curve and decrease of the illiquidity premium) and by changes in the difference between the fair value and book value of the non-marketable assets. Additionally, in view of the prolonged, significant increase of the interest rate, in the third quarter the interest rate applied in calculating the reserves for annuity and work disability in life assurance, and the reserves for claims in payment in the long-term care sector, was revised. Consequently, the insurance liabilities were reduced. For additional information, see Section 2.5.2 (A) and (C).

Results in the corresponding period last year (in the second quarter last year) were affected by a revision of the interest rate applied in calculating the reserves for annuity and work disability in life assurance, and the reserves for claims in payment in the long-term care sector that led to a decrease 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 in accordance with the mechanism for the collection of fixed management fees in the legislative arrangement, as detailed below.

   Income from management fees in the Reporting Period and third quarter amounted to NIS 378 million and NIS 128 million, respectively, as against NIS 388 million and NIS 129 million in the corresponding period and corresponding quarter last year, respectively.

   In the Reporting Period, real positive yields were recorded in profit sharing policies that were sold between 1991 and 2003. Nonetheless, due to a real aggregate negative yield on these policies, Harel Insurance did not record variable management fees from the beginning of 2022, but only fixed management fees. 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 profit-sharing 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 September 30, 2023, the estimate for management fees that will not be collected due to the real aggregate negative yield until a cumulative positive yield is attained, is NIS 343 million) at December 31, 2022, NIS 415 million). Notably, immediately prior to the date of publication of the financial statements, the estimate for management fees that will not be collected as noted above, is NIS 344 million.

   Results in the corresponding period last year were affected by the application of a circular concerning revised demographic assumptions in life assurance and for the pension funds that led to an increase of the insurance liabilities. For additional information, see Section 2.5.2.

   Likewise, results in the corresponding period and corresponding quarter last year in the critical illness sector were affected by an update of the rate of development of expenses in the actuarial model. The effect of the foregoing was to increase the insurance liabilities. For additional information, see Section 2.5.2.

B. Pension and provident - the results were affected by capital market yields as described above. The results include ongoing amortization of surplus costs created on October 1, 2021, following the acquisition of several provident funds and pension funds from Psagot.

   Additionally, results in the Reporting Period were mainly affected by an increase of the management fees resulting from the growth of the managed assets portfolio and by an increase in marketing and other acquisition costs.

C. Non-life insurance

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

      Results in the Reporting Period and third quarter were affected by the rising interest rate curve applied in calculating the insurance liabilities (increase in the risk-free interest rate curve and decrease of the illiquidity premium) and by 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 (liabilities in non-life insurance are calculated from the second quarter of 2022 according to the Full Best Practice model. For additional information, see Note 36E4 in the annual financial statements). For additional information, see Section 2.5.2 (D).

      Results in the corresponding period and corresponding quarter last year, were affected by a sharp rise of the interest rate applied in calculating the insurance liabilities (increase of the risk-free interest curve and increase of the illiquidity premium) and by changes in the difference between the fair value and book value of the non-marketable assets, that reduced the insurance liabilities.

      Compulsory motor sector - in the Reporting Period underwriting improved compared with the corresponding period last year mainly due to optimization of the portfolio and a reduction in the cost of the average claim that was offset by the development of claims for prior years and an increase in the loss for the Pool's business. Results in the third quarter were affected by a continuing reduction in the cost of the average claim that was partially offset by the higher loss in respect of the Pool's business.

   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 and third quarter, underwriting improved compared with the corresponding period last year, mainly due to an increase in the average premium and a reduction of the provision for premium deficiency (in the corresponding period last year, provision was recorded for premium deficiency). 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 curve, changes in the illiquidity premium, changes in the difference between the fair value and book value of the non-marketable assets, and other changes.

      Results in the third quarter were affected by the rising interest curve applied in calculating the insurance liabilities (increase of the risk-free interest rate curve and decrease of the illiquidity premium) that led to a reset of the LAT reserve in the amount of NIS 54 million before tax recorded in the second quarter, without the need to use the retained fair value of the non-marketable assets allocated to the personal lines long-term care sector. For additional information, see Section 2.5.2(B).

In the corresponding period last year, the steep rise of the interest curve applied in calculating the insurance liabilities (increase of the risk-free interest rate curve and increase of the illiquidity premium) 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 sector - in the Reporting Period, underwriting improved for group policies and also improved in the cover for medications. This was offset by an increase in the number of claims in ambulatory cover. Results in the corresponding period last year were affected by a deterioration of underwriting in group policies and by an increase in the number of claims in the cover for medications and ambulatory care.

   Additionally, results in the corresponding period last year were affected by the application of a circular concerning revised demographic assumptions in life assurance and for the pension funds that led to an increase of the insurance liabilities. For additional information, see Section 2.5.2.

Likewise, results in the corresponding period and corresponding quarter last year in the personal lines long-term care and personal lines health sectors were affected by an update of the rate of development of expenses in the actuarial model. The foregoing led to a reduction of the insurance liabilities. For additional information, see Section 2.5.2.

E. Insurance companies overseas - 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 62% in the Reporting Period) and the continuing 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.

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

   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 retained costs created in the course of business combinations and extraordinary expenses due to implementation of the multi-year strategic plan "Harel 2030" that focuses on three key areas 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").

	Notes	For the nine months ended September 30 2023	For the nine months ended September 30 2022	Change	For the three months ended September 30 2023	For the three months ended September 30 2022	For the year ended December 31 2022
Comprehensive income (loss) for the period as published in the financial statement		406	(355)	761	274	(247)	(70)
Life assurance and long-term savings							
Application of a circular on a revision of the demographic assumptions		-	(279)	279	-	-	(279)
Update of the interest rate applied in calculating the reserves for annuity and work disability	A	176	227	(51)	176	-	227
Revised study of the retirement rate and annuity TUR		-	-	-	-	-	(51)
Update relating to the development of expenses in the actuarial model		-	(23)	23	-	(23)	(23)
Health insurance							
LAT - personal lines long-term care	B	-	764	(764)	54	-	764
Update of the interest rate applied in calculating the reserve for claims in payment - personal lines and group long-term care	C	42	15	27	42	-	15
Update of the interest rate applied in calculating the active reserve - personal lines long-term care		-	-	-	-	-	763
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	(178)	-	178	178
Application of a circular on a revision of the demographic assumptions		-	(12)	12	-	-	(12)
Non-life insurance							
Interest effects	D	176	433	(257)	40	123	524
Actuarial updates		-	75	(75)	-	-	75
Extraordinary expenses due to the amortization of surplus costs created in the acquisition of operations and/or companies and implementation of the multi-year strategic plan "Harel 2030"		(77)	*(24)	(53)	(13)	*(8)	*(35)
Total effects, before tax		317	1,354	(1,037)	299	270	1,816
Effect of tax		108	463	(355)	102	92	621
Total effects, after tax		209	891	(682)	197	178	1,195
Total comprehensive income (loss) after adjustment for special effects		197	(1,246)	1,443	77	(425)	(1,265)

* Reclassified

A. Life assurance and long-term savings - results in the Reporting Period and third quarter were affected by a reduction of the insurance liabilities by NIS 166 million before tax due to the revised interest rate applied in calculating the reserve for annuities in payment and the supplementary reserve for annuity (NIS 91 million decrease of the liabilities for policies that include a savings component up to 1990, and NIS 75 million decrease of the liabilities for policies that include a non yield-dependent savings component from 2004), and a decrease of NIS 10 million before tax due to the revised interest rate applied in calculating reserves for work disability claims in payment.

   Results in the corresponding period last year were affected by a reduction of the insurance liabilities decreased by NIS 222 million before tax due to the revised interest rate applied in calculating the reserve for annuities in payment and the supplementary reserve for annuity (decrease of NIS 27 million in the liabilities for policies that include a savings component up to 1990, decrease of NIS 154 million in the liabilities for policies that include a savings component until 2003, and a decrease of NIS 41 million in the insurance liabilities for policies that include a non-yield dependent savings component from 2004), and a reduction of the insurance liabilities by NIS 5 million before tax due to the revised interest rate applied in calculating reserves for work disability claims in payment (revised in the second quarter last year).

B. Health insurance, personal lines long-term care - results in the third quarter were affected by the rising interest curve applied in calculating the insurance liabilities that led to a reset of the LAT reserve in the amount of NIS 54 million that was recorded in the second quarter, without the need to use the retained fair value of the non-marketable assets allocated to the personal lines long-term care sector.

   In the corresponding period last year, the steep rise of the interest curve applied in calculating the insurance liabilities led to a decrease of NIS 764 million 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.

C. Health insurance, long-term care - results in the Reporting Period and third quarter were affected by a reduction of the insurance liabilities by NIS 42 million before tax due to the revised interest rate applied in calculating the reserves for claims in payment in the personal lines and group long-term care sectors.

   Results in the corresponding period last year were affected by a reduction of the insurance liabilities by NIS 15 million before tax due to the revised interest rate applied in calculating the reserve for claims in payment in the personal lines long-term care sector (revised in Q2 last year).

D. Non-life insurance - results in the Reporting Period and third quarter were affected by the rising interest curve applied in calculating the insurance liabilities and by changes in the difference between the fair value and book value of the non-marketable assets.

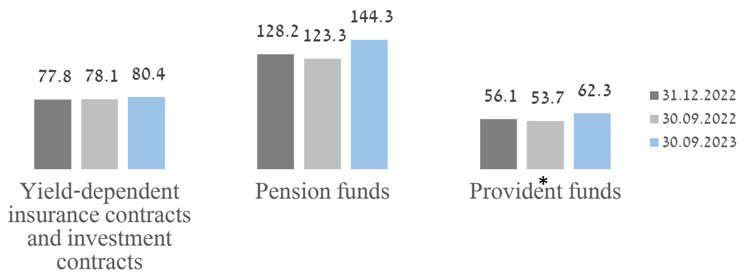
   Results in the corresponding period and corresponding quarter last year, were affected by a sharp rise of the interest curve applied in calculating the insurance liabilities and by changes in the difference between the fair value and book value of the non-marketable assets.

Details of the effect by segmentation according to sector:

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	**2022**	**2023**	**2022**	**2022**
Changes in the interest curve and the difference between the fair value and book value of the non-marketable assets, including actuarial updates:					
Compulsory motor	59	183	26	65	218
Motor property	15	-	2	-	-
Labilities	102	250	12	58	306
Total effects on profit (loss), before tax	**176**	**433**	**40**	**123**	**524**

2.6 Other key information and effects by segment

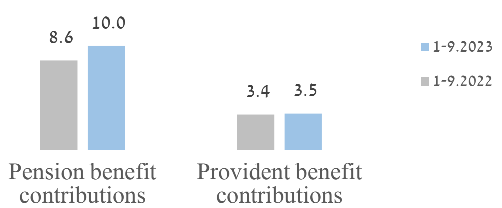
2.6.1 Assets managed for the Group's members and policyholders in the life assurance and long-term savings segment (NIS billion):

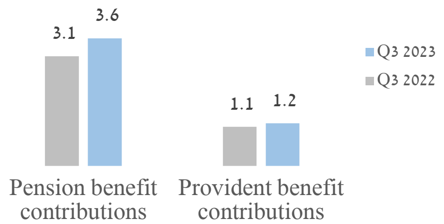


Assets managed by the provident funds and pension funds are not included in the Company's consolidated financial statements.

* 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):





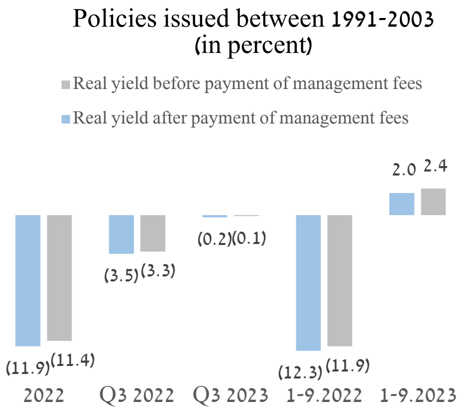
The benefit contributions in the provident funds and pension funds are not included in the Company's consolidated financial statements.

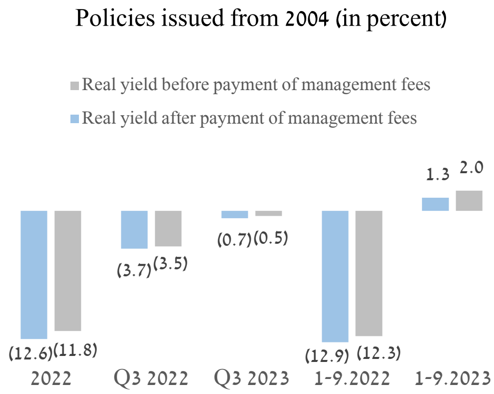
2.6.3 Life assurance:

Redemptions as a percentage of the average reserve amounted to 5.7% in the Reporting Period, compared with 4.4% in the corresponding period last year and 4.3% in 2022.

Redemptions as a percentage of the average reserve amounted to 6.3% in the third quarter, compared with 4.3% in the corresponding quarter last year.

Yield-dependent policies:





Following is the estimated amount of investment profit (loss) and management fees included in the consolidated income statement, 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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	**2022**	**2023**	**2022**	**2022**
Profit (loss) after management fees	3,418	(6,276)	(66)	(1,788)	(5,937)
Total management fees	378	388	128	129	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 third quarter, deposits in the amount of NIS 480 million and NIS 24 million, respectively, were received in respect of the aforesaid agreement (in the corresponding period and corresponding quarter last year deposits in the amount of NIS 540 million and NIS 33 million, respectively, were received in respect of the aforementioned agreement).

During the course of the agreement period, which will end in 2037, deposits amounting to a total of NIS 3 billion are expected to be received. At September 30, 2023, deposits in the aggregate amount of approximately NIS 1 billion were received (at September 30, 2022, deposits in the aggregate amount of NIS 540 million were received).

2.6.4 Pension funds:

Income from management fees collected from the pension funds managed by the Group amounted to NIS 343 million in the Reporting Period, compared with NIS 319 million in the corresponding period last year.

Income from management fees collected from the pension funds managed by the Group amounted to NIS 119 million in the third quarter, compared with NIS 108 million in the corresponding quarter last year.

2.6.5 Provident funds:

Income from management fees collected from the provident funds managed by the Group amounted to NIS 228 million in the Reporting Period, compared with NIS 212 million in the corresponding period last year.

Income from management fees collected from the provident funds managed by the Group amounted to NIS 79 million in the third quarter, compared with NIS 72 million in the corresponding quarter last year.

2.6.6 Health insurance:

Harel Insurance is the insurer in the group LTC policy for members of Clalit Health Services. At the date of the report, the policy period is due to end on December 31, 2023. Clalit Health Services believes that it has the right to extend the policy period by a further three years, although the Company rejected this position.

On a petition to the High Court of Justice (HCJ) filed by Clalit Health Services concerning the long-term care policy in Israel - see an Immediate Report of the Company dated November 6, 2023, Ref. 2023-01-121797.

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 nine months ended September 30		For the year ended December 31
	2023	**2022**	**2022**
Compulsory motor	(7%)	3%	26%
Motor property (CASCO)	(5%)	(6%)	15%
Property and other lines of business	4%	8%	12%
Other liabilities lines of business	7%	9%	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

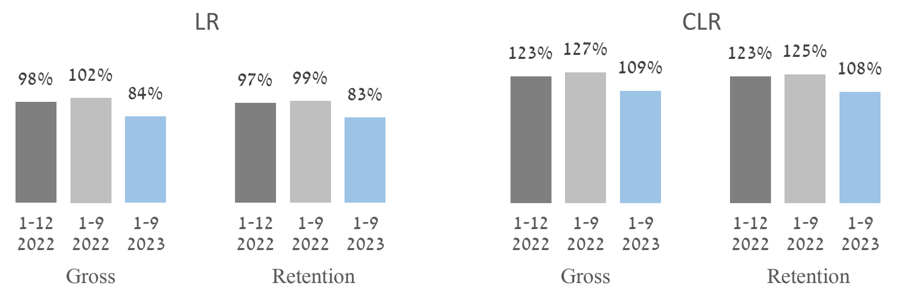
For additional information about the results of compulsory motor insurance, see Sections 2.5.1 and 2.5.2 above.

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. A letter from the Pool’s CEO set the temporary share of Harel Insurance in the net premiums for 2023 at 13.01% (as against 14.17% which was the Company’s final share for 2022).

2.6.7.2 Motor property

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

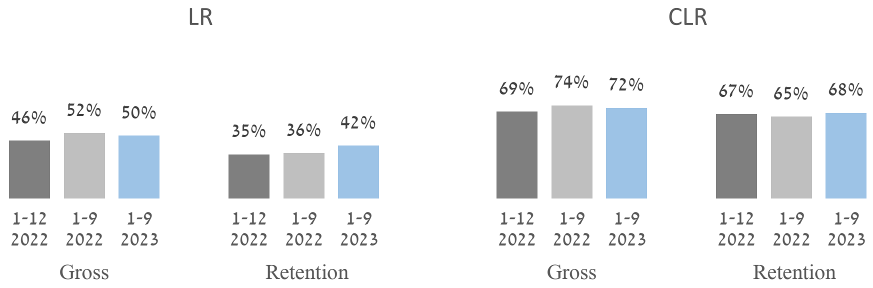
Loss ratio (LR) and combined loss ratio (CLR) in motor property insurance:



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 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.

EMI recently received approval in principal from the Capital Market, Insurance and Savings Authority ("the Authority") to begin to calculate its insurance liabilities from the 2023 annual financial statements and thereafter, based on an economic calculation (EMI's insurance liabilities are currently calculated based on the provisions determined in EMI's insurer's license). Completion of this move depends, among other things, on obtaining final approval from the Authority and changing the conditions of the insurer's license. When this move has been completed, EMI's insurance liabilities are expected to decrease by tens of millions of shekels.

This assessment by the Company's is forward-looking information, according to its definition in the Securities Law, 1968, based on the Company's best judgment assessment on the basis of the information available to it in the context of this subject. It is possible that this estimate will not materialize or may materialize differently due to factors beyond the Company's control, and specifically it is dependent on obtaining final approval from the Authority and changing the conditions of the insurer's license.

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.

Turk Nippon:

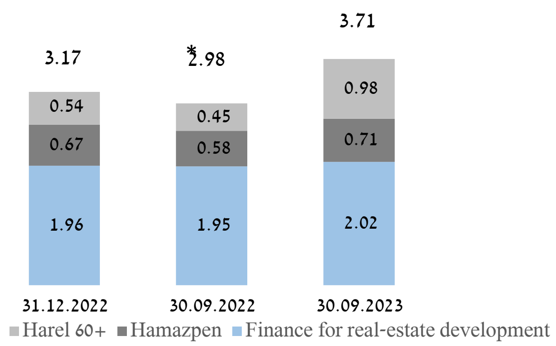
In 2022, the Company injected capital amounting to 142 million Turkish lira [TRY] (NIS 27 million) into Turk Nippon. In March 2023, the Company injected capital amounting to 77.5 million Turkish lira [TRY] (about NIS 15 million) into Turk Nippon.

Interasco:

In January 2023, the Greek regulator authorized Interasco to receive a Letter of Credit (LC) from the Company in the amount of EUR 5 million. Provision of this LC raises the solvency ratio of Interasco enabling it to invest in assets with a higher yield potential. Under the terms of the LC, if the solvency ratio without taking the LC into account falls below 105% in two consecutive quarters, or falls below 100% in one quarter, the amount of the LC may be converted to capital in tranches of EUR 0.5 million that will bring the solvency ratio to 105% or 100%, respectively.

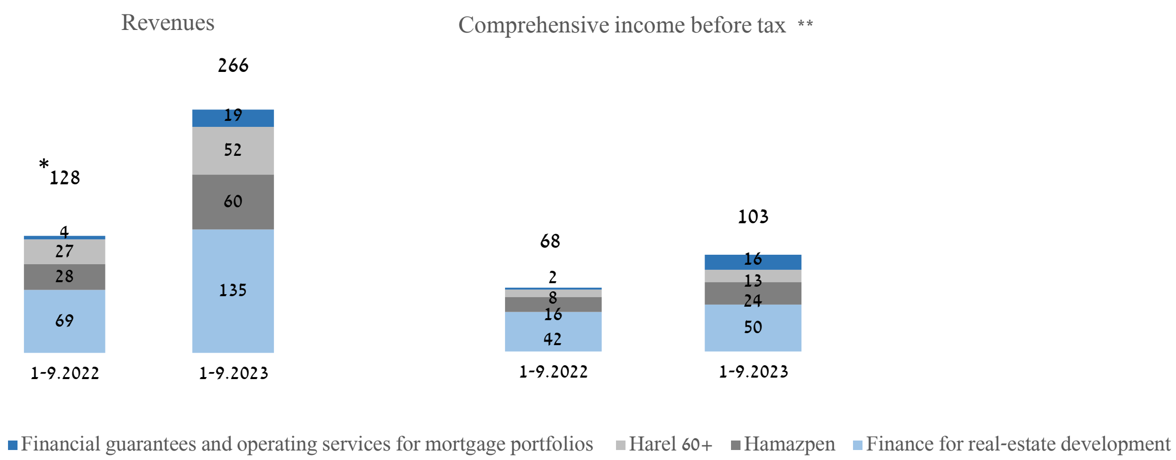
2.6.9 Credit sector

Size of the credit portfolio (NIS billion):



* Reclassified

Volume of revenues and profit for the period in the credit sector (NIS million):



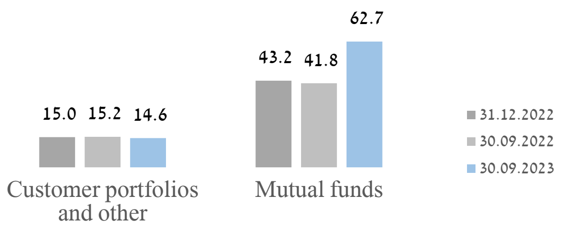
* Reclassified

* Comprehensive income before tax in development property finance and Harel 60+ is calculated as income net of theoretical finance costs and operating expenses.

At September 30, 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 within 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):



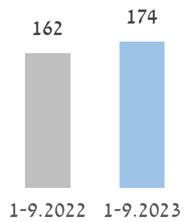
AUM in customer portfolios include financial assets that were issued by the Group and are managed in the portfolios.

Revenues in the capital market and financial services segment amounted to NIS 253 million in the Reporting Period, compared with NIS 186 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 deposits

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



2.7 Liquidity and sources of financing

2.7.1 Cash flows

Net cash flows provided by operating activities were NIS 2,138 million in the Reporting Period. Net cash flows used in investment activity amounted to NIS 409 million. Net cash flows provided by financing activity were NIS 1,190 million. The effect of fluctuating exchange rates on the cash balances was a negative NIS 201 million. The outcome of all the above activity is expressed in an increase of NIS 2,718 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 Special disclosure for holders of the Company's bonds

A. Data on bonds

Series / date of issue	Series 1 bonds
Date of issue	July 2021 (expanded in June 2023)
Nominal value on date of issue (NIS)	250,000,000 (An additional 953,516,000 were issued as part of the expansion in June 2023)
Book value as at September 30, 2023 (NIS M)*	982
Market value as at September 30, 2023 (NIS M)	957
Type of interest	Fixed
Nominal interest rate	1.95%
Listed for trade on the Stock Exchange	Yes
Dates of principal payment	The principal will be repaid in 28 semi-annual installments, where the payments will be consecutive and will be paid on June 30 and December 31 in each of the years 2022 - 2035 (where the first payment will be made on June 30, 2022 and the last payment will be made on December 31, 2035) and such that each of the first 27 payments is 3.57% of the nominal value of the principal and the 28th and final payment will be 3.61% of the nominal value of the principal.
Dates of interest payments	The interest on the unsettled balance of the bond principal will be paid in semi-annual installments, where the payments will be consecutive and will be made on June 30 and December 31 in each of the years 2021 - 2035 (where the first payment will be made on December 31, 2021 and the last payment will be made on December 31, 2035).
Interest due as at September 30, 2023 (NIS million)	5.6
Are the liability notes convertible	No
Linkage base and terms	The principal and interest are not index linked
Pledged assets	None
Company's right to make early redemption or forced conversion	The Company has the right to early redemption, from 60 days after the date on which the Series 1 bonds are listed for trade (i.e. July 27, 2021), and the redemption may be full or partial, in accordance with the conditions set out in Section 7.2 of the Deed of Trust.
Materiality of the Series	The Series is material according to the definition of this term in Regulation 10(B)(13)(a) of the Securities Regulations (Periodic and Immediate Reports), 1970

Is there is a cross default stipulation	Yes. In the conditions listed in Section 8.1.14 of the Deed of Trust, including: calling for immediate repayment of another series listed for trade on the stock exchange or another financial debt taken from banks or financial institutions, other than non-recourse loans, the scope of which is more than 10% of the Company's total, gross financial debt, or more than NIS 125 million, whichever is higher. Other than in a case of calling a traded series for immediate repayment, the Company shall provide a 30-day grace period.

*Including interest payable

B. Information about rating

	Series 1 bonds
Name of rating company	Midroog
Rating on date of issue	Aa2.il
Present rating	Aa2.il

C. Disclosure concerning the trustee

The trustee for the Series 1 bonds is Hermetic Trust (1975) Ltd., 30 Sheshet Hayamim Way, Bnei Brak.

D. Contractual limitations and financial covenants

For information about contractual limitations and financial covenants - see Note 6C.(4)(8) to the Financial Statements.

4 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.

5 Corporate governance perspectives

Changes in the Board of Directors and Senior Management

On November 17, 2023, Ms. Hava Friedman-Shapira stepped down after serving as an external director of the Company for nine years.

On October 25, 2023, a special general meeting of the Company was convened the agenda of which included, among other topics, the appointment of Ms. Efrat Yavetz for a second term of office as an external director of the Company (commencing January 7, 2024).

On the expected termination of term of office by the Company's CEO, see Section 2.2.8 above.

6 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 November 27, 2023, Harel Insurance published on its website a report on its economic solvency ratio in respect of data at June 30, 2023: https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx .

Based on the transitional measures, at June 30, 2023, Harel Insurance has a capital surplus of NIS 6,274 million and without taking the transitional measures into account, the capital surplus is NIS 2,706 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 and also concerning the uncertainty inherent in the actuarial and financial assumptions and forecasts used in the preparation of the report.

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 June 30, 2023, 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**

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
	NIS million	
Equity for the purpose of SCR	**15,624**	15,478
Solvency capital requirement (SCR)	**9,350**	9,149
Surplus	**6,274**	6,329
Economic Solvency Ratio	**167%**	169%

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)	-	20
Equity for the purpose of SCR	**15,624**	15,498
Capital surplus	**6,274**	6,349
Economic Solvency Ratio	**167%**	169%

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 in the first half of 2023 in contrast with comparison 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 June 30, 2023, 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. For information about key changes that took place after the date of the calculation, see Section 2 in the Economic Solvency Report.

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)**

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
	NIS million	
MCR	**2,943**	2,869
Own funds for the purpose of MCR	**11,538**	11,497

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 provisions into account, and a minimum solvency ratio without taking the transitional provisions 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 guarantee that Harel Insurance will remain in compliance with the defined threshold conditions 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.

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
	NIS million	
Equity for the purpose	**13,097**	12,953
Solvency capital requirement (SCR)	**10,391**	10,363
Retained capital	**2,706**	2,590
Solvency ratio (in percent)	**126%**	125%
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	**13,097**	12,953
Capital surplus	**2,706**	2,590
Solvency ratio (in percent)	**126%**	125%
Capital status after capital transactions in relation to the Board of Directors target:		
Economic solvency ratio target set by the Board of Directors	**110%**	110%
Capital surplus relative to the target (NIS million)	**1,666**	1,554

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 their Own Risk and Solvency Assessment of Insurance Companies (ORSA) to the Commissioner once a year, in January. In accordance with 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, a forward-looking assessment and sensitivity analyses and scenarios. The Circular will be applied gradually, commencing January 1, 2023.

In the wake of the Swords of Iron War, on October 23, 2023, a circular for financial institutions was published on "Emergency Instructions of the Commissioner of the Capital Market, Insurance and Saving - October 2023" ("Commissioner's Emergency Instructions "), extending by 60 days to March 31, 2023, the date for submittal of the ORSA report and postponing the initial date for reporting the forward-looking assessment and assessment of scenarios and sensitivity analyses required as part of ORSA, from the nearest reporting date to the following reporting date that will occur in January 2025.

Harel Insurance submitted the required report to the Commissioner in January 2023 and it will report in accordance with the schedule set out in the Commissioner's Emergency Instructions

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

Yair Hamburger Chairman of the Board of Directors	Michel Siboni CEO

November 27, 2023

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at September 30, 2023

Condensed Consolidated Interim Statements of Financial Position at

	30 September		December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Intangible assets	**2,425**	2,344	2,346
Deferred tax assets	**21**	20	21
Deferred Acquisition Costs	**3,132**	2,872	2,916
Fixed assets	**1,411**	1,367	1,345
Investments in equity accounted investees	**1,571**	1,588	1,556
Investment property for yield-dependent contracts	**1,896**	2,017	2,060
Other investment property	**2,562**	2,373	2,408
Reinsurance assets	**5,503**	5,461	5,101
Current tax assets	**127**	238	100
Trade and other receivables	**2,984**	3,170	3,133
Premium due	**1,898**	1,609	1,532
Financial investments for yield-dependent contracts	**70,555**	68,549	67,420
Other financial investments			
Marketable debt assets	**8,771**	11,298	11,142
Non-marketable debt assets	**22,471**	19,051	19,999
Shares	**2,260**	2,071	1,814
Other	**4,495**	3,941	3,999
Total other financial investments	**37,997**	36,361	36,954
Cash and cash equivalents for yield-dependent contracts	**5,974**	5,137	6,450
Other cash and cash equivalents	**5,123**	1,789	1,929
Total assets	**143,179**	134,895	135,271
Total assets for yield-dependent contracts	**80,388**	78,061	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.)

	30 September		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 shares	**(277)**	(218)	(237)
Capital reserves	**616**	487	389
Retained earnings	**8,014**	7,537	7,824
Total equity attributed to the Company's owners	**8,712**	8,165	8,335
Non-controlling interests	**58**	49	52
Total equity	**8,770**	8,214	8,387
Liabilities			
Liabilities for non yield-dependent insurance contracts and investment contracts	**32,215**	31,554	31,234
Liabilities for yield-dependent insurance contracts and investment contracts	**78,577**	75,565	76,250
Deferred tax liabilities	**995**	986	924
Liabilities for employee benefits, net	**273**	277	264
Current tax liabilities	**27**	22	23
Trade and other payables	**5,350**	4,633	4,998
Financial liabilities	**16,972**	13,644	13,191
Total liabilities	**134,409**	126,681	126,884
Total equity and liabilities	**143,179**	134,895	135,271

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

Date of approval of the financial statements: November 27, 2023

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

Condensed Consolidated Interim Statements of Income

	For the nine months ended September 30		For the three months ended September 30		For the year ended
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Premiums earned, gross	**13,394**	12,872	**4,498**	4,282	17,121
Premiums earned by reinsurers	**1,790**	1,652	**609**	575	2,250
Earned premiums in retention	**11,604**	11,220	**3,889**	3,707	14,871
Profit (loss) from investments, net, and financing income	**5,275**	(5,535)	**492**	(1,353)	(4,052)
Income from management fees	**1,133**	1,090	**394**	366	1,466
Income from commissions	**353**	311	**117**	107	417
Other income	**66**	33	**23**	17	53
Total income	**18,431**	7,119	**4,915**	2,844	12,755
Payments and change in liabilities for insurance contracts and investment contracts, gross	**15,490**	3,947	**3,606**	1,924	8,149
Reinsurers' share of payments and change in liabilities for insurance contracts	**1,543**	1,246	**517**	455	1,623
Payments and change in liabilities for insurance contracts and investment contracts in retention	**13,947**	2,701	**3,089**	1,469	6,526
Commissions, marketing expenses and other acquisition costs	**2,504**	2,273	**849**	780	3,063
General and administrative expenses	**1,185**	1,090	**397**	370	1,461
Other expenses	**47**	31	**14**	12	45
Financing expenses, net	**394**	345	**143**	91	427
Total expenses	**18,077**	6,440	**4,492**	2,722	11,522
Company's share of profits (losses) of equity accounted investees	**(77)**	80	**11**	5	78
Profit before income tax	**277**	759	**434**	127	1,311
Income tax	**64**	232	**130**	40	398
Profit for the period	**213**	527	**304**	87	913
Attributed to:					
Owners of the Company	**204**	522	**301**	85	906
Non-controlling interests	**9**	5	**3**	2	7
Profit for the period	**213**	527	**304**	87	913
Basic and diluted earnings per share (NIS)	**0.97**	**2.45**	**1.43**	0.40	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 nine months ended September 30		For the three months ended September 30		For the year ended
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit for the period	**213**	527	**304**	87	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	**(114)**	(1,516)	**(129)**	(518)	(1,657)
Net change in fair value of financial assets classified as available-for-sale transferred to income statement	**180**	(84)	**28**	(24)	(132)
Loss from impairment of available-for-sale financial assets transferred to income statement	**66**	71	**16**	22	85
Foreign currency translation differences for foreign activity	**93**	114	**30**	-	134
Tax benefit (income tax) attributable to available-for-sale financial assets	**(46)**	521	**31**	179	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	**(28)**	(29)	**(8)**	-	(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	**151**	(923)	**(32)**	(341)	(1,027)
Other comprehensive income (loss) items of that will not be transferred to profit or loss					
Revaluation of owner-used property in investee companies	**53**	21	**1**	1	21
Re-measurement of a defined benefit plan	**7**	34	**2**	8	39
Income tax for other comprehensive income items that will not be transferred to profit or loss	**(18)**	(14)	**(1)**	(2)	(16)
Other comprehensive income for the period that will not be transferred to profit or loss, net of tax	**42**	41	**2**	7	44
Total other comprehensive income (loss) for the period	**193**	(882)	**(30)**	(334)	(983)
Total comprehensive income (loss) for the period	**406**	(355)	**274**	(247)	(70)
Attributed to:					
The Company's owners	**397**	(359)	**271**	(249)	(77)
Non-controlling interests	**9**	4	**3**	2	7
Total comprehensive income (loss) for year	**406**	(355)	**274**	(247)	(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 shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the nine months ended September 30, 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 for period											
Profit for the period	-	-	-	-	-	-	-	204	204	9	213
Other comprehensive income	-	86	65	-	-	-	38	4	193	-*	193
Total comprehensive income for period	-	86	65	-	-	-	38	208	397	9	406
Transactions with owners recognized directly in equity											
Share-based payment	-	-	-	20	-	-	-	-	20	-	20
Purchase of Treasury shares	-	-	-	-	(40)	-	-	-	(40)	-	(40)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(3)	(3)
Balance as at September 30, 2023	359	326	(89)	51	(277)	(49)	377	8,014	8,712	58	8,770

* Less than NIS 1 million
** See Note 3A on the initial application of IFRS 9, *Financial Instruments*, regarding some of the financial instruments that do not relate 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 shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended September 30, 2023 (Unaudited)											
Balance as at July 1, 2023	359	380	(111)	44	(267)	(49)	376	7,712	8,444	55	8,499
Comprehensive income (loss) for period											
Profit for the period	-	-	-	-	-	-	-	301	301	3	304
Other comprehensive income (loss)	-	(54)	22	-	-	-	1	1	(30)	-*	(30)
Total comprehensive income (loss) for period	-	(54)	22	-	-	-	1	302	271	3	274
Transactions with owners recognized directly in equity											
Share-based payment	-	-	-	7	-	-	-	-	7	-	7
Purchase of Treasury shares	-	-	-	-	(10)	-	-	-	(10)	-	(10)
Balance as at September 30, 2023	359	326	(89)	51	(277)	(49)	377	8,014	8,712	58	8,770

* Less than NIS 1 million

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

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

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the nine months ended September 30, 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	-	-	-	-	-	-	-	522	522	5	527
Other comprehensive income (loss)	-	(1,007)	85	-	-	-	18	23	(881)	(1)	(882)
Total comprehensive income (loss) for period	-	(1,007)	85	-	-	-	18	545	(359)	4	(355)
Transactions with owners recognized directly in equity											
Dividend distributed	-	-	-	-	-	-	-	(300)	(300)	-	(300)
Share-based payment	-	-	-	18	-	-	-	-	18	-	18
Purchase of Treasury shares	-	-	-	-	(55)	-	-	-	(55)	-	(55)
Non-controlling interests for consolidated subsidiaries	-	-	-	-	-	-	-	-	-	13	13
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-*	-
Balance as at September 30, 2022	359	340	(167)	24	(218)	(49)	339	7,537	8,165	49	8,214

* Less than NIS 1 million

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

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

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended September 30, 2022 (Unaudited)											
Balance as at July 1, 2022	359	681	(167)	19	(199)	(49)	338	7,446	8,428	34	8,462
Comprehensive income (loss) for period											
Profit for the period	-	-	-	-	-	-	-	85	85	2	87
Other comprehensive income (loss)	-	(341)	-	-	-	-	1	6	(334)	-*	(334)
Total comprehensive income (loss) for period	-	(341)	-	-	-	-	1	91	(249)	2	(247)
Transactions with owners recognized directly in equity											
Share-based payment	-	-	-	5	-	-	-	-	5	-	5
Purchase of Treasury stock	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Non-controlling interests for a consolidated subsidiary	-	-	-	-	-	-	-	-	-	13	13
Balance as at September 30, 2022	359	340	(167)	24	(218)	(49)	339	7,537	8,165	49	8,214

* Less than NIS 1 million

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

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

	Attributed to shareholders of the Company										
	Share capital and premium	Capital reserve for available-for-sale assets	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total	Non-controlling interests	Total equity
	NIS 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 shares	-	-	-	-	(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

		For the nine months ended September 30		For the three months ended September 30		For the year ended
		2023	2022	2023	2022	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Annex	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activity						
Before taxes on income	A	**2,236**	1,126	**(202)**	1,707	2,703
Taxes paid		**(98)**	(472)	**(31)**	(19)	(518)
Net cash provided by (used for) operating activities		**2,138**	654	**(233)**	1,688	2,185
Cash flows from investment activity						
Acquisition of a subsidiary consolidated for the first time	B	**(39)**	(35)	**(39)**	(21)	(35)
Supplement of consideration for the acquisition of a subsidiary consolidated for the first time in 2021		**-**	(9)	**-**	-	(9)
Investment in investees		**(57)**	(168)	**(11)**	(22)	(187)
Proceeds from the sale of an investment in an equity accounted investee		**27**	63	**24**	57	97
Investment in fixed assets		**(73)**	(33)	**(15)**	(6)	(35)
Investment in intangible assets		**(286)**	(262)	**(91)**	(87)	(337)
Dividend and interest from investees		**17**	81	**4**	6	134
Proceeds from sale of fixed assets and intangible assets		**2**	1	**1**	-	1
Net cash used for investment activity		**(409)**	(362)	**(127)**	(73)	(371)
Cash flows from financing activity						
Proceeds of issuance of liability notes, net		**1,288**	-	**-**	-	-
Repayment of liability notes		**(328)**	(248)	**-**	-	(248)
Purchase of Treasury shares		**(40)**	(55)	**(10)**	(19)	(74)
Short-term credit from banks, net		**124**	(253)	**127**	(274)	(228)
Loans received from banks		**300**	-	**-**	-	-
Repayment of loans from banks and others		**(27)**	(27)	**(14)**	(14)	(27)
Repayment of lease liabilities		**(24)**	(26)	**(5)**	(7)	(34)
Dividend to non-controlling interests		**(3)**	-	**-**	-	-
Dividend for the owners of the company		**(100)**	(400)	**-**	-	(400)
Net cash provided by (used for) financing activity		**1,190**	(1,009)	**98**	(314)	(1,011)
Effect of exchange rate fluctuations on cash balances and cash equivalents		**(201)**	6	**(31)**	79	(61)
Net increase (decrease) in cash and cash equivalents		**2,718**	(711)	**(293)**	1,380	742
Retained cash and cash equivalents at beginning of the period	C	**8,379**	7,637	**11,390**	5,546	7,637
Retained cash and cash equivalents at end of the period	D	**11,097**	6,926	**11,097**	6,926	8,379

* In the nine months ended September 30, 2022, Harel Insurance made a non-cash investment in an affiliated partnership (against a balance on non-marketable debt assets) in the amount of NIS 20 million

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

Condensed Consolidated Interim Statements of Cash Flows (contd.)

	For the nine months ended September 30		For the three months ended September 30		For the year ended
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Annex A - Cash flows from operating activities (1), (2), (3)					
Profit for the period	**213**	527	**304**	87	913
Items not involving cash flows:					
Company's share of losses (profits) of equity accounted investees	**77**	(80)	**(11)**	(5)	(78)
Net losses (profits) from financial investments for yield-dependent insurance contracts and investment contracts	**(2,255)**	8,094	**648**	2,153	7,440
Losses (profits) net, from other financial investments					
Marketable debt assets	**(106)**	(345)	**15**	(90)	(406)
Non-marketable debt assets	**(391)**	(409)	**48**	(100)	(512)
Shares	**70**	(114)	**15**	(13)	(153)
Other investments	**350**	413	**139**	9	458
Change in financial liabilities	**681**	2,150	**793**	971	2,759
Change in fair value of investment property for yield-dependent contracts	**(9)**	(44)	**7**	5	(83)
Change in fair value of other investment property	**(138)**	(94)	**(91)**	(25)	(123)
Depreciation and amortization					
Fixed assets	**93**	84	**32**	30	113
Intangible assets	**245**	199	78	65	272
Change in liabilities for non-yield-dependent insurance contracts and investment contracts	**1,014**	426	**7**	108	129
Change in liabilities for yield-dependent insurance contracts and investment contracts	**2,327**	(4,951)	**(504)**	(1,429)	(4,266)
Change in reinsurance assets	**(423)**	(232)	**(94)**	(37)	130
Change in DAC	**(230)**	(211)	**(62)**	(46)	(256)
Payroll expenses for share-based payment	**20**	18	**7**	5	25
Income tax	**64**	232	**130**	40	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	**(6)**	(10)	**(2)**	(3)	(14)
Proceeds from sale of investment property	**179**	-	**-**	-	-
Net purchase of financial investments	**(572)**	(2,799)	**(991)**	891	(1,445)
Other financial investments and investment property					
Purchase of investment property	**(16)**	(15)	**(9)**	(6)	(21)
Proceeds from sale of investment property	**-**	5	**-**	3	5
Sale (purchase) net of financial investments	**678**	451	**190**	(9)	(327)
Premiums due	**(387)**	(170)	**(223)**	34	(93)
Trade and other receivables	**241**	(1,748)	**(699)**	(1,122)	(1,721)
Trade and other payables	**501**	(260)	**66**	187	(442)
Liabilities for employee benefits, net	**16**	9	**5**	4	1
Total adjustments required to present cash flows from operating activity	**2,023**	599	**(506)**	1,620	1,790
Total cash flows provided by (used for) operating activity	**2,236**	1,126	**(202)**	1,707	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 was presented at NIS 1,297 million and NIS 707 million for the nine and three months ended September 30, 2023, respectively (for the nine and three months ended September 30, 2022, NIS 1,135 million and NIS 350 million, respectively, and for 2022 as a whole NIS 1,501 million) and interest was paid in the amount of NIS 226 million and NIS 4 million for the nine and three months ended September 30, 2023 (for the nine and three months ended September 30, 2022, NIS 101 million and NIS 7 million, respectively, and for 2022 as a whole NIS 119 million).

(3) As part of the operating activities, a dividend received from other financial investments was presented in the amount of NIS 381 million and NIS 147 million for the nine and three months ended September 30, 2023, respectively (for the nine and three months ended September 30, 2022, NIS 481 million and NIS 185 million, respectively, and for 2022 as a whole, NIS 626 million).

Condensed Consolidated Interim Statements of Cash Flows (contd.)

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	NIS million	NIS million	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	(38)	-	(38)	-	(2)
Retained cost – intangible asset for customer relations – created on acquisition	-	(37)	-	(20)	(35)
Fixed assets	(1)	-	(1)	-	-
Other financial investments	-	(5)	-	(5)	(5)
Liabilities for employee benefits, net	-	1	-	-	1
Trade and other payables	-	2	-	-	2
Non-controlling interests	-	4	-	4	4
Total cash deducted on acquisition of a consolidated company consolidated for the first time	(39)	(35)	(39)	(21)	(35)

	For the nine months ended September 30		For the three months ended September 30		For the year ended
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	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	6,878	3,604	5,012
Other cash and cash equivalents	1,929	2,625	4,512	1,942	2,625
Retained cash and cash equivalents at beginning of the period	8,379	7,637	11,390	5,546	7,637
Annex D - Cash and cash equivalents at end of period					
Cash and cash equivalents for yield-dependent contracts	5,974	5,137	5,974	5,137	6,450
Other cash and cash equivalents	5,123	1,789	5,123	1,789	1,929
Retained cash and cash equivalents at end of the period	11,097	6,926	11,097	6,926	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 September, 30, 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 subsidiary insurance companies and they were therefore prepared in a format similar to that of the interim financial statements of insurance companies.

B. Swords of Iron War

On October 7, 2023, after the Reporting Period, the Hamas terror organization launched a surprise, ruthless attack on the State of Israel which included the firing of rockets and infiltration of thousands of terrorists from the Gaza Strip into Israel. Following this criminal attack, the government of Israel declared the Swords of Iron War (“the War”), called up large swathes of its reserve forces and launched a counter offensive on Hamas operating from the Gaza Strip. In parallel, there was a serious escalation of the security situation on Israel’s northern border, facing Hezbollah.

The war’s impact on the Israeli economy is felt at several levels, including the temporary closure of many businesses or reduction of work hours, restrictions on gatherings in the work place or large crowds at events, restrictions on the education system, etc. These restrictions, together with the extensive calling up of the reserves, led, up to immediately prior to the date of publication of the financial statements, to curtailing of activity in the Israeli economy and to a drop in economic activity. The effect of the war is also felt in the capital market with considerable volatility in the financial markets and the shekel exchange rate vis-a-vis foreign currencies, as a result of the higher risk levels and greater uncertainty.

The effect of the war has also left its mark on Israel’s credit rating. Moody’s and Fitch placed Israel on a negative watchlist, while S&P placed Israel on a negative debt rating outlook. Consequently, yields on State of Israel bonds began to be traded at levels typical of countries in groups with lower ratings.

There is considerable uncertainty regarding the repercussions of the war on activity in the Israeli economy in general and specifically on the Group’s business activity and performance. Due to the nature of its activity, the Group is exposed to falling prices in the financial markets, to a slowdown of business activity in the economy, as well as to other risks stemming from the War, and it is constantly assessing the ramifications of the events on the Group’s activity.

At this stage it is impossible to predict the duration of the War although estimates are that it will continue for several more weeks or even months and at the time of publication of the financial statements, the Israeli economy is beginning to settle into a routine in the shadow of the fighting. Consequently, this is an evolving situation and at this stage it is impossible to estimate the full extent of the impact of the War on the Group and its results.

Below we outline the key effects of the War for the Group up to the publication of the financial reports:

1. Business continuity:

The Group companies made a rapid shift to working in a hybrid format while maintaining business continuity at work, enabling them to provide a full response to customers and agents, while at the same time supporting the needs of their employees.

Note 1 - General (contd.)

B. Swords of Iron War (contd.)

2. Insurance sector:

Notably, overall an initial assessment shows that up to immediately prior to publication of the financial statements the War did not result in any significant change in the scope of the exposure to insurance risks, as detailed below:

Life assurance and long-term savings: Most of the exposure resulting from the War is likely to be attributable to term insurance (simple life assurance), work disability and disabilities to the extent that claims arise in these sectors. Harel Insurance believes that at the time of publication of the financial statements, the increase in the cost of claims in these sectors is estimated at NIS 50 million before tax (NIS 33 million after tax). Furthermore, close to the date of publication of the financial statements, there was no material change in the volume of withdrawals and redemptions arising from the War.

Health insurance, including long-term care: The scope of the exposure resulting from the War in the health and long-term care segment is not expected to be significant.

Non-life insurance: As a rule, property losses arising from war events are not covered by property policies so that the scope of the exposure due to the War is not expected to be significant.

3. Financial assets under management (AUM):

From the outbreak of the War and up to the date of publication of the financial statements, there was no material change in the Group’s AUM. The estimate for management fees that will not be collected on yield-dependent policies sold between 1991 and 2003 on account of a real, aggregate negative yield until a cumulative positive yield is attained, amounts to NIS 344 million immediately prior to the date of publication of the financial statements.

4. Changes in the risk-free interest rate and the illiquidity premium:

The War triggered a significant increase in the risk-free interest curve which rose to above its level on September 30, 2023, as well as an increase in the illiquidity premium, which could lead to a reduction of the insurance liabilities. In contrast, the increase in the interest curve and falling prices on the capital markets could negatively impact the value of the financial and other assets in a manner that might reduce this aforesaid impact. An initial estimate shows that from the outbreak of the War and up to the date of publication of the financial statements, the loss in the Nostro assets portfolio was NIS 80 million before tax (NIS 53 million after tax). Notably, the information described above should not be construed as an estimate of the Company’s financial results. This information is only partial and it does not include other components of profit or loss from investments and other effects.

5. Liquidity, financial position and sources of finance:

At the date of publication of the financial statements, the War has had no material impact on the Group’s liquidity. Additionally, at September 30, 2023, and at the date of publication of the financial statements, the Group is in compliance with the prescribed financial covenants regarding its liabilities.

6. Credit risks:

The War could negatively affect the volume of credit losses. Immediately prior to publication of the financial statements, no increase in the scope of credit losses resulting from the War has been observed. In view of the significant uncertainty that the War creates for the economy, at this stage the Company is unable to estimate and/or evaluate the scope of the War’s future repercussions on the Group’s credit losses. The extent of the effect will depend on a number of factors, including the duration of the War and the degree to which it affects economic activity.

Note 1 - General (contd.)

B. Swords of Iron War (contd.)

7. Financial services:

The principal effect on financial services activity depends on the duration of the War and the period in which increased volatility in the stock market and corporate bonds market continues. From the outbreak of the War and up to the date of publication of the financial statements, there was no significant change in the assets of the managed mutual funds and assets of the managed portfolios. Nonetheless, the potential volatility in commodity prices, foreign exchange rates, availability of raw materials, availability of manpower, domestic services and access to local resources could, at a later stage, affect the Company's financial services activity in future.

It is emphasized that the Company's assessments concerning the possible ramifications of the War on its activity are uncertain and are beyond the Company's control. These assessments are based on the Company's best knowledge at this stage. All or part of these estimates might not materialize or may materialize differently and even significantly differently, than expected.

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 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 June 1, 2023, the Capital Market, Insurance and Savings Authority published a document on "Roadmap for the Adoption of IFRS 17 - Insurance Contracts - Third Update" ("the Updated Roadmap").

According to the Updated Roadmap, the initial date of application of IFRS 17 and IFRS 9, for insurance companies in Israel (where their mandatory date of application by these companies under IFRS should have been January 1, 2023) was revised and will become applicable on or after quarterly and annual periods commencing January 1, 2025. Accordingly, the transition date will be January 1, 2024. At this stage, the Updated Roadmap stipulates that 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 have 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 as at September 20, 2023, and for the nine and three month periods ended at that date, with respect to subsidiaries that were consolidated and meet the definition of an insurer, as this term is defined 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 at the aforesaid date and periods that do not relate to the aforesaid subsidiaries are prepared in accordance with 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 the Securities (Periodic and Immediate Reports) Regulations, 1970, with respect to the holding companies of insurers.

The condensed consolidated interim financial statements were approved for publication by the Company's Board of Directors on November 27, 2023.

Note 2 - Basis of preparation (contd.)

B. Use of estimates and discretion

Preparation of the condensed consolidated interim financial statements in accordance with IAS 34 and/or in accordance with the requirements of the Commissioner pursuant to the Supervision Law and subsequent regulations requires the Group's management to use its discretion in evaluations, estimates and assumptions, including actuarial assumptions and estimates ("Estimates") which affect application of the accounting policy, and 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 consistency and repercussions. The main Estimates included in the financial statements are based on actuarial assessments and external evaluations.

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

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

C. Functional and presentation currency

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

D. Reclassification

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

Note 3 - Significant accounting policies

Other than as specified below, the Group's accounting policy 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 altering comparison 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 contracts 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.

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:

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.)

Classification and measurement of financial assets and financial liabilities in accordance with IFRS 9 (contd.)

	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
Investments 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.)

Classification and measurement of financial assets and financial liabilities in accordance with IFRS 9 (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 (FVTOCI).

(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) Including 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:

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.)

Classification and measurement of financial assets and financial liabilities in accordance with IFRS 9 (contd.)

- 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.

When assessing whether the credit risk of a financial asset has significantly increased 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 September 30, 2023, was immaterial.

(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 noted in Note 2A above, 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 June 1, 2023, the Capital Market, Insurance and Savings Authority published a document on "Roadmap for the Adoption of IFRS 17 - *Insurance Contracts* - Third Update" ("the Updated Roadmap").

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

In addition to the foregoing, the Updated 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 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.

C. 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 thee condensed consolidated interim financial statements. Notably, there is no outstanding debit-credit balance from the transfer of financial assets between the different 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 and dental insurance branches. The policies sold in the framework of these insurance branches cover the range of losses incurred by the insured as a result of illness and/or accidents, including long-term care and dental treatment. Health insurance policies are offered to individuals and to groups. Additionally, the results of the activity of Harel 60+ are included within 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 lines of business: 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 lines of business: this sector includes the Group's insurance activities in all property branches excluding motor property (e.g. providing 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 activities in the credit sector, 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 nine months ended September 30, 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	4,894	4,815	3,285	403	-	-	(3)	13,394
Premiums earned by reinsurers	224	279	1,203	87	-	-	(3)	1,790
Premiums earned on retention	4,670	4,536	2,082	316	-	-	-	11,604
Profits from investments, net, and financing income	4,281	531	253	50	79	83*	(2)	5,275
Income from management fees	949	3	-	-	174	9	(2)	1,133
Income from commissions	65	13	229	15	-	74**	(43)	353
Other income	21	-	-	-	-	45	-	66
Total income	9,986	5,083	2,564	381	253	211	(47)	18,431
Payments and changes in liabilities for insurance contracts and investment contracts, gross	8,329	4,297	2,406	461	-	-	(3)	15,490
Reinsurers' share in payments and changes in liabilities for insurance contracts	121	456	750	219	-	-	(3)	1,543
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	8,208	3,841	1,656	242	-	-	-	13,947
Commissions, marketing expenses and other acquisition costs	945	793	684	118	-	7***	(43)	2,504
General and administrative expenses	570	261	46	22	136	154****	(4)	1,185
Other expenses	14	-	12	1	2	18	-	47
Financing expenses, net	20	65	50	4	57	198	-	394
Total expenses	9,757	4,960	2,448	387	195	377	(47)	18,077
Company's share of profits (losses) of equity accounted investees	(17)	(27)	(54)	-	-	21	-	(77)
Profit (loss) before income tax	212	96	62	(6)	58	(145)	-	277
Other comprehensive income (loss) before income tax	(18)	(27)	165	(6)	-	171	-	285
Total comprehensive income (loss) before income tax	194	69	227	(12)	58	26*****	-	562
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	12,520	8,158	10,920	623	-	-	(6)	32,215
Liabilities in respect of yield dependent insurance contracts and investment contracts	73,265	5,312	-	-	-	-	-	78,577

* 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 42 million are commissions paid to these agencies by the Group's financial institutions

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

**** Of the total general and administrative expenses, NIS 57 million is for expenses of the activity of the Group's insurance agencies

***** Total comprehensive income before income tax for the activity of the Group's insurance agencies was NIS 10 million

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the three months ended September 30, 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	1,523	1,675	1,147	154	-	-	(1)	4,498
Premiums earned by reinsurers	75	93	412	30	-	-	(1)	609
Premiums earned on retention	1,448	1,582	735	124	-	-	-	3,889
Profits from investments, net, and financing income	207	87	72	22	34	71*	(1)	492
Income from management fees	326	1	-	-	62	5	-	394
Income from commissions	24	4	77	5	-	23**	(16)	117
Other income	7	-	-	-	-	16	-	23
Total income	2,012	1,674	884	151	96	115	(17)	4,915
Payments and changes in liabilities for insurance contracts and investment contracts, gross	1,340	1,292	765	210	-	-	(1)	3,606
Reinsurers' share in payments and changes in liabilities for insurance contracts	44	135	232	107	-	-	(1)	517
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	1,296	1,157	533	103	-	-	-	3,089
Commissions, marketing expenses and other acquisition costs	309	266	243	45	-	2***	(16)	849
General and administrative expenses	191	91	15	8	48	45****	(1)	397
Other expenses	4	-	4	-	1	5	-	14
Financing expenses, net	8	18	18	2	26	71	-	143
Total expenses	1,808	1,532	813	158	75	123	(17)	4,492
Company's share of profits of equity accounted investees	2	2	2	-	-	5	-	11
Profit (loss) before income tax	206	144	73	(7)	21	(3)	-	434
Other comprehensive income (loss) before income tax	(46)	(56)	53	-	-	(3)	-	(52)
Total comprehensive income (loss) before income tax	160	88	126	(7)	21	(6)*****	-	382
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	12,520	8,158	10,920	623	-	-	(6)	32,215
Liabilities in respect of yield dependent insurance contracts and investment contracts	73,265	5,312	-	-	-	-	-	78,577

* 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 15 million are commissions paid to these agencies by the Group's financial institutions

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

**** Of the total general and administrative expenses, NIS 19 million is for expenses of the activity of the Group's insurance agencies

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

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the nine months ended September 30, 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	5,039	4,401	3,118	317	-	-	(3)	12,872
Premiums earned by reinsurers	154	261	1,168	72	-	-	(3)	1,652
Premiums earned on retention	4,885	4,140	1,950	245	-	-	-	11,220
Profits (losses) from investments, net, and financing income	(5,842)	(229)	91	24	24	399*	(2)	(5,535)
Income from management fees	919	3	-	-	162	8	(2)	1,090
Income from commissions	46	13	208	14	-	89**	(59)	311
Other income	21	-	-	-	-	12	-	33
Total income	29	3,927	2,249	283	186	508	(63)	7,119
Payments and changes in liabilities for insurance contracts and investment contracts, gross	(985)	2,520	2,167	247	-	-	(2)	3,947
Reinsurers' share in payments and changes in liabilities for insurance contracts	94	408	717	29	-	-	(2)	1,246
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	(1,079)	2,112	1,450	218	-	-	-	2,701
Commissions, marketing expenses and other acquisition costs	869	752	631	73	-	7***	(59)	2,273
General and administrative expenses	535	258	44	17	129	111****	(4)	1,090
Other expenses	16	-	7	1	3	4	-	31
Financing expenses (income), net	18	67	70	(7)	6	191	-	345
Total expenses	359	3,189	2,202	302	138	313	(63)	6,440
Company's share of profits (losses) of equity accounted investees	(4)	2	24	-	-	58	-	80
Profit (loss) before income tax	(334)	740	71	(19)	48	253	-	759
Other comprehensive loss, before income tax	(350)	(372)	(37)	(6)	-	(595)	-	(1,360)
Total comprehensive income (loss) before income tax	(684)	368	34	(25)	48	(342)*****	-	(601)
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	12,427	7,690	10,932	510	-	-	(5)	31,554
Liabilities in respect of yield dependent insurance contracts and investment contracts	70,401	5,164	-	-	-	-	-	75,565

* Total investment losses are in respect of the assets held to cover the equity of the Group's financial institutions

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, about NIS 57 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 59 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 16 million

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

For the three months ended September 30, 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	1,543	1,538	1,078	124	-	-	(1)	4,282
Premiums earned by reinsurers	53	90	405	28	-	-	(1)	575
Premiums earned on retention	1,490	1,448	673	96	-	-	-	3,707
Profits (losses) from investments, net, and financing income	(1,531)	(46)	(22)	10	10	227*	(1)	(1,353)
Income from management fees	309	1	-	-	55	2	(1)	366
Income from commissions	17	4	69	6	-	30**	(19)	107
Other income	7	-	-	-	-	10	-	17
Total income	292	1,407	720	112	65	269	(21)	2,844
Payments and changes in liabilities for insurance contracts and investment contracts, gross	(38)	1,104	775	83	-	-	-	1,924
Reinsurers' share in payments and changes in liabilities for insurance contracts	36	158	251	10	-	-	-	455
Payments and changes in liabilities for insurance contracts and investment contracts, in retention	(74)	946	524	73	-	-	-	1,469
Commissions, marketing expenses and other acquisition costs	285	258	219	35	-	2***	(19)	780
General and administrative expenses	179	86	11	10	43	43****	(2)	370
Other expenses	5	-	2	-	1	4	-	12
Financing expenses (income), net	4	20	10	(6)	3	60	-	91
Total expenses	399	1,310	766	112	47	109	(21)	2,722
Company's share of profits (losses) of equity accounted investees	(8)	(5)	4	-	-	14	-	5
Profit (loss) before income tax	(115)	92	(42)	-	18	174	-	127
Other comprehensive income (loss), before income tax	(123)	(115)	39	(1)	-	(311)	-	(511)
Total comprehensive income (loss) before income tax	(238)	(23)	(3)	(1)	18	(137)*****	-	(384)
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	12,427	7,690	10,932	510	-	-	(5)	31,554
Liabilities in respect of yield dependent insurance contracts and investment contracts	70,401	5,164	-	-	-	-	-	75,565

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

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, about NIS 17 million are commissions paid to these agencies by the Group's financial institutions

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

**** Of the total general and administrative expenses, NIS 15 million is for expenses of the activity of the Group's insurance agencies

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

Note 4 - Operating segments (contd.)

A. Information about reportable segments (contd.)

	For the year ended December 31, 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
Profits (losses) 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 in respect of the assets held to cover the equity of the Group's financial institutions

** Income from commissions includes commissions paid to insurance agencies owned by the Group. Of these commissions, about NIS 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, approximately 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 nine months ended September 30, 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	571	1,082	1,098	857	(1)	3,607
Reinsurance premiums	5	20	852	353	-	1,230
Premiums on retention	566	1,062	246	504	(1)	2,377
Change in outstanding unearned premiums, in retention	32	189	23	54	(3)	295
Premiums earned on retention	534	873	223	450	2	2,082
Profits from investments, net, and financing income	93	25	20	111	4	253
Income from commissions	4	5	172	48	-	229
Total income	631	903	415	609	6	2,564
Payments and changes in liabilities for insurance contracts, gross	554	751	508	611	(18)	2,406
Reinsurers' share of payments and change in liabilities for insurance contracts	48	28	415	259	-	750
Payments and changes in liabilities for insurance contracts in retention	506	723	93	352	(18)	1,656
Commissions, marketing expenses and other acquisition costs	120	207	217	140	-	684
General and administrative expenses	14	14	10	6	2	46
Other expenses	5	4	2	1	-	12
Financing expenses, net	20	5	2	23	-	50
Total expenses (income)	665	953	324	522	(16)	2,448
Company's share of losses of equity accounted investees	(21)	(6)	(2)	(25)	-	(54)
Profit (loss) before income tax	(55)	(56)	89	62	22	62
Other comprehensive income before income tax	64	17	5	78	1	165
Total comprehensive income (loss) before income tax	9	(39)	94	140	23	227
Liabilities for insurance contracts, gross, as at September 30, 2023	3,378	1,027	1,272	5,103	140	10,920
Liabilities for insurance contracts, retention, as at September 30, 2023	2,905	1,003	258	3,392	140	7,698

* 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 77% 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 70% of all premiums in these lines of business

Note 4 - Operating segments (contd.)

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

	For the three months ended September 30, 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	190	394	369	246	-	1,199
Reinsurance premiums	2	7	286	119	-	414
Premiums on retention	188	387	83	127	-	785
Change in outstanding unearned premiums, in retention	(2)	71	6	(25)	-	50
Premiums earned on retention	190	316	77	152	-	735
Profits from investments, net, and financing income	27	7	6	31	1	72
Income from commissions	-	2	57	18	-	77
Total income	217	325	140	201	1	884
Payments and changes in liabilities for insurance contracts, gross	158	247	174	192	(6)	765
Reinsurers' share of payments and change in liabilities for insurance contracts	8	8	148	68	-	232
Payments and changes in liabilities for insurance contracts in retention	150	239	26	124	(6)	533
Commissions, marketing expenses and other acquisition costs	42	76	75	50	-	243
General and administrative expenses	6	5	2	2	-	15
Other expenses	1	1	1	1	-	4
Financing expenses, net	7	2	1	8	-	18
Total expenses (income)	206	323	105	185	(6)	813
Company's share of profits (losses) of equity accounted investees	1	(1)	-	2	-	2
Profit before income tax	12	1	35	18	7	73
Other comprehensive income before income tax	21	6	1	25	-	53
Total comprehensive income before income tax	33	7	36	43	7	126
Liabilities for insurance contracts, gross, as at September 30, 2023	3,378	1,027	1,272	5,103	140	10,920
Liabilities for insurance contracts, retention, as at September 30, 2023	2,905	1,003	258	3,392	140	7,698

* 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 78% 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 63% of all premiums in these lines of business

Note 4 - Operating segments (contd.)

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

	For the nine months ended September 30, 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	613	939	1,021	842	(2)	3,413
Reinsurance premiums	91	47	785	321	-	1,244
Premiums on retention	522	892	236	521	(2)	2,169
Change in outstanding unearned premiums, in retention	30	92	37	65	(5)	219
Premiums earned on retention	492	800	199	456	3	1,950
Profits from investments, net, and financing income	27	7	15	34	8	91
Income from commissions	4	4	154	46	-	208
Total income	523	811	368	536	11	2,249
Payments and changes in liabilities for insurance contracts, gross	488	866	489	345	(21)	2,167
Reinsurers' share of payments and change in liabilities for insurance contracts	89	64	412	152	-	717
Payments and changes in liabilities for insurance contracts in retention	399	802	77	193	(21)	1,450
Commissions, marketing expenses and other acquisition costs	97	198	204	132	-	631
General and administrative expenses	14	13	11	3	3	44
Other expenses	3	3	1	-	-	7
Financing expenses, net	28	5	2	35	-	70
Total expenses (income)	541	1,021	295	363	(18)	2,202
Company's share of profits of equity accounted investees	10	2	1	11	-	24
Profit (loss) before income tax	(8)	(208)	74	184	29	71
Other comprehensive loss before income tax	(11)	(2)	-	(12)	(12)	(37)
Total comprehensive income (loss) before income tax	(19)	(210)	74	172	17	34
Liabilities for insurance contracts, gross, as at September 30, 2022	3,455	932	1,181	5,192	172	10,932
Liabilities for insurance contracts, retention, as at September 30, 2022	2,891	873	233	3,215	172	7,384

* 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 73% of all premiums in these lines of business.

Note 4 - Operating segments (contd.)

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

	For the three months ended September 30, 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	200	288	326	197	(1)	1,010
Reinsurance premiums	26	8	247	89	-	370
Premiums on retention	174	280	79	108	(1)	640
Change in outstanding unearned premiums, in retention	3	4	7	(45)	(2)	(33)
Premiums earned on retention	171	276	72	153	1	673
Profits (losses) from investments, net, and financing income	(13)	(2)	4	(13)	2	(22)
Income from commissions	2	1	51	15	-	69
Total income	160	275	127	155	3	720
Payments and changes in liabilities for insurance contracts, gross	185	287	149	163	(9)	775
Reinsurers' share of payments and change in liabilities for insurance contracts	47	16	126	62	-	251
Payments and changes in liabilities for insurance contracts in retention	138	271	23	101	(9)	524
Commissions, marketing expenses and other acquisition costs	33	68	70	48	-	219
General and administrative expenses	5	4	3	(1)	-	11
Other expenses	1	1	-	-	-	2
Financing expenses, net	4	1	-	5	-	10
Total expenses (income)	181	345	96	153	(9)	766
Company's share of profits of equity accounted investees	2	-	-	2	-	4
Profit (loss) before income tax	(19)	(70)	31	4	12	(42)
Other comprehensive income (loss) before income tax	18	4	2	20	(5)	39
Total comprehensive income (loss) before income tax	(1)	(66)	33	24	7	(3)
Liabilities for insurance contracts, gross, as at September 30, 2022	3,455	932	1,181	5,192	172	10,932
Liabilities for insurance contracts, retention, as at September 30, 2022	2,891	873	233	3,215	172	7,384

* 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 62% of all premiums in these lines of business

Note 4 - Operating segments (contd.)

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

	For the 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 on 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
Profits 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 loss 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' branches, 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 branches 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 nine months ended September 30, 2023 (Unaudited)				For the nine months ended September 30, 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	-	-	4,894	4,894	-	-	5,039	5,039
Premiums earned by reinsurers	-	-	224	224	-	-	154	154
Premiums earned on retention	-	-	4,670	4,670	-	-	4,885	4,885
Profits (losses) from investments, net, and financing income	2	4	4,275	4,281	1	3	(5,846)	(5,842)
Income from management fees	228	343	378	949	212	319	388	919
Income from commissions	-	-	65	65	-	-	46	46
Other income	-	-	21	21	-	-	21	21
Total income (loss)	230	347	9,409	9,986	213	322	(506)	29
Payments and changes in liabilities for insurance contracts and investment contracts, gross	2	13	8,314	8,329	2	13	(1,000)	(985)
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	121	121	-	-	94	94
Payments and changes in liabilities for insurance contracts and investment contracts in retention	2	13	8,193	8,208	2	13	(1,094)	(1,079)
Commissions, marketing expenses and other acquisition costs	103	122	720	945	83	109	677	869
General and administrative expenses	90	142	338	570	86	133	316	535
Other expenses	4	10	-	14	5	11	-	16
Financing expenses, net	2	5	13	20	-	-	18	18
Total expenses (income)	201	292	9,264	9,757	176	266	(83)	359
Company's share of losses of equity accounted investees	-	-	(17)	(17)	-	-	(4)	(4)
Profit (loss) before income tax	29	55	128	212	37	56	(427)	(334)
Other comprehensive income (loss) before income tax	-	1	(19)	(18)	(5)	(11)	(334)	(350)
Total comprehensive income (loss) before income tax	29	56	109	194	32	45	(761)	(684)

Note 4 - Operating segments (contd.)

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

	For the three months ended September 30, 2023 (Unaudited)				For the three months ended September 30, 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	-	-	1,523	1,523	-	-	1,543	1,543
Premiums earned by reinsurers	-	-	75	75	-	-	53	53
Premiums earned on retention	-	-	1,448	1,448	-	-	1,490	1,490
Profits (losses) from investments, net, and financing income	-	1	206	207	-	1	(1,532)	(1,531)
Income from management fees	79	119	128	326	72	108	129	309
Income from commissions	-	-	24	24	-	-	17	17
Other income	-	-	7	7	-	-	7	7
Total income	79	120	1,813	2,012	72	109	111	292
Payments and changes in liabilities for insurance contracts and investment contracts, gross	1	4	1,335	1,340	1	5	(44)	(38)
Reinsurers' share of payments and change in liabilities for insurance contracts	-	-	44	44	-	-	36	36
Payments and changes in liabilities for insurance contracts and investment contracts in retention	1	4	1,291	1,296	1	5	(80)	(74)
Commissions, marketing expenses and other acquisition costs	36	42	231	309	29	39	217	285
General and administrative expenses	28	49	114	191	27	45	107	179
Other expenses	1	3	-	4	2	3	-	5
Financing expenses, net	1	4	3	8	-	-	4	4
Total expenses	67	102	1,639	1,808	59	92	248	399
Company's share of profits (losses) of equity accounted investees	-	-	2	2	-	-	(8)	(8)
Profit (loss) before income tax	12	18	176	206	13	17	(145)	(115)
Other comprehensive loss before income tax	(1)	-	(45)	(46)	(1)	(3)	(119)	(123)
Total comprehensive income (loss) before income tax	11	18	131	160	12	14	(264)	(238)

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
Profits (losses) 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 nine months ended September 30, 2023 (Unaudited)				NIS million			
Gross premiums	51	636	-	2,901	1,227	85	4,900
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(6)
Total							4,894
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	2,151	-	-	2,151
Financial margin including management fees - in terms of comprehensive income (2)	(182)	119	(57)	259	-	-	139
Payments and changes in liabilities for insurance contracts, gross	535	2,096	(18)	4,188	516	54	7,371
Payments and change in liabilities for investment contracts	-	-	(1)	944	-	-	943
Total comprehensive income (loss) from life assurance business	(82)	(9)	19	24	137	20	109
For the three months ended September 30, 2023 (Unaudited)							
Gross premiums	17	211	-	851	420	26	1,525
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(2)
Total							1,523
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	801	-	-	801
Financial margin including management fees - in terms of comprehensive income (2)	(48)	40	(45)	88	-	-	35
Payments and changes in liabilities for insurance contracts, gross	93	293	(57)	704	200	18	1,251
Payments and change in liabilities for investment contracts	-	-	(3)	87	-	-	84
Total comprehensive income (loss) from life assurance business	41	(6)	31	18	42	5	131

(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 the investments. The financial margin in policies with a guaranteed yield is based on actual revenues from investments in the reporting year, net of a factor of the guaranteed yield rate for the year, multiplied by the average reserve for the year. On this, income from investments also includes the change in the fair value of available-for-sale financial assets which is recognized in the statement of comprehensive income. In yield-dependent policies, the financial margin is the fixed and variable management fees which are calculated based on the yield and the average balance of the insurance reserves

Note 4 - Operating segments (contd.)

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

Results by policy category (contd.)

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			from 2004		Risk that was sold as a stand-alone policy		
	Until 1990 (1)	Up to 2003	Not yield-dependent	Yield dependent	Personal lines	Group	Total
For the nine months ended September 30, 2022 (Unaudited)				NIS million			
Gross premiums	56	650	-	3,169	1,091	81	5,047
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(8)
Total							5,039
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	3,294	-	-	3,294
Financial margin including management fees - in terms of comprehensive income (2)	(346)	111	(163)	276	-	-	(122)
Payments and changes in liabilities for insurance contracts, gross	754	(1,522)	48	715	603	81	679
Payments and change in liabilities for investment contracts	-	-	(2)	(1,677)	-	-	(1,679)
Total comprehensive loss from life assurance business	(411)	(31)	(150)	(41)	(105)	(23)	(761)
For the three months ended September 30, 2022 (Unaudited)							
Gross premiums	19	220	-	909	375	23	1,546
Premiums for amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees							(3)
Total							1,543
Amounts received for investment contracts recognized directly in insurance reserves	-	-	-	965	-	-	965
Financial margin including management fees - in terms of comprehensive income (2)	(118)	36	(52)	92	-	-	(42)
Payments and changes in liabilities for insurance contracts, gross	222	(312)	22	228	224	25	409
Payments and change in liabilities for investment contracts	-	-	(1)	(452)	-	-	(453)
Total comprehensive loss from life assurance business	(125)	(49)	(50)	(3)	(28)	(9)	(264)

(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 the investments. The financial margin in policies with a guaranteed yield is based on actual revenues from investments in the reporting year, net of a factor of the guaranteed yield rate for the year, multiplied by the average reserve for the year. On this, income from investments also includes the change in the fair value of available-for-sale financial assets which is recognized in the statement of comprehensive income. In yield-dependent policies, the financial margin is the fixed and variable management fees which are calculated based on the yield and the average balance of the insurance reserves

Note 4 - Operating segments (contd.)

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

Results by policy category (contd.)

	Policies which include a savings component (incl. riders) by date of policy issue				Policies with no savings component		
			from 2004		Risk that was sold as a stand-alone policy		
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 change 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 the investments. The financial margin in policies with a guaranteed yield is based on actual revenues from investments in the reporting year, net of a factor of the guaranteed yield rate for the year, multiplied by the average reserve for the year. On this, income from investments also includes the change in the fair value of available-for-sale financial assets which is recognized in the statement of comprehensive income. In yield-dependent policies, the financial margin is the fixed and variable management fees which are calculated based on the yield and the average balance of the insurance reserves

Note 4 - Operating segments (contd.)

D. Additional information about the health insurance segment

Results by policy category

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
For the nine months ended September 30, 2023 (Unaudited)	NIS million				
Gross premiums	613	1,479	2,298	430	4,820
Payments and changes in liabilities for insurance contracts, gross	752	1,776	1,510	259	4,297
Total comprehensive income (loss) from health insurance business	(67)	(59)	142	53	69

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
	NIS million				
For the three months ended September 30, 2023 (Unaudited)					
Gross premiums	205	516	786	165	1,672
Payments and changes in liabilities for insurance contracts, gross	145	535	522	90	1,292
Total comprehensive income (loss) from health insurance business	16	(18)	51	39	88

* Of this, personal lines premiums in the amount of NIS 1,724 million and NIS 606 million for the nine and three months ended June 30, 2023, respectively, and group premiums in the amount of NIS 1,104 million and NIS 345 million for the nine and three months ended September 30, 2023, respectively

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

Note 4 - Operating segments (contd.)

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

Results by policy category (contd.)

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
For the nine months ended September 30, 2022 (Unaudited)	NIS million				
Gross premiums	586	1,291	2,118	412	4,407
Payments and changes in liabilities for insurance contracts, gross	(115)	917	1,470	248	2,520
Total comprehensive income (loss) from health insurance business	448	(98)	(28)	46	368

	Long-term care (LTC)		Other health*		
	Personal lines	Group	long-term **	short-term **	Total
	NIS million				
For the three months ended September 30, 2022 (Unaudited)					
Gross premiums	199	445	724	167	1,535
Payments and changes in liabilities for insurance contracts, gross	136	365	511	92	1,104
Total comprehensive income (loss) from health insurance business	(1)	(41)	(13)	32	(23)

* Of this, personal lines premiums in the amount of NIS 1,610 million and NIS 580 million for the nine and three months ended September 30, 2022, respectively, and group premiums in the amount of NIS 920 million and NIS 311 million for the nine and three months ended September 30, 2021, respectively

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

Note 4 - Operating segments (contd.)

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

Results by policy category (contd.)

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 travel insurance

Note 5 - Taxes on income

A. The tax rates applicable to the income of the Group companies

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

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

B. Discussions between the Tax Authority and the Israel Insurer’s Association

Discussions are currently taking place between the Tax Authority and the Israel Insurance Association (“the Insurance Association”) with respect to a sector-based agreement for the 2020 tax year.

These discussions include the subject of the reserve for extraordinary risks in life assurance: the sector-based tax agreement for 2006 stipulated that cancellation of the outstanding reserve for extraordinary risks in life assurance as at March 31, 2007 (“the Reserve”) and its reclassification as equity held to cover the provision of a capital requirement in respect thereof, according to its definition in that agreement (“the Old Capital Requirement”) was tax exempt, as a temporary order within the framework of Section 21 of the Arrangements in the State Economy (Legislative Amendments to Achieve Budget Targets and Economic Policy for Fiscal Year 2007) Law, 2007. It was further stipulated that should the capital requirement be abolished or reduced, the parties will discuss the resulting tax implications, if there are any. On June 1, 2017, the Capital Market Authority published Insurance Circular 2017-1-9 concerning “Application of an Economic Solvency Ratio based on Solvency II” which entered into force on June 30, 2017 (“the New Capital Requirements”), and abolished the Old Capital Requirement regarding the Reserve.

The parties are in disagreement over the tax implications arising from cancellation of the Old Capital Requirement from 2007 and its replacement with the New Capital Regulations from 2017: the position of the Assessment Officer for Large Enterprises is that for tax purposes the change between the two capital requirements regarding those components that were permitted in the past as a tax deductible expense must be examined. Accordingly, there is a reduction of 0.02% of the amount at risk in the New Capital Regulations compared with the old requirement. The Insurance Association believes that the change between the two capital requirements with respect to the components in their entirety relating to extraordinary risks should be examined. Accordingly, there is a significant increase in the New Capital Regulations compared with the Old Capital Requirement and in this situation there are therefore no tax implications. As noted, the Assessment Officer for Large Enterprises and the Insurance Association are discussing the subject and at the date of publication of the reports these discussions are still underway. Harel Insurance believes that sufficient provision has been made in the financial reports for the aforementioned dispute.

Note 6 - Financial instruments

A. Assets for Yield-dependent contracts

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

	As at September 30		As at December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Investment property	**1,896**	2,017	2,060
Financial investments			
Marketable debt assets	**22,121**	19,883	19,962
Non-marketable debt assets (*)	**12,035**	15,175	14,475
Shares	**12,412**	15,022	13,283
Other financial investments	**23,987**	18,469	19,700
Total financial investments	**70,555**	68,549	67,420
Cash and cash equivalents	**5,974**	5,137	6,450
Other	**1,963**	2,358	1,918
Total assets for yield-dependent contracts*	**80,388**	78,061	77,848
Trade and other payables	**230**	216	184
Financial liabilities**	**1,031**	1,894	1,113
Financial liabilities for yield-dependent contracts	**1,261**	2,110	1,297
(*) Of which assets measured at amortized cost	**401**	410	407
Fair value of debt assets measured at amortized cost	**399**	428	421

* Including net assets (assets net of financial liabilities) in the amount of NIS 4,700 million, NIS 4,580 million, and NIS 4,615 million as at September 30, 2023, September 30, 2022, and at 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 September 30, 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	**19,441**	**2,680**	**-**	**22,121**
Non-marketable debt assets	**-**	**10,765**	**869**	**11,634**
Shares	**9,533**	**109**	**2,770**	**12,412**
Other	**12,884**	**149**	**10,954**	**23,987**
Total	**41,858**	**13,703**	**14,593**	**70,154**

	As at September 30, 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	17,492	2,391	-	19,883
Non-marketable debt assets	-	13,842*	923*	14,765
Shares	12,031	120	2,871	15,022
Other	9,220	206	9,043	18,469
Total	38,743	16,559	12,837	68,139

	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

* Reclassified

Note 6 - Financial instruments (contd.)

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

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

For the nine and three months ended September 30, 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 (*)	80	1	921	1,002
Interest and dividend receipts	(46)	(59)	(299)	(404)
Purchases	472	193	1,106	1,771
Sales	-	(119)	(323)	(442)
Redemptions	(416)	-	(14)	(430)
Balance as at September 30, 2023	869	2,770	10,954	14,593
(*) Of which total unrealized profits in respect of financial assets held correct to September 30, 2023	70	-	919	989

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at July 1, 2023	1,145	2,937	10,470	14,552
Total profits (losses) that were recognized:				
In profit and loss (*)	23	(113)	347	257
Interest and dividend receipts	(11)	(27)	(105)	(143)
Purchases	83	63	369	515
Sales	-	(90)	(124)	(214)
Redemptions	(371)	-	(3)	(374)
Balance as at September 30, 2023	869	2,770	10,954	14,593
(*) Of which total unrealized profits in respect of financial assets held correct to September 30, 2023	14	(115)	346	245

Note 6 - Financial instruments (contd.)

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

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

For the nine and three months ended September 30, 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 (*)	2	345	1,186	1,533
Interest and dividend receipts	(25)	(31)	(259)	(315)
Purchases	809**	442	1,537	2,788
Sales	-	(445)	(637)	(1,082)
Redemptions	(624)	-	(22)	(646)
Transfers from Level 3 *	(163)	-	-	(163)
Balance as at September 30, 2022	923	2,871	9,043	12,837
(*) Of which total unrealized profits (losses) in respect of financial assets held correct to September 30, 2022	(11)	330	1,214	1,533

	Fair-value measurement on report date			
	Financial assets at fair value through profit or loss			
	Non-marketable debt assets	Shares	Other	Total
	NIS million	NIS million	NIS million	NIS million
Balance as at July 1, 2022	773	3,139	9,137	13,049
Total profits (losses) that were recognized:				
In profit and loss (*)	(21)	34	(162)	(149)
Interest and dividend receipts	(5)	(2)	(81)	(88)
Purchases	305**	114	523	942
Sales	-	(414)	(368)	(782)
Redemptions	(1)	-	(6)	(7)
Transfers from Level 3 *	(128)	-	-	(128)
Balance as at September 30, 2022	923	2,871	9,043	12,837
(*) Of which total unrealized profits (losses) in respect of financial assets held correct to September 30, 2022	(23)	20	(132)	(135)

* For securities whose rating changed

** Reclassified

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) 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 September 30		December 31	As at September 30		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
Loans and receivables:						
Designated bonds	**5,246**	5,033	5,031	**6,409**	6,356	6,217
Non-marketable, non-convertible debt assets, excluding bank deposits	**8,826**	8,266	8,758	**8,863**	8,482	8,881
Bank deposits (*)	**8,399**	5,752	6,210	**8,410**	5,774	6,229
Total non-marketable debt assets	**22,471**	19,051	19,999	**23,682**	20,612	21,327
Investments held to maturity:						
Marketable non-convertible debt assets	**-**	15	-	**-**	15	-
Total investments held to maturity	**-**	15	-	**-**	15	-
Total	**22,471**	19,066	19,999	**23,682**	20,627	21,327
Impairments recognized in profit and loss (in aggregate)	**81**	29	30			
(*) Of which debt assets measured at fair value	**5,899**	4,621	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 periodic basis, using a valuation method based on the fair value hierarchy. See Note 6A(2) for a definition of the different levels.

	As at September 30, 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	8,319	452	-	8,771
Non-marketable debt assets	-	5,899	-	5,899
Shares	1,560	17	683	2,260
Other	407	307	3,781	4,495
Total	10,286	6,675	4,464	21,425

	As at September 30, 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS million	NIS million	NIS million	NIS million
Marketable debt assets	10,784	499	-	11,283
Non-marketable debt assets	-	4,621	-	4,621
Shares	1,467	37	567	2,071
Other	549	278	3,114	3,941
Total	12,800	5,435	3,681	21,916

	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 the nine and three months ended September 30, 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 (*)	8	92	100
In other comprehensive income	34	181	215
Interest and dividend receipts	(8)	(90)	(98)
Purchases	90	405	495
Sales	(18)	(96)	(114)
Redemptions	-	(4)	(4)
Balance as at September 30, 2023	683	3,781	4,464
(*) Of which total unrealized profit for the period in respect of financial assets held at September 30, 2023	8	100	108

	Fair-value measurement on reporting date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at July 1, 2023	628	3,603	4,231
Total profits (losses) that were recognized:			
In profit and loss (*)	4	40	44
In other comprehensive income	5	78	83
Interest and dividend receipts	(4)	(39)	(43)
Purchases	65	136	201
Sales	(15)	(37)	(52)
Balance as at September 30, 2023	683	3,781	4,464
(*) Of which total unrealized profit for the period in respect of financial assets held at September 30, 2023	4	41	45

Note 6 - Financial instruments (contd.)

B. Other financial investments (contd.)

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

For the nine and three months ended September 30, 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 (*)	(4)	73	69
In other comprehensive income	103	417	520
Interest and dividend receipts	-	(77)	(77)
Purchases	59	464	523
Sales	(2)	(174)	(176)
Redemptions	-	(5)	(5)
Balance as at September 30, 2022	567	3,114	3,681
(*) Of which total unrealized profit in respect of financial assets held at September 30, 2022	-	72	72

	Fair-value measurement on reporting date		
	Financial assets at fair value through profit or loss and available-for-sale assets		
	Shares	Other	Total
	NIS million	NIS million	NIS million
Balance as at July 1,2022	558	3,067	3,625
Total profits (losses) that were recognized:			
In profit and loss (*)	(4)	14	10
In other comprehensive income	(1)	(51)	(52)
Interest and dividend receipts	-	(25)	(25)
Purchases	14	158	172
Sales	-	(49)	(49)
Balance as at September 30, 2022	567	3,114	3,681
(*) Of which total unrealized profit in respect of financial assets held at September 30, 2022	-	14	14

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

Note 6 - Financial instruments (contd.)

C. Financial liabilities

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

	As at September 30		As at December 31	As at September 30		As at December 31
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
		Book Value			Fair Value	
	2023	2022	2022	2023	2022	2022
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Loans from banks	**621**	348	348	**569**	301	300
Loans from related parties	**50**	-	-	**50**	-	-
Short-term credit from banks and others	**468**	277	313	**468**	277	313
Bonds *	**8,331**	6,040	6,476	**7,890**	5,688	6,111
Financial guarantee	**39**	49	76	**35**	49	72
Total financial liabilities presented at amortized cost	**9,509**	6,714	7,213	**9,012**	6,315	6,796
* Including subordinated liability notes issued for compliance with the capital requirements	**5,232**	4,959	4,969			

2. Interest rates used to determine the fair value

	As at September 30		As at December 31
	2023	2022	2022
Loans	**5.77%**	3.99%	4.63%
Bonds	**5.17%**	3.55%	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. See Note 6A(2) for a definition of the levels.

	As at September 30, 2023 (Unaudited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	397	1,001	1,398
Short sales (2)	5,092	973	6,065
Total financial liabilities	5,489	1,974	7,463

	As at September 30, 2022 (Unaudited)		
	Level 1	Level 2	Total
	NIS million	NIS million	NIS million
Derivatives (1)	1,235	1,073	2,308
Short sales (2)	4,251	371	4,622
Total financial liabilities	5,486	1,444	6,930

	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 367 million, NIS 413 million and NIS 325 million as at September 30, 2023, September 30, 2022 and at 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 management of exposure by means of derivatives to foreign currency and to the CPI. To cover these liabilities, the financial institutions deposited collateral in accordance with the conditions prescribed in the contract. The Group's financial institutions have approved credit facilities for their derivative activity. Pursuant to the foregoing, the Group's financial institutions deposited NIS 1,651 million, NIS1,996 million, and NIS 1,650 million as at September 30, 2023, September 30, 2022 and December 31, 2022, respectively, as collateral to cover their liabilities arising from this activity (these collaterals are presented within trade payables)

(2) Harel Finance, a subsidiary of the Company, operates through subsidiaries involved in the short sale of government bonds (Israeli and foreign) and places the proceeds of the sales in deposit until the bond maturity date. In the Reporting Period, these companies posted short sales of NIS 1.1 billion as part of this activity. The outstanding backing amounts as at September 30, 2023, are NIS 5.8 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 6-7 bonds issued by Hare Finance & Issues, and ratings of ‘Aa3.il(hyb)’ for subordinated liability notes (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 Aa2.il rating, outlook stable, as well as 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 September 30, 2023, and at the date of publication of the report, the Company and the subsidiary are in compliance with the prescribed financial covenants. Regarding additional financial covenants in respect of bank debt taken by the subsidiary Harel Pension and Provident Ltd., see Section 5 below.

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. 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.

5. Bank credit taken by a subsidiary, Harel Pension and Provident Ltd (“Harel Pension & Provident Ltd.")

   On May 4, 2023, Harel Pension & Provident, a wholly owned subsidiary of the Company, repaid a loan from the Company in the amount of NIS 193 million (including interest and index linkage).

   On May 3, 2023, Harel Pension & Provident took a loan in the amount of NIS 300 million from a banking corporation. The loan bears variable interest which is paid every six months. The loan is due for repayment on January 1, 2026. As noted, the balance of the loan as at September 30, 2023, is NIS 307 million.

<u>Compliance with financial covenants</u>

To secure repayment of the loan, Harel Pension & Provident undertook to maintain certain financial ratios. Among other things, Harel Pension & Provident undertook that the ratio of its financial debt to EBITDA during the four consecutive quarters preceding the end of the quarter will not exceed 3 and that the value of the assets managed by the funds that it manages will not fall below NIS 150 billion. At September 30, 2023, Harel Pension & Provident is in compliance with the prescribed financial covenants.

Note 6 - Financial instruments (contd.)

C. Financial liabilities (contd.)

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

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 was implemented on May 31, 2023.

7. Expansion of bonds (Series 3) of Harel Exchange Traded Deposit Ltd.

On May 23, 2023, 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 received from the bond issue were NIS 825 million.

On October 29, 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 1,289 million par value by means of a shelf offering report in accordance with a prospectus dated August 17, 2022. The proceeds received for the bond issue were NIS 1,344 million.

8. Issue of Series 1 bonds of the Company by way of a series expansion

In the Reporting Period, the Company published a shelf offering report according to a shelf prospectus dated July 23, 2020.

As part of the shelf offering report, the Company issued NIS 953,516,000 par value Series 1 bonds by way of an expansion of an existing series of bonds for the total consideration (gross) of NIS 800 million. The bonds were offered to the public in a uniform offering, by way of a tender on the price per unit which, for the purpose of the tender was set at NIS 839. The Series 1 bonds were offered to the public in units, each comprising NIS 1,000 par value bonds (Series 1) (“the Units”). The Series 1 bond offering was not secured by underwriting. Qualified investors made a preliminary undertaking to submit applications to purchase 953,516 units, in the quantities and at rates of interest specified in the shelf offering report. As part of the tender, a total of 115 bids were received to purchase 1,190,344 units (of which 40 were bids to purchase 236,828 units from the public and 75 were bids for the purchase of 953,516 units from qualified investors), in the total amount of NIS 998.7 million.

Based on the information in the shelf offering report and in view of the fact that according to the results of the tender the total applications received, as noted above, reflected a par value of Series 1 bonds of the Company exceeding 953,516,000 par value Series 1 bonds, the Company therefore elected to issue, as part of the issue according to the offering report, a total of 953,516,000 par value Series 1 bonds. The surplus amount is therefore 146,484,000 par value Series 1 bonds and the allotment to the bidders who responded to the aforementioned tender was made at a ratio (pro rata) of the quantity issued to the public to the bids actually received for the Series 1 bonds, so that each bidder whose application would have been accepted according to the results of the tender conducted according to the shelf offering was allotted 86.68% of the scope of the allotment (based on the following calculation: 953,516,000/1,100,000,000).

The discount rate in the present expansion of the Series 1 bonds is 16.77413% and the weighted discount rate is 12.50740%.

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

Note 6 - Financial instruments (contd.)

C. Financial liabilities (contd.)

8. Issue of Series 1 bonds of the Company by way of a series expansion (contd.)

   For the purpose of this issuance, on May 30, 2023, Midroog announced a rating of Aa2.il, stable outlook, for the expansion of the Series 1 bonds in the amount of NIS 600 million par value (“issue rating”) and on May 31, 2023, Midroog published an update to the issue rating so that the rating was given for an amount of up to NIS 1,000 million par value.

9. Agreement to take bank credit as part of the Company’s deployment to finance the Isracard transaction

   On May 29, 2023, the Company’s Board of Directors approved an agreement to take bank credit as part of the Company’s deployment to finance the Isracard transaction. The Company and a consortium of banks are negotiating in connection with the credit and its terms.

10. Partial redemption of Series 1 bonds of the Company

    On June 30, 2023, the Company made partial redemption of 45,582,895 Series 1 bonds of the Company, in accordance with the terms of these bonds.

11. Publication of a shelf prospectus by the Company

    On July 26, 2023, the Company published a shelf prospectus dated July 27, 2023. By virtue of this shelf prospectus, the Company will be able to issue different categories of securities, in accordance with the statutory provisions.

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 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 40, 45, 48. 51, 52, 53, 54, 55, 56, 57, 58, 59 and 60 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. The parties are conducting a mediation process.

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. On June 20, 2023, the class plaintiffs and Harel Insurance together with five additional insurance companies filed a motion in the court to certify a compromise settlement (“the Compromise Settlement”). As part of the Compromise Settlement, the following were agreed: (a) Harel Insurance will reimburse the class members (as they are defined in the Compromise Settlement) for the past (the period commencing from seven years before the motion for certification was filed) and up to the commencement of the future collection (as specified in section B below - a lump sum at a rate of 42% of the total collection of the policy factor, which it is argued should have been transferred to saving. (b) Harel Insurance will subtract the future collection of the policy factor from the relevant class members, by way of reducing the policy factor to be collected by 50%, as noted in the 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 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. In February 2023, the parties informed the court that they had managed to reach agreements in principle. On November 5, 2023, the motion for certification for hearing the parties evidence was scheduled in light of the applicant's request.

11. 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.)

12. 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.
13. 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. In his position, the Commissioner noted that it is also relevant, with the necessary changes, for insurance companies that manage yield-dependent insurance.
14. 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.)

15. 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.

16. 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. The parties are conducting a mediation process.

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

A. Contingent Liabilities (Contd.)

17. 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.
18. 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.
19. 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.
20. 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.

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

A. Contingent Liabilities (Contd.)

21. 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.
22. 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.
23. 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.

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

A. Contingent Liabilities (Contd.)

24. 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.
25. In April 2020, an action was filed in the Tel Aviv District Labor Court, together with a motion for its certification as a class action, against the subsidiary Harel Insurance and against an additional insurance company (hereinafter together: "the Defendants"). The subject of the action is the allegation that the Defendants ostensibly refuse to extend the validity of the insurance cover for insureds in work disability insurance (P.H.I.) that was purchased before 2017 and in which the policy period terminates at age 65, and to pay them insurance benefits up to the age of retirement which in 2004 rose to 67 for salaried employees and 70 for the self-employed. The plaintiff estimates the overall loss caused to all members of the class it wishes to represent against the Defendants at approximately NIS 540 million. 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. On May 29, 2023, a petition was filed in the Supreme Court sitting as the High Court of Justice (HCJ) to grant a decree nisi, in which context HCJ was asked to issue an order revoking the judgment on the appeal and instruct investigation of the petitioner's case and the class he wishes to represent. Alternatively, HCJ is asked to cancel the costs that were imposed on the petitioner in the two lower courts.

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

A. Contingent Liabilities (Contd.)

26. 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.
27. 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.
28. 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.
29. 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 conducted a mediation process. On November 23, 2023, the parties filed a motion in the Lod-Center District Court to approve a compromise in which context it was agreed that part of the cost of the expert opinion submitted by the class members, as they are defined in the compromise settlement, will be paid to the class members.

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

A. Contingent Liabilities (Contd.)

30. 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.
31. 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.
32. 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. The parties are conducting a mediation process.
33. 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.
34. 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.

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

A. Contingent Liabilities (Contd.)

35. 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 mediation process conducted by the parties was unsuccessful and hearing of the action was returned to the court.
36. 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.
37. 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.
38. 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. The parties are conducting a mediation process.
39. 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.)

40. 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.
41. 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.
42. 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.
43. 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.
44. 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.
45. 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.
46. 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).

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

A. Contingent Liabilities (Contd.)

47. 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.
48. 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

49. 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.
50. 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.
51. 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.
52. In June 2023, an action was filed in the Tel Aviv District Court together with a motion for its certification as a class action against the subsidiaries Harel Insurance Company, Harel Pension & Provident, against two additional insurance companies and against two additional management companies ("the Defendants") on the grounds that the Defendants allegedly withheld tax from the "recognized annuity" component that was tax exempt, thus ostensibly reducing the amount of the annuity received by the class members, in contravention of the law. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent at NIS 297 million.
53. In July 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 ostensibly transfers money to its insureds by check rather than by bank transfer or a credit card credit, and this ostensibly in contravention of the provisions of the law. The plaintiff quantifies the total loss claimed by all members of the class that it wishes to represent at more than NIS 3 million.

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

A. Contingent Liabilities (Contd.)

54. In September 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 ostensibly approves claims filed by insureds who have become long-term care patients from the date of submittal of the claim and not from the earlier date, on which they became long-term care patients, thus ostensibly avoiding the payment of insurance benefits for which it is liable and it collects premiums to which it is not entitled, in contravention of the provisions of the policy and the law. The plaintiffs do not quantify the loss claimed for all members of the class they wish to represent, but they estimate that it is more than NIS 2.5 million.
55. In September 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 and against an additional insurance company (”the Defendants”). The subject of the action is the allegation that when purchasing travel insurance, the Defendants allegedly collect a dollar-linked payment at an exchange rate that is not the representative dollar rate as agreed in the policy conditions. The plaintiff estimates the loss for all members of the class it wishes to represent against Harel Insurance in the amount of NIS 12.25 million and against the additional insurance company in the amount of NIS 2.1 million.
56. In September 2023, 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 Clalit Health Services (“the Defendants”). The subject of the action is the allegation that the Defendants collect payment from parents for long-term care insurance for their children who have reached the age of 19, and this ostensibly without express permission or consent prior to starting the charge and without notifying, warning and/or informing as required by law. The plaintiffs do not quantify the loss claimed for all members of the class they wish to represent.
57. In September 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 rejects, ostensibly unlawfully, claims for the cover of expenses for treatment with injections under fluoroscopy (contrast media injections) for insureds in health insurance policies, alleging that the treatment is an injection not included in the definition of surgery according to the policies and this, ostensibly, in a misleading manner and in contravention of the law. 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.
58. In September 2023, an action was filed in the Central District Court together with a motion for its certification as a class action against the Company and against Marpet Ltd., in which the Company is the controlling shareholder (”the Defendants”). The subject of the action is the allegation that the Defendants ostensibly market medical services for pets in a misleading manner and in contravention of the law. 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.
59. In September 2023, 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 seven other insurance companies (“the Defendants”). The subject of the action is the allegation that the Defendants ostensibly refuse to provide towing services for insureds with policies that include a service note for the provision of vehicle towing services, and this ostensibly without disclosing this in the text of the service notes. The plaintiffs estimate the total loss claimed for all members of the class they wish to represent in the amount of NIS 80 million.

Actions filed after the Reporting Period

60. In November 2023, 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 seven other insurance companies (“the Defendants”). The subject of the action is the allegation that in extreme scenarios such as the Swords of Iron War, the risk is expected to drop sharply and a large, unplanned profit might be created in future for the insurance companies, this without appropriate relief that includes a significant cut in premiums for insureds in policies in which the risk components were reduced significantly and in some cases do not exist at all if premiums continue to be collected without any change. The plaintiffs estimate the total loss claimed for all members of the class against all the Defendants in the amount of NIS 10.02 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.

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

B. Contingent Liabilities – Shirbit (contd.)

3. 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)(23) 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.
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 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 about 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. On June 29, 2023, the parties filed a motion in the Lod-Center District Court to approve a compromise settlement in which it was agreed, *inter alia*, that the subsidiary Harel Insurance Company Ltd. will pay financial compensation to the class members, as they are defined in the compromise settlement, regarding whom “sensitive information” and/or “non-sensitive information”, according to their definition in the compromise settlement, was published.

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

B. Contingent Liabilities – Shirbit (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	6	1,239
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	18	4,271
Claim relates to several companies and no specific amount was attributed to the Company and/ or subsidiaries	7	5,976
Claim amount is not specified	29	

The total provision for claims filed against the Company and against Shirbit, as noted above, as at September 30, 2023, September 30, 2022, and December 31, 2022, is NIS 157 million, NIS 147 million, and NIS 156 million, respectively.

C. Petition to the High Court of Justice after the Reporting Period

1. In November 2023, Clalit Health Services ("Clalit") filed a petition in the Supreme Court sitting as the High Court of Justice (HCJ) against the Minister of Finance, Minister of Health, Secretary General of the Ministry of Health, Capital Market, Insurance and Savings Authority ("Respondents 1-4"), the subsidiary Harel Insurance, Maccabi Healthcare Services, Kupat Holim Meuhedet (Meuhedet HMO) and Leumit Health Care (all three together: "the HMOs"). In this petition, the court was asked to grant orders nisi (conditional orders) against Respondents 1-4 the main points of which are to instruct them to take urgent action to draw up a plan of action to facilitate the continuation of group long-term care insurance in Israel for the HMO insureds, including those insured by Clalit. In view of the foregoing, and taking note of the fact that Harel Insurance (as noted above, as the insurer for Clalit members with group long-term care insurance) informed Clalit that the group long-term care agreement for Clalit members is due to expire at the end of December 31, 2023 and will not be extended for an additional period under the present conditions, and Clalit informed Harel Insurance that it disputes this position and that it has the right to extend the agreement, the court is also requested to issue a temporary interim order against Harel Insurance obligating it to continue the long-term term care insurance in its present format for an interim period of an additional six months at least - up to June 30, 2024. This relief was requested according to Clalit, so that the principal petition against Respondents 1-4 will not become pointless. On November 5, 2023, the court handed down a ruling according to which at this stage, at this stage an interim order is inappropriate. The court ordered all the Respondents to submit a preliminary response to the petition and to the motion to issue an interim order by November 30, 2023, and the court also instructed that the petition will be scheduled for a hearing no later than January 12, 2024.

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

D. 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 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 homeowner's 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.)

3. 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.
4. 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.
5. 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.
6. 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 was the allegation that Harel Insurance ostensibly failed to provide its insureds who hold group life assurance with a copy of the insurance policy and that it ostensibly neglected to disclose to them changes that were made in the policy incidental to renewal of the policy. 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 Beer-Sheva District Court denied the motion for certification of 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. On June 8, 2023, the Supreme Court denied the appeal.

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

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

7. 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 claim that Harel Insurance allegedly collects payment from holders of Harel Migvan Personal Investments savings policies for a component relating to “investment management expenses”, the collection of which is permissible by law, but for which there is no contractual agreement in the policy conditions allowing it to collect this component. According to the plaintiff, Harel Insurance is therefore in fundamental breach of the policy provisions, in breach of its fiduciary obligation and misleads its insureds. The plaintiff estimates the overall loss claimed for all members of the class it wishes to represent at 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 regarding 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; nothing in the information in the report will 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. In its judgment from June 22, 2023, the Supreme Court accepted the motion for permission to appeal, revoked the decision and instructed denial of the motion for certification.
8. In January 2018, an action was filed in the Lod-Central District Court, together with an application for its certification as a class action, against the subsidiary Harel Insurance and against five other insurance companies (hereinafter together: “the Defendants”). 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 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. At the hearing, which took place in the Supreme Court on September 27, 2023, the appeal was dismissed, after the appellant accepted the Supreme Court’s recommendation to withdraw it.

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

E. Claims settled after the Reporting Period

1. 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 was 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. On August 9, 2023, an agreed motion was filed in the Haifa District Labor Court for the plaintiff's abandonment of the motion for certification against Harel Insurance in which the court is asked to approve the plaintiff's abandonment of the motion for certification and to instruct that his personal claim be denied. As part of the motion for abandonment, Harel Insurance agreed to provide, *ex gratia*, disclosure whereby the outstanding accrued savings balance might differ from the redemption value received upon withdrawal or redemption. Additionally, Harel Insurance agreed to pay the plaintiff and his attorney compensation and lawyers' fees of insignificant amounts. On October 15, 2023, the District Labor Court in Haifa approved the plaintiff's motion to abandon the motion for certification, and it ordered the dismissal of the plaintiffs' personal claim.
2. 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 was 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 parties are negotiating a compromise settlement. On June 6, 2023, the parties filed a motion in the Tel Aviv District Court to certify a compromise settlement in which it was agreed, *inter alia*, that Harel Insurance will credit any class member who purchased insurance from Shirbit Insurance Company Ltd., as part of the "two month gift" bonus for period of one year and more and that was in force throughout the policy period, at a cost of one month, based on the policy he purchased. On October 17, 2023, the Tel Aviv District court validated the compromise settlement as a judgment.
3. 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 was the allegation that the Defendant Insurance Companies ostensibly issue structural insurance policies to the owners of buildings that are pledged for the purpose of a mortgage guarantee, despite the fact that when the policies are issued a policy insuring the same building with respect to the same period already exists, whether through the same insurance company or through another insurance company. This, ostensibly, in breach of the explicit statutory provisions while misleading the insureds. 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 through Harel 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. On October 22, 2023, the Tel Aviv District court validated the compromise settlement as a judgment.

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

F. 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 (D)(2) 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 homeowner's 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.
2. In January 2018, an action was filed in the Lod-Center 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 (D)(8) 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 grounds of the action and motion for certification are the same as those for which a previous action and motion for its certification were filed against the Defendants. On January 3, 2018 the Supreme Court dismissed an appeal on a ruling of the Lod-Center District Court dated February 20, 2017, in which the 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. At the hearing, which took place in the Supreme Court on September 27, 2023, the appeal was dismissed, after the appellant accepted the Supreme Court's recommendation to withdraw it.

Note 8 - Capital requirements and management

1. Solvency II based economic solvency regime

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

Economic solvency ratio:

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

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

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

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

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

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

On November 27, 2023, Harel Insurance published on its website a report on its economic solvency ratio in respect of data at June 30, 2023:
https://www.harel-group.co.il/about/harel-group/harel/investor-relations/Pages/repayment-ability.aspx

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

The calculation prepared by Harel Insurance for data as at June 30, 2023, was reviewed in accordance with the principles of International Standard ISAE 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. This standard is relevant for audits of the Solvency Report of Harel Insurance 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, management activity as well as patterns of the future development of the Risk Margin that will not necessarily materialize or that may materialize differently from the assumptions that formed the basis for the information. Moreover, actual performance could differ significantly from the information, given that the combination of scenarios of events could materialize in a significantly different manner from the assumptions in the information.

Note 8 - Capital requirements and management (contd.)

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

A special auditors' report stated that based on the procedures followed, nothing had been brought to their attention that might cause them to believe that the solvency ratio calculations and method of presentation of the Solvency Report of Harel Insurance as at June 30, 2023, were not prepared in accordance with the Commissioner's instructions from all material aspects. Furthermore, attention is drawn to the information in the Solvency Report concerning the uncertainty arising from regulatory changes and exposure to contingencies, the effect of which on the solvency ratio cannot be estimated.

Notably, the model in its current format is extremely sensitive to changes in market and other variables, such as changes in the interest rate, changes in investment profits, revised actuarial assumptions and changes relating to the activity of Harel Insurance and also concerning the uncertainty inherent in the actuarial and financial assumptions and forecasts used in the preparation of the report.

<u>Material changes after the date of the calculation</u>:

After the date of the calculation, in Q3 2023, the risk-free linked shekel interest curve continued to rise against the backdrop of macroeconomic situation and interest trends the world over. The Swords of Iron War caused a further significant increase of the curve along its entire trajectory in a manner that is expected to materially increase the Company's capital surplus and economic solvency ratio. In contrast, falling prices on Israel's capital markets are expected to partially offset the positive impact on the capital surplus. There is considerable uncertainty regarding the repercussions of the war on the economy and on economic activity. Due to the nature of its activity, the Company is exposed to falling prices in the financial markets, to a slowdown of activity in the economy, as well as to other risks stemming from the War.

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 Harel Insurance is capable of continuing its business activity and so that it can provide a return for its shareholders. Harel Insurance is subject to the capital requirements and defined regulations with respect to the distribution of dividends.

On 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%.

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.

Note 8 - Capital requirements and management (contd.)

3. 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 - Reporting to the Capital Market Commissioner“ - Own Risk and Solvency Assessment (ORSA) (“the Amendment”). The Amendment determined that insurance companies must submit an ORSA report to the Commissioner in January each year. According to the Amendment, the Company will submit a report to the Commissioner that includes a summary of the results, business position and interrelationships, exposure to risk, assessment of solvency ratio and capital requirements, forward-looking assessment and scenarios and sensitivity analyses. The Circular will be implemented gradually, commencing January 1, 2023.

   In the wake of the Swords of Iron War, on October 23, 2023, a circular for financial institutions was published on “Emergency Instructions of the Commissioner of the Capital Market, Insurance and Savings - October 2023” (“Commissioner’s Emergency Instructions”), extending by 60 days to March 31, 2023, the date for submittal of the ORSA report and deferring the initial date for reporting the forward-looking assessment and assessment of scenarios and sensitivity analyses required as part of ORSA, from the nearest reporting date to the following reporting date that will occur in January 2025. For additional information, see Note 1B above.

   Harel Insurance submitted the required report to the Commissioner in January 2023 and it will report in accordance with the schedule set out in the Commissioner’s Emergency Instructions

4. 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 September 30, 2023, the consolidated companies are in compliance with these requirements.

5. Plan for the repurchase of shares

   Pursuant to the information in Note 15B to the Annual Financial Statements, at September 30, 2023, the Company purchased 1,786,328 shares at a total cost of NIS 55 million. At the date of publication of the report, the Company has purchased 2,816,231 shares at a total cost of NIS 82 million.

6. Dividend received from Mortgage Holdings Ltd.

   In June 2023, the Board of Directors of Mortgage Holdings Ltd. approved the distribution of a dividend in the amount of NIS 60 million. The dividend was paid in cash on July 2, 2023.

7. Dividend received from Harel Insurance

   On June 8, 2023, the Board of Directors of Harel Insurance approved a dividend distribution in the amount of NIS 450 million (NIS 4.31 per share). The Board of Directors made its decision after taking into account the financial results of Harel Insurance, the distributable retained earnings of Harel Insurance and after assessing the capital surplus and compliance with the solvency directives. Additionally, the Board of Directors of Harel Insurance examined its compliance with the profit test and solvency test prescribed in Section 203(a) of the Companies Law and following this review, the Board of Directors of Harel Insurance approved its compliance with the distribution test. The dividend was paid in cash on July 3, 2023.

Note 9 - Material events in the Reporting Period

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Life assurance - decrease in insurance liabilities as a result of:					
Update of the interest rate applied in calculating the reserves for annuity and work disability (C)	**176**	227	**176**	-	227
Total life assurance	**176**	227	**176**	-	227
Health insurance – decrease of the insurance liabilities as a result of:					
Liability Adequacy Test (LAT) – personal lines long-term care (A)	**-**	764	**54**	-	764
Update of the interest rate applied in calculating the reserve for claims in payment – personal lines and group long-term care (C)	**42**	15	**42**	-	15
Update of the interest rate applied in calculating the active reserve – personal lines long-term care	**-**	-	**-**	-	763
Total health insurance	**42**	779	**96**	-	1,542
Non-life insurance – decrease of the insurance liabilities as a result of:					
Effects of interest (B)	**176**	433	**40**	123	524
Actuarial updates	**-**	75	**-**	-	75
Total non-life-insurance	**176**	508	**40**	123	599
Total effects on profit and comprehensive income before tax	**394**	1,514	**312**	123	2,368
Total effects on profit and comprehensive income after tax	**259**	996	**205**	81	1,558

A. In the third quarter, the interest curve applied in calculating the insurance liabilities rose (increase of the risk-free interest rate curve and decrease of the illiquidity premium) that led to a reset of the LAT reserve in the amount of NIS 54 million before tax recorded in the second quarter, without the need to use the retained fair value of the non-marketable assets allocated to the personal lines long-term care sector.

B. In the Reporting Period, the insurance liabilities in the non-life insurance segment were reduced due to an increase of the interest curve applied in calculating the insurance liabilities (increase of the risk-free interest curve and decrease of the illiquidity premium) and changes in the difference between the fair value and book value of the non-marketable assets, (liabilities in non-life insurance are calculated from the second quarter of 2022 according to the Full Best Practice model. For additional information, see Note 36E4 in the annual financial statements).

C. In view of the prolonged, significant increase of the interest rate, in the third quarter the interest rate applied in calculating the reserves for annuity and work disability in life assurance, and the reserves for claims in payment in the long-term care sector, were revised.

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

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

   Revised interest rate applied in calculating the reserves for annuity and work disability in life assurance:

   Due to the revised interest rate applied in calculating the reserve for annuities in payment and the supplementary reserve for annuity, insurance liabilities in the life assurance and long-term savings segment were reduced by NIS 166 million before tax (decrease of NIS 91 million in the liabilities for policies that include a savings component up to 1990, and decrease of NIS 75 million in the liabilities for policies that include a savings component from 2004). Additionally, due to the revised interest rate applied in calculating reserves for work disability claims in payment, the insurance liabilities in the life assurance and long-term savings segment decreased by NIS 10 million before tax.

   Revised interest rate applied in calculating reserves for claims in payment in the personal lines and group long-term care sectors:

   Due to the revised interest rate applied in calculating the reserves for claims in payment in the personal lines and group long-term care sectors, the insurance liabilities in the health insurance segment were reduced by NIS 42 million before tax.

2. In the Reporting Period, real positive yields were recorded on profit sharing policies that were sold between 1991 and 2003. Nonetheless, due to a real aggregate negative yield on these policies, Harel Insurance did not record variable management fees from the beginning of 2022, but only fixed management fees. Pursuant to the mechanism set out in the legislative arrangement for the collection of management fees, insurance companies will not collect variable management fees in respect of profit-sharing 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 September 30, 2023, the estimate for management fees that will not be collected due to the real aggregate negative yield until a cumulative positive yield is attained, is NIS 343 million. See also Note 10(2).

3. Repurchase of shares

   On a repurchase of shares which took place in 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" or "the Agreement").

   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.

   On July 3, 2023, the Company received a letter from the Commissioner of the Capital Market, Insurance and Savings Authority ("the Authority") detailing the Authority's position with respect to issues arising, at this stage, from a review of the Transaction which is the subject of the merger agreement and, among other things, addresses the following issues: (a) setting restrictions to apply to Isracard Insurance Agency (2020) Ltd; (b) maintaining the Company's financial stability; (c) restrictions relating to loans that were provided by Harel Group's financial institutions to Warburg Pincus Financial Holdings (Israel) Ltd.; (d) interfaces between Harel Group's financial institutions and Isracard. The Company finds all the conditions and instructions set out in the Commissioner's letter acceptable and it will work with the Authority to complete the procedures required for including the conditions in the relevant permits.

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

4. Agreement for the acquisition of Isracard (contd.)

On August 10, 2023, the Company informed Isracard, as per the provisions of the Agreement, that it had extended the final date for satisfying the suspensive conditions in the Agreement until November 12, 2023, thus extending the last date for fulfillment of the suspensive conditions to the aforementioned date. The Company was also informed that Isracard had obtained all the approvals of the parties to the material agreements of Isracard (as they were defined in the merger agreement).

After the Reporting Period, on October 29, 2023, the Company reported that it and Isracard had received a further request from the Competition Authority to extend the final date for the Competition Authority to give its decision on the merger request relating to the Transaction (this after up to that date the Company and Isracard had extended this date several times in joint decisions based on requests from the Competition Authority), and it also became clear to the Company that there was only a slim chance of receiving approval for the Merger Transaction from the Competition Authority by the date for fulfilling the suspensive conditions as defined in the agreement (November 12, 2023).

After the Reporting Period, on November 4, 2023, the Company and Isracard signed an amendment to the Merger Agreement ("the Amendment") according to which:

A. The final date for meeting the suspensive conditions will be extended to December 31, 2023.

B. The Company may extend this date, at its exclusive discretion, until January 31, 2024.

C. Insofar as approval is not received from the Commissioner of Competition pursuant to the provisions of the agreement, the Company may, at its exclusive discretion, extend the date for fulfillment of the suspensive conditions until January 31, 2025, for the purpose of filing an appeal, request or any other proceeding, to be conducted by the Acquiring Company, to the courts or to the Competition Authority in connection with the decision to be received from the Commissioner of Competition (if it is received) or in connection with the failure to make a decision, including for the purpose of preparing such courses of action and to prepare preliminary proceedings for such action ("the Second Extension"). It was also agreed that the Second Extension will be considered to have ended if the Company does not appeal to the courts, as noted above, within 120 days of the date on which the Company announced the Second Extension.

   The Second Extension will be subject to the approval of a general meeting of Isracard, that will take action to convene the meeting if the Company informs it of the Second Extension, and no further approval from other organs within Isracard will be required. In the context of the Amendment, Isracard undertook to cooperate with the Company in these proceedings and not to take any action or make any omission that might hamper them. For the avoidance of doubt, the Amendment also stipulated that the Second Extension shall be considered to have ended if during its course the decision of the Commissioner of Competition not to approve the merger becomes absolute and unappealable. The Company and Isracard intend to apply to the Competition to approve an extension for the purpose of granting its decision.

The decision to accept the Amendment was made after the Company's Board of Directors held in-depth discussions in which it discussed various perspectives and a range of considerations. Among the key considerations, the Board of Directors took into account an assessment of the significant business potential in Isracard and an expansion of its activity in forthcoming years alongside a positive assessment of the robustness of Israel's economy of in the long-term, and that the acquisition is a strategic transaction for the Company, aimed at diversifying the Group's finance business through the acquisition of a company engaged in significant area of activity that differs from the Company's core operations and has low exposure to fluctuations in the capital market.

On November 12, 2023, after the Reporting Period, the Company published a clarification that its assessment in a report dated October 29, 2023 with respect to a very slim chance of obtaining the approval of the Competition Authority by the last date for fulfillment of the suspensive conditions, as defined in the agreement (November 12, 2023) referred to the contractual time frame in the agreement as it was on the date of the aforementioned report. In view of the extension of the final date for fulfillment of the suspensive conditions within the framework of the amendment to the agreement dated November 4, 2023, the Company now believes that there is a good chance that the Competition Authority will make a decision on the application for the merger by the final date for fulfilling the suspensive conditions as defined in the aforesaid

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

4. Agreement for the acquisition of Isracard (contd.)

Amendment to the agreement. The Company also reported that over the past few weeks, intensive ongoing discussions have been taking place between the Company and representatives of the Competition Authority, while the Company is operating to provide a rapid response to the deadline on several significant issues in the opinion of the Competition Authority, including concerns raised by the Competition Authority in connection with the Max Loan. This is a loan provided by Harel Group financial institutions (as part of a consortium of institutional investors in an entity that is part of Harel Group) which is secured with a pledge on shares of MAX IT Finance Ltd., and regarding which the Commissioner of the Capital Market, Insurance and Savings Authority placed restrictions that will apply to entities within Harel Group after the acquisition of Isracard, if it reaches completion.

It is stipulated that completion of the transaction is still subject to the fulfillment of suspensive conditions by the new 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) at the completion date, there will be no material change for the worse in Isracard.

5. Share-based payment

A. 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.

B. 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.

C. After the Reporting Period, on October 25, 2023, 120,000 option warrants were allotted to 5 Harel Insurance employees and an employee of a Company subsidiary 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 24.6. The fair value of the options at the Grant Date was NIS 0.9 million.

D. On September 6, 2023, the Company’s Board of Directors approved a private allotment of 180,000 stock options to Mr. Nir Cohen, CEO of Harel Insurance, under conditions similar to the conditions of the plan described in Note 39 to the annual financial statements. These options were allotted on September 12, 2023, after approval was received from the Tel Aviv Stock Exchange Ltd. The exercise price for each option at the Grant Date is NIS 28. The fair value of the options at the Grant Date was NIS 1.4 million.

The total expense recognized in the financial reports in the Reporting Period and third quarter was NIS 20 million and NIS 7 million, respectively (in the corresponding period and corresponding quarter last year - NIS 18 million and NIS 5 million, respectively).

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

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 an additional NIS 50 million and in December 2022 it was increased by a further NIS 50 million. As collateral or 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 does not fall below 15% of the total balance sheet of Hamazpen, up to a maximum investment of NIS 100 million. At September 30, 2023, and at the date of publication of the report, the balance of the credit provided by Harel Insurance to Hamazpen was NIS 293 million.

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

7. Revised employment conditions for Idan Tamir, relative of a controlling shareholder

   On May 22, 2023, May 29, 2023, and July 5, 2023, the compensation committees and boards of directors of the Company and Harel Insurance and the general meeting of the Company, respectively, approved the revised employment conditions for Idan Tamir, a relative of Mr. Yair Hamburger, one of the Company’s controlling shareholders.
8. On August 1, 2023, a transaction was completed in which Harel Insurance purchased 10% of the shares of Tidhar Group Ltd. in consideration of NIS 389 million.

9. On the publication of a shelf prospectus by the Company, see Note 6.

10. Economic Solvency Report of Harel Insurance

    On May 30, 2023, Harel Insurance published a report on its economic solvency ratio as at December 31, 2022. For additional information see Note 8.

Note 10 – Material Events after the Reporting Period

1. On the Swords of Iron War and its effects, see Note 1B.
2. Further to the information in Note 9(2), immediately prior to the date of approval of the Condensed Consolidated Interim Financial Statements, the estimate for management fees that will not be collected due to the real, aggregate negative yield until a cumulative positive yield is attained, amounts to NIS 344 million.
3. On an expansion of bonds (Series 3) of Harel Exchange Traded Deposit, see Note 6.
4. On a share-based payment, see Note 9.
5. On discussions between the Tax Authority and the Israel Insurance Association, see Note 5.
6. On developments that took place in connection with the agreement for the acquisition of Isracard, see Note 9.
7. Convening of a Special General Meeting of the Company

   On October 25, 2023, a special general meeting of the Company was convened, the agenda of which included the following topics: (1) The appointment of Ms. Efrat Yavetz for a further term of office as external director; (2) approval of a revision of the Company's compensation policy; (3) approval of employment conditions - Mr. Yair Hamburger (no change compared with the current employment conditions); (4) approval of employment conditions - Mr. Gideon Hamburger (no change compared with the current employment conditions); (5) approval of employment conditions - Mr. Yoav Manor (no change compared with the current employment conditions). The meeting is called for November 30, 2023. For additional information about the topics on the agenda of the meeting, see Sections 11 below.
8. Economic Solvency Report of Harel Insurance

   On November 27, 2023, Harel Insurance published a report on the economic solvency ratio as at June 30, 2023. For additional information see Note 8.
9. Revised compensation policy for the Company

   In October 2020, the general meeting of the Company approved a compensation policy for Company executives for a period of three years, after having been approved by the Compensation Committee and Board of Directors.

   Subsequently, in October 2021, the Company's general meeting approved an amendment to the compensation policy whereby, in the event of an allotment of options, the exercise price will not be linked to the Consumer Price Index ("Present Compensation Policy").

   Following meetings of the Company's Compensation Committee and Board of Directors held on October 23 and 25, 2023, respectively, which reviewed the revision of the Present Compensation Policy so that it is conforms with the changes in the Company's business environment, the changes approved in the compensation policy for the Group's financial institutions, and so that it will be more effective in implementing its goals, the Company's Compensation Committee and Board of Directors, respectively, unanimously approved the revised Present Compensation Policy (subject to approval by the general meeting that is scheduled to convene on November 30, 2023).

   Following are the key updates proposed for the Present Compensation Policy that will be in force for three years from the date of approval by the general meeting:[1]

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[1] It is stipulated that the information in this section is a general description of the main points of the material changes, and it is not intended to provide an exhaustive list of all the changes made in the revised compensation policy. These appear in the revised compensation policy attached to the Report on the Convening of the meeting

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

9. Revised compensation policy for the Company (contd.)

Section 4.2 of the revised compensation policy - update of an instruction concerning the relationship between fixed and variable components. Although the fixed component will not be less than 50%, a circular issued by the Commissioner of the Capital Market, Insurance and Savings concerning an amendment to the provisions of the Consolidated Circular, Part 1, Section 5, Chapter 5 headed: “Compensation” (hereinafter: “the Circular”)[2] allows the variable component in the compensation to be increased beyond 50% but no more than 66.6%, provided that extraordinary conditions are present justifying this increase. This addition is in accordance with the provisions of the Circular and as provided in the compensation policy for Harel Group’s financial institutions. The Company’s executives also serve as executives in Harel Group’s financial institutions and are therefore also subject to the compensation policy of the financial institutions. The purpose of this update is, among other things, to create uniformity between the compensation policy of the Company and that of the financial institutions.

Section 6.5 of the Revised Compensation Policy - additional authorization to the Compensation Committee and Board of Directors to approve adjustment of the effects of an extraordinary, non-recurring event that affected compliance with the threshold conditions prescribed in the policy. Furthermore, additional authorization to the Compensation Committee and Board of Directors to pay ~~performance-linked~~ annual~~ly~~ performance-based bonuses~~,~~ or partial ~~performance-based~~ bonuses if the threshold conditions are not met. This update conforms with the compensation policy for Harel Group’s financial institutions

Section 6.7 of the Revised Compensation Policy - update of the score range in the measurable component regarding an executive involved in management of the investments of the financial institutions. This update conforms with the compensation policy for Harel Group’s financial institutions.

Section 8 of the Revised Compensation Policy - update of the section on the capital grant to provide the Compensation Committee and Board of Directors with greater flexibility when approving a stock options plan.

Section 10 of the Revised Compensation Policy - update of the provisions pertaining to the adjustment period and non-competition period to provide greater flexibility with respect to arrangements with the Group’s senior executives.

10. Revised compensation policy for the financial institutions

As part of the re-approval of the Company’s compensation policy, in many sections the policy was adjusted to the current policy of the financial institutions, although additional changes were also made in the policy. To synchronize the two policy documents, additional revisions were made in the financial institutions’ compensation policy. As part of these revisions, additional authorization to the Compensation Committee and Board of Directors to pay annual performance-based bonuses or partial bonuses if the threshold conditions are not met to an extraordinary extent and sections relating to retirement conditions were revised~~Furthermore, additional authorization to the Compensation Committee and Board of Directors to pay performance-linked annually performance-based bonuses, or partial performance-based bonuses if the threshold conditions are not met to an extraordinary extent and sections relating to retirement conditions were revised~~.

[2] The Circular applies to the Company’s subsidiaries that are financial institutions

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

11. Approval of the employment conditions of the Company's controlling shareholders

The Company's General Meeting scheduled for November 30, 2023, includes a proposal to re-approve the employment conditions of the Company's controlling shareholders (Messrs. Yair Hamburger, Gideon Hamburger and Yoav Manor). The employment conditions of the controlling shareholders were approved by the Compensation Committee and Board of Directors on October 23, 2023, and October 25, 2023, respectively. All the present employment conditions of the controlling shareholders will continue to apply without any change. The proposed employment conditions are in conformity with the Company's compensation policy. Subject to approval of the aforementioned agreements, the provisions of the new employment conditions for the controlling shareholders will become applicable on December 1, 2023, for an unlimited period. Notwithstanding the foregoing, the parties may terminate the agreement at any time, by giving 30 days advance notice. Notably, under existing law at this date, the agreement with Messrs. Yair Hamburger, Gideon Hamburger and Yoav Manor must be re-approved three years after the commencement of the agreement (three years from December 1, 2023), given that they are the Company's controlling shareholders, unless the law changes and/or Messrs. Yair Hamburger, Gideon Hamburger and Yoav Manor are no longer included among the controlling shareholders.

The following details the employment conditions of the Company's controlling shareholder:

Mr. Yair Hamburger

Mr. Yair Hamburger has been head of Harel Insurance and Finance Group since its establishment. Yair Hamburger has served as Chairman of the Company's Board of Directors since its establishment and as a director in Harel Insurance. Additionally, Yair Hamburger holds the following positions in Harel Group: member of the board of directors of Interasco Societe Anonyme General Insurance Company S.A.G.I. in Greece; member of the board of directors of Turk Nippon Sigorta S.A. in Turkey; Chairman of the board of directors of Harel Finance & Issues; member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Mutual Funds Ltd.; member of the non-yield dependent (Nostro) investment committee of the Group's financial institutions and a director in other companies in the Group. Mr. Yair Hamburger serves in the Company and its subsidiaries in a full-time capacity and does not hold any other business positions beyond those in Harel Group.

Mr. Yair Hamburger's salary: For serving the Company, at the date of this report and in accordance with his employment conditions as approved by the Company's general meeting on October 12, 2020, Yair Hamburger is entitled to a monthly salary of NIS 160,000 (NIS 167,000 correct to the present date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year.

Fringe benefits: Mr. Yair Hamburger is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 735,669 at December 31, 2022). Should Mr. Hamburger choose to buy a more expensive car, he will pay the difference in cost. Yair Hamburger is not entitled to a full factoring in of the cost of his vehicle for tax purposes. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension benefits, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Yair Hamburger is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Yair Hamburger is entitled to 13 days convalescence a year. Yair Hamburger is entitled to 22 days paid vacation a year. Unutilized vacation days, including in respect of the period of Yair Hamburger's employment from the commencement date of his employment for the Company will be accumulated and may be redeemed when his employment terminates. Mr. Yair Hamburger is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment for the Company terminates. Yair Hamburger is not entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Mr. Yair Hamburger is not entitled to any additional remuneration for serving as a director in Group companies. Yair Hamburger is entitled to a letter of indemnity which was first granted to him as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and like the Company's other senior officers, and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers.

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

11. Approval of the employment conditions of the Company's controlling shareholders (contd.)

Mr. Yair Hamburger (contd.)

Annual bonus: Mr. Yair Hamburger is not entitled to an annual bonus.

Conditions of termination of employment: When the employment relationship ends, for any reason whatsoever, Mr. Yair Hamburger will be entitled to compensation equal to the severance pay to which he is entitled by law in the event of dismissal, net of any amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Mr. Hamburger ("Severance Pay"). Upon termination of his employment in the Company, Yair Hamburger is entitled to double severance pay, i.e. an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the compensation policy for the Group's financial institutions, part of the additional compensation (over and above the 100%) ("the Retirement Bonus") that is accrued for the period of employment after December 31, 2016, in accordance with the provisions of the compensation policy of the Group's financial institutions, will be paid in installments, as follows: one third of the deferred amount will be paid 12 months from the end of the year in which Mr. Yair Hamburger retires; one third of the deferred amount will be paid 24 months from the end of the year in which Mr. Yair Hamburger retires; one third of the deferred amount will be paid 42 months from the end of the year in which Mr. Yair Hamburger retires. Deferred amounts will be paid on the above-mentioned dates, subject to satisfying all the following conditions: (1) no errors were found in the calculation of the bonus amount and it did not transpire that the bonus was given based on a risk level that, in retrospect, did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the applicable capital requirements; (3) in the last (quarterly or annual) financial statements published prior to the date of payment, Harel Insurance presents comprehensive income. If neither of these last two conditions is met, the payment will be postponed to such time as the conditions are met. It is stipulated that the advance notice period is 30 days. Mr. Yair Hamburger will not be entitled to an adjustment period or any adjustment fee.

Non-competition undertaking: Yair Hamburger undertook not to compete with the Company and its business, continues, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment in the Company.

Mr. Gideon Hamburger

Mr. Gideon Hamburger has held senior positions in the Harel Group since its establishment. Gideon Hamburger currently holds the following key positions in Harel Group: member of the Company's Board of Directors and Company president; member of the board of directors of Interasco Societe Anonyme General Insurance Company S.A.G.I. in Greece; member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Finance & Issues. Additionally, Mr. Gideon Hamburger in involved in reinsurance matters both for Harel Insurance and the Group's other insurance companies. Gideon Hamburger serves in the Company and its subsidiaries in a full-time capacity and does not hold any other business positions other than those in Harel Group.

Mr. Gideon Hamburger's salary: For serving the Company, at the date of this report and in accordance with his employment conditions as approved by the Company's general meeting on October 12, 2020, Gideon Hamburger is entitled to a monthly salary of NIS 127,000 (NIS 136,909 correct to the present date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year.

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

11. Approval of the employment conditions of the Company's controlling shareholders (contd.)

Mr. Gideon Hamburger (contd.)

Fringe benefits Mr. Gideon Hamburger is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 725,669 at December 31, 2022). Should Gideon Hamburger choose to buy a more expensive car, he will pay the difference in cost. Gideon Hamburger is not entitled to a full factoring in of the cost of his vehicle for tax purposes. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Gideon Hamburger is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Gideon Hamburger is entitled to 13 days convalescence a year. Gideon Hamburger is entitled to 22 days annual paid vacation. Unutilized vacation days, including in respect of the period of Mr. Gideon Hamburger's employment from the date his employment for the Company commenced, will be accumulated and may be redeemed when his employment terminates. Mr. Gideon Hamburger is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment for the Company terminates. Gideon Hamburger is not entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Mr. Gideon Hamburger is not entitled to any additional remuneration for serving as a director in Group companies. Gideon Hamburger received a letter of indemnity as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers.

Annual bonus: Mr. Gideon Hamburger is not entitled to an annual bonus.

Termination of employment conditions: When the employment relationship ends for any reason whatsoever, Gideon Hamburger will be entitled to compensation equal to the severance pay to which he is entitled by law in the event of dismissal, net of the amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Mr. Hamburger ("Severance Pay"). Upon termination of his employment in the Company, Gideon Hamburger is entitled to double severance pay, i.e. an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the compensation policy of the Group's financial institutions, part of the additional compensation (over and above the 100%) ("the Retirement Bonus") that is accrued in the period of employment after December 31, 2016, in accordance with the provisions of the revised compensation policy of the Group's financial institutions, will be paid in installments, as follows: one third of the deferred amount will be paid 12 months from the end of the year in which Mr. Gideon Hamburger retires; one third of the deferred amount will be paid 24 months from the end of the year in which Mr. Gideon Hamburger retires; one third of the deferred amount will be paid 42 months from the end of the year in which Mr. Gideon Hamburger retires. Deferred amounts will be paid on the above-mentioned dates, subject to satisfying all the following conditions: (1) no errors were found in the calculation of the bonus amount and it did not transpire that the bonus was given based on a risk level that, in retrospect, did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the applicable capital requirements; (3) in the last (quarterly or annual) financial statements published prior to the date of payment, Harel Insurance presents comprehensive income. If neither of the last two conditions is met, the payment will be postponed to such time as the conditions are met. It is stipulated that, as noted above, the advance notice period is 30 days. Gideon Hamburger will not be entitled to an adjustment period or to any adjustment fee.

Non-competition undertaking: Gideon Hamburger undertook not to compete with the Company and its business, continues, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment by the Company.

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

11. Approval of the employment conditions of the Company's controlling shareholders (contd.)

Mr. Yoav Manor

Yoav Manor has held senior positions in the Group since its establishment. Yoav Manor holds the following positions in Harel Group: Executive Chairman of the board of directors of Harel Hamishmar Computers Ltd.; member of the board of directors of the Company; member of the board of directors of Harel Insurance; member of the board of directors of Harel Finance Holdings Ltd.; member of the board of directors of Harel Finance & Issues and a director in other Group companies. Yoav Manor serves in the Company and its subsidiaries in a full-time capacity and does not hold any other business positions beyond those in Harel Group.

Mr. Yoav Manor's salary: For serving the Company, at the date of this report and in accordance with his employment conditions as approved by the Company's general meeting on October 12, 2023, Yoav Manor is entitled to a monthly salary of NIS 127,000 (NIS 136,909 correct to the present date). The monthly salary is CPI-linked and revised in accordance with the increase in the CPI once a year, for the January salary each year.

Fringe benefits: Mr. Yoav Manor is entitled to a Company car at a cost of up to NIS 650,000, linked to the CPI of December 2011 (NIS 735,669 at December 31, 2022). Should Yoav Manor choose to buy a more expensive car, he will pay the difference in cost. Yoav Manor is not entitled to full grossing up of the cost of his vehicle. The Company makes provision for social benefits in respect of the monthly salary according to generally accepted standards for pension, severance pay and work disability or, if he so chooses, pays the value of these social benefits. Likewise, Yoav Manor is entitled to contributions to an education fund in respect of his salary (7.5% of his salary at the employer's expense, and 2.5% at the employee's expense). Yoav Manor is entitled to 13 days convalescence a year. Yoav Manor is entitled to 22 days annual paid vacation. Unutilized vacation days, including in respect of the period of Mr. Yoav Manor's employment from the commencement date of his employment for the Company, will be accumulated and may be redeemed when his employment terminates. Mr. Yoav Manor is entitled to 30 days annual paid sick leave, and these days may also be accumulated, although he will not be entitled to redeem them when his employment in the Company terminates. Yoav Manor will not be entitled to participate in the Company's stock options plan. Additionally, it is stipulated that Yoav Manor will not be entitled to any additional remuneration for serving as a director in Group companies. Yoav Manor received a letter of indemnity as part of the resolutions passed by the Company and approved by the general meeting in July 2006 and it is included in the D&O insurance drawn up by the Company, under the same conditions as the Company's other directors and senior officers.

Annual bonus: Yoav Manor is not entitled to an annual bonus.

Termination of employment conditions: When the employment relationship ends for any reason whatsoever, Mr. Yoav Manor will be entitled to compensation equal to the severance pay to which he is entitled by law in the event of dismissal, net of the amounts accrued on his behalf for severance pay in the provident fund/managers' insurance policy, and ownership of the provident fund/managers insurance fund into which the contributions were paid will be transferred to Yoav Manor ("Severance Pay"). Upon termination of his employment in the Company, Yoav Manor is entitled to double severance pay, i.e. an additional 100% compensation (over and above the compensation stipulated by law). Pursuant to the provisions of the compensation policy of the Group's financial institutions, part of the additional compensation (over and above the 100%) ("the Retirement Bonus") that is accrued in the period of employment after December 31, 2016, in accordance with the provisions of the revised compensation policy of the Group's financial institutions, will be paid in installments, as follows: one third of the deferred amount will be paid 12 months from the end of the year in which Mr. Yoav Manor retires; one third of the deferred amount will be paid 24 months from the end of the year in which Yoav Manor retires; one third of the deferred amount will be paid 42 months from the end of the year in which Yoav Manor retires. Deferred amounts will be paid on the above-mentioned dates, subject to satisfying all the following conditions: (1) no errors were found in the calculation of the bonus amount and it did not transpire that the bonus was given based on a risk level that, in retrospect, did not materially reflect the actual exposure of the financial institution or the members' monies; (2) based on the last financial statements published before the date of payment, Harel Insurance is in compliance with the applicable capital requirements; (3) in the last (quarterly or annual) financial statements published prior to the date of payment, Harel Insurance presents comprehensive income. If neither of the last two conditions is met, the payment will be postponed to such time as the conditions are met. It is stipulated that, as noted above, the advance notice period is 30 days. Mr. Yoav Manor will not be entitled to an adjustment period or any adjustment fee.

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

11. Approval of the employment conditions of the Company's controlling shareholders (contd.)

Mr. Yoav Manor (contd.)

Non-competition undertaking: Mr. Yoav Manor undertook not to compete with the Company and its business, continues, including through employment by or the rendering of services to a corporation in competition with the Company, for a period of 36 months from the termination of his employment by the Company.

12. D&O liability insurance policy

On November 14, 2023, the Compensation Committee and Board of Directors of the Company, respectively, approved an agreement with the subsidiary Harel Insurance commencing October 31, 2023, for one year, regarding a ~~D&O~~ liability insurance policy for directors and officers in the Company and in the other Harel Group companies (D&O liability policy), including individuals who may be considered controlling shareholders in the Company such that the sum insured will be USD 220 million. The cost of the annual premium for this cover and the deductible are in accordance with market conditions and were determined on the basis of proposals that Harel Insurance received from reinsurers. The cost is not material for the Company.

13. Expected termination of term of office by the Company's CEO, Mr. Michel Siboni

On November 27, 2023, Mr. Michel Siboni, CEO of the Company and Chairman of the Board of Directors of Harel Insurance, announced his intention to step down from his position after more than 30 years with Harel Group. His resignation will enter into force on a date to be agreed upon by the parties. Mr. Siboni will continue to serve as a director in Harel Insurance and as Chairman of the Board of Hamazpen, a subsidiary engaged in providing credit to medium enterprises. Further to Mr. Siboni's aforementioned announcement, the Board of Directors of Harel Investments approved the appointment of Mr. Nir Cohen, who is currently the CEO of Harel Insurance, as CEO of Harel Investments as well. Mr. Cohen's appointment will enter into force when Mr. Siboni steps down.

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HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD

ANNEXES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

A. Information about other financial investments

	As at September 30, 2023 (Unaudited)			
	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)	465	8,306	-	8,771
Non-marketable debt assets (*)	5,899	-	16,572	22,471
Shares (A2)	417	1,843	-	2,260
Other (A3)	500	3,995	-	4,495
Total other financial investments	7,281	14,144	16,572	37,997

	As at September 30, 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)	15	11,268	15	-	11,298
Non-marketable debt assets (*)	4,621	-	-	14,430	19,051
Shares (A2)	240	1,831	-	-	2,071
Other (A3)	404	3,537	-	-	3,941
Total other financial investments	5,280	16,636	15	14,430	36,361

	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

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

A1. Marketable debt assets

	Book value			Amortized cost		
	As at September 30		As at December 31	As at September 30		As at December 31
	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	**5,346**	6,343	6,333	**6,064**	6,824	6,873
<u>Other debt assets</u>:						
Other non-convertible debt assets	**3,425**	4,955	4,809	**3,751**	5,297	5,194
Total marketable debt assets	**8,771**	11,298	11,142	**9,815**	12,121	12,067
Impairments recognized in profit and loss (in aggregate)	**-**	-	-			

A2. Shares

	Book value			Amortized cost		
	As at September 30		As at December 31	As at September 30		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
Presented at fair value through profit or loss that will be designated upon initial recognition	**308**	240	93	**308**	240	93
Available for sale	**1,270**	1,264	1,144	**1,105**	1,043	1,030
Marketable shares	**1,578**	1,504	1,237	**1,413**	1,283	1,123
Non-marketable shares at fair value through profit or loss	**109**	-	-	**96**	-	-
Non-marketable shares available for sale	**573**	567	577	**353**	366	377
Total shares	**2,260**	2,071	1,814	**1,862**	1,649	1,500
Impairments recognized in profit and loss (in aggregate)	**185**	103	137			

A3. Other financial investments

	Book value			Amortized cost		
	As at September 30		As at December 31	As at September 30		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	**407**	549	461	**366**	540	449
Non-marketable financial investments	**4,088**	3,392	3,538	**2,724**	2,202	2,356
Total other financial investments	**4,495**	3,941	3,999	**3,090**	2,742	2,805
Impairments recognized in profit and loss (in aggregate)	**200**	189	196			
Derivative financial instruments presented within financial liabilities	**367**	413	325			

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

HAREL INSURANCE INVESTMENTS AND FINANCIAL SERVICES LTD.

SEPARATE FINANCIAL INFORMATION FROM THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at September 30, 2023

Condensed Separate Interim Information on Financial Position at

	September 30		December 31
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million
Assets			
Intangible assets	**2**	2	2
Fixed assets	**19**	21	21
Investments in investees	**5,917**	6,712	6,098
Loans to investees	**673**	877	881
Investment property	**34**	28	29
Trade and other receivables	**71**	45	929
Assets for employee benefits	**26**	25	26
Other financial investments			
Marketable debt assets	**-**	642	630
Non-marketable debt assets	**84**	14	13
Shares	**104**	186	183
Other	**30**	162	133
Total other financial investments	**218**	1,004	959
Cash and cash equivalents	**3,167**	147	175
Total assets	**10,127**	8,861	9,120
Capital			
Share capital and share premium	**359**	359	359
Treasury shares	**(277)**	(218)	(237)
Capital reserves	**616**	487	389
Retained earnings	**8,014**	7,537	7,824
Total equity	**8,712**	8,165	8,335
Liabilities			
Deferred tax liabilities	**8**	6	5
Liabilities for employee benefits	**41**	38	38
Trade and other payables	**45**	42	153
Current tax liabilities	**12**	7	2
Financial liabilities	**1,309**	603	587
Total liabilities	**1,415**	696	785
Total liabilities and equity	**10,127**	8,861	9,120

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

Date of approval of the financial statements: November 27, 2023

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

Condensed Separate Interim Information on Profit and Loss

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit from investments, net, and finance income	**80**	29	**36**	16	35
Income from management fees	**110**	108	**41**	37	140
Total income	**190**	137	**77**	53	175
General and administrative expenses	**37**	34	**12**	11	45
Financing expenses, net	**23**	11	**13**	4	14
Total expenses	**60**	45	**25**	15	59
Company's shares in profits of investee companies	**105**	454	**262**	54	823
Profit before taxes on income	**235**	546	**314**	92	939
Taxes on income	**31**	24	**13**	7	33
Profit for period attributed to the Company's owners	**204**	522	**301**	85	906

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

Condensed Separate Interim Information on Comprehensive Income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Profit for the period	**204**	522	**301**	85	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	**-**	(64)	**-**	(24)	(73)
Net change in fair value of financial assets classified as available for sale transferred to income statement	**-**	(7)	**-**	(4)	(4)
Loss from impairment of financial assets classified as available for sale transferred to income statement	**-**	9	**-**	5	8
Foreign currency translation differences for foreign activity	**-**	8	**2**	(5)	11
Taxes on income attributable to other components of other comprehensive loss	**(1)**	(2)	**-**	-	-
Group's share of the comprehensive income (loss) of investees	**142**	(861)	**(33)**	(313)	(962)
Tax benefit attributable to available-for-sale financial assets	**-**	15	**-**	6	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	**141**	(902)	**(31)**	(335)	(1,004)
Other comprehensive income items that will not be transferred to profit or loss					
Revaluation of owner-used property in investee companies	**53**	21	**1**	1	20
Remeasurement of a defined benefit plan	**(1)**	-	**-**	-	1
Other comprehensive income for the period that will not be transferred to profit or loss, net of tax	**52**	21	**1**	1	21
Other comprehensive income (loss) for the period, net of tax	**193**	(881)	**(30)**	(334)	(983)
Total comprehensive income (loss) for the period attributed to the Company's owners	**397**	(359)	**271**	(249)	(77)

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

Condensed Separate Interim Information on Changes in Equity

	Share capital and premium	Capital reserve for assets available for sale	Translation reserve for foreign activity	Capital reserve for share-based payment	Treasury shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the nine months ended September 30, 2023 (Unaudited)									
Balance as at January 1, 2023	359	222	(154)	31	(237)	(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 for the period									
Profit for the period	-	-	-	-	-	-	-	204	204
Other comprehensive income	-	86	65	-	-	-	38	4	193
Total comprehensive income for the period	-	86	65	-	-	-	38	208	397
Transactions with owners recognized directly in equity									
Share-based payment	-	-	-	20	-	-	-	-	20
Purchase of Treasury shares	-	-	-	-	(40)	-	-	-	(40)
Balance as at September 30, 2023	359	326	(89)	51	(277)	(49)	377	8,014	8,712

* See Note 1C on the initial application of IFRS 9, *Financial Instruments*. In accordance with the elected method of transition, 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 shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended September 30, 2023 (Unaudited)									
Balance as at July 1, 2023	359	380	(111)	44	(267)	(49)	376	7,712	8,444
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	-	-	301	301
Other comprehensive income (loss)	-	(54)	22	-	-	-	1	1	(30)
Total comprehensive income (loss) for the period	-	(54)	22	-	-	-	1	302	271
Transactions with owners recognized directly in equity									
Share-based payment	-	-	-	7	-	-	-	-	7
Purchase of Treasury shares	-	-	-	-	(10)	-	-	-	(10)
Balance as at September 30, 2023	359	326	(89)	51	(277)	(49)	377	8,014	8,712

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 shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the nine months ended September 30, 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	-	-	-	-	-	-	-	522	522
Other comprehensive income (loss)	-	(1,007)	85	-	-	-	18	23	(881)
Total comprehensive income (loss) for the period	-	(1,007)	85	-	-	-	18	545	(359)
Transactions with owners recognized directly in equity									
Dividend distributed	-	-	-	-	-	-	-	(300)	(300)
Share-based payment	-	-	-	18	-	-	-	-	18
Purchase of Treasury shares	-	-	-	-	(55)	-	-	-	(55)
Balance as at September 30, 2022	359	340	(167)	24	(218)	(49)	339	7,537	8,165

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 shares	Capital reserve for transactions with non-controlling interests	Capital reserve for revaluation of fixed assets	Retained earnings	Total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the three months ended September 30, 2022 (Unaudited)									
Balance as at July 1, 2022	359	681	(167)	19	(199)	(49)	338	7,446	8,428
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	-	-	85	85
Other comprehensive income (loss)	-	(341)	-	-	-	-	1	6	(334)
Total comprehensive income (loss) for the period	-	(341)	-	-	-	-	1	91	(249)
Transactions with owners recognized directly in equity									
Share-based payment	-	-	-	5	-	-	-	-	5
Purchase of Treasury shares	-	-	-	-	(19)	-	-	-	(19)
Balance as at September 30, 2022	359	340	(167)	24	(218)	(49)	339	7,537	8,165

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 shares	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 declared	-	-	-	-	-	-	-	(400)	(400)
Share-based payment	-	-	-	25	-	-	-	-	25
Purchase of Treasury shares	-	-	-	-	(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

		For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2023	2022	2023	2022	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Annex	NIS million	NIS million	NIS million	NIS million	NIS million
Cash flows from operating activities						
Before taxes on income	A	**82**	100	**52**	33	144
Taxes paid		**(18)**	(19)	**(8)**	(7)	(33)
Net cash provided by operating activities		**64**	81	**44**	26	111
Cash flows from investing activities						
Investment in investees		**(16)**	(42)	**-**	(32)	(72)
Proceeds from the disposal of an investment in an equity accounted investee		**-**	-	**-**	-	20
Investment in fixed assets		**-**	(1)	**-**	(1)	(1)
Proceeds from sale of fixed assets		**-**	1	**-**	1	1
Dividends from investees		**1,017**	314	**510**	5	317
Financial investments, net		**1,138**	43	**(31)**	40	70
Repayment (provision) of loans and capital notes provided to investees		**220**	42	**2**	13	40
Net cash provided by investment activity		**2,359**	357	**481**	26	375
Cash flows from financing activity						
Dividend to the Company's shareholders		**(100)**	(400)	**-**	-	(400)
Repayment of liability notes		**(55)**	(9)	**-**	-	(9)
Repayment of loans from banks and others		**(27)**	(27)	**(14)**	(14)	(27)
Repayment of lease liabilities		**(2)**	(2)	**-**	-	(3)
Repurchase of Company shares by the Company		**(40)**	(55)	**(10)**	(19)	(74)
Proceeds of issue of liability notes, net		**793**	-	**-**	-	-
Net cash provided by (used for) financing activity		**569**	(493)	**(24)**	(33)	(513)
Net increase (decrease) in cash and cash equivalents		**2,992**	(55)	**501**	19	(27)
Cash and cash equivalents at beginning of the period		**175**	202	**2,666**	128	202
Cash and cash equivalents at end of the period		**3,167**	147	**3,167**	147	175

* Additionally, in the Reporting Period the Company received a dividend ~~in~~ in the form of securities in the amount of NIS 399 million (in 2022, NIS 380 million)

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

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS million	NIS million	NIS million	NIS million	NIS million
Annex A - Cash flows from operating activities					
Profit for the period attributed to the Company's shareholders	**204**	522	**301**	85	906
Items not involving cash flows					
Company's share of profits of equity accounted investees	**(105)**	(454)	**(262)**	(54)	(823)
Net losses (profits) from financial investments	**4**	12	**9**	(4)	17
Change in fair value of investment property	**(5)**	(2)	**(1)**	-	(3)
Financing income (expenses), net	**(7)**	(15)	**1**	(4)	(18)
Taxes on income	**31**	24	**13**	7	33
Depreciation and amortization	**2**	3	**-**	1	3
Changes in other statement of financial position items					
Trade and other receivables	**(42)**	6	**(15)**	3	22
Trade and other payables	**(3)**	3	**6**	(1)	7
Liabilities for employee benefits, net	**3**	1	**-**	-	-
Total adjustments required to present cash flows from operating activities	**(122)**	(422)	**(249)**	(52)	(762)
Total cash flows provided by operating activities	**82**	100	**52**	33	144

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

NOTE 1 - Method of preparing the separate financial information

A. General

The following is condensed separate interim financial information from the Group's Condensed Consolidated Interim Financial Statements as at September 30, 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 27 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, May 4, 2023, and July 18, 2023, the Board of Directors of Harel UK approved dividend distributions in the amount of USD 302,000, USD 378,000, and USD 321,000 respectively. The dividends were paid on January 4, 2023 May 5, 2023, and August 10, 2023, respectively.
4. On May 5, 2023, Harel Pension and Provident Ltd. made early repayment of a loan to the Company in the amount of NIS 192 million.
5. On the distribution of a dividend by Mortgage Holdings Ltd., see Note 8 to the Condensed Consolidated Interim Financial Statements.
6. On the distribution of a dividend by Harel Insurance, 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.
3. On the issue of bonds of the Company (Series 1) by way of a series expansion, see Note 6 to the Condensed Consolidated Interim Financial Statements.
4. On an agreement to take bank credit as part of the Company's deployment to finance the Isracard transaction, see Note 6 to the Condensed Consolidated Interim Financial Statements.
5. On the partial redemption of Series 1 bonds of the Company, see Note 6 to the Condensed Consolidated Interim Financial Statements.
6. On the publication of a shelf prospectus by the Company, see Note 6 to the Condensed Consolidated Interim Financial Statements.
7. On an issue of option warrants to the CEO of Harel Insurance, see Note 9 to the Condensed Consolidated Interim Financial Statements.
8. On a repurchase of shares, see Note 9 to the Condensed Consolidated Interim Financial Statements.
9. On a share-based payment, see Note 9 to the Condensed Consolidated Interim Financial Statements.

NOTE 4 – Material events after the Reporting Period

1. On the "Swords of Iron" War and its repercussions, see Note 10 to the Condensed Consolidated Interim Financial Statements.
2. On a revised compensation policy for the Company, see Note 10 to the Condensed Consolidated Interim Financial Statements.
3. On a revised compensation policy for the financial institutions, see Note 10 to the Condensed Consolidated Interim Financial Statements.
4. On approval of the employment conditions of the Company's controlling shareholders, see Note 10 to the Condensed Consolidated Interim Financial Statements.
5. On a share-based payment, see Note 10 to the Condensed Consolidated Interim Financial Statements.
6. On the convening of a Special General Meeting of the Company, see Note 10 to the Condensed Consolidated Interim Financial Statements.
7. On the expected termination of office of Mr. Michel Siboni, the Company's CEO, and approval of the appointment of Mr. Nir Cohen, who is currently the CEO of Harel Insurance, as CEO of Harel Investments as well, see Note 10 to the Condensed Consolidated Financial Statements.

Harel Insurance Investments and Financial Services Ltd.

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

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

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

In this instance, management consists of:

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

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

C. 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, Deputy CEO of Harel Insurance Company.

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 strategic and alternative investments in the Company.

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

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

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

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

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

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

In the quarterly report concerning the effectiveness of the internal control over financial reporting and disclosure that was included in the ~~periodic~~ quarterly report for the period ended June 30, 2023 (hereinafter – the last quarterly report on internal control), the internal control was found to be effective.

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

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

<u>Certification</u>

I, Michel Siboni, hereby certify that:

1. I have reviewed the quarterly report of Harel Insurance Investments and Financial Services Ltd. (hereinafter - the Company) for Q3 2023 ("the Reports");
2. Based on my knowledge, the Reports contains no misstatement of a material fact nor do they omit any statement of a material fact necessary to ensure that the presentations that they contain, in light of the circumstances under which such presentations were included, shall not be misleading with respect to the period covered in the Reports;
3. Based on my knowledge, the financial statements and other financial information contained in the Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and periods covered in the Reports;
4. Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee of the Company:
   A. Any significant deficiencies and material weaknesses in the determination or application of the internal control over financial reporting and disclosure that might reasonably compromise the Insurance Company's ability to record, process, summarize and report financial information in a manner that may cast doubt on the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of the law; and –
   B. Any fraud, whether material or immaterial, that involves the General Manager (CEO) or any person directly accountable to him or other employees who hold a significant role in the internal control over financial reporting and disclosure;
5. I, myself or together with others in the Company:
   A. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of ensuring that material information relating to the Company, including its subsidiaries as they are defined in the Securities (Annual Financial Reports) Regulations, 2010, is brought to my attention by others in the Company and the subsidiaries, particularly during the preparation of the Report; and -
   B. Defined controls and procedures, or ensured that such controls and procedures are determined and in place under my oversight, for the purpose of providing a reasonable measure of certainty as to the reliability of the financial reporting and to ensure that the financial reports are prepared in accordance with the provisions of the law, including in accordance with generally accepted accounting standards;
   C. No event or matter which took place during the period between the date of the last report (quarterly or periodic, as applicable) and the date of this report was brought to my attention, that might alter the conclusion of the Board of Directors and Management in relation to the effectiveness of the Company's internal control over financial reporting and disclosure.

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

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November 27, 2023	Michel Siboni
	CEO

Certification

I, Arik Peretz, hereby certify that:

1. I have reviewed the interim financial statements and other financial information contained in the interim financial statements of Harel Insurance Investments and Financial Services Ltd. ("the Company") for Q3 2023 ("the Reports" or "the Interim Reports");
2. Based on my knowledge, the interim financial statements and other financial information contained in the Interim Reports contain no misstatement of a material fact nor do they omit any statement of a material fact necessary to ensure that the statements they contain, in light of the circumstances under which such statements were included, shall not be misleading with respect to the period covered in the Reports;
3. Based on my knowledge, the Interim Reports and other financial information contained in the Interim Reports reasonably reflect, in all material respects, the financial position, results of operations, and cash flows of the Company at the dates and for the periods covered in the Reports;
4. Based on my most recent assessment of the internal control over financial reporting and disclosure, I disclosed to the auditors, to the Board of Directors and the Audit Committee and Financial Reports Committee of the Company:

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

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

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

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

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

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

November 27, 2023

Arik Peretz

CFO