Translated
from the
Hebrew original

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Migdal Insurance and Financial Holdings Ltd. and its subsidiaries (collectively, "the Company") as of December 31, 2020. These control components were determined as explained in the following paragraph. The Company's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting accompanying the periodic report as of the above date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control Components over Financial Reporting" (hereinafter "Auditing Standard (Israel) 911"). These components are: (1) entity level controls, including controls over the preparation and closure of the financial reporting process and general information technology controls ("GITCs"); (2) controls over processes that are very significant to the financial reporting and disclosure of Migdal Insurance Company Ltd. and other material subsidiaries (collectively, "audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. This Standard requires us to plan and perform the audit to identify the audited control components and to obtain reasonable assurance about whether these control components were effective in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists in the audited control components, and testing and evaluating the design and operating effectiveness of those control components based on the assessed risk. Our audit, regarding those control components, also included performing such other procedures as we considered necessary in the circumstances. Our audit referred only to the audited control components, as opposed to internal control over all significant processes related to financial reporting, therefore our opinion refers to the audited control components only. Our audit also did not refer to reciprocal effects between audited control components and non audited control components, therefore our opinion does not take into account these possible effects. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any current evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective audited control components as of December 31, 2020

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and our report dated March 21, 2021 expressed an unqualified opinion on those financial statements based on our audit and on the reports of the other auditors and also draws attention to the matter discussed in Note 38(1) to the consolidated financial statements regarding the exposure to contingent liabilities.

Tel-Aviv, Israel March 21, 2021	SOMEKH CHAIKIN Member of KPMG International	KOST FORER GABBAY & KASIERER Member of Ernst & Young Global

Joint auditors

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INDEPENDENT AUDITORS' REPROT

To the Shareholders of

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.

We have audited the accompanying consolidated statements of financial position of Migdal Insurance and Financial Holdings Ltd. ("the Company") as of December 31, 2020 and 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years the latest of which ended on December 31, 2020. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of equity accounted investees the investment in which amounted to approximately NIS 9,159 thousand and NIS 12,189 thousand as of December 31, 2020 and 2019, respectively, and the Group's share in their losses amounted to approximately NIS 2,207 thousand and NIS 397 thousand for the years ended December 31, 2020 and 2019, respectively, and in their profits to approximately NIS 23,481 thousand for the year ended December 31, 2018. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2020 and 2019, and the results of their operations, changes in equity and their cash flows for each of the three years the latest of which ended on December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) and with the disclosure requirements of the Commissioner of the Capital Markets, Insurance and Savings Division according to the Control of Financial Services (Insurance) Law, 1981.

Moreover, in our opinion, the financial statements referred to above are prepared in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010, insofar as these Regulations apply to insurance companies.

Without qualifying our above opinion, we draw attention to Note 38(1) to the consolidated financial statements regarding exposure to contingent liabilities.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", as amended, the Company's components of internal control over financial reporting as of December 31, 2020, and our report dated March 21, 2021 included an unqualified opinion on the effective maintenance of those components.

Tel-Aviv, Israel March 21, 2021	SOMEKH CHAIKIN Member of KPMG International	KOST FORER GABBAY & KASIERER Member of Ernst & Young Global

Joint auditors

Consolidated Statements of Financial Position

	Note	December 31 2020	December 31 2019
		NIS in thousands	
Assets			
Intangible assets	4	1,234,446	1,176,023
Deferred tax assets	21.g	4,814	(* 5,950
Deferred acquisition costs	5	1,952,455	2,046,859
Fixed assets	6	1,179,397	1,179,482
Investments in affiliates	7	21,701	26,627
Investment property for yield dependent contracts	8	6,923,505	6,899,180
Investment property - other	8	714,589	796,737
Reinsurance assets	1516-	1,222,939	1,037,881
Current tax assets		173,116	241,294
Debtors and receivables	9	1,132,945	1,227,800
Outstanding premiums	10	730,272	714,038
Financial investments for yield dependent contracts	11	110,844,111	98,208,830
Other financial investments	12		
Quoted debt assets	12.a	14,466,334	11,858,029
Unquoted debt assets	12.b	25,125,185	25,504,844
Shares	12.d	315,480	545,825
Others	12.e	3,038,207	2,612,608
Total other financial investments		42,945,206	40,521,306
Cash and cash equivalents for yield-dependent contracts	13	9,168,697	13,983,926
Cash and cash equivalents – other	13.a	3,674,121	3,314,539
Total assets		181,922,314	171,380,472
Total assets for yield dependent contracts in an insurance subsidiary	11	127,942,531	120,216,470

*) Retrospective application– see Note 2.W

The accompanying notes are an integral part of the consolidated financial statements
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Consolidated Statements of Financial Position

	Note	December 31 2020	December 31 2019
		NIS in thousands	
Equity and Liabilities			
Equity	14		
Share capital		110,629	110,629
Share premium		273,735	273,735
Capital reserves		999,418	821,258
Retained earnings		5,492,861	5,133,629 *)
Total equity attributable to equity holders of the Company		6,876,643	6,339,251
Non-controlling interests		5,145	5,956
Total equity		6,881,788	6,345,207
Liabilities			
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	15	39,020,383	37,686,473 *)
Liabilities in respect of yield dependent insurance contracts and investment contracts	16	125,878,822	119,386,922
Liabilities in respect of deferred taxes	21.g	617,021	523,071 *)
Liabilities in respect of employee benefits, net	22	300,465	311,764
Liabilities in respect of current taxes		5,745	38,409
Creditors and payables	23	2,986,908	1,906,644
Financial liabilities	24	6,231,182	5,181,982
Total liabilities		175,040,526	165,035,265
Total equity and liabilities		181,922,314	171,380,472

*) Retrospective application– see Note 2.W

The accompanying notes are an integral part of the consolidated financial statements

March 21, 2021	Shlomo Eliahu	Moti Rosen	Yossi Ben Baruch
Date of approval of the financial statements	Chairman of the Board of Directors	CEO	CFO

Consolidated Statements of Profit and Loss

	Note	Year ended December 31 2020	2019	2018
		NIS in thousands		
Gross premiums earned		13,006,555	13,709,274	13,382,300
Premiums earned by reinsurers		766,479	754,829	734,310
Premiums earned on retention	25	12,240,076	12,954,445	12,647,990
Net investment gains and finance income	26	7,267,388	14,878,512	1,342,184
Income from management fees	27	2,013,176	2,347,570	1,413,090
Income from commissions	28	315,836	333,162	364,246
Other income	29	62,051	131,891	47,151
Total Income		21,898,527	30,645,580	15,814,661
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross		18,772,057	(* 28,052,630	(* 12,498,637
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts		601,677	395,037	329,431
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	30	18,170,380	27,657,593	12,169,206
Commissions, marketing expenses and other acquisition expenses	31	1,879,419	1,847,907	1,824,112
General and administrative expenses	32	1,102,219	1,077,765	1,017,133
Other expenses	33	50,258	50,399	75,432
Finance expenses	34	171,922	170,483	172,942
Total expenses		21,374,198	30,804,147	15,258,825
Share of earnings (loss) of investees accounted for at equity	7.b	(1,488)	14,706	24,052
Income (loss) before taxes on income		522,841	(143,861)	579,888
Taxes on income (tax benefit)	21.f	167,978	(*(21,152)	(* 158,562
Profit (loss) for the period		354,863	(122,709)	421,326
Attributable to:				
Equity holders of the Company		352,487	(125,075)	419,544
Non-controlling interests		2,376	2,366	1,782
Profit (loss) for the period		354,863	(122,709)	421,326
Basic and diluted net earnings (loss) per share attributable to equity holders of the Company (in NIS)	35	0.33	(*(0.12)	(* 0.40

*) Retrospective application– see Note 2.W

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Comprehensive Income

	Note	2020	2019	2018
		Year ended December 31		
		NIS in thousands		
Profit (loss) for the period		354,863	(122,709)	421,326
<u>Other comprehensive income (loss)</u>				
Items of other comprehensive income (loss) that have been or will be reclassified from comprehensive income to profit and loss after initial recognition				
Net change in fair value of available-for-sale financial assets allocated to other comprehensive income		349,779	1,089,229	(405,947)
Net change in fair value of available-for-sale financial assets transferred to profit and loss		(347,922)	(551,229)	(349,839)
Impairment loss of available-for-sale financial assets allocated to profit and loss		176,376	63,011	77,738
Foreign currency translation adjustment of foreign operation		(1,159)	(1,595)	1,493
Tax effect on available-for sale financial assets	21	(60,911)	(205,409)	231,802
Tax effect on other comprehensive income items	21	396	545	(509)
Total other comprehensive income (loss) for the period that has been or will be reclassified from comprehensive income to profit and loss after initial recognition, net of tax		116,559	394,552	(445,262)
Other items of other comprehensive income that will not be carried to profit and loss				
Actuarial gain (loss) from defined benefit plan	22.b	10,251	(8,483)	7,515
Revaluation of fixed assets		79,839	486,290	-
Revaluation of fixed assets transferred to investment property		758	-	-
Tax effect (tax benefit)	21	(22,483)	(109,229)	(2,353)
Total other comprehensive income for the period that will not be carried to profit and loss, net of tax		68,365	368,578	5,162
Total other comprehensive income (loss), net		184,924	763,130	(440,100)
Total comprehensive income (loss) for the period		539,787	640,421	(18,774)
Attributable to:				
Equity holders of the Company		537,392	638,204	(20,538)
Non-controlling interests		2,395	2,217	1,764
Comprehensive income (loss) for the period		539,787	640,421	(18,774)

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
			Capital reserves								
	Share capital	Share premium	Available-for-sale financial assets	Revaluation of investment after achieving control	Transactions with non-controlling interests	Translation of foreign operations	Revaluation	Retained earnings	Total	Non-controlling interests	Total equity
	NIS in thousands										
Balance at January 1, 2020	110,629	273,735	435,317	6,989	(1,735)	(1,223)	381,910	5,133,629 *)	6,339,251	5,956	6,345,207
Profit for the period	-	-	-	-	-	-	-	352,487	352,487	2,376	354,863
Other comprehensive income (loss), net of tax	-	-	117,322	-	-	(763)	61,601	6,745	184,905	19	184,924
Total comprehensive income (loss)	-	-	117,322	-	-	(763)	61,601	359,232	537,392	2,395	539,787
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(3,206)	(3,206)
Balance at December 31, 2020	110,629	273,735	552,639	6,989	(1,735)	(1,986)	443,511	5,492,861	6,876,643	5,145	6,881,788

*) Retrospective application– see Note 2.W

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
			Capital reserves								
	Share capital	Share premium	Available-for-sale financial assets	Revaluation of investment after achieving control	Transactions with non-controlling Interests	Translation of foreign operations	Revaluation	Retained earnings	Total	Non-controlling interests	Total equity
	NIS in thousands										
Balance at January 1, 2019	110,629	273,735	39,715	6,989	(1,735)	(173)	7,346	5,614,541	6, 051,047	10,242	6,061,289
Profit (loss) for the period	-	-	-	-	-	-	-	(125,075)*)	(125,075)	2,366	(122,709)
Other comprehensive income (loss), net of tax	-	-	395,602	-	-	(1,050)	374,564	(5,837)	763,279	(149)	763,130
Total comprehensive income (loss)	-	-	395,602	-	-	(1,050)	374,564	(130,912)	638,204	2,217	640,421
Paid dividend	-	-	-	-	-	-	-	(350,000)	(350,000)	-	(350,000)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(6,503)	(6,503)
Balance at December 31, 2019	110,629	273,735	435,317	6,989	(1,735)	(1,223)	381,910	5,133,629	6, 339,251	5,956	6,345,207

*) Retrospective application– see Note 2.W

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
			Capital reserves								
	Share capital	Share premium	Available-for-sale financial assets	Revaluation of investment after achieving control	Transactions with non-controlling Interests	Translation of foreign operations	Revaluation	Retained earnings	Total	Non-controlling interests	Total equity
	NIS in thousands										
Balance at January 1, 2018	110,629	273,735	485,961	6,989	(1,735)	(1,157)	7,346	5,255,817	6,137,585	8,478	6,146,063
Profit for the period	-	-	-	-	-	-	-	419,544	419,544	1,782	421,326
Other comprehensive income (loss), net of tax	-	-	(446,246)	-	-	984	-	5,180	(440,082)	(18)	(440,100)
Total comprehensive income (loss)	-	-	(446,246)	-	-	984	-	424,724	(20,538)	1,764	(18,774)
Dividend paid	-	-	-	-	-	-	-	(66,000)	(66,000)	-	(66,000)
Balance at December 31, 2018	110,629	273,735	39,715	6,989	(1,735)	(173)	7,346	5,614,541	6,051,047	10,242	6,061,289

*) Retrospective application– see Note 2.W

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Cash Flows

	Sch.	Year ended December 31 2020	2019	2018
		NIS in thousands		
Cash flows from current activities	A	(5,072,187)	4,657,165	1,023,004
Cash flows from investment activities				
Investment in affiliates		(8)	(990)	-
Proceeds from the realization of investment in affiliate and assets held for sale net of transaction costs		1,676	427,752	2,420
Investment in fixed assets		(23,364)	(22,284)	(21,630)
Investment in intangible assets		(162,795)	(155,627)	(133,118)
Repayment of loans granted to affiliates		-	-	10,467
Dividend received from affiliates		2,287	9,172	5,439
Proceeds from sale of intangible assets		140	1,164	1,485
Proceeds from sale of fixed assets		222	125	88
Net cash from (used in) investment activities		(181,842)	259,312	(134,849)
Cash flows from finance activities				
Receipt of loans from banks and others		28	-	-
Repo liability		1,006,700	-	-
Proceeds from issue of bonds		-	250,000	1,833,822
Less issue expenses		-	(306)	(17,369)
Repayment of loans from banks and others		(2,956)	-	-
Repayment of lease liability principal		(31,537)	(33,385)	-
Redemption of bonds		-	(517,860)	(331,475)
Change in short-term credit from banking institutions and others, net		(121)	(35,084)	19,959
Dividend to non-controlling interests		(3,206)	(6,503)	-
Dividend		-	(350,000)	(66,000)
Net cash from (used in) finance activities		968,908	(693,138)	1,438,937
Effect of exchange rate fluctuations on balances of cash and cash equivalents		(170,526)	(213,312)	164,044
Increase (decrease) in cash and cash equivalents		(4,455,647)	4,010,027	2,491,136
Balance of cash and cash equivalents at beginning of period	B	17,298,465	13,288,438	10,797,302
Balance of cash and cash equivalents at end of period	C	12,842,818	17,298,465	13,288,438

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Cash Flows

	Year ended December 31		
	2020	**2019**	**2018**
		NIS in thousands	
SCHEDULE A - CASH FLOWS FROM CURRENT ACTIVITIES BEFORE TAXES ON INCOME (1)			
Profit (loss) for the Period	354,863	(122,709)*)	421,326 *)
Items not involving cash flows:			
Company's share in results of investees, net	1,488	(14,706)	(24,052)
Net losses (gains) from financial investments for yield dependent insurance and investment contracts	(5,796,290)	(11,926,432)	1,013,370
Net losses (gains) from other financial investments:			
Quoted debt assets	(279,164)	(444,611)	(329,549)
Unquoted debt assets	(1,063,306)	(1,244,204)	(1,417,460)
Shares	29,377	(138,028)	(153,324)
Other investments	(136,349)	(340,127)	178,496
Finance expenses in respect of financial and other liabilities	12,318	13,556	27,243
Loss (gain) from realization:			
Intangible assets	2,912	1,815	(1,213)
Fixed assets	909	154	(97)
Investees and assets held for sale	-	(84,048)	-
Change in fair value of investment property for yield dependent contracts	27,472	(306,611)	(90,872)
Change in fair value of other investment property	(3,057)	(17,581)	(7,225)
Depreciation and amortization:			
Fixed assets	117,146	95,205	54,033
Intangible assets	120,864	134,964	134,420
Impairment of intangible assets	491	-	22,736
Change in liabilities for yield dependent insurance and investment contracts	6,491,900	15,979,319	3,514,152
Change in liabilities for non-yield dependent insurance and investment contracts	1,333,910	(* 2,190,338	(* 913,887
Change in reinsurance assets	(185,058)	(38,438)	36,247
Change in deferred acquisition costs	94,404	(24,089)	(59,368)
Taxes on income (tax benefit)	167,978	(21,152)*)	158,562 *)
Changes in other balance sheet items			
Financial investments and investment property for yield dependent contracts			
Acquisition of investment property	(78,797)	(362,044)	(163,463)
Proceeds from sale of investment property	27,000	-	-
Net acquisitions of financial investments	(9,517,446)	(3,667,214)	(3,813,984)
Other financial investments and investment property			
Acquisition of investment property	(17,818)	(131,972)	(38,627)
Proceeds from sale of investment property	103,500	-	-
Net realizations (acquisitions) of financial investments	(2,611,452)	218,557	(2,113,290)
Outstanding premiums	(16,234)	21,840	29,429
Debtors and receivables	94,395	605,698	(1,182,631)
Creditors and payables	1,215,612	200,157	(90,139)
Liabilities in respect of employee benefits, net	(1,048)	(27,451)	9,818
Assets held for sale	-	(5,312)	-
Total adjustments required for presenting cash flows from (used in) current activities	(9,864,343)	667,583	(3,392,901)

(1) The cash flows from current activities include net acquisitions and sales of financial investments and investment property, mainly deriving from the activity in respect of insurance and investment contracts.

*) Retrospective application– see Note 2.W

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Cash Flows

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
SCHEDULE A - CASH FLOWS FROM CURRENT ACTIVITIES BEFORE TAXES ON INCOME (1) (Cont.)			
Cash paid and received during the period			
Interest paid	(162,666)	(163,330)	(151,684)
Interest received	2,861,622	2,946,485	2,880,579
Taxes paid, net	(120,376)	(114,180)	(390,049)
Dividend received from financial investments	1,858,713	1,443,316	1,655,733
Net cash from (used in) current activities	(5,072,187)	4,657,165	1,023,004

(1) The cash flows from current activities include net acquisitions and sales of financial investments and investment property, mainly deriving from the activity in respect of insurance and investment contracts.

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Schedule B – Cash and cash equivalents at the beginning of period			
Cash and cash equivalents for yield dependent contracts	13,983,926	10,564,992	8,497,605
Other cash and cash equivalents	3,314,539	2,723,446	2,299,697
	17,298,465	13,288,438	10,797,302
Schedule C – Cash and cash equivalents at the end of period			
Cash and cash equivalents for yield dependent contracts	9,168,697	13,983,926	10,564,992
Other cash and cash equivalents	3,674,121	3,314,539	2,723,446
	12,842,818	17,298,465	13,288,438
Schedule D – Significant activities not involving cash flows			
Acquisition of fixed assets, intangible assets and investment property against creditors	42,913	16,803	29,400
Proceeds not yet received in the sale of investees and insurance portfolios	-	-	987
Proceeds not yet received in the sale of property for investment	1,500	-	-

The accompanying notes are an integral part of the consolidated financial statements

Note 1 - General

a. The reporting entity

Migdal Insurance and Financial Holdings Ltd. ("the Company") is a company incorporated and resident in Israel whose formal address is 4 Efal St., Kiryat Arie, Petach Tikva. The Company's consolidated financial statements as of December 31, 2020 include the financial statements of the Company and its subsidiaries (collectively - "the Group") and investments in affiliates. The Group operates primarily in the insurance, pension, provident funds and financial services lines of business. The Company's securities are listed for trade on the Tel-Aviv Stock Exchange ("the TASE").

b. Control of the Company:

The Company is controlled by Eliahu Issues Ltd. (“Eliahu Issues”), a wholly owned subsidiary of Eliahu 1959 Ltd. ("Eliahu 1959"), which holds about 68% of the Company's share capital. Eliahu 1959 has informed the Company as follows:

- In September 2017 Eliahu Issues executed a private placement to institutional investors of long-term bonds that were listed for trade on the stock exchange TACT Institutional.
- As part of the issue, Eliahu Issues issued options to the buyers of the bonds, for no consideration, to purchase 159,900 thousand shares of the Company from Eliahu Issues, in three series of the same quantity, that will be exercisable over two, three and four years, respectively, from the date the shares were transferred to Eliahu Issues. The first of the three series expired in September 2019 and the second of the three series expired in September 2020.
- Mr. Shlomo Eliahu is the ultimate controlling shareholder of the Company and Eliahu 1959, among others, through Shlomo Eliahu Holdings Ltd. and Eliahu Brothers Trust and Investment Company Ltd., which are under his control.

c. The coronavirus crisis:

Following the outbreak of the coronavirus (COVID-19) at the end of 2019, and it reaching many countries around the world, there was a sharp decrease in economic activity, and travel and work restrictions were declared in many areas around the world and Israel.

The spreading of the coronavirus and the protection measures that were taken caused and still cause significant economic damage and adverse trends in the world's economy including Israel. In the first quarter of the year the spread of the coronavirus led to sharp declines in the financial markets in Israel and worldwide. In response many central banks, including Bank of Israel, continued to implement various plans for purchasing assets and opening credit obstacles. As from the second quarter of the year the capital markets have started to recover compared to the peak of the crisis, while at the end of 2020 and for the year as a whole the prices on the financial markets have risen on the backdrop of inter alia, good news on the corona vaccinations.

Presented hereunder is a description of the principal effects of the coronavirus crisis on the Group:

Investments and assets

The Group is highly exposed to changes in the capital markets that their effect on the income from investments in the nostro portfolios and on the variable management fees in the portfolio of profit participating policies sold until 2004, may be material to the profitability and equity of the Group.

The year 2020 was characterized by large fluctuations in the financial markets. In the first quarter of the year there were considerable declines in prices in the capital markets on the backdrop of the coronavirus crisis whereas in the subsequent quarters there were significant rises in prices. In the year ended December 31, 2020 the income from investments in the nostro portfolio, excluding designated bonds, amounted to some NIS 666 million before tax and the income from investments including designated bonds amounted to some 1,668 million before tax, compared with income from investments last year in the amount of some NIS 1,812 million before tax excluding designated bonds and in the amount of some NIS 2,952 million before tax including designated bonds.

In addition, in the profit participating life assurance policies sold until 2004, Migdal Insurance recorded variable management fees in the amount of some NIS 505 million before tax after it covered the real investment losses incurred by the policyholders in the first quarter of the year, compared with variable management fees before tax in the amount of some NIS 856 million last year, after offsetting a debt for management fees in the amount of some NIS 155 million in respect of investment losses incurred by the policyholders in 2018.

See Note 36.b.1 for details regarding the sensitivity tests in respect of the market risks.

Note 1 - General (Cont.)

c. The coronavirus crisis: (cont.)

Investments and assets (cont.)

According to the work processes of Migdal Insurance regarding revaluation of unquoted assets, investment property valuations are received from external independent valuers twice a year. As regards half of the investment property portfolio valuations are received at the end of the first half and as regards half of the portfolio at the end of each year. Furthermore, Migdal Insurance updates asset valuations that the change in them has a material effect on the financial results.

Most of the investment property of Migdal Insurance is office buildings. According to an examination that was carried out by Migdal Insurance and according to letters that were received from external independent valuers, in respect of properties for which valuations were performed as at June 30, 2020, no indications were found of material changes in the discount rates, and those valuations are valid also for December 31, 2020. As regards commercial property, the valuations referred to the coronavirus crisis and are reflected in the financial statements.

Also, in respect of other unquoted investments, including investment funds and property abroad, Migdal Insurance acted according to the work processes regarding valuation of unquoted assets, and using the most available information it had, tested the need to record an impairment provision for investments in which indications of impairment were discovered and they were reflected in the financial statements, insofar as required.

See Note 4.b for details on the impairment testing of cash generating units to which goodwill is allocated.

Effect on the insurance activity

In the sector of life assurance and long-term savings, in the year ended December 31, 2020, mainly in the month of March 2020, there was an increase in redemptions of individual saving policies and study funds compared with 2019. As from May 2020, with the recovery of the capital market, the trend of requesting redemptions stopped.

In the reporting period there was a decrease of 5% in current premiums, including current receipts in respect of investment contracts, in life assurance policies, a 19% decrease in non-recurring premiums and in non-recurring receipts in respect of investment contracts, and a decrease of 8% in contributions for retirement savings and of 2% in contributions for pensions, compared with 2019. In the opinion of Migdal Insurance this decrease is mainly attributable to the decline in the employment rate and the increase in the number of employees who are on an unpaid leave.

In the sector of general insurance, there was a reduction in premiums of about 4% in the reporting period compared with 2019. In the opinion of Migdal Insurance, the decrease in motor casco insurance is due to the coronavirus crisis and the increase in competition in motor casco insurance that led to a decrease in this branch. In addition, in the other property and liabilities insurance there was a decrease in sales and in coverage amounts that affect the amount of the premiums this due to an increase in the number of businesses that closed and/or experienced economic difficulties and a significant decrease in the number of new businesses that opened.

Insurance risks and reinsurance risks

Based on the assessment of Migdal Insurance and what it knows at this time, in general insurance it does not have exposures to material direct insurance risks in the state of a pandemic. In addition, according to the development of the coronavirus crisis until the date of this report, in the long-term savings and health branches no material insurance exposures have realized, with respect to morbidity and mortality, as a direct result of the coronavirus.

In the opinion of Migdal Insurance, the coronavirus crisis has an adverse effect on global reinsurers, which is reflected in, inter alia, a hardening of the reinsurers market and rises in reinsurance prices for contracts renewed in 2021. In addition, there was a change for the worse in the rating or rating outlook of a small number of reinsurers. These developments have caused the reinsurers to adjust their business policy and the coverages of certain lines of business and products were discontinued. In view of the aforesaid, Migdal Insurance is closely following the developments in this period and the steps that need to be taken.

Note 1 - General (Cont.)

a. Definitions

The Company	-	Migdal Insurance and Financial Holdings Ltd.
The Group	-	Migdal Insurance and Financial Holdings Ltd. and its subsidiaries
Consolidated companies/ Subsidiaries	-	Companies controlled by the Company whose financial statements are consolidated with those of the Company.
Affiliates	-	Companies in which the Company has significant influence and that are not subsidiaries. The Company's investment therein is accounted for in the consolidated financial statements of the Company using the equity method.
Investee companies	-	Subsidiaries and affiliates
The parent company or Eliahu Issues	-	Eliahu Issues Ltd.
Migdal Insurance	-	Migdal Insurance Company Ltd.
Makefet	-	Migdal Makefet Pension and Provident Funds Ltd.
Yozma	-	Yozma Pension Fund For the Self Employed Ltd.
Migdal Capital Raising	-	Migdal Insurance Capital Raising Ltd., a subsidiary of Migdal Insurance.
The Institutional Entities	-	The institutional entities in the Group pursuant to the Control Law which include Migdal Insurance, Makefet and Yozma.
Related Parties	-	As defined in IAS 24 (2009) regarding related parties.
Interested parties	-	As defined in paragraph (1) to the definition of "an interested party" in a corporation, under Section 1 to the Securities Law, 1968.
The Commissioner or the Supervisor	-	Commissioner of the Capital Market, Insurance and Savings Division.
Control Law	-	The Control of Financial Services Law (Insurance), 1981.
Capital Regulations	-	Control of Financial Services Regulations (Insurance) (Minimum Shareholders' Equity required from an Insurer), 1998, as amended.
Ways of Investment Regulations	-	Control of Financial Services (Provident Funds) (Investment Regulations Applying to Institutional Entities), 2012 and the Institutional Entities Circular "Investment Rules applying to Institutional Entities" issued by the Commissioner.
Report Regulations	-	Control of Insurance Business Regulations (Details of Report) 1998, as amended
Insurance Contracts	-	Contracts under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment Contracts	-	Policies which are not considered to be insurance contracts.
Yield Dependent Contracts	-	Insurance contracts and investment contracts in the life assurance and health insurance segments, in which the liabilities, are linked to the investment portfolio's yield, due to the savings component or the risk therein (policies, participating in investment income).
Assets in respect of yield dependent contracts	-	Total assets held against liabilities derived from yield dependent contracts.
Reinsurance assets	-	Reinsurers' share in insurance reserves and outstanding claims.

Note 1 - General (Cont.)

a. Definitions

Liabilities for insurance contracts and investment contracts	-	Insurance reserves and outstanding claims in the life assurance, general insurance and health insurance segments of activity.
Premiums	-	Premiums including fees.
Earned premiums	-	Premiums relating to the reporting period.
Bonds	-	Subordinated liability certificates.
Tier 2 capital	-	Other tier 1 equity instrument that was not included in tier 1, tier 2 equity instrument, hybrid tier 2 equity instrument, hybrid tier 3 equity instrument.

Note 2 - Significant Accounting Policies

a. Basis of measurement of the financial statements:

The consolidated financial statements have been prepared on the cost basis, with the exception of the following assets and liabilities: insurance liabilities, financial instruments measured at fair value through profit or loss, available-for-sale financial instruments and investment property, freehold land and office buildings, liabilities for employee severance benefits, deferred taxes and investments in affiliates.

For additional information regarding the measurement of these assets and liabilities see paragraphs i, j, k, l, m, q and u below.

b. Basis of preparation of the financial statements:

The consolidated financial statements have been prepared by the Group in accordance with IFRS.

Furthermore, the financial statements have been prepared in accordance with the disclosure requirements of the Control of Financial Services (Insurance) Law, 1981 and the regulations enacted thereunder, and in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010, insofar as these regulations apply to insurance companies.

The accounting policies adopted in the financial statements were applied consistently for all the reported periods, unless stated otherwise.

c. The significant judgements, estimates and assumptions used in the preparation of the financial statements:

The judgements.

In the process of applying the Group's accounting policies, management has considered the following issues which have the most significant effect on the amounts recognized in the financial statements:

1. Classification and designation of financial investments:

- Financial assets measured at fair value through profit or loss.
- Investments held to maturity.
- Loans and receivables.
- Available-for-sale financial assets.

See j(6) hereinafter.

2. Classification of insurance contracts and investment contracts:

Insurance contracts are contracts in which the insurer takes a significant insurance risk from another party. Management examines whether each contract or a group of contracts involve taking a significant insurance risk and, therefore, whether they should be classified as an insurance contract or an investment contract.

Estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the adoption of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates in view of, among other things, extensive regulatory changes in the insurance branch and long-term savings that are likely to have significant implications that cannot be estimated at this stage.

The preparation of accounting estimates used in the preparation of the Company's financial statements requires management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

The basis of the estimates and assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period in which the estimates are changed.

Critical estimates

Hereunder is information regarding critical estimates made during the application of the accounting policies and which have a significant effect on the financial statements:

Note 2 - Significant Accounting Policies (Cont.)

c. The significant judgements, estimates and assumptions used in the preparation of the financial statements: (cont.)

- Liabilities in respect of insurance contracts and investment contracts – these liabilities are based on the actuarial valuation method and on valuations regarding demographic and economic variables. The actuarial valuations and the various assumptions are based on past experience and are mainly based on the fact that past behavioral patterns and claims represent future behavior. Change in the risk factors, frequency of events or their severity, as well as a change in the legal situation, might have a significant influence on the volume of liabilities for insurance contracts.

  For additional details see Notes 36.b.2 and 36.b.3 below.

  Regarding changes in main assumptions and estimates used in calculation of life assurance and health insurance reserves, including supplementary reserve for annuity, see Note 36.b.3.b)(5)(a) below.

  Regarding the reserve adequacy test see paragraph i.1.g) below

- Contingent liabilities – there are legal claims against the Group, as well as requests to approve claims as class actions. For the estimates of the chances of the legal claims that were filed against the Group, the companies relied on the opinion of its legal advisors. The legal advisors' opinion is based on their professional judgment, taking into consideration the stage reached in the legal proceedings and the legal experience gained in various issues. Since the outcome of the claims will be determined in court, actual results could differ from these estimates.

  In addition to the applications to approve class actions, legal proceedings and other proceedings that were filed against the Group, there is a general exposure that cannot be estimated and/or quantified, stemming, among others, from the complexity of the services that the Group renders to its policyholders. Inherent in the complexity of these arrangements is, among others, the potential for disagreements regarding interpretations and other differences due to information gaps between the Group and third parties to insurance contracts pertaining to a long series of commercial conditions and regulatory changes.

  For additional information see Note 38(1) below.

- Fair value measurements of unquoted debt assets - the fair value of unquoted debt assets measured at fair value through profit and loss and unquoted financial assets whose information for their fair value is given for disclosure purposes only, is calculated according to a model based on discounted cash flows in which the interest rates and price quotas used are determined by a company that provides them to institutional entities.

  For additional information, see Note 12.f.

- Impairment of goodwill – the Group examines impairment of goodwill at least annually. The examination requires management to make an estimate of the future cash flows expected to be derived from the disposal or continuing use of the cash generating unit (or group of cash generating units) to which goodwill is allocated. In addition, management is required to estimate the appropriate discount rates for these cash flows.

  For additional information, see Note 4.b.

- Determination of the recoverability of deferred acquisition costs – the recoverability of deferred acquisition costs is examined at least once a year using assumptions regarding rates of cancellations, mortality, morbidity and other variables. As mentioned in paragraphs j.1(e), j.1(f) and j.3(f) hereunder, if there is no recoverability according to these assumptions, it may be necessary to accelerate the amortization or to even write off the deferred acquisition costs.

  For additional information, see Note 5.

- Impairment of financial investments – when there is objective evidence that there is an impairment loss in respect of loans and debtors that are reported at amortized cost, or that the value of available for sale financial assets is impaired and there is impairment in their respect, the amount of loss is recognized in the statement of profit and loss. On the reporting date the Group examines whether such objective evidence exists.

  For additional information, see Note 12.

- Determination of the fair value of investment property - investment property that can be measured reliably is reported at fair value as at the reporting date and changes in fair value are recognized in the statement of profit and loss. The fair value is determined by independent external appraisers based on economic value estimates that include assumptions regarding estimates of anticipated future cash flows that will be generated from the asset and an estimate of the appropriate discount rate for these cash flows as well as by reference to recent real estate transactions with similar characteristics and locations as the estimated asset.

Note 2 - Significant Accounting Policies (Cont.)

c. The significant judgements, estimates and assumptions used in the preparation of the financial statements: (cont.)

In measuring the fair value of investment property, the Group's management and appraisers are required to use certain assumptions regarding the rate of return required for Group assets, future rental prices, occupancy rates, contract renewals, the probability of renting vacant space, the costs of operating the properties, the financial health of the tenants and implications arising from investments required for future development so as to estimate the future cash flows from the assets.

For additional information see Note 8.

- Revaluation of fixed assets – The Group measures freehold land and office buildings that constitute fixed assets at revalued amounts, and changes in fair value are recognized in other comprehensive income. The fair value is determined by qualified independent external appraisers in accordance with economic valuations that are based on comparisons to transactions in similar assets that were recently carried out on the real estate market with respect to real estate having similar characteristics including location, physical condition, designation and so forth, or by means of a discounted income method that is based on the present value of the estimated operating cash flows from rentals that derive from the property, according to net annual cash flows before tax, discounted at a discount rate that reflects the specific risks inherent in them

d. Change in classification**:**

Classifications were executed in the components of notes 11, 12, 16, 18, 20, 30, 32, 34 and 36.b.2.

The above reclassifications had no effect on the equity, profit and loss or comprehensive income

e. Financial statement structure and the operating cycle::

The Group's regular operating cycle usually exceeds one year, especially in relation to the following lines: life assurance and long-term savings, LTC, disease and hospitalization and general liability and motor act insurance.

The consolidated statements of financial position, which mainly include the assets and liabilities of an insurance subsidiary, are presented in order of liquidity with no distinction between current and non-current. This presentation provides more reliable and relevant information, consistent with IAS 1, "Presentation of Financial Statements".

f. Functional currency and foreign currency:

1. Functional and presentation currencies:

The consolidated financial statements are reported in New Israeli Shekels ("NIS") and have been rounded to the nearest thousand. NIS is the Group's functional currency and is the currency that best reflects the economic environment in which the Group operates.

2. Transactions, assets and liabilities in foreign currency:

Foreign currency transactions are translated into the functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency exchange difference in respect of the monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising from translation to the functional currency are usually recognized in profit or loss, except for differences arising on the translation of available-for-sale financial equity instruments which are recognized in other comprehensive income (except in cases of impairment when the translation differences recognized in the other comprehensive income are allocated to profit or loss).

Non-monetary items denominated in foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign activities are translated to NIS at the exchange rate at the reporting date. Income and expenses of foreign activities are translated at exchange rates at the dates of the transactions.

Exchange rate differences from the translation of foreign activities are recognized in other comprehensive income and are presented in equity in translation reserve of foreign activities.

In general, exchange rate differences on loans received from or provided to foreign operations, are recognized in the consolidated financial statements in profit or loss

Note 2 - Significant Accounting Policies (Cont.)

f. Functional currency and foreign currency: (cont.)

2. Transactions, assets and liabilities in foreign currency: (cont.)

When the settlement of loans received or granted to a foreign operation is neither planned nor likely in the foreseeable future, profits and losses from exchange rate differences resulting from these monetary items are included as part of the investment in foreign operations, net, recognized in other comprehensive income and are presented as part of the foreign operation translation reserve.

When a foreign operation is disposed of, such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

g. Consolidated financial statements, business combinations and goodwill:

1. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Substantive rights held by the Group and others are taken into account when assessing control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

Significant intragroup balances and transactions, and gains or losses resulting from transactions between the Company and subsidiaries are eliminated in full in the consolidated financial statements.

The financial statements of the Company and its subsidiaries are prepared as of the same dates and periods. The accounting policies in the financial statements of the subsidiaries have been consistently applied with those applied in the financial statements of the Company

2. Business combinations and goodwill:

The Group implements the acquisition method regarding every business combination.

The Group recognizes goodwill upon acquisition according to the fair value of the consideration transferred including the amounts recognized in respect of any non-controlling interests in the acquiree and the fair value as at the date of acquisition of the equity interests of acquiree previously held by the purchaser, less the net amount related upon acquisition to identifiable assets acquired and for the liabilities assumed.

The acquirer recognizes, at the acquisition date, a contingent liability assumed in a business combination if there is a present obligation resulting from past events and its fair value can be measured reliably.

The consideration transferred includes the fair value of the assets transferred to the former owners of the acquiree, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity instruments that were issued by the Group. In an acquisition achieved in stages, the difference between the acquisition date fair value of equity rights in the acquiree previously held by the Group and the carrying amount at that date is recognized in profit or loss under other income or expenses. In addition, the consideration transferred includes the fair value of any contingent consideration. After the acquisition date, the Group recognizes changes in fair value of the contingent consideration classified as a financial liability in profit or loss, whereas the contingent consideration which is classified as an equity instrument is not remeasured.

Acquisition-related costs incurred by the acquirer in a business combination such as: brokers fees, consultation commissions, legal commissions, valuation and other fees for professional services or consulting services, except those related to issuing debt instruments or equity in connection with the business combination, are expensed during the period in which the services are received.

Regarding the testing of goodwill impairment, see paragraph o below.

When goodwill is allocated to cash-generating units, upon realization of a cash generating unit, the difference between the consideration and the net assets plus the unamortized goodwill balance, is recognized in the statement of profit and loss. Profit or loss from the disposal of part of the cash generating unit includes part of the goodwill measured according to the proportion of the cash generating unit realized.

Note 2 - Significant Accounting Policies (Cont.)

g Consolidated financial statements, business combinations and goodwill: (cont.)

3 Non-controlling interests:

Non-controlling interests arise from the capital of a subsidiary which cannot be attributed directly or indirectly to the parent company.

Allocation of the comprehensive income to the shareholders

The profit or loss and any component of other comprehensive income are attributed to the Company's owners and to non-controlling interests. The amount of comprehensive income is attributed to the Company's shareholders and non-controlling interests even when the result is a negative balance of the non-controlling interest.

Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests, while retaining control, are accounted for as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is included in the equity attributable to the Company's shareholders within a capital reserve.

Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. The amounts recognized in capital reserves through other comprehensive income with respect to the same subsidiary are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the subsidiary had itself realized the same assets or liabilities. The gain or loss from loss of control is recognized under other expenses or other income.

h. Investment in affiliates:

Affiliates are entities in which the Group has significant influence, but not control, over their financial and operating policy.

In assessing significant influence, holding rates, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Investments in affiliates are accounted for using the equity method and are initially recognized at cost, including transaction costs. The investment includes initial differences calculated at the date of acquisition. The goodwill is calculated at the time of acquisition and is not amortized systematically. The investment is reported net of accumulated losses from impairment. The consolidated financial statements include the Group's share of the income and expenses, profit or loss and other comprehensive income of affiliates, accounted for under the equity method, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences and until the date that significant influence ceases.

Unrealized gains from transactions with affiliates are eliminated pro rata to the Group's share of the investments therein. Unrealized losses are eliminated in the same manner as unrealized gains as long as there is no evidence of impairment.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including long-term investments, which are part of the investment in the investee, is reduced to nil and the Group does not recognize further losses unless the Group has a commitment to support the investee or has made payments on its behalf.

The financial statements of the Company and the affiliates are prepared at the same dates and for the same periods.

Loss of significant influence

The Group discontinues implementing the equity method from the date it loses significant influence or obtains control and it accounts for the remaining investment as a financial asset or as a subsidiary, as applicable.

On the date on which the Group ceases to have a significant influence, the Group measures any investment that the Group still has in the former affiliate at fair value and recognizes in profit or loss under other income or expenses any difference between the fair value of any remaining investment and any consideration from the partial realization of the investment in the affiliate and the carrying value of the investment at that time.

Note 2 - Significant Accounting Policies (Cont.)

h. Investment in affiliates (cont.)

The amounts recognized in equity through other comprehensive income with respect to the same affiliate are reclassified to profit or loss or to retained earnings as would have been required if the affiliate had itself realized the related assets or liabilities.

Change in ownership interests in affiliates while retaining significant influence

When the Group increases its interest in an affiliate while retaining significant influence, it implements the acquisition method only with respect to the additional interest obtained whereas the previous interest remains unchanged.

When there is a decrease in the interest in an affiliate accounted for by the equity method while retaining significant influence, the Group derecognizes a proportionate part of its investment and recognizes in profit or loss a gain or loss from the sale under other income or other expenses.

Furthermore, on the same date, a proportionate part of the amounts recognized in equity through other comprehensive income with respect to the same affiliate are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the affiliate had itself realized the same assets or liabilities.

i. Insurance contracts and asset management contracts:

IFRS 4 which deals with insurance contracts allows the insurer to continue the accounting policies adopted before the transition to IFRS for insurance contracts it issues (including related acquisition costs and related intangible assets) as well as reinsurance contracts acquired.

Hereunder is a summary of the accounting principles relating to insurance contracts:

1. Life assurance and long-term savings:

a) Revenue recognition - see paragraph s below

b) Liabilities in respect of life assurance contracts:

Liabilities in respect of life assurance contracts are computed according to the Commissioner's directives (regulations and circulars), accounting principles and generally accepted actuarial methods. The liabilities are computed according to the relevant coverage data, such as: the age of the policyholder, number of years of coverage, type of insurance, amount of insurance, etc.

Liabilities in respect of life assurance contracts are determined on the basis of actuarial assessments, carried out by Migdal Insurance's appointed actuary, Mr. Daniel Katzman who is an employee of Migdal Insurance. The reinsurers' share in liabilities for life assurance contracts is determined according to the conditions of the relevant contracts.

c) Liabilities in respect of life assurance contracts linked to the index and the investments linked to the index that are utilized to cover these liabilities are included in the financial statements according to the last index published prior to the balance sheet date, including liabilities for life assurance contracts with respect to policies that, according to their terms, are semi-annually linked.

d) The Commissioner's directives regarding liabilities for payment of annuities:

Circulars issued by the Commissioner regarding the calculation of liabilities for annuities in life assurance policies, determine instructions for the calculation of the provisions as a result of the rate of the improvement in life expectancy. The instructions require monitoring the sufficiency of the liabilities with respect to life assurance contracts which allow receipt of an annuity and the supplementation of the reserves in an appropriate manner.

For further information see Note 36.b(3)(b) below.

e) Deferred acquisition costs in life assurance:

(1) Deferred acquisition costs ("DAC") in respect of life assurance policies include commissions for agents, distributors and acquisition supervisors as well as administrative and general expenses relating to the acquisition of new policies. The DAC is amortized in equal annual rates over the policy's term, but not over more than 15 years. The DAC in respect of cancelled policies are written-off at the time of cancellation.

Note 2 - Significant Accounting Policies (Cont.)

i. Insurance contracts and asset management contracts: (cont.)

1. Life assurance and long-term savings: (cont.)

(2) At least once a year the actuary of Migdal Insurance examines the recoverability of the DAC. The examination is performed in order to verify that the liabilities in respect of insurance contracts net of DAC are expected to produce future income that will cover the balance of the DAC and the insurance liabilities, the operating expenses and the commissions relating to those policies. The examination is performed for all individual insurance policies and for all underwriting years together

The assumptions underlying this examination include assumptions regarding cancellations, operating expenses, rate of return on assets, mortality and morbidity rates that are determined by Migdal Insurance's actuary every year based on past experience and relevant up-to-date research studies.

f) Deferred acquisition costs for the acquisition of asset management contracts:

Commissions paid to agents and acquisition supervisors for the purchase of asset-management contracts (pension funds and provident funds) are recorded as DAC if they can be identified separately and measured reliably and if their recoverability by way of management fees is expected. The DAC is amortized over the estimated period of receipt of revenues from management fees, and also considers cancellations. In accordance with international standards, as from 2018 the Company estimates cancellation rates over the average duration of the amortization. The actuary examines the recoverability of the DAC each year so as to reflect the value of the asset.

The assumptions used in the examination include assumptions regarding cancellations, operating expenses, rate of return on assets, mortality and morbidity that are determined by the Company's actuary every year based on past experience and relevant up-to-date research studies.

g) Liability Adequacy Test in respect of life assurance contracts:

Migdal Insurance examines the sufficiency of the liabilities in respect of life assurance contracts. If the examination shows that all the future income from the relevant policies does not cover all the future expenses from these policies, a special provision for the deficiency is recorded. The examination is performed separately for the individual policies and for group policies. In the case of group policies, the examination is performed for each group policy separately. The examination is performed for groups of policies that were defined by the Commissioner and in accordance with insurance circular 2015-1-14 from August 2, 2015 with respect to LAT and insurance circular 2020-1-5 "Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities – Liability Adequacy Test (LAT)", see Note 2.w in respect of initial implementation in 2020.

The assumptions used in the abovementioned examinations include assumptions regarding cancellations, operating and commission expenses, return on assets, interest rates, illiquidity premiums, mortality rates, annuity realization rates and morbidity and taking into consideration fair value surplus of assets above their book value. The assumptions are determined by the actuary every year based on examinations of past experience, other relevant research and regulatory provisions.

For further information see Note 36.b.3.b)(4) below.

h) Outstanding claims:

Outstanding claims are computed on an individual case basis, according to the estimation of Migdal Insurance, on the basis of notifications regarding insurance events and sums insured.

The provisions for annuity payments and provisions for prolonged payment claims in payment for disability insurance, the direct and indirect expenses deriving from them, as well as the provisions for incurred but not yet reported claims (IBNR) are included under liabilities for insurance contracts.

i) Investment contracts:

Receipts in respect of investment contracts are not included in the item of earned premiums but are directly allocated to the item of liabilities for insurance and investment contracts. Surrenders and maturities of these contracts are not recognized in the statement of profit and loss, but are deducted directly from the liabilities for insurance and investment contracts.

Note 2 - Significant Accounting Policies (Cont.)

i. Insurance contracts and asset management contracts: (cont.)

Investment income, change in liabilities and payments in respect of insurance contracts due to the policyholders' share in investment income, management fees, commissions to agents, and general and administrative expenses are recognized in the statement of profit and loss, in respect of these contracts.

j) Provision for profit participation of policyholders in group insurance:

The provision is included under the item "creditors and payables". Also, the change in the provision is offset from the gross premiums earned item.

2. General insurance

a) Revenue recognition, see paragraph s below

b) The item of payments and change in liabilities in respect of gross and retained insurance contracts includes, among others, settlement and direct handling costs of claims paid, indirect expenses for settlement of outstanding claims that occurred during the reported period, as well as an update of the provision for outstanding claims (which includes a provision for direct and indirect claims handling costs) reported in previous years.

c) Liabilities for insurance contracts and deferred acquisition costs:

The insurance reserves and outstanding claims, included in the item liabilities in respect of insurance contracts, and the reinsurers' share in reserves and outstanding claims, included in the item reinsurance assets and deferred acquisition costs in general insurance were computed in accordance with the Financial Services Regulations (Insurance) (Calculation of Reserves in General Insurance), 2013 (hereinafter: "Regulation for Calculation of Reserves"), the Commissioner's directives and generally accepted actuarial methods for computing outstanding claims which are applied according to the discretion of the appointed actuary, Ms. Ronnie Ginor who is an employee of Migdal Insurance.

d) The item liabilities in respect of insurance contracts, is composed of insurance reserves and outstanding claims, as follows:

(1) Provision for the unearned premium reserve, reflects the insurance premiums relating to the insurance period after the balance sheet date.

(2) Provision for premium deficiency. This provision is recorded in the event that the unearned premium reserve (net of deferred acquisition costs) does not cover the anticipated cost in respect of insurance contracts. In the motor casco, motor compulsory and comprehensive residential branches the provision is based, among others, on a model determined in Regulations for Calculation of Reserves.

(3) Outstanding claims are computed according to the methods detailed below:

3.1 Outstanding claims (including IBNR) and the reinsurers' share therein are included based on an actuarial valuation, except for the branches detailed in Section 3.2 below. Indirect expenses for the settlement of claims are included according to an actuarial valuation. The actuarial calculation for Migdal Insurance was made by the appointed actuary Ms. Ronnie Ginor who is an employee of Migdal Insurance.

3.2 In the branches of comprehensive business premises, engineering insurance, contractors' insurance, marine insurance, aviation insurance, goods in transit, and incoming branches, the appointed actuary determined that an actuarial model cannot be applied due to lack of statistical significance. The outstanding claims in these branches were calculated on the basis of an individual valuation of each claim, according to an opinion received from the attorneys and experts of Migdal Insurance who handle claims, and with the addition of IBNR where necessary.

3.3 Subrogation and salvage are taken into account in the database used in the calculation of the actuarial valuations of outstanding claims

e) Examination of the adequacy of general insurance liabilities

The Company examines the adequacy of general insurance liabilities according to best practice principles as described in Note 36.b.3.c)(5).

Note 2 - Significant Accounting Policies (Cont.)

i. Insurance contracts and asset management contracts: (cont.)

2. General Insurance (cont.)

f) Deferred acquisition costs in general insurance include agents' commissions and administrative and general expenses related to the acquisition of polices, in respect of unearned insurance premiums. The acquisition costs are calculated at the lower of the actual costs or standard rates, set by the Control Regulations, calculated as a percentage of unearned premiums separately for each branch.

g) Incoming business from the Managing Corporation of Compulsory Vehicle Insurance Pool Ltd. (hereinafter: "The Pool"), from other insurance companies (including co-insurance) and from underwriting agencies, is reported according to reports received up to balance sheet date with the addition of the relevant provisions, based on Migdal Insurance's rate of participation in them.

3. Health Insurance

a) Revenue recognition – see paragraph s below.

b) Liabilities in respect of health insurance contracts:

The liabilities for health insurance contracts are computed according to the Commissioner's directives (Regulations and Circulars), generally accepted accounting principles and actuarial methods. The liabilities are computed according to relevant coverage data, such as age of policyholder, number of years of coverage, type of insurance and amount of insurance, etc.

Liabilities for health insurance contracts and the reinsurers' share therein are determined on the basis of an actuarial assessment carried out by Migdal Insurance appointed actuary, Mr. Daniel Katzman, an employee of Migdal Insurance.

c) Outstanding claims:

The provisions for prolonged payment claims with respect to long-term care (LTC) insurance, direct and indirect expenses deriving from them, as well as provisions for incurred but not yet reported claims (IBNR) are included under the item of liabilities in respect of insurance contracts.

In the travel insurance branch, the actuary determined that the actuarial model cannot be applied due to a lack of statistical significance. The outstanding claims in these branches were calculated on the basis of an individual valuation of each claim, according to an opinion received from the attorneys and experts of Migdal Insurance who handle claims, and with the addition of IBNR where necessary.

d) Provision for policyholders' participation in profits in group insurance:

The provision is included under "creditors and payables". In addition, the change in the provision is offset from the earned premium item.

e) The unexpired risk reserve included under liabilities for insurance contracts, includes, when necessary, a provision for anticipated loss on retention (premium deficiency) calculated on the basis of an actuarial valuation which is based on the cash flows estimate in respect of the contract.

f) Liability Adequacy Test in respect of health insurance contracts:

Migdal Insurance examines the sufficiency of the liabilities in respect of health insurance contracts. If the examination shows that the premiums received are not sufficient to cover the expected claims, a special provision for the deficiency is recorded. The examination is performed separately for policy groups that were defined by the Commissioner.

The assumptions used in the abovementioned examinations include assumptions regarding cancellations, operating expenses, mortality and morbidity, interest rates and illiquidity premiums, and take into consideration fair value surplus of assets above their book value. The assumptions are determined by the actuary every year based on examinations, past experience and other relevant research. For group policies the examination is performed based on the claims experience of the individual group and subject to the statistical reliability of such experience.

For further information, including update of the illiquidity premium in 2020, see Note 36.b.3.b)(4) below.

Note 2 - Significant Accounting Policies (Cont.)

i. Insurance contracts and asset management contracts (Cont.)

3. Health Insurance (cont.)

g) Deferred acquisition costs

(1) Deferred acquisition costs include commissions to agents and acquisition supervisors as well as administrative and general expenses related to acquisition of new policies. The deferred acquisition costs in health insurance are amortized at equal rates over the policy's term, but not more than 6 years and in long term health insurance (such as long term care and dread diseases) not more than 15 years. Deferred acquisition costs relating to cancelled policies are written off on the cancellation date.

(2) Each year the actuary of Migdal Insurance examines the recoverability of the DAC. The examination is performed in order to make sure that liabilities in respect of insurance contracts, less the DAC in respect of sold policies are sufficient and expected revenues from the policies will cover the amortization of the DAC and the insurance liabilities, operational expenses and commissions in respect of those policies. The examination is performed for all the underwriting years together.

The assumptions used for this examination, including assumptions in respect of cancellations, operating expenses, return on assets, mortality and morbidity, are determined by Migdal Insurance's actuary every year and are based on past experience and recent relevant research studies.

j. Financial instruments:

The accounting policies applied by the Company with respect to financial instruments are according to IAS 39. See Note 2.X.(2) below regarding deferral of the adoption of IFRS 9.

1. Non-derivative financial instruments

Non-derivative financial instruments include both financial assets and financial liabilities. Financial assets include financial investments (quoted debt assets, unquoted debt assets, shares and others) and other financial assets such as: outstanding premiums, other debtors and cash and cash equivalents. In addition, financial instruments include financial liabilities such as loans and credit received, debt instruments, REPO commitment, suppliers' credit and other creditors.

Initial recognition of non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are created. All other financial assets acquired in a regular way purchase, including assets designated at fair value through profit or loss, are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument, meaning on the date the Group undertook to purchase or sell the asset.

Non-derivative financial instruments include investments in equity and debt securities, customers, other receivables, and cash and cash equivalents.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

See paragraph 3 hereunder regarding the offset of financial assets and financial liabilities.

Regular way sales of financial assets are recognized on the trade date, meaning on the date the Group undertook to sell the asset.

Financial assets are classified to the following categories

Cash and cash equivalents

Cash and cash equivalents include cash balances available for immediate use and call deposits in banks. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less), which are readily convertible into known amounts of cash and are exposed to insignificant risks of changes in value.

Note 2 - Significant Accounting Policies (Cont.

j. Financial instruments (cont.)

1. Non-derivative financial instruments (cont.)

Held-to-maturity investments

When the Group has the explicit intention and ability to hold debt securities to maturity, then such debt securities are classified as held-to-maturity. Held-to-maturity investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

Financial assets at fair value through profit or loss

A financial asset is classified as measured at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss, if the Group manages this type of investment and makes purchase and sale decisions based on their fair value, in accordance with the Group's documented risk management or investment strategy, providing that the designation is intended to prevent an accounting mismatch or the financial instrument includes an embedded derivative. Attributable transaction costs are recognized in profit and loss as incurred. These financial instruments are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified in any of the previous categories. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. In subsequent periods, these investments are measured at fair value and changes therein, other than impairment losses, profits or losses from changes in the CPI and in the foreign exchange rate and the accrual of effective interest on available-for-sale debt instruments, are recognized directly in other comprehensive income and presented within equity in a reserve for available-for-sale financial assets. A dividend received in respect of available-for-sale financial assets is recognized in profit or loss on the date the entity’s right to receive the dividend is established. When an investment is derecognized, the cumulative gain or loss in the reserve for available-for-sale financial assets is transferred to profit or loss.

2. Non-derivative financial liabilities:

The Group initially recognizes debt instruments that were issued on the date that they originated. Other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

3. Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal enforceable right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously

Note 2 - Significant Accounting Policies (Cont.)

j. Financial Instruments (cont.)

4. Derivative financial instruments:

Financial derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the financial derivatives are measured at fair value and changes therein are recognized immediately in profit or loss as investment income, net and finance income.

5. CPI-linked financial assets and financial liabilities not measured at fair value:

The value of CPI linked financial assets and financial liabilities, which are not measured at fair value, is remeasured every period in accordance with the actual increase/decrease in the CPI.

6. The Group has made decisions to classify and designate the assets as follows:

Assets included in the investment portfolios of policies participating in investment income

Most of these assets, that include quoted and unquoted financial assets, were designated at fair value through profit or loss, for the following reasons: These are managed portfolios, separate and identifiable, whose presentation at fair value significantly reduces the chance of accounting mismatch in measurement of assets and liabilities at different measurement bases. In addition, asset management is conducted at fair value, portfolio performance is measured at fair value according to a documented risk management strategy, and information regarding the financial instruments is reported to management (the relevant investment committee) internally on the basis of fair value.

Some unquoted debt instruments, included in investment portfolios of policies participating in investment income, are measured at amortized cost using the effective interest method, as allowed by the temporary provision published by the Commissioner and in accordance to the standard.

Financial instruments that include embedded derivatives requiring separation – these instruments were designated at fair value through profit or loss.

Quoted assets not included in investment portfolios held against profit participating policies (Nostro) which do not include embedded derivatives or do not constitute derivatives

These instruments were classified as available-for-sale financial instruments.

Unquoted assets not included in investment portfolios held against profit- participating policies (Nostro)

Assets meeting the criteria of loans and designated as loans and receivables, including Hetz bonds, were classified to this group and are measured at amortized cost, using the effective interest method.

Unquoted equity instruments were designated as available-for-sale financial instruments.

Investments in quoted securities in the financial statements of a subsidiary engaged in investment management

These assets were designated as fair value through profit or loss since they are held for trading.

7. Determination of fair value:

The fair value of investments traded actively in organized financial markets is determined by the market prices at the reporting date. For investments that do not have an active market, the fair value is determined by means of valuation methods. These methods are based on recent transactions under market conditions, reference to the current market value of another similar instrument, discounted cash flows or other valuation methods.

In determining fair value of an asset or a liability, the Group uses quoted market prices whenever possible. The measurement of fair value is divided into three levels on the basis of the data used in the measurement as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: directly or indirectly observable market data not included in Level 1 above.
- Level 3: data that is not based on observable market data.

For additional information regarding the interest rates that were used to determine fair value, see Note 12.f below.

Note 2 - Significant Accounting Policies (Cont.)

j. Financial Instruments (cont.)

8. Net investment income (losses), finance income and expenses:

Investment income (losses), net and finance income

Net investment income (losses) and finance income include income (losses) on the sale and impairment of available-for-sale financial assets, changes in fair value of financial assets and financial liabilities designated at fair value through profit or loss, income (losses) from foreign currency exchange rate and linkage differences on debt assets, from realization of investments that are calculated as the difference between the net proceeds from the sale and the initial or amortized cost and are recognized at the time of the sale, interest income in respect of amounts invested (including available for sale financial assets), income from dividends, changes in the fair value of investment property and rent from investment property.

Interest income is recognized when accrued, using the effective interest method.

Dividend income is recognized on the date the Group is granted the right to receive payment.

Gains and losses from exchange rate differences, from changes in the fair value of investments and from the disposal of investments are reported on a net basis.

Finance expenses

Finance expenses include interest expenses, linkage and exchange rate differences on loans received, interest and exchange rate differences on reinsurers' deposits and balances, and changes in the time value in respect of provisions. Short-term credit costs, which are not capitalized, are recognized in the statement of profit and loss when incurred.

k. Fixed assets

1. Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses, other than freehold land and office buildings that are presented on the basis of a revaluation, see hereunder.

The cost of a number of items of fixed assets was determined at their fair value as at January 1, 2007, which is the date of transition to IFRS (deemed cost).

Cost includes expenditure which can be directly attributed to the purchase of the asset. The cost of software purchased, which constitutes an integral part of the operation of the related equipment, is recognized as part of the cost of such equipment.

Gain or loss from disposal of an item of fixed assets is determined by comparing the consideration from disposal of the asset with the carrying amount of the asset and are recognized net under "other income" or "other expenses", as relevant, in profit or loss, in profit or loss.

Revaluation of freehold land and office buildings is recognized in a revaluation reserve that is presented within equity, net of the tax effect. The revaluation reserve is transferred directly to retained earnings upon disposal of the asset, or throughout the period of using the asset according to its rate of depreciation.

Revaluations are performed on a regular basis to ensure that the balance in the financial statements does not differ materially from the fair value at the reporting date.

The decrease in value of an asset that was revalued is recognized directly in other comprehensive income, up to the amount credited to the revaluation reserve of that asset. Any additional decrease in value is recognized in profit or loss. An increase in the value of the asset as a result of the revaluation is recognized in profit or loss up to the amount that it reverses impairment that was previously recognized in profit or loss. Any additional subsequent increase is recognized in a revaluation reserve.

2. Subsequent costs

The cost of replacing part of fixed assets and other subsequent expenses are capitalized if it is probable that the future economic benefits affiliated with them will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Ongoing maintenance costs are charged to profit or loss as incurred.

Note 2 - Significant Accounting Policies (Cont.)

k. Fixed assets (cont.)

3. Depreciation

Depreciation is recognized in the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of fixed assets, since this method reflects the projected pattern of consumption of future economic benefits embodied in the property in the best way.

Freehold land is not depreciated.

Depreciation rates for the current and comparative periods are as follows:

Buildings	2%-4%
Leasehold improvements	5%-20%
Motor vehicles	15%
Computers and software	10%-33%
Furniture and equipment	6%-33%

Leasehold improvements are depreciated according to the straight-line method over the shorter of lease term (including option period for extending the lease which the Group has and intends to realize), and their useful lives.

The estimates regarding depreciation method, useful lives and residual values are reviewed at least at the end of each reporting year and adjusted if appropriate.

l. Investment property

Investment property is property (land or building – or part of a building - or both) held (by the Group as the owners or under a finance lease) either to earn rental income or for capital appreciation or for both but not for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.

Furthermore, leased properties that are leased by the Group and are intended for rent to a third party, are classified and treated as investment property.

Investment property is initially measured at cost with the addition of transaction costs directly attributable to the acquisition. In subsequent periods the investment property is measured at fair value, with changes therein recognized in the statement of profit and loss.

In order to determine the fair value of the investment property the Group uses the valuations performed by external independent appraisers who are experts in the valuation of real estate and possess the knowledge and experience required.

Investment property is derecognized when it is either realized or when it is no longer utilized, and no future economic benefits are expected from its sale. The difference between the net proceeds from sale of the asset and the balance in the financial statements is recognized in profit and loss in the period in which the asset is derecognized.

The transfer of an asset from investment property to fixed assets is performed when there is a change in use, such as the beginning of use of the asset by the owners.

The deemed cost of the asset transferred from investment property to fixed assets is the fair value on the date of the transition.

When the use of a property changes from owner-occupied to investment property, which is measured at fair value, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognized in other comprehensive income and presented within equity in a revaluation reserve that will never be transferred to profit or loss, unless the gain reverses a previous impairment loss on the specific property, in which case the gain is first recognized in profit or loss. Any loss is recognized directly in profit or loss.

Investment property in development intended for use as investment property is measured at fair value, as mentioned above, if and when the fair value can be measured reliably. If fair value cannot be measured reliably, due to the characteristics and the amount of risk in the project, the property is measured at cost, less losses from impairment, if they exist, until the earlier between, when fair value may be measured reliably and when construction is completed. Cost of investment property under development includes the cost of the real estate, direct additional cost of planning and development and brokerage for contracts for the rental of the property.

For additional information, see Note 8 below.

Note 2 - Significant Accounting Policies (Cont.)

m. Leases

On January 1, 2019, the Company initially applied IFRS 16 – Leases (hereinafter "the Standard"), the Group has chosen to apply the Standard using a modified retrospective approach (without restatement of comparative data).

The Company accounts for a contract as a lease contract if the terms of the contract convey the right to control an identified asset for a period of time in exchange for consideration.

- The accounting policy the Group applies as a lessor:

  Operating lease

  Leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases. Initial direct costs incurred in respect of the lease agreement are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis. The lease payments are recognized as revenue in profit or loss on a straight line basis over the term of the lease. Contingent lease payments are recognized as revenue in the statement of profit and loss when the Company becomes entitled to receive them.

- Presented hereunder is the accounting policy the Group applied as a lessee until December 31, 2018:

  The tests for classifying leases as finance or operating leases are based on the nature of the agreements and they are examined at the date of the transaction according to the provisions of IAS 17:

  1. Finance leases:

     Under finance leases, all the risks and benefits related to the ownership of the leased asset, were actually transferred to the Group. Upon initial recognition the leased assets are measured, and a liability is recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The lease payments are apportioned between finance expenses and repayment of the lease liability using the effective interest method.

  2. Operating leases:

     Lease agreements which do not transfer substantially all the risks and rewards from ownership of the leased asset are classified as an operating lease. However, this is except for operating leases of real estate assets which the Group chose to classify as investment property. Lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

- Presented hereunder is the accounting policy the Group applied as a lessee as from January 1, 2019:

  The Group accounts for a contract as a lease contract if the terms of the contract convey the right to control an identified asset for a period of time in exchange for consideration.

  For transactions in which the Group is the lessee, the Group recognizes a right-of-use asset and a lease liability at the date of initial application other than for leases for a period of up to 12 months, for which the Group elected for part of the asset groups to recognize the lease payments as an expense in profit or loss on a straight line basis over the lease term. In its measurement of the lease liability the Group elected to apply the expedient allowed in the Standard of not separating lease components from non-lease components such as: management services, maintenance services, and so forth, that are included in the same transaction.

  Transactions by which employees are entitled to receive a car from the Group as part of their employment terms are accounted for by the Group as employee benefits in accordance with IAS 19 and not as a sublease transaction.

  On the date of initial application the lease liability includes all the future lease payments discounted at the incremental borrowing rate of the Group. Subsequently the Group measures the lease liability using the effective interest method.

  The right-of-use asset is recognized at the date of initial application at the same amount of the lease liability plus lease payments that were paid on or before initial application and plus any incurred transaction costs. The right-of use asset is measured using the cost model and is depreciated over the shorter of its useful life or lease term. When there are indications of impairment, the Group tests impairment of the right-of-use asset in accordance with IAS 36.

Note 2 - Significant Accounting Policies (Cont.)

m. Leases (cont.)

1. CPI linked lease payments

At initial application the Group uses the CPI known at that date to calculate the future lease payments.

Changes in the amount of the future lease payments as a result of changes in the CPI are capitalized (without changing the discount rate applicable to the lease liability) to the balance of the right-of-use asset and recognized as an adjustment to the balance of the lease liability, only when the cash flows deriving from the change in the CPI have changed (in other words, when the adjustment to the lease payments comes into effect).

2. Variable lease payments

Variable lease payments that are based on performance or use and do not depend on an index or interest rate are recognized as an expense as incurred

3. Option to extend and terminate the lease term

The non-cancellable lease term includes also periods that are covered by an option to extend the lease when it is reasonably certain that the option will be exercised and also periods covered by a termination option when it is reasonably certain that the termination option will not be exercised.

When the assessment regarding the likelihood of exercising an extension option or not exercising a termination option changes, the Group re-measures the balance of the lease liability according to the adjusted lease term using the discount rate at the date of the change in the assessment, and the overall change in the liability is included in the balance of the right-of-use asset until it is reduced to zero with any additional amount being recognized in profit or loss.

4. Lease modifications

For lease modifications that do not decrease the scope of the lease and are not accounted for as a separate lease transaction, the Group re-measures the balance of the lease liability according to the modified lease terms, at a revised discount rate at the date of the modification and recognizes the total amount of the change in the balance of the lease liability as part of the balance of the right-of-use asset.

For lease modifications that decrease the scope of the lease, the Group recognizes a profit or loss from the partial or full derecognition of the right-of-use asset and lease liability. Subsequently, the Group re-measures the balance of the lease liability in accordance with the revised lease terms, at a revised discount rate at the date of the modification and recognizes the total amount of the change in the balance of the lease liability as part of the balance of the right-of-use asset.

n. Intangible assets:

Intangible assets acquired separately are measured upon initial recognition at cost with the addition of direct acquisition costs. Intangible assets acquired in business combinations are measured at fair value on the acquisition date.

Subsequent to initial recognition, intangible assets are measured at cost, less accumulated amortization and accumulated impairment losses.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, as mentioned above, the change in the useful life assessment from indefinite to finite is accounted for as prospective change in accounting estimate and on that date the impairment of the asset is tested, and it is amortized systematically over its useful economic life.

Intangible assets with finite useful lives are amortized over their useful life and are reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits from the asset are accounted for as prospective changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the statement of profit and loss.

Note 2 - Significant Accounting Policies (Cont.)

n. Intangible assets

1. Goodwill

Goodwill arising on the acquisition of a business combination is presented as part of intangible assets. For information regarding the measurement of goodwill at initial recognition see paragraph g.2 above.

In subsequent periods goodwill is measured at cost less accumulated impairment losses.

2. Software development costs

Software development costs are capitalized only if the development costs can be measured reliably; the technical and economic feasibility of the software can be demonstrated, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use the software. The capitalized costs include the cost of materials, direct salaries and overhead costs that are directly attributable to preparation of the asset for its intended use. Other software development costs are recognized in profit or loss as incurred.

In subsequent periods, capitalized software development costs are measured at cost less accumulated amortization and impairment losses.

3. Software

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it, is classified as fixed assets. In contrast, software that adds functionality to the hardware is classified as an intangible asset.

4. Subsequent expenditure

Subsequent expenditure is capitalized as an intangible asset only when it increases the future economic benefit embodied in the asset to which it relates. All other expenditure, including expenditure related to goodwill or brands that were developed by the Company are allocated to profit and loss as incurred.

5. Amortization

Amortization is recognized in the income statement over the estimated useful life of the intangible assets from the date the assets are available for use. Goodwill is not amortized when it is an asset with an indefinite useful life.

The estimated useful lives of principal intangible assets for the current and comparative periods are as follows:

a) The excess of cost created upon the acquisition of insurance agencies or from business combinations acquired from insurance agencies that are mainly attributed to commission portfolios is amortized at equal annual rates over a period of 5-10 years.

b) Future management fees – initial difference relating to future anticipated management fees is amortized according to the anticipated period of receiving the management fees. Most of the amount is attributed to educational funds and is amortized over 20 years taking into account the cancellation rate.

c) Software – amortized on a straight line basis over 3-10 years.

d) Customers' portfolio - over a period of 10 years using the declining sum of digits method.

Estimates regarding amortization methods and useful lives are reviewed at least at the end of each reporting year.

o. Impairment

1. Financial assets

The accounting policy applied by the Company for impairment of financial assets is according to IAS 39. See Note 2.X(2) below regarding deferral of the adoption of IFRS 9.

A financial asset not measured at fair value through profit or loss is tested for impairment when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Note 2 - Significant Accounting Policies (Cont.)

o. Impairment (cont.)

1. Financial assets (cont.)

Objective evidence that financial assets are impaired can include default by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security and observable data that indicates that there is a measurable decrease in expected cash flows from a group of financial assets.

Evidence of impairment of available-for-sale financial assets

When testing available-for-sale financial assets that are equity instruments for impairment, the Group also examines the difference between the fair value of the asset and its original cost while taking into consideration the volatility of the instrument's price, the length of time the fair value of the asset is lower than its original cost and changes in the technological, economic or legal environment or in the market environment in which the issuer of the instrument operates. In addition, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Evidence of impairment of debt instruments

The Group considers evidence of impairment of loans and receivables at both the individual asset and collective level. All individually significant loans and receivables are assessed for specific impairment. Loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has occurred but not yet identified.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Treatment of impairment losses of financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected as a provision for loss against the balance of these financial assets.

Treatment of impairment losses of available-for-sale financial assets

Impairment losses are recognized by transferring the cumulative loss that has been recognized in a capital reserve, in respect of available for sale assets, to profit or loss. The cumulative loss which is transferred to profit and loss is the difference between the acquisition cost net of any principal repayments and amortization, and the current fair value less any impairment previously recognized in profit or loss.

Reversal of impairment losses

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale debt securities, the reversal is recognized in profit or loss. For available-for-sale equity securities, the reversal is recognized directly in other comprehensive income.

2. Reinsurance

a) The reinsurers' liabilities towards Migdal Insurance do not release it from its liabilities towards policyholders insured under the insurance policies.

Reinsurers who do not fulfill their obligations under the reinsurance treaties may cause losses to the Group.

b) Migdal Insurance records an allowance for doubtful accounts in respect of reinsurers' debts whose collection is doubtful on the basis of individual risk estimates and based on the age of the debts.

In addition, in determining the reinsurers' share in the insurance liabilities, the Company takes into consideration, among others, the likelihood of collection from the reinsurers. When the reinsurers' share is calculated on an actuarial basis, the share of reinsurers having difficulties is calculated according to the actuary's recommendations, taking all the risk factors into consideration. Furthermore, when Migdal Insurance records the provisions, it takes into consideration, among others, the willingness of the parties to reach agreements terminating engagements by way of final settlement of the debts (cut-off) in order to reduce the exposure.

Note 2 - Significant Accounting Policies (Cont.)

o. Impairment (cont.)

3. Outstanding premiums:

The allowance for doubtful accounts in respect of outstanding premiums is calculated based on estimates of the age of the debt in arrears and actual rates of policy cancellations in previous years.

4. Non-financial assets:

Timing of impairment testing

The carrying amounts of the Group's non-financial assets, other than deferred acquisition costs, investment property, assets arising from employee benefits, inventories, and deferred tax assets, are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Group tests the impairment of goodwill once a year, on a fixed date or more frequently if events or changes in circumstances indicate that impairment exists.

Measurement of recoverable amounts

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less realization costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating unit"). For the purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment of goodwill is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes but in any event not larger than a business segment before aggregation of similar segments. Goodwill acquired in a business combination is allocated to groups of cash-generating units, including those existing in the Group before the business combination, which are expected to benefit from the synergies of the combination.

Affiliates

Goodwill that forms part of an investment in an affiliate is not recognized separately, and therefore is not tested separately for impairment. Instead, the entire amount of the investment in an affiliate is tested for impairment when there is objective evidence indicating impairment.

Recognition of an impairment loss

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

Reversal of an impairment loss

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset after reversal of the impairment loss does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversal of such a loss is recognized in profit or loss.

p. Share capital

Ordinary shares are classified as equity.

q. Employee benefits

The Group has a number of employee benefit plans.

The classification of employee benefits for measurement purposes, as short-term benefits or long-term benefits is determined on the basis of the Group's forecasts of the date when the benefits are expected to be fully settled.

Note 2 - Significant Accounting Policies (Cont.)

q. Employee benefits (cont.)

1. Short-term benefits:

Short-term employee benefits are benefits which are expected to be settled fully, up to 12 months from the end of the annual reporting period in which employees provide related services.

These employee benefits include salaries, recreation, vacation and social security payments that are measured on an undiscounted basis and are recognized as expenses as the services are rendered or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave). A liability in respect of a bonus is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

a) Defined contribution plan:

The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law, 1963 (in this section - "the Law"), in which it pays regular contributions without having a legal or constructive obligation to pay further amounts, even if the amounts accrued in the fund are insufficient to pay all the employee benefits relating to the employee's service in the current and previous periods.

Deposits in the defined contribution plan for severance pay or pension are recognized as an expense when the money is deposited in the plan, in the period during which related services are rendered by employees, and no additional provision in the financial statements is necessary.

b) Defined benefit plans:

The Group operates a defined benefit plan for the payment of severance pay in accordance with the law. By law employees are entitled to severance pay when they are dismissed or on retirement.

The Group's obligation in respect of defined benefit plans regarding post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that is due to the employees in return for their service in the current and prior periods. This benefit is reported at its present value less the fair value of the plan's assets. The Group determines the net interest expense on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). The discount rate is the yield at the reporting date of high quality CPI-linked corporate bonds denominated in the same currency, and which have maturity dates approximating the terms of the Group's obligations. The calculations are made by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). Re-measurements are recognized immediately directly in retained earnings through other comprehensive income.

Interest costs on a defined benefit obligation, interest income on plan assets and interest from the effect of the asset ceiling that were recognized in profit or loss are presented under general and administrative expenses.

When the benefits of a plan are improved or curtailed, the portion of the increased benefit relating to past service by employees or the gain or loss on curtailment are recognized immediately in profit or loss when the plan improvement or curtailment occurs.

Assets held against the compensation component in policies issued by Migdal Insurance, do not constitute defined benefit plan assets and are offset from liabilities in respect of insurance contracts.

Note 2 - Significant Accounting Policies (Cont.)

q. Employee benefits (cont.)

3. Other long-term benefits:

The Group's net obligation in respect of long-term employee benefits other than post-employment benefit plans is the amount of future benefit that employees have earned for service rendered in current and prior periods. This benefit is discounted to its present value. The discount rate is determined by reference to the yields at the reporting date on high-quality CPI-linked corporate bonds whose currency and maturity dates are consistent with the terms of the Group's obligation. The calculation is performed using the projected unit credit method. Actuarial gains and losses are recognized in profit or loss in the period in which they arise.

The Group's employees are entitled to benefits in respect of sick leave and some of them are entitled to long service grants. These benefits are accounted for as other long-term benefits since the Group estimates that these benefits will be used subsequent to one year from the reporting date.

4. Termination benefits:

Employee termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

5. Share-based payment transactions:

Equity-settled transactions:

The grant date fair value of share-based payment awards granted to employees is recognized as a salary expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense in respect of share-based payment awards that are conditional upon meeting service and non-market performance conditions, is adjusted to reflect the number of awards that are expected to vest.

For share-based payment awards with non-vesting conditions or with market performance vesting conditions, the grant date fair value of the share-based payment awards is measured to reflect such conditions, and therefore the Group recognized an expense in respect of the awards whether or not the conditions have been met.

Transactions in which the parent company grants the Group's employees' rights to its equity instruments are treated as equity-settled share-based payment transactions. In other words, the fair value of the grant is recognized directly in equity, as aforementioned.

Cash-settled transactions:

The cost of a transaction that is settled in cash is measured at fair value at the time of the transaction. The fair value is recognized as an expense over the vesting period with a corresponding increase in liabilities. The liability is remeasured at each reporting period at the fair value until it is settled. Any changes in the fair value of the liability are recognized in the income statement, taking into account the amount of services provided by the employees up until that time.

r. Provisions:

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. The carrying amount of the provision in respect of a long term liability is adjusted each period to reflect the passage of time.

Legal claims

A provision for claims is recognized if the Group has a present obligation (legal or constructive) as result of a past event; it is more likely than not that the Group's economic resources will be required to settle the obligation; and the obligation can be estimated reliably. The Group management is assisted by its legal advisors in examining the necessity of making provisions and in quantifying them.

For further information see Note 38.

Note 2 - Significant Accounting Policies (Cont.)

r. Provisions (cont.)

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets related to that contract.

s. Revenue recognition

Presented hereunder is the Group's revenue recognition policy.

1. Premiums

a) Premiums in life assurance and health insurance segments, including savings premiums but excluding receipts in respect of investment contracts are recorded as income when due.

Cancellations are recorded upon receipt of notice from the policyholder or initiated by Migdal Insurance due to arrears in payments, subject to legal provisions.

The participation in profit of group insurance policyholders is deducted from the item gross earned premiums.

b) General insurance premiums are accounted for as income based on monthly new business reports. Insurance premiums usually refer to an insurance period of one year. Gross income from premiums and changes in unearned premium are included in the item gross earned premiums.

Since in the motor act line of insurance, the insurance comes into effect only after payment of the insurance premium, the premium is accounted for on the date of payment.

Premiums from policies that will be in force after the reporting date are reported as prepaid premiums.

Income included in the financial statements is after cancellation notices received from policyholders and after the deduction of cancellations and provisions due to the non-payment of premiums, subject to legal provisions and net of the policyholders' participation in profits, based on the agreements that are in force.

2. Management fees

a) Management fees in respect of yield dependent insurance and investment contracts:

Management fees are calculated in accordance with the Commissioner's directives on the basis of the yield and the accumulated savings of policyholders in the profit-participating portfolio.

Management fees include the following components:

For policies sold from January 1, 2004 – fixed management fees only.

For policies sold up to December 31, 2003 – fixed and variable management fees.

The fixed management fees are calculated at fixed rates from the accumulated savings and are recorded on an accrual basis.

Variable management fees are calculated as a percentage of the annual yield, in real terms (from January 1 and up to December 31) credited to the policy after deducting the fixed management fees collected from that policy.

During the year the variable management fees are reported on an accumulated basis in accordance with the real monthly yield, as long as the yield is positive. During the months that the real yield is negative, the variable management fees are reduced to the amount of the cumulative variable management fees recorded from the beginning of the year. Negative yields in respect of which reductions in management fees have not been made in the current year, will be deducted for the purpose of calculating management fees from positive yields in subsequent periods.

b) Management fees from pension and provident funds:

Income from the management of pension and provident funds is recognized on the basis of the balances of the assets managed and on the basis of member contributions, according to the Commissioner's directives.

Note 2 - Significant Accounting Policies (Cont.)

2. Management fees (cont.)

c) Management fees from mutual funds and from management of customers' portfolios:

Income from mutual funds management fees and income from management of investment portfolios are recognized on the basis of the balances of the managed assets.

3. Commissions

Revenues from general insurance commissions in insurance agencies are recognized as income when incurred.

Revenues from reinsurance commissions in general insurance, life assurance and health insurance are recognized when incurred.

Revenues from life assurance commissions in insurance agencies are recognized on the basis of entitlement dates for payment of the commissions, according to the agreements with the insurance companies, less provisions for commission refunds due to cancellations of insurance policies.

4. Net investment gains (losses), finance income and finance expenses – see paragraph j.8 above.

In the statement of cash flows, the Company chose to present interest received, dividend received, and interest paid in cash flows from current activities. Dividends paid are presented in cash flows from finance activities.

t. General and administrative expenses:

General and administrative expenses are classified to indirect expenses for settlement of claims (that are included under payments and change in liabilities in respect of the insurance and investment contracts), to expenses relating to acquisitions (included under commissions, marketing, and other acquisition expenses) and to the balance of administrative and general expenses that are included under this item. The classification is made according to the Group's internal models that are based on direct expenses and allocated indirect expenses.

u. Taxes on income:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or are recognized directly in equity or in other comprehensive income.

Current taxes

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates applicable under laws enacted or substantively enacted at the reporting date and adjustments required in relation to the payment of tax liability for previous years.

Deferred taxes

Deferred taxes are recognized with respect to temporary differences between the carrying amounts of the assets and liabilities for financial reporting and their value for tax purposes. The Group does not recognize deferred taxes for the following temporary differences: Initial recognition of goodwill, initial recognition of assets and liabilities in a transaction that does not constitute a business combination and does not affect accounting income and income for tax purposes, and provisions derived from investment in subsidiaries and affiliates, if it is not expected that they will be reversed in the foreseeable future and to the extent the Group controls the date of reversal.

The deferred taxes in respect of investment property held for the purpose of recovering substantially all of the economic benefits embodied in it by way of realization and not by way of use, are measured according to the manner of the expected recovery of the underlying asset, on the basis of realization and not on the basis of use.

Deferred taxes are measured at the tax rates that are expected to apply to the temporary differences on the date they are realized, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each report date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Note 2 - Significant Accounting Policies (Cont.)

u. Taxes on income (cont.)

Deferred taxes (cont.)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Offsetting of deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset current tax assets and liabilities and they relate to the income taxes levied by the same tax authority and in respect of the same taxable entity, or in different tax entities, when they intend to settle current tax assets and liabilities on a net basis or if the current tax assets and liabilities will be realized simultaneously.

Tax addition in respect of dividend distribution

In the calculation of deferred taxes provisions are not made for tax liabilities in respect of the realization of investments in investee companies, including investee companies whose only activity is holding real estate rights, and are consolidated in the separate financial statements of the Company, if the realization of the investment is not expected in the foreseeable future. In addition, provisions for deferred taxes are not made for distribution of dividends by investee companies when the distribution of the dividend does not result in additional taxes or since the Group's policy is to not initiate the distribution of a dividend by a subsidiary which results in an additional tax liability.

Intercompany transactions

Deferred tax in respect of intercompany transactions in the consolidated financial statements is recorded at the tax rate applicable to the purchasing company.

Uncertain tax positions

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

v. Earnings (loss) per share:

The Group presents basic and diluted earnings per share data with respect to its Ordinary shares. Basic earnings per share are calculated by dividing the net profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of Ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of Ordinary shares outstanding, for the effects of all dilutive potential Ordinary shares which comprise share options granted to employees.

w. Retrospective application following voluntary change in policy for performing the liability adequacy test in life assurance and health insurance

On March 29, 2020 insurance circular 2020-1-5 "Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities – Liability Adequacy Test (LAT)", hereinafter – 'the LAT circular", was issued. In accordance with the circular the Company retrospectively adjusted its financial statements as at December 31, 2019 and 2018 and for the years then ended, so as to retroactively reflect in them the effect of the change in the accounting treatment concerning the liability adequacy test in life assurance and health insurance, as if it had always been applied.

According to the circular the LAT will be calculated while aggregating life assurance products (other than long-term care products) instead of a calculation for each separate life assurance product, as was the practice until then. This change enables including in the test also types of issued policies that include a profit and not just those that include a loss.

This change is expected to result in a better economic presentation of equity in the financial statements, in addition to a reduction in the volatility of the balance in the financial statements of the insurance companies, which makes it difficult for the policyholders, savers, investors, reinsurers and other users of the financial statements to analyze their results. The excessive volatility is mainly due to the effect of the interest curve volatility in a low interest environment.

As a result of the aforesaid, part of the excess fair value of assets over their carrying amount, which in the financial statements for 2019 was attributed to the calculation of the insurance liabilities in life assurance in the LAT calculation, is attributed as from 2020 to the calculation of the insurance liabilities in health insurance in the LAT calculation. For further information see Note 36.b.3.b)(4).

Note 2 - Significant Accounting Policies (Cont.)

w. Retrospective application following voluntary change in policy for performing the liability adequacy test in life assurance and health insurance (cont.)

The effect of the said change on the Company's financial statements is as follows:

In the consolidated statements of financial position

	As reported in the past	The change	As presented in these financial statements
	NIS in thousands		
As at December 31, 2019			
Liabilities for non-yield dependent insurance contracts and investment contracts	38,616,102	(929,629)	37,686,473
Deferred tax assets	33,370	(27,420)	5,950
Deferred tax liabilities	232,651	290,420	523,071
Retained earnings	4,521,840	611,789	5,133,629
As at December 31, 2018			
Liabilities for non-yield dependent insurance contracts and investment contracts	35,661,315	(165,180)	35,496,135
Deferred tax liabilities	260,256	56,475	316,731
Retained earnings	5,505,836	108,705	5,614,541

Note 2 - Significant Accounting Policies (Cont.)

w. Retrospective application following voluntary change in policy for performing the liability adequacy test in life assurance and health insurance (cont.)

In the consolidated statements of profit and loss

	As reported in the past	The change	As presented in these financial statements
	NIS in thousands		
For the year ended December 31, 2019			
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	28,817,079	(764,449)	28,052,630
Taxes on income (tax benefit)	(282,517)	261,365	(21,152)
Profit (loss) for the period	(625,793)	503,084	(122,709)
Basic and diluted earnings (loss) per share (in NIS)	(0.60)	0.48	(0.12)
For the year ended December 31, 2018			
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	12,301,865	196,772	12,498,637
Taxes on income (tax benefit)	225,838	(67,276)	158,562
Profit (loss) for the period	550,822	(129,496)	421,326
Basic and diluted earnings (loss) per share (in NIS)	0.52	(0.12)	0.40

x. Disclosure of new IFRS in the period before their adoption

1. IFRS 17 – Insurance Contracts

In May 2017 the International Accounting Standards Board (IASB) published IFRS 17, “Insurance Contracts” (hereinafter – the new standard). An amendment to the new standard was published in June 2020.

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces the current guidance on the matter. The new standard is expected to cause significant changes in the financial reporting of insurance companies.

According to the new standard, an entity shall measure the insurance liability at the present value of the cash flows expected from the insurance contracts taking into consideration the uncertainty inherent in these forecasts (the risk margin). Furthermore, the inherent profit that is expected from the insurance contracts as is derived from those calculations will be recognized over the coverage period, and the effect of changes in assumptions (other than interest) will also be spread over the coverage period. A loss will be recognized immediately if a group of insurance contracts is not expected to be profitable or begins to be unprofitable.

With respect to certain insurance contracts (usually general insurance contracts with insurance coverage of up to one year) a simpler measurement model can be applied.

The new standard is effective as from January 1, 2023. Earlier application is permitted if IFRS 9 *Financial Instruments* has also been applied.

According to the “Roadmap for Adopting IFSR 17 *Insurance Contacts*”, which was published by the Supervisor in June 2020, the date for initial application of the standard in Israel will be as from the interim and annual periods beginning on January 1, 2023.

Note 2 - Significant Accounting Policies (Cont.)

x. Disclosure of new IFRS in the period before their adoption (cont.)

1. IFRS 17 – Insurance Contracts (cont.)

The new standard shall be applied retrospectively. If retrospective implementation is impractical, one of the following two approaches may be chosen:

a) Modified retrospective approach.

b) Fair value approach.

The Company is preparing to adopt the standard.

2. IFRS 9 – Financial Instruments

IFRS 9 "Financial Instruments" came into effect in January 2018 and replaces IAS3 9 "Financial Instruments: Recognition and Measurement". IFRS9 ("the new standard") mainly changes the instructions of classification and measurement of financial assets and it applies to all the financial assets in the scope of IAS 39.

An amendment to IFRS 4 enables an entity that issues insurance contract to adopt IFRS 9 with modifications (hereinafter: "the overlay approach") or to defer the adoption of IFRS 9 to January 1, 2023 (hereinafter: "the deferral approach" or "the temporary exemption").

The new standard prescribes that all financial assets be measured at fair value upon initial recognition. In subsequent periods, debt instruments will be measured at amortized cost only if the following two conditions are met:

- The asset is held in a business model whose objective is to hold assets in order to collect resulting contractual cash flows ("the sole payment of principal and interest criterion").
- According to the contractual terms of the financial asset, the Company is entitled, on specified dates, to receive cash flows representing solely payments of principal and interest on the unpaid principal.

All other debt instruments and financial assets will be subsequently measured at fair value. The new standard distinguishes between debt instruments that will be measured at fair value through profit or loss and debt instruments that will be measured at fair value through other comprehensive income.

Financial assets that are equity instruments will be measured at fair value in subsequent periods, and the differences will be recognized in profit or loss or in other comprehensive income (loss), as elected by the Company with respect to each individual instrument. If the equity instruments are held for trading, they must be measured at fair value through profit or loss.

The new standard also includes a new expected credit loss model for measuring impairment of financial debt instruments not measured at fair value through profit or loss.

As to de-recognition and financial liabilities, the new standard includes the same requirements of IAS 39.

The new standard includes new hedge accounting requirements.

The Company applies the temporary exemption from IFRS 9 as permitted by IFRS 4 since it did not apply before then any version of IFRS 9 and its operations are predominantly connected with insurance.

3. Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 with respect to the IBOR reform

In August 2020, the IASB published amendments to International Financial Reporting Standard 9, Financial Instruments, to International Financial Reporting Standard 7, Financial Instruments: Disclosures, to International Accounting Standard 39, Financial Instruments: Recognition and Measurement, to International Financial Reporting Standard 4, Insurance Contracts and to International Financial Reporting Standard 16, Leases (hereinafter: "the amendments").

The amendments provide practical expedients for dealing with effects of the accounting treatment in the financial statements when the Interbank Offered Rates (IBORs) are replaced by Risk Free Interest Rates (RFRs).

Note 2 - Significant Accounting Policies (Cont.)

x. Disclosure of new IFRS in the period before their adoption (cont.)

3. Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 with respect to the IBOR reform (cont.)

In accordance with one of the practical expedients, a company will account for contract modifications or cash flow changes that are a direct consequence of applying the reform according to the same accounting treatment for changes in variable interest. In other words, a company is required to recognize the changes in interest rates by adjusting the effective interest rate without changing the carrying amount of the financial instrument. Applying this practical expedient depends on the transition from IBOR to RFR being made on an economically equivalent basis.

Furthermore, the amendments permit making the changes required by the IBOR reform to be made to the hedging designation and documentation without causing discontinuance of the hedging relationship upon the fulfillment of certain conditions. The amendments also provide a temporary practical expedient in connection with applying hedge accounting that relates to identifying the hedged risk as 'separately identifiable'.

The amendments added disclosure requirements regarding the expected effect of the reform on the company's financial statements including on how the company manages application of the IBOR reform, the risks it is exposed to as a result of the expected reform and quantitative disclosures regarding IBOR financial instruments that are expected to change.

The amendments are applicable as from annual periods beginning on or after January 1, 2021. The amendments are applicable on a retrospective basis but do not required restatement of comparative data. Earlier application is permitted.

The Company is presently examining the accounting effects, if any, of the transition from IBORs to RFRs on financial instrument contracts that are expected to occur at the transition date, including the effects of applying the aforesaid amendments.

y. Below are changes in the CPI and exchange rate of the dollar

	Consumer Price Index		Representative exchange rate of the USD
	Index in respect of	Known index	
	%		
Year ended December 31, 2020	(0.7)	(0.6)	(7.0)
Year ended December 31, 2019	0.6	0.3	(7.8)
Year ended December 31, 2018	0.8	1.2	8.1

Note 3 - Operating Segments

a. General

The operating segments Note includes a number of sectors that constitute strategic business units of the Group. These business units include a variety of products and are managed separately for the purpose of allocating resources and assessing performance. The products at the base of each segment are substantially similar with regard to the nature, manner of distribution, customer mix, the essence of the supervisory environment and economic and demographic characteristics of long-term exposure that derive from exposure of similar characteristics to insurance risks. In addition, the results of the investment portfolio held against insurance liabilities could have a significant impact on profitability.

Results, assets and liabilities in each segment include items directly attributable to a segment and items that can be attributed on a reasonable basis.

The accounting principles applied in segment reporting correspond to the accounting principles applied in the preparation and presentation of the Group's financial statements.

1. The life assurance and long-term savings segment:

The life assurance and long-term savings segment includes the lines of life assurance, pension and provident funds and it concentrates mainly on long-term savings (in the framework of various types of insurance policies, pension and provident funds including educational funds), as well as insurance coverage for various risks such as: death, disability, occupational disability, etc.

According to the Commissioner's directives, the life assurance and long-term savings segment is broken down into life assurance, pension and provident funds.

2. Health insurance segment:

The health insurance segment consolidates the Group's entire activities in health insurance – the segment includes long-term care insurance, medical expense insurance, operations, transplants, dental insurance, etc.

3. General insurance segment:

The general insurance segment includes the liability and property branches. Under the Commissioner's directives, the general insurance segment is broken down into the lines of motor act, motor casco, other property branches, other liability branches.

- The motor act insurance line of insurance

  The motor act insurance line of business focuses on coverage whose acquisition by the owner of the vehicle, or the driver is compulsory by law, and which provides coverage for bodily injuries (to the driver of the vehicle, the passengers in the vehicle or to pedestrians), as a result of the use of the motor vehicle.

- The motor casco line of insurance

  The motor casco line of business focuses on the property damage coverage for the insured vehicle and property damages that the insured vehicle causes to a third party.

- Other liability branches

  The liability branches are intended for the coverage of the policyholders' liabilities for any damage they cause to a third party. These lines of business include: third party liability, employers' liability, professional liability, product warranty, marine hull and aviation hull.

- Property and other branches

  The other general insurance branches that are not vehicles and liabilities, including property loss, comprehensive business premises, comprehensive residential, mortgage banks, personal accidents, cargo in transit, engineering insurance and other risks.

4. Financial services segment:

This segment mainly includes financial assets management services and marketing for investments (mainly management of mutual funds and portfolio management), market making of various securities as well as other services.

Note 3 - Operating Segments (Cont.)

a. General (cont.)

5. Other operating segments

Other operating segments include mainly operating results of insurance agencies.

6. Activities not attributed to operating segments

This includes part of the Group's headquarters not attributable to the operating segments, activities related to the Group's operations, and the assets and liabilities held against Migdal Insurance equity in accordance with the Capital Regulations.

Note 3 - Operating Segments (Cont.)

b. Reportable segments.

	Year ended December 31, 2020							
	Life assurance and long-term savings	Health	General insurance	Financial services	Other operating segments	Unallocated to operating segments	Adjustments and offsets	Total
	NIS in thousands							
Gross premiums earned	9,081,676	1,658,599	2,266,280	-	-	-	-	13,006,555
Premiums earned by reinsurers	184,417	113,148	468,914	-	-	-	-	766,479
Premiums earned on retention	8,897,259	1,545,451	1,797,366	-	-	-	-	12,240,076
Net investment income (loss) and finance income	6,909,716	185,882	52,805	5,498	(172)	142,662	(29,003)	7,267,388
Income from management fees	1,865,665	-	-	147,511	-	-	-	2,013,176
Income from commissions	42,084	9,540	81,478	3,015	322,842	-	(*(143,123)	315,836
Other income	-	-	482	18,155	38,870	43,442	(38,898)	62,051
Total income	17,714,724	1,740,873	1,932,131	174,179	361,540	186,104	(211,024)	21,898,527
Payments and change in liabilities in respect of insurance and investment contracts, gross	16,017,238	1,060,351	1,730,266	-	-	-	(35,798)	18,772,057
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	128,350	79,720	393,607	-	-	-	-	601,677
Payments and change in liabilities in respect of insurance and investment contracts on retention	15,888,888	980,631	1,336,659	-	-	-	(35,798)	18,170,380
Commissions, marketing expenses and other acquisition expenses	896,691	500,579	449,722	42,509	138,329	-	(148,411)	1,879,419
General and administrative expenses	640,235	85,581	66,096	102,700	141,506	80,352	(14,251)	1,102,219
Other expenses	4,180	-	5,900	677	3,517	35,984	-	50,258
Finance expenses	10,154	615	2,096	262	5,057	173,899	(20,161)	171,922
Total expenses	17,440,148	1,567,406	1,860,473	146,148	288,409	290,235	(218,621)	21,374,198
Share in profits (losses) of equity accounted investees	(1,264)	-	(646)	-	434	(12)	-	(1,488)
Income (loss) before taxes on income	273,312	173,467	71,012	28,031	73,565	(104,143)	7,597	522,841
Other comprehensive income before taxes on income	95,887	19,279	48,567	159	54	103,976	-	267,922
Total comprehensive income (loss) for the period before taxes on income	369,199	192,746	119,579	28,190	73,619	(167)	7,597	790,763

* Derived from income from commissions received by agencies owned by the Group, from activities in life assurance and long-term savings in the amount of NIS 103,682 thousand, in health insurance in the amount of NIS 22,225 thousand, in general insurance in the amount of NIS 16,889 thousand and in financial services in the amount of NIS 327 thousand.

Note 3 - Operating Segments (Cont.)

b. Reportable segments (cont.)

	Year ended December 31, 2019							
	Life assurance and long-term savings	Health	General insurance	Financial services	Other operating segments	Unallocated to operating segments	Adjustments and offsets	Total
	NIS in thousands							
Gross premiums earned	9,764,954	1,610,868	2,333,452	-	-	-	-	13,709,274
Premiums earned by reinsurers	197,753	94,472	462,604	-	-	-	-	754,829
Premiums earned on retention	9,567,201	1,516,396	1,870,848	-	-	-	-	12,954,445
Net investment income and finance income	14,000,600	363,470	191,862	1,593	245	352,698	(31,956)	14,878,512
Income from management fees	2,191,387	-	-	156,183	-	-	-	2,347,570
Income from commissions	63,165	575	83,798	3,042	336,833	-	(*(154,251)	333,162
Other income	38,967	-	727	3,963	33,943	95,767	(41,476)	131,891
Total income	25,861,320	1,880,441	2,147,235	164,781	371,021	448,465	(227,683)	30,645,580
Payments and change in liabilities in respect of insurance and investment contracts, gross	(** 24,626,091	1,877,528	1,587,085	-	-	-	(38,074)	28,052,630
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	82,131	93,725	219,181	-	-	-	-	395,037
Payments and change in liabilities in respect of insurance and investment contracts on retention	24,543,960	1,783,803	1,367,904	-	-	-	(38,074)	27,657,593
Commissions, marketing expenses and other acquisition expenses	880,115	478,127	448,911	45,069	150,667	-	(154,982)	1,847,907
General and administrative expenses	620,196	84,713	60,832	97,848	154,226	75,919	(15,969)	1,077,765
Other expenses	4,027	-	7,007	623	4,285	34,457	-	50,399
Finance expenses	15,533	699	1,319	338	2,800	172,803	(23,009)	170,483
Total expenses	26,063,831	2,347,342	1,885,973	143,878	311,978	283,179	(232,034)	30,804,147
Share in profits (losses) of equity accounted investees	6,609	-	(633)	-	513	8,217	-	14,706
Income (loss) before taxes on income	(195,902)	(466,901)	260,629	20,903	59,556	173,503	4,351	(143,861)
Other comprehensive income (loss) before taxes on income	403,584	29,072	143,188	(604)	(1,411)	503,394	-	1,077,223
Total comprehensive income (loss) for the period before taxes on income	207,682	(437,829)	403,817	20,299	58,145	676,897	4,351	933,362

* Derived from income from commissions received by agencies owned by the Group, from activities in life insurance and long-term savings in the amount of NIS 109,821 thousand, in health insurance in the amount of NIS 26,166 thousand, in general insurance in the amount of NIS 17,310 thousand and in financial services in the amount of NIS 934 thousand.

** Retrospective application, see Note 2.W.

Note 3 - Operating Segments (Cont.)

b. Reportable segments (cont.)

	Year ended December 31, 2018							
	Life assurance and long-term savings	Health	General insurance	Financial services	Other operating segments	Unallocated to operating segments	Adjustments and offsets	Total
	NIS in thousands							
Gross premiums earned	9,487,790	1,486,789	2,407,721	-	-	-	-	13,382,300
Premiums earned by reinsurers	195,640	87,412	451,258	-	-	-	-	734,310
Premiums earned on retention	9,292,150	1,399,377	1,956,463	-	-	-	-	12,647,990
Net investment income and finance income	1,066,178	27,780	130,824	216	572	144,448	(27,834)	1,342,184
Income from management fees	1,260,035	-	-	153,055	-	-	-	1,413,090
Income from commissions	82,991	15,783	78,190	4,048	341,792	-	(*(158,558)	364,246
Other income	-	-	1,770	1,860	35,565	49,928	(41,972)	47,151
Total income	11,701,354	1,442,940	2,167,247	159,179	377,929	194,376	(228,364)	15,814,661
Payments and change in liabilities in respect of insurance and investment contracts, gross	(** 9,928,959	921,608	1,687,164	-	-	-	(39,094)	12,498,637
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	76,912	51,312	201,207	-	-	-	-	329,431
Payments and change in liabilities in respect of insurance and investment contracts on retention	9,852,047	870,296	1,485,957	-	-	-	(39,094)	12,169,206
Commissions, marketing expenses and other acquisition expenses	862,384	433,240	479,095	51,779	152,115	-	(154,501)	1,824,112
General and administrative expenses	599,677	76,388	54,025	94,620	157,553	50,800	(15,930)	1,017,133
Other expenses	27,115	-	8,480	459	4,746	34,632	-	75,432
Finance expenses	13,690	401	4,445	559	527	170,508	(17,188)	172,942
Total expenses	11,354,913	1,380,325	2,032,002	147,417	314,941	255,940	(226,713)	15,258,825
Share in profits (losses) of equity accounted investees	10,761	-	564	-	58	12,669	-	24,052
Income (loss) before taxes on income	357,202	62,615	135,809	11,762	63,046	(48,895)	(1,651)	579,888
Other comprehensive income (loss) before taxes on income	(274,512)	(34,053)	(141,840)	676	686	(219,997)	-	(669,040)
Total comprehensive income (loss) for the period before taxes on income	82,690	28,562	(6,031)	12,438	63,732	(268,892)	(1,651)	(89,152)

*) Derived from income from commissions received by agencies owned by the Group, from activities in life insurance and long-term savings in the amount of NIS 111,119 thousand, in health insurance in the amount of NIS 29,229 thousand, in general insurance in the amount of NIS 16,134 thousand and in financial services in the amount of NIS 2,076 thousand.

**) Retrospective application, see Note 2.W.

Note 3 - Operating Segments (Cont.)

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

	Year ended December 31, 2020			
	Life assurance	Pension funds	Provident funds	Total
	NIS in thousands			
Gross premiums earned	9,081,676	-	-	9,081,676
Premiums earned by reinsurers	184,417	-	-	184,417
Premiums earned on retention	8,897,259	-	-	8,897,259
Net investment income and finance income	6,908,257	1,148	311	6,909,716
Income from management fees	1,407,274	346,321	112,070	1,865,665
Income from commissions	42,084	-	-	42,084
Total Income	17,254,874	347,469	112,381	17,714,724
Payments and change in liabilities for insurance and investment contracts, gross	16,017,238	-	-	16,017,238
Reinsurers' share in payments and change in liabilities for insurance contracts	128,350	-	-	128,350
Payments and change in liabilities for insurance and investment contracts on retention	15,888,888	-	-	15,888,888
Commissions, marketing expenses and other acquisition expenses	729,247	120,803	46,641	896,691
General and administrative expenses	387,164	197,413	55,658	640,235
Other expenses	153	-	4,027	4,180
Finance expenses	10,154	-	-	10,154
Total expenses	17,015,606	318,216	106,326	17,440,148
Group's share of losses of equity accounted investees	(1,264)	-	-	(1,264)
Income before taxes on income	238,004	29,253	6,055	273,312
Other comprehensive income before taxes on income	91,337	3,443	1,107	95,887
Total comprehensive income for the period before taxes on income	329,341	32,696	7,162	369,199

Note 3 - Operating Segments (Cont.)

c. Additional information regarding the life insurance and long-term savings segment (cont.)

	Year ended December 31, 2019			
	Life assurance	Pension funds	Provident funds	Total
	NIS in thousands			
Gross premiums earned	9,764,954	-	-	9,764,954
Premiums earned by reinsurers	197,753	-	-	197,753
Premiums earned on retention	9,567,201	-	-	9,567,201
Net investment income and finance income	13,993,095	5,843	1,662	14,000,600
Income from management fees	1,723,348	353,120	114,919	2,191,387
Income from commissions	63,165	-	-	63,165
Other income	38,967	-	-	38,967
Total income	25,385,776	358,963	116,581	25,861,320
Payments and change in liabilities for insurance and investment contracts, gross	(* 24,626,091	-	-	24,626,091
Reinsurers' share in payments and change in liabilities for insurance contracts	82,131	-	-	82,131
Payments and change in liabilities for insurance and investment contracts on retention	24,543,960	-	-	24,543,960
Commissions, marketing expenses and other acquisition expenses	704,954	125,068	50,093	880,115
General and administrative expenses	367,897	193,728	58,571	620,196
Other expenses	-	-	4,027	4,027
Finance expenses	15,533	-	-	15,533
Total expenses	25,632,344	318,796	112,691	26,063,831
Group's share of profits of equity accounted investees	6,609	-	-	6,609
Income (loss) before taxes on income	(239,959)	40,167	3,890	(195,902)
Other comprehensive income before taxes on income	393,593	7,766	2,225	403,584
Total comprehensive income for the period before taxes on income	153,634	47,933	6,115	207,682

*) Retrospective application, see Note 2.W.

Note 3 - Operating Segments (Cont.)

c. Additional information regarding the life insurance and long-term savings segment (cont.)

	Year ended December 31, 2018			
	Life insurance	Pension funds	Provident funds	Total
	NIS in thousands			
Gross premiums earned	9,487,790	-	-	9,487,790
Premiums earned by reinsurers	195,640	-	-	195,640
Premiums earned on retention	9,292,150	-	-	9,292,150
Net investment income and finance income	1,057,813	6,630	1,735	1,066,178
Income from management fees	801,209	346,619	112,207	1,260,035
Income from commissions	82,991	-	-	82,991
Total income	11,234,163	353,249	113,942	11,701,354
Payments and change in liabilities for insurance and investment contracts, gross	(* 9,928,959	-	-	9,928,959
Reinsurers' share in payments and change in liabilities for insurance contracts	76,912	-	-	76,912
Payments and change in liabilities for insurance and investment contracts on retention	9,852,047	-	-	9,852,047
Commissions, marketing expenses and other acquisition expenses	685,519	127,350	49,515	862,384
General and administrative expenses	370,235	174,308	55,134	599,677
Other expenses	-	-	27,115	27,115
Finance expenses	13,690	-	-	13,690
Total expenses	10,921,491	301,658	131,764	11,354,913
Group's share of profits of equity accounted investees	10,761	-	-	10,761
Income (loss) before taxes on income	323,433	51,591	(17,822)	357,202
Other comprehensive loss before taxes on income	(268,816)	(4,548)	(1,148)	(274,512)
Total comprehensive income (loss) for the period before taxes on income	54,617	47,043	(18,970)	82,690

*) Retrospective application, see Note 2.W.

Note 3 - Operating Segments (Cont.)

d. Additional information regarding the general insurance segment:

	Year ended December 31, 2020				
	Motor act	Motor casco	Property and other branches *)	Other liability branches *)	Total
	NIS in thousands				
Gross premiums	452,120	778,280	617,765	389,011	2,237,176
Reinsurance premiums	8,308	6,253	324,816	138,149	477,526
Premiums on retention	443,812	772,027	292,949	250,862	1,759,650
Change in unearned premium balance, on retention	15,682	19,963	4,197	(2,126)	37,716
Earned premiums on retention	459,494	791,990	297,146	248,736	1,797,366
Net investment income and finance income	26,791	4,953	1,868	19,193	52,805
Income from commissions	-	14	64,209	17,255	81,478
Other income	242	44	23	173	482
Total income	486,527	797,001	363,246	285,357	1,932,131
Payments and change in liabilities for insurance contracts, gross	508,393	556,064	326,493	339,316	1,730,266
Reinsurers' share in payments and in change in liabilities for insurance contracts	15,327	4,670	175,940	197,670	393,607
Payments and change in liabilities for insurance contracts on retention	493,066	551,394	150,553	141,646	1,336,659
Commissions, marketing expenses and other acquisition expenses	47,951	162,811	161,813	77,147	449,722
General and administrative expenses	15,070	18,983	17,169	14,874	66,096
Other expenses	1,488	2,589	982	841	5,900
Finance expenses (income)	1,300	286	(443)	953	2,096
Total expenses	558,875	736,063	330,074	235,461	1,860,473
Share of losses of equity accounted investees	(325)	(59)	(30)	(232)	(646)
Income (loss) before taxes on income	(72,673)	60,879	33,142	49,664	71,012
Other comprehensive income before taxes on income	24,413	4,470	2,215	17,469	48,567
Total comprehensive income (loss) for the period before taxes on income	(48,260)	65,349	35,357	67,133	119,579
Liabilities in respect of gross insurance contracts at December 31, 2020	2,188,732	456,233	587,898	2,035,457	5,268,320
Liabilities in respect of insurance contracts on retention at December 31, 2020	2,102,015	454,424	240,066	1,459,379	4,255,884

* Property and other branches mainly include the results of comprehensive residential, comprehensive business premises, cargo in transit and engineering insurance branches, whose activities constitute about 97% of the total premiums in these branches.

Other liability branches mainly include the results of employers' liability insurance, third party liability and professional liability branches whose activities constitute about 88% of the total premiums in these branches.

Note 3 - Operating Segments (Cont.)

d. Additional information regarding the general insurance segment (cont.)

	Year ended December 31, 2019				
	Motor act	**Motor casco**	**Property and other branches *)**	**Other liability branches *)**	**Total**
	NIS in thousands				
Gross premiums	484,927	835,639	633,942	376,500	2,331,008
Reinsurance premiums	9,687	6,127	331,953	117,616	465,383
Premiums on retention	475,240	829,512	301,989	258,884	1,865,625
Change in unearned premium balance, on retention	(8,783)	24,238	13	(10,245)	5,223
Earned premiums on retention	466,457	853,750	302,002	248,639	1,870,848
Net investment income and finance income	96,544	20,465	7,835	67,018	191,862
Income from commissions	-	-	66,017	17,781	83,798
Other income	364	77	34	252	727
Total income	563,365	874,292	375,888	333,690	2,147,235
Payments and change in liabilities for insurance contracts, gross	458,866	575,697	283,340	269,182	1,587,085
Reinsurers' share in payments and in change in liabilities for insurance contracts	12,106	2,725	143,172	61,178	219,181
Payments and change in liabilities for insurance contracts on retention	446,760	572,972	140,168	208,004	1,367,904
Commissions, marketing expenses and other acquisition expenses	46,967	160,848	162,798	78,298	448,911
General and administrative expenses	14,444	17,142	15,503	13,743	60,832
Other expenses	1,786	3,116	1,133	972	7,007
Finance expenses (income)	1,276	318	(1,181)	906	1,319
Total expenses	511,233	754,396	318,421	301,923	1,885,973
Share of losses of equity accounted investees	(316)	(67)	(30)	(220)	(633)
Income before taxes on income	51,816	119,829	57,437	31,547	260,629
Other comprehensive income before taxes on income	71,592	15,140	6,775	49,681	143,188
Total comprehensive income for the period before taxes on income	123,408	134,969	64,212	81,228	403,817
Liabilities in respect of gross insurance contracts at December 31, 2019	2,191,422	496,532	589,436	1,911,964	5,189,354
Liabilities in respect of insurance contracts on retention at December 31, 2019	2,093,438	494,794	242,642	1,502,485	4,333,359

* Property and other branches mainly include the results of comprehensive residential, comprehensive business premises, cargo in transit and engineering insurance branches, whose activities constitute about 97% of the total premiums in these branches.

Other liability branches mainly include the results of employers' liability insurance, third party liability and professional liability branches whose activities constitute about 88% of the total premiums in these branches.

Note 3 - Operating Segments (Cont.)

d. Additional information regarding the general insurance segment (cont.)

	Year ended December 31, 2018				
	Motor act	Motor casco	Property and other branches *)	Other liability branches *)	Total
	NIS in thousands				
Gross premiums	506,746	930,429	624,043	340,911	2,402,129
Reinsurance premiums	11,222	5,824	324,785	115,254	457,085
Premiums on retention	495,524	924,605	299,258	225,657	1,945,044
Change in unearned premium balance, on retention	12,514	(10,245)	210	8,940	11,419
Earned premiums on retention	508,038	914,360	299,468	234,597	1,956,463
Net investment income and finance income	63,786	14,012	8,982	44,044	130,824
Income from commissions	-	92	64,047	14,051	78,190
Other income	883	193	85	609	1,770
Total income	572,707	928,657	372,582	293,301	2,167,247
Payments and change in liabilities for insurance contracts, gross	497,514	635,044	246,982	307,624	1,687,164
Reinsurers' share in payments and in change in liabilities for insurance contracts	1,385	2,386	111,323	86,113	201,207
Payments and change in liabilities for insurance contracts on retention	496,129	632,658	135,659	221,511	1,485,957
Commissions, marketing expenses and other acquisition expenses					
General and administrative expenses	59,651	186,934	160,311	72,199	479,095
Other expenses	13,106	16,364	13,219	11,336	54,025
Finance expenses	2,161	4,032	1,303	984	8,480
	774	199	2,920	552	4,445
Total expenses	571,821	840,187	313,412	306,582	2,032,002
Share of profits of equity accounted investees	281	62	27	194	564
Income (loss) before taxes on income	1,167	88,532	59,197	(13,087)	135,809
Other comprehensive loss before taxes on income	(70,722)	(15,503)	(6,802)	(48,813)	(141,840)
Total comprehensive income (loss) for the period before taxes on income	(69,555)	73,029	52,395	(61,900)	(6,031)
Liabilities in respect of gross insurance contracts at December 31, 2018	2,210,305	541,788	560,178	1,852,765	5,165,036
Liabilities in respect of insurance contracts on retention at December 31, 2018	2,080,597	539,869	238,068	1,465,186	4,323,720

* Property and other branches mainly include the results of comprehensive residential, comprehensive business premises, cargo in transit and engineering insurance branches, whose activities constitute about 97% of the total premiums in these branches.
Other liability branches mainly include the results of employers' liability insurance, third party liability and professional liability branches whose activities constitute about 86% of the total premiums in these branches.

Note 3 - Operating Segments (Cont.)

e. Details on segment assets and liabilities:

	December 31, 2020							
	Life assurance and long-term savings	Health	General insurance	Financial services	Other operating segments	Unallocated to operating segments	Adjustments and offsets	Total
	NIS in thousands							
Assets								
Intangible assets	272,535	-	175,842	353,806	93,505	340,148	(1,390)	1,234,446
Deferred acquisition costs	1,269,302	560,411	190,976	-	-	-	(68,234)	1,952,455
Investments in affiliates	14,741	-	3,993	-	1,459	1,508	-	21,701
Investment property for yield dependent contracts	6,779,690	143,815	-	-	-	-	-	6,923,505
Investment property - other	482,939	41,134	141,830	-	-	48,686	-	714,589
Reinsurance assets	144,258	66,245	1,012,436	-	-	-	-	1,222,939
Outstanding premiums	294,815	53,843	381,614	-	-	-	-	730,272
Financial investments for yield dependent contracts	108,607,555	2,236,556	-	-	-	-	-	110,844,111
Other financial investments:								
Quoted debt assets	6,423,717	420,142	2,326,346	3,079	9,992	5,283,058	-	14,466,334
Unquoted debt assets	22,668,362	1,533,985	494,135	52,363	1,478	421,090	(46,228)	25,125,185
Shares	158,280	10,709	55,807	35,672	1	55,011	-	315,480
Other	1,718,595	112,374	482,269	7,530	3,145	714,294	-	3,038,207
Total other financial investments	30,968,954	2,077,210	3,358,557	98,644	14,616	6,473,453	(46,228)	42,945,206
Cash and cash equivalents for yield dependent contracts	8,978,244	190,453	-	-	-	-	-	9,168,697
Cash and cash equivalents – other	1,098,791	80,817	461,621	53,021	39,178	1,940,693	-	3,674,121
Other assets	746,051	444,704	225,609	169,668	182,007	1,717,722	(995,489)	2,490,272
Total Assets	159,657,875	5,895,188	5,952,478	675,139	330,765	10,522,210	(1,111,341)	181,922,314
Total assets for yield dependent contracts	125,357,354	2,585,177	-	-	-	-	-	127,942,531
Liabilities								
Liability due to non-yield dependent insurance and investment contracts	31,298,622	2,453,441	5,268,320	-	-	-	-	39,020,383
Liability due to yield dependent insurance and investment contracts	123,263,939	2,614,883	-	-	-	-	-	125,878,822
Financial liabilities	622,837	163,642	11,260	147,167	122,552	5,263,633	(99,909)	6,231,182
Other liabilities	2,915,296	102,811	672,898	126,342	208,213	847,318	(962,739)	3,910,139
Total liabilities	158,100,694	5,334,777	5,952,478	273,509	330,765	6,110,951	(1,062,648)	175,040,526

Note 3 - Operating Segments (Cont.)

e. Details on segment assets and liabilities (cont.)

	December 31, 2019							
	Life assurance and long-term savings	Health	General insurance	Financial services	Other operating segments	Unallocated to operating segments	Adjustments and offsets	Total
	NIS in thousands							
Assets								
Intangible assets	276,562	-	181,742	353,512	97,094	268,503	(1,390)	1,176,023
Deferred acquisition costs	1,341,502	578,384	200,495	-	-	-	(73,522)	2,046,859
Investments in affiliates	18,768	-	4,955	-	1,275	1,629	-	26,627
Investment property for yield dependent contracts	6,756,113	143,067	-	-	-	-	-	6,899,180
Investment property - other	567,196	43,336	141,843	-	-	44,362	-	796,737
Reinsurance assets	119,459	62,427	855,995	-	-	-	-	1,037,881
Outstanding premiums	270,611	44,641	398,786	-	-	-	-	714,038
Financial investments for yield dependent contracts	96,247,271	1,961,559	-	-	-	-	-	98,208,830
Other financial investments:								
Quoted debt assets	5,004,855	209,693	2,424,305	1,534	7,747	4,209,895	-	11,858,029
Unquoted debt assets	23,429,152	1,023,106	566,700	24,395	2,346	574,483	(115,338)	25,504,844
Shares	266,824	11,132	98,046	35,103	1	134,719	-	545,825
Other	1,506,680	63,268	431,601	3,704	4,468	602,887	-	2,612,608
Total other financial investments	30,207,511	1,307,199	3,520,652	64,736	14,562	5,521,984	(115,338)	40,521,306
Cash and cash equivalents for yield dependent contracts	13,693,944	289,982	-	-	-	-	-	13,983,926
Cash and cash equivalents – other	1,361,328	93,128	501,801	65,423	72,238	1,220,621	-	3,314,539
Other assets	364,113	816,750	128,135	43,168	223,755	(* 1,649,808	(571,203)	2,654,526
Total assets	151,224,378	5,340,473	5,934,404	526,839	408,924	8,706,907	(761,453)	171,380,472
Total assets for yield dependent contracts	117,946,643	2,269,827	-	-	-	-	-	120,216,470
Liabilities								
Liability due to non-yield dependent insurance and investment contracts	(* 30,287,029	2,210,090	5,189,354	-	-	-	-	37,686,473
Liability due to yield dependent insurance and investment contracts	116,911,095	2,475,827	-	-	-	-	-	119,386,922
Financial liabilities	164,541	7,920	11,402	18,259	225,834	4,948,199	(194,173)	5,181,982
Other liabilities	1,323,666	68,252	733,648	116,272	183,090	(* 867,991	(513,031)	2,779,888
Total liabilities	148,686,331	4,762,089	5,934,404	134,531	408,924	5,816,190	(707,204)	165,035,265

**) Retrospective application, see Note 2.W.

Note 4 - Intangible Assets

a. Composition

	Goodwill	Initial differences attributed to value of insurance portfolios	Future management fees	Brand name	Computer software	Customer portfolio	Other	Total
	NIS in thousands							
Cost								
Balance at January 1, 2019	1,068,928	740,327	214,593	7,559	1,526,685	81,115	24,658	3,663,865
Acquisitions and internal development (1)	-	-	-	-	150,216	-	161	150,377
Disposals during the year	-	-	-	-	(16,446)	-	-	(16,446)
Balance at December 31, 2019	1,068,928	740,327	214,593	7,559	1,660,455	81,115	24,819	3,797,796
Acquisitions and internal development (1)	-	-	-	-	181,747	-	943	182,690
Disposals during the year	-	-	-	-	(20,005)	-	-	(20,005)
Balance at December 31, 2020	1,068,928	740,327	214,593	7,559	1,822,197	81,115	25,762	3,960,481
Accumulated amortization and impairment losses								
Balance at January 1, 2019	223,981	731,427	188,332	7,559	1,270,856	60,836	18,449	2,501,440
Amortization recognized during the year	-	3,128	4,268	-	118,985	7,007	1,576	134,964
Disposals during the year	-	-	-	-	(14,631)	-	-	(14,631)
Balance at December 31, 2019	223,981	734,555	192,600	7,559	1,375,210	67,843	20,025	2,621,773
Amortization recognized during the year	-	2,812	4,270	-	106,700	5,900	1,182	120,864
Impairment	491	-	-	-	-	-	-	491
Disposals during the year	-	-	-	-	(17,093)	-	-	(17,093)
Balance at December 31, 2020	224,472	737,367	196,870	7,559	1,464,817	73,743	21,207	2,726,035
Net carrying amount								
At December 31, 2020	844,456	2,960	17,723	-	357,380	7,372	4,555	1,234,446
At December 31, 2019	844,947	5,772	21,993	-	285,245	13,272	4,794	1,176,023

(1) In respect of computer software, an amount of about NIS 149 million and NIS 113 million was included in the years 2020 and 2019, respectively, in respect of internal development

Note 4 - Intangible Assets (Cont.)

b. Examination of impairment of intangible assets with an indefinite life.

In order to examine the impairment of goodwill as of December 31, 2020, the goodwill was allocated to the following cash generating units: pension funds, provident funds, general insurance, financial services and others (insurance agencies and activities not allocated to operating segments).

Hereunder is the carrying amount of the goodwill that was allocated to the following cash generating units.

	December 31	
	2020	2019
	NIS in thousands	
Pension funds	190,866	190,866
Provident funds	63,621	63,621
Financial services	349,886	349,886
General insurance	168,470	168,470
Other	71,613	72,104
	844,456	844,947

In order to examine the impairment of the goodwill, the recoverable amount of the cash generating unit, to which the goodwill was allocated, is examined in relation to its carrying amount. If the recoverable amount of the cash generating unit is higher than its carrying amount, the value of the unit and the assets allocated to it will be considered unimpaired.

The recoverable amount of the pension unit is determined on the basis of forecast revenues less expenses expected from the existing pension portfolio based on the embedded value of that portfolio, according to economic discount rates and rates of return. The assumptions used in this assessment include, inter alia, assumptions regarding expected rates of management fees, cancellations, operating expenses, commissions and yield of the investment portfolio, which are made each year by management of the Group based on the business environment and level of competition in the industry, past experience and relevant recent studies. The recoverable amount exceeds the carrying amount of the unit.

As at December 31, 2020 and December 31, 2019, it was found that the recoverable amount of the pension unit exceeds its carrying amount.

The recoverable amount of the provident fund unit is based on its value in use and determined based on the estimated future cash flows deriving from the overall activities of the unit.

As at December 31, 2020 and December 31, 2019, it was found that the recoverable amount of the provident fund unit exceeds its carrying amount. which mainly comprises goodwill, future management fees and deferred acquisition costs. Accordingly, no impairment loss was recognized.

The recoverable amount of the financial services unit, which mainly comprises the mutual funds activity, is based on its value in use and determined based on the estimated future cash flows deriving from the overall activities of the unit.

As at December 31, 2020 and December 31, 2019, it was found that the recoverable amount of the financial services unit exceeds its carrying amount.

The recoverable amount of the general insurance unit is based on its value in use and determined based on the estimated future cash flows of the general insurance branches.

As at December 31, 2020 and December 31, 2019, it was found that the recoverable amount of the general insurance unit exceeds its carrying amount,

The other units relate to the activity of the Group's insurance agencies and activities not allocated to operating segments.

The recoverable amount of each of the other units is based on their value in use and determined based on the estimated future cash flows of each unit.

As at December 31, 2020 impairment losses were recognized in an immaterial amount. As at December 31, 2019 no impairment losses were recognized.

The impairment losses are all included in the item of other expenses.

Fair value measurements are classified as Level 3 in the fair value hierarchy, see the definition of the fair value hierarchy in Note 2.j.7 regarding determination of the fair value.

Note 4 - Intangible Assets (Cont.)

b. Examination of impairment of intangible assets with an indefinite life (cont.)

The key assumptions used for the calculation of the recoverable amount

The calculation of the recoverable amount of the pension unit is based, among others, on the following main assumptions:

Future yield on the assets according to a weighting of designated bonds and a 4% yield on investments (about 4% in 2019).

Post-tax real discount interest rate of about 8% (about 8% in 2019).

The calculation of the recoverable amount of the provident fund unit is based on the following main assumptions:

Post-tax real discount interest rate of about 8.2% (about 8.2% in 2019). This rate was determined using the WACC model, on the basis of parameters characteristic of this type of activity.

Real long term growth rate of about 1% (about 1% in 2019). This rate was determined on the basis of the average long-term growth rate for this type of activity.

The cash flow forecast was built for 5 years.

The calculation of the recoverable amount of the mutual funds activity is based in the following main assumptions:

Post-tax real discount interest rate of about 8.4% (about 8.4% in 2019). This rate was determined using the WACC model, on the basis of parameters characteristic for this type of activity.

Real long term growth rate of about 2% (about 2% in 2019). This rate was determined based on the average long-term growth rate for this type of activity.

Average management fees in long term mutual funds about 0.45% (about 0.48% in 2019).

The cash flow forecast was built for 5 years.

The calculation of the recoverable amount of the general insurance unit is based in the following main assumptions:

Nominal post-tax real interest discount of about 10% (about 8.8% in 2019). The cash flow forecast was built for five years, overall damage ratio in the various general insurance lines of 85%-120% (in the year 2019, 88%-103%); premium growth rate in the motor act, motor casco and other liability lines of about 2% and premium growth rate in the property and other lines of about 2.4% (in the year 2019, 2% in motor act and motor casco and 3% in the other lines), long-term nominal growth rate of net income from insurance of about 1.5% (in 2019 about 1.5%).

The calculation of the recoverable amount of the insurance agencies and operations unallocated to operating segments is based on the following main assumptions:

Average post-tax discount interest rate of about 11.8% (about 11.7% in 2019) and long-term growth rate mainly of about 0%-1.5% (about 0%-1.5% in 2019).

Those rates were determined based on parameters characteristic for this type of activity.

Note 5 - Deferred Acquisition Costs

a. Composition

	December 31	
	2020	2019
	NIS in thousands	
Life assurance and long-term savings		
Life assurance	1,005,495	1,081,209
Pension and provident funds	211,549	204,114
	1,217,044	1,285,323
Health insurance	544,435	561,041
General insurance	190,976	200,495
	1,952,455	2,046,859

b. The movement in deferred acquisition costs in life assurance and long-term savings and in health insurance:

	Life assurance and long-term savings			Health	Total
	Life assurance	Pension and provident funds	Total		
	NIS in thousands				
Balance at January 1, 2019	1,108,071	201,485	1,309,556	522,680	1,832,236
Additions					
Acquisition commissions	132,455	32,048	164,503	130,184	294,687
Other acquisition expenses	96,677	19,382	116,059	64,539	180,598
Total additions	229,132	51,430	280,562	194,723	475,285
Current amortization	125,391	48,801	174,192	100,939	275,131
Amortization due to cancellations	130,603	-	130,603	55,423	186,026
Balance at December 31, 2019	1,081,209	204,114	1,285,323	561,041	1,846,364
Additions					
Acquisition commissions	131,465	44,681	176,146	101,488	277,634
Other acquisition expenses	90,394	16,579	106,973	57,557	164,530
Total additions	221,859	61,260	283,119	159,045	442,164
Current amortization	122,020	53,825	175,845	103,636	279,481
Amortization due to cancellations	175,553	-	175,553	72,015	247,568
Balance at December 31, 2020	1,005,495	211,549	1,217,044	544,435	1,761,479

As from 2018, the amortization rate in the pension and provident funds segment is on a straight-line basis. The length of the amortization period is based on an estimate of the cancellation rate.

Note 6 - Fixed Assets

a. Composition and movement

2020	Land and office buildings	Computers and software	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
	NIS in thousands					
Cost						
Cost at January 1, 2020	1,125,048	233,551	51,635	212,391	20,126	1,642,751
Additions during the year (*)	1,639	23,518	13,142	4,909	192	43,400
Revaluation of assets transferred to investment property	758	-	-	-	-	758
Transfer to investment property	(2,763)	-	-	-	-	(2,763)
Revaluation recognized in other comprehensive income (see c below)	1,471	-	-	-	-	1,471
Disposals during the year	(3,321)	(53,154)	(8,652)	(9,436)	(259)	(74,822)
Cost at December 31, 2020	1,122,832	203,915	56,125	207,864	20,059	1,610,795
Accumulated depreciation						
Accumulated depreciation at January 1, 2020	64,225	205,139	17,206	161,502	15,197	463,269
Additions during the year (*)	75,190	13,588	19,976	7,601	791	117,146
Transfer to investment property	(336)	-	-	-	-	(336)
Revaluation recognized in other comprehensive income	(78,368)	-	-	-	-	(78,368)
Disposals during the year	(818)	(52,853)	(7,778)	(8,605)	(259)	(70,313)
Accumulated depreciation at December 31, 2020	59,893	165,874	29,404	160,498	15,729	431,398
Carrying amount at December 31, 2020	1,062,939	38,041	26,721	47,366	4,330	1,179,397
(*) Including right-of-use asset						
Additions to cost during the year	674		13,142			
Current year depreciation	11,463		19,896			
Balance at December 31, 2020	73,068		26,439			

Note 6 - Fixed Assets (Cont.)

a. Composition and movement (cont.)

2019	Land and office buildings	Computers and software	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
	NIS in thousands					
Cost						
Cost at January 1, 2019	794,422	231,972	712	210,525	19,336	1,256,967
Effect of initial application of IFRS 16	97,145	-	29,781	-	-	126,926
Additions during the year (*)	3,476	10,543	25,811	3,376	846	44,052
Revaluation recognized in other comprehensive income (see c below)	231,160	-	-	-	-	231,160
Disposals during the year	(1,155)	(8,964)	(4,669)	(1,510)	(56)	(16,354)
Cost at December 31, 2019	1,125,048	233,551	51,635	212,391	20,126	1,642,751
Accumulated depreciation						
Accumulate depreciation at January 1, 2019	271,362	197,688	272	154,682	14,421	638,425
Additions during the year (*)	49,109	16,321	20,815	8,128	832	95,205
Revaluation recognized in other comprehensive income	(255,130)	-	-	-	-	(255,130)
Disposals during the year	(1,116)	(8,870)	(3,881)	(1,308)	(56)	(15,231)
Accumulated depreciation at December 31, 2019	64,225	205,139	17,206	161,502	15,197	463,269
Carrying amount at December 31, 2019	1,060,823	28,412	34,429	50,889	4,929	1,179,482
(*) Including right-of-use asset						
Additions to cost during the year	1,141		25,119			
Current year depreciation	13,912		20,735			
Balance at December 31, 2019	117,159		34,056			

Note 6 - Fixed Assets (Cont.)

b. Details of rights to real estate used by the Group as fixed assets

	December 31	
	2020	2019
	NIS in thousands	
Freehold	961,695	943,664
Leased *)	101,244	117,159
	1,062,939	1,060,823

*) Assets under capitalized lease amount to NIS 19,346 thousand (2019 - NIS 19,858 thousand) with a remaining lease period of up to 16 years.

Assets under capitalized lease in the amount of NIS 8,830 thousand (2019 - NIS 10,940 thousand) with a remaining lease period of over 45 years.

Right-of-use real estate assets in which the Company is the lessor in the amount of NIS 73,068 thousand (2019 – NIS 86,361 thousand).

c. The Company engages qualified external independent appraisers to determine the fair value of the land and buildings it owns. The fair value was assessed in December 2020.

As a result of applying the revaluation model, a revaluation reserve was created that as at December 31, 2020 has a balance of NIS 566,129 thousand before tax (December 31, 2019 - NIS 486,290 thousand before tax). The change in the revaluation reserve during the year amounted to NIS 79,839 thousand before tax.

For additional details see Note 2.k.1.

If the land and buildings had been measured using the cost model, their values in the financial statements would have been as follows:

	December 31	
	2020	2019
	NIS in thousands	
Cost	723,188	722,290
Accumulated depreciation and accumulated impairment losses	373,616	255,130
Carrying amount	349,572	467,160

The fair value of the land and buildings was measured based on a comparison to transactions in similar assets that were recently carried out on the real estate market with respect to real estate having similar characteristics including location, physical condition, designation and so forth, if any such transactions exist. Sometimes the fair value is measured using a discounted income method: the valuation model is based on the present value of the estimated operating cash flows from rentals that derive from the property.

d. Additional information

The Group has fully depreciated assets which are still operating. The original cost of these assets as of December 31, 2020 is about NIS 315 million (December 31, 2019 - about NIS 300 million).

In the year 2020, the Group derecognized fully depreciated fixed assets that are not utilized by the Group with an original cost of about NIS 63 million (December 31, 2019 - about NIS 11 million).

Note 6 - Fixed Assets (Cont.)

e. Disclosures for lease transaction in which the Company is a lessee

The Company has lease agreements that include leases of buildings, land and vehicles that are used in the Company's current operations. The lease agreements of the buildings are for periods between 2 and 20 years, whereas the lease agreements of the vehicles are for 3 years.

Some of the Company's lease agreements include extension and/or termination options.

In addition, the Company has lands and buildings under capitalized leases for periods longer than 50 years that the Company uses in its current operations.

Information regarding lease transactions

	Year ended December 31	
	2020	2019
	NIS in thousands	
Interest expenses on lease liabilities	2,675	4,501
Total negative cash flows for leases	31,537	41,389

Extension and termination options

The Company has lease agreements that include both extension options and termination options. These options give the Company flexibility in managing the lease transactions and matching them to the business needs of the Company.

The Company exercises significant discretion when examining whether it is reasonably certain that extension and termination options will be exercised.

For information regarding lease liabilities see Note 24.

Note 7 - Investments in Investees

a. Details of subsidiaries

A list of the Group's principal subsidiaries

	Principal location of the company's activity	The Group's ownership interests in the subsidiary for the year ended December 31	
		2020	2019
		%	
Migdal Insurance Company Ltd.	Israel	100	100
Migdal Makefet Pension and Provident Funds Ltd. (1)	Israel	100	100
Yozma Pension Fund for the Self Employed Ltd. (1)	Israel	100	100
Migdal Holdings and Insurance Agency Management Ltd.	Israel	100	100
Mivtach Simon Insurance Agencies Ltd.	Israel	100	100
Sagi Yogevv Insurance Agencies (1988) Ltd.	Israel	100	100
Shacham Insurance Agencies (1977) Ltd. (2)	Israel	100	100
Peltours Insurance Agencies Ltd.	Israel	73.28	73.28
Ihkud Insurance Agencies Network Ltd.	Israel	100	100
Orlan Insurance Agency (1994) Ltd.(2)	Israel	100	100
Migdal Health and Quality of Life Ltd.	Israel	100	100
B-Well Quality of Life Solutions Ltd.	Israel	100	100
Migdal Capital Markets (1965) Ltd.	Israel	100	100

(1) See Note 39 for information on the planned merger between Migdal Makefet Pension and Provident Funds Ltd. and Yozma Pension Fund for the Self Employed Ltd.

(2) See Note 39 for information of the planned merger between Shacham Insurance Agencies (1977) Ltd. and Orlan Insurance Agency (1994) Ltd.

b. Details of affiliates

1. Composition of the investment in affiliates:

	December 31	
	2020	2019
	NIS in thousands	
Cost of shares	24,311	24,303
The Group's share in profits and capital reserves accrued from the date of acquisition, less dividends	(2,610)	2,324
	21,701	26,627

2. Group's share of operating results of affiliates

The data are presented according to the percentage of holding in the affiliates:

	Year ended on December 31		
	2020	2019	2018
	NIS in thousands		
Group's share of net income (loss)	(1,488)	14,706	24,052
Group's share of other comprehensive income (loss)	(1,159)	(1,595)	1,493

Note 7 - Investments in Investees (Cont.)

c. Capital management and requirement in the Group companies

1. The Company's policy is to maintain a strong capital base in order to preserve the Company's ability to continue its operations in order to generate returns for its shareholders and in order to support future business activities.

2. The Group companies, which are institutional entities are subject to capital requirements laid down by the Commissioner of the Capital Market, Insurance and Savings (hereinafter – “the Commissioner”).

3. Regulatory capital framework applicable to Migdal Insurance

Migdal Insurance is subject to an economic solvency regime based on Solvency II pursuant to application guidelines that were issued in June 2017 (hereinafter –"the Solvency circular”) and were updated in October 2020 (hereinafter – "the Solvency circular").

Risk-based solvency ratio

The risk-based solvency ratio is calculated as the ratio between the economic shareholders' equity of an insurance company and the solvency capital requirement.

The economic shareholders' equity is the total of capital according to the economic balance sheet (see hereunder) and debt instruments that include mechanisms for absorbing losses (tier 2 equity instrument, hybrid tier 2 capital and hybrid tier 3 capital).

Economic balance sheet items are calculated according to economic value, with the insurance liabilities being calculated based on a best assessment regarding all the future flows expected from existing business, without conservatism margins, plus a risk margin.

The solvency capital requirement (SCR) is aimed at assessing the exposure of the economic shareholders' equity to a series of scenarios included in the Solvency circular that reflect insurance risks, market and credit risks and operating risks.

The Solvency circular includes, inter alia, transitional provisions for meeting the capital requirements as follows:

a) Selecting one of the following alternatives:

1) Gradual spreading of the required equity until 2024 (hereinafter: “the application period”), such that the required equity will increase gradually, at the rate of 5% every year, beginning from 60% of the SCR up to the complete SCR. The required equity at December 31 2019 -75% of the SCR (December 31 2018 - 70%); It should be noted that this was the only alternative until the solvency ratio report for December 31, 2019.

2) Increasing the economic equity by means of a deduction from the insurance reserves that will be gradually reduced, up to 2032 (hereinafter: “deduction in the application period”). This alternative is possible only as of the report for December 31, 2019.

Migdal Insurance have chosen the second alternative, after receiving the approval of the Commissioner, as required.

On October 16, 2020 the Commissioner sent Migdal Insurance a letter relating to approval of the deduction in the application period in which he stated that in view of the concern that the proper management of Migdal Insurance has been impaired which may affect the ability to build the required equity during the application period, the amount of the deduction in the application period will not exceed 80% of the basic amount of the deduction that was approved by the Commissioner. The letter states that this limitation shall apply at least until the corporate governance audit of the Capital Market Authority at Migdal Insurance is completed, and the instructions issued following the audit are fulfilled and the deficiencies found in it are corrected, and in any event until the limitation is removed by the Commissioner.

b) Reduced equity demand, which will grow gradually until 2023, in respect of specific types of investments.

Note 7 - Investments in Investees (Cont.)

c. Capital management and requirement in the Group companies (cont.)

4. Disclosure and reporting instructions in respect of economic solvency ratio report for 2019 and thereafter

According to the consolidated circular, an economic solvency ratio report in respect of the data for December 31, and June 30 of each year will be included in the framework of the periodic report following the date of the calculation. However, in letters the Commissioner sent to the managers of the insurance companies, the last of which is dated September 22, 2020 (hereinafter – "the letter"), it was stated that notwithstanding that said in the consolidated circular, the date for issuing the economic solvency ratio report and for submitting to the Commissioner the solvency reporting files for December 31, 2019 will be October 29, 2020. The letter also exempts the companies from calculating and issuing a solvency ratio report with respect to June 2020.

On March 14 2021, the Commissioner sent a letter which, among other things, postponed to June 30, 2021 the date for reporting and issuing the economic solvency ratio for December 31 2020, and permits not issuing to the public an economic solvency ratio report for June 30, 2021.

5. Solvency ratio and capital policy of Migdal Insurance

a) According to the solvency ratio report for December 31, 2019 that was issued on October 29, 2020, Migdal Insurance has a considerable amount of surplus equity when taking into account the transitional provisions for the application period.

The equity of Migdal Insurance in 2019 was significantly affected by developments exogenous to the activity of Migdal Insurance which included mainly changes in the interest curve, the market yields and an update to mortality tables. In addition, the equity was affected by the current business activity of Migdal Insurance, an update in demographic assumptions and regular model adjustments. The results for 2019 include an increase in the economic equity in respect of the deduction in the application period from the insurance reserves (after applying the 80% factor as mentioned above), less an increase in deferred taxes.

The calculation that was performed by Migdal Insurance as aforesaid, was examined by the auditors of Migdal Insurance in accordance with International Standard on Assurance Engagements (ISAE) 3400 – The Examination of Prospective Financial Information. This standard is relevant to an audit of solvency calculations and is not part of the auditing standards applicable to financial statements. It is emphasized that the forecasts and assumptions that were a basis for preparing an economic solvency ratio report are mainly based on past experience, as derived from actuarial studies conducted from time to time. In view of the reforms in the capital, insurance and savings markets and the changes in the economic environment, past data do not necessarily reflect future results. The calculation is sometimes based on assumptions regarding future events, management's actions and the pattern of future development in the risk margin, that will not necessarily be realized or may be realized in a manner that differs from the assumptions that were the basis for the calculation. In addition, actual results may be materially different from the calculation, since the combined scenarios of the events may be realized in a manner that is materially different from the assumptions in the calculation.

The auditor's examination in the special report did not include adequacy of the amount of the deduction in the application period as at December 31, 2019, other than an examination that the amount of the deduction does not exceed the expected discounted amount of the risk margin and the solvency capital requirement in respect of life and health insurance risks from existing businesses in the application period, according to the pattern of future development in the required equity that affects both the calculation of the expected release of equity and the expected release of the risk margin, as described in the directives regarding calculation of the risk margin. Attention is also drawn to that stated in the solvency ratio report regarding the uncertainty deriving from regulatory changes and exposure to contingencies that its effect on the solvency ratio cannot be assessed.

The solvency ratio report as at December 31, 2019 was prepared based on the conditions and best assessment as were known to the Company at that time. Therefore, the report was not updated in respect of the effects of the coronavirus, insofar as any exist, see also Note 1.

Note 7 - Investments in Investees (Cont.)

c. Capital management and requirement in the Group companies (cont.)

5) Solvency ratio and capital policy of Migdal Insurance (cont.)

According to the directives of the Commissioner, the effect of applying the LAT circular, as mentioned in Note 2.w, will be included for the fist time, for the purpose of calculating the solvency ratio, in the report as at December 31, 2020. This application is not expected to have an adverse effect on the solvency ratio of Migdal Insurance after taking into account the transitional provisions, since its effect is largely included in the amount of the deduction in the application period (subject to the approval of the Commissioner).

In 2020 the volume of migrations and cancellations in life assurance, long-term saving and health insurance increased, and intensified on the backdrop of the coronavirus crisis and included redemptions and lower deposits. This trend continues to have a material adverse effect on the economic equity of Migdal Insurance and therefore in itself is expected to have an adverse effect on the solvency ratio for December 2020.

It is noted that in 2020 additional changes occurred in both market variables and other demographic variables. As at the reporting date Migdal Insurance does not have information regarding the overall effect of all these changes on its solvency ratio for December 2020.

b) Capital management policy of Migdal Insurance

In November 2018 the board of directors of Migdal Insurance, on the basis of the previous solvency model and the transitional provisions included in it, set a solvency ratio target that is based on Solvency II (hereinafter – "the capital target"). The capital target will increase gradually by about 3% each year, beginning from 100% as at December 31, 2017, until 120% as at December 31, 2024 (the end of the application period).

On May 30, 2019 the board of directors of Migdal Insurance decided to complete the capital management policy regarding dividend distributions in the application period and minimal threshold distribution rules were set. Accordingly, it was decided that profit distributions would be examined on the basis of compliance with "threshold levels". The threshold levels for examining a distribution will at every stage be compliance, on the basis of the most recent solvency report, after the distribution, with the capital target that was set for the end of the year in which the distribution is made. It is clarified that these threshold rules do not constitute adoption of a dividend policy by which profits that exceed the threshold levels will necessarily be distributed, all or part.

As aforesaid, the capital policy and threshold distribution rules were set on the basis of the previous solvency regime. Migdal Insurance is examining its capital management policy in accordance with the updated circular and the second alternative it had elected to apply as aforesaid.

c) Dividend

Further to a letter the Commissioner published in October 2017 (hereinafter – "the letter"), an insurance company will be permitted to distribute a dividend only if after the distribution the company has a solvency ratio according to the Solvency circular of at least 100%, calculated without the transitional provisions and subject to a solvency ratio target as decided by the Company's Board of Directors.

The aforesaid ratio will be calculated without the alleviation that was granted in respect of an original difference allocated to acquisition of the operations of the provident funds and management companies. In addition, the letter includes instructions for reporting to the Commissioner.

According to the solvency ratio report as at December 31, 2019, the solvency ratio of Migdal Insurance for the purpose of dividend distribution, i.e. without considering the transitional provisions, is lower than 100%.

For further details see paragraph 3.2 and paragraph 5.1 of the board of directors' report and the economic solvency ratio reports of Migdal insurance as at December 31, 2018 and December 31, 2019 that were published on the website of Migdal Insurance.

Note 7 - Investments in Investees (Cont.)

c. Capital management and requirement in the Group companies (cont.)

6. Capital requirements from management companies

The capital requirements from Group management companies include capital requirements according to the scope of assets under management and annual expenses, but not less than primary capital of NIS 10 million. As at the date of this report, these companies comply with the capital regulations.

Consolidated companies that manage mutual funds and investment portfolios are required to have minimum capital according to directives of the Securities Authority. As at the date of this report, the consolidated companies comply with these directives.

Note 8 - Investment Property

a. Composition and movement:

	Investment property for yield dependent contracts					
	Leased for retail use		Leased for office and other use		Total	
	2020	2019	2020	2019	2020	2019
	NIS in thousands					
Balance at January 1	1,684,139	1,601,214	5,215,041	4,629,311	6,899,180	6,230,525
Additions during the year						
Purchases	6,090	4,637	47,432	329,276	53,522	333,913
Capitalized costs and expenses	-	52	25,275	28,079	25,275	28,131
Total additions	6,090	4,689	72,707	357,355	78,797	362,044
Derecognitions during the year						
Disposals	-	-	(27,000)	-	(27,000)	-
Total derecognitions	-	-	(27,000)	-	(27,000)	-
Changes in fair value (unrealized)	(40,506)	78,236	7,924	228,375	(32,582)	306,611
Changes in fair value (realized)	-	-	5,110	-	5,110	-
Balance at December 31	1,649,723	1,684,139	5,273,782	5,215,041	6,923,505	6,899,180

	Investment property – other					
	Leased for retail use		Leased for office and other use		Total	
	2020	2019	2020	2019	2020	2019
	NIS in thousands					
Balance at January 1	193,046	185,886	603,691	462,997	796,737	648,883
Additions during the year						
Purchases	590	1,200	13,636	121,189	14,226	122,389
Capitalized costs and expenses	-	23	3,142	8,560	3,142	8,583
Transfer from fixed assets	-	-	2,427	-	2,427	-
Total additions	590	1,223	19,205	129,749	19,795	130,972
Derecognitions during the year						
Disposals	-	-	(105,000)	-	(105,000)	-
Transfer to fixed assets	-	-	-	(699)	-	(699)
Total derecognitions	-	-	(105,000)	(699)	(105,000)	(699)
Changes in fair value (unrealized)	(6,599)	5,937	15,006	11,644	8,407	17,581
Changes in fair value (realized)	-	-	(5,350)	-	(5,350)	-
Balance at the day of December 31	187,037	193,046	527,552	603,691	714,589	796,737

b. Investment property is measured at fair value and classified as Level 3 in the fair value hierarchy.

Note 8 - Investment Property (Cont.)

c. Data regarding fair value measurement of investment property

Type of asset	Valuation techniques to determine fair value	Significant non-observable data	Interactions between unobservable significant data and the fair value measurement
Assets for rent for commercial / office use	The fair value is estimated using the discounted income technique: The valuation model is based on the estimated present value of the operating rental income resulting therefrom. Real estate valuation is based on the net annual cash flows discounted using a pre-tax discount rate that reflects the specific risks inherent in them. When actual lease agreements are signed, which have payments which are unreasonable when compared to market rates; adjustments are made to reflect the actual rental payments during the contract period or alternatively determining the discount rate which reflects specific risk.. The valuations take into account the type of tenants actually leasing the premises or responsible for meeting lease commitments or likely to be in occupation after letting vacant premises (a lower discount rate for tenants such as a government body, institutional body, tenants having a particularly strong financial back), and a general assessment regarding their creditworthiness and the remaining economic life of the asset, in those places where these parameters are relevant. Sometimes the fair value is determined based on a comparison to recent transactions in similar properties in the real estate market in relation to real estate with similar characteristics including location, physical condition, designation, and so forth, if there are any such transactions, and sometimes by performing a combination of comparing transactions of similar properties and the discounted income valuation technique.	• The market value of the lease payments. • Discount rate of cash flows (5.2% to 10 %, weighted average of 6.9% in 2020, and 5.8% to 10%, weighted average of 6.9% in 2019)	Estimated fair value will increase if: • The market value of the lease payments increases. • The discount rate of the cash flows decreases.

Note 8 - Investment Property (Cont.)

d. Sensitivity analysis

The discount rate represents a major estimate in determining fair value since any changes therein materially affect the fair value of investment property. Nevertheless, it should be noted that a change in the fair value of investment property for part of the insurance contracts (yield dependent contracts) does not entirely affect the Group's profit or loss since in respect of such assets most of the change in value is allocated to the rights of members

The following sensitivity analysis presents the effect of a change in the discount rate (the analysis below does not include the effect of a change in the discount rate on assets whose value is measured using the approach of comparison to similar assets. The value of these assets is insignificant compared to the total value of the investment property.

	Increase (decrease) in fair value at December 31		Increase (decrease) in profit and loss before tax	
	2020	2019	2020	2019
	NIS in thousands			
0.5% increase	(437,210)	(413,136)	(88,098)	(88,144)
0.5% decrease	513,487	477,404	103,071	102,927

e. Evaluation processes adapted by the company

The fair value of investment property is determined based on valuations performed by independent external appraisers who hold recognized and relevant professional qualifications and who have up-to-date experience regarding the location and type of the property being valued. The valuations are examined by the responsible officers in the Company.

f. Transactions for the acquisition of investment property

Regarding transactions for the acquisition of investment property, see Note 38.2.c.

g. Operating lease agreements

For details of operating lease agreements arrangements in which the Group serves as lessor that are classified as investment property, see Note 38.2.g).

h. Rental income and operating expenses recognized in the statement of profit and loss

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Rental income from investment property	443,377	489,765	459,280
Direct operating expenses *)	(50,428)	(65,692)	(49,191)
	392,949	424,073	410,089

*) Direct operating expenses arising from investment property that did not produce rental income during the period are immaterial

i. Details of real estate rights used by the Group as investment property.

	December 31	
	2020	2019
	NIS in thousands	
Freehold	3,771,813	3,869,293
Capitalized leases	3,866,281	3,826,624
	7,638,094	7,695,917

Some of the freehold rights and leasehold rights have not yet been registered in the name of the Group companies with the Land Registry Office and the Israel Lands Authority, as relevant, mainly due to technical registration arrangements.

Note 8 - Investment Property (Cont.)

i. Details of real estate rights used by the Group as investment property (cont.)

The remaining lease periods in years:

	December 31	
	2020	2019
	NIS in thousands	
Up to 15 years	150,399	287,660
15 – 50 years	1,162,304	1,021,223
More than 50 years	2,553,578	2,517,741
Total	3,866,281	3,826,624

Note 9 - Debtors and Receivables

a. Composition

	December 31	
	2020	2019
	NIS in thousands	
Government authorities and institutions	1,176	76,773
Income receivable	64,531	102,447
Prepaid expenses	44,815	33,070
Employees	36,790	33,636
Advances to suppliers	7,918	4,126
Receivables for securities	584,492	757,254
Advances on account of commissions to insurance agents	7,057	8,837
Insurance companies and insurance brokers	80,339	58,758
Other	306,342	153,468
Less - allowance for doubtful accounts	(515)	(569)
Total debtors and receivables	1,132,945	1,227,800

For a breakdown of assets and liabilities according to linkage bases see Note 36.c.

b. Allowance for doubtful accounts:

	2020	2019
	NIS in thousands	
Balance at January 1	(569)	(851)
Change in provision during the period	54	282
Balance at December 31	(515)	(569)

Note 10 - Outstanding Premiums

a. Composition

	December 31	
	2020	2019
	NIS Thousands	
Outstanding premiums *)	743,953	724,884
Less - allowance for doubtful accounts	(13,681)	(10,846)
Total outstanding premiums	730,272	714,038
*) Including checks receivable and standing orders	169,612	186,019

Regarding the outstanding premiums' linkage terms, see Note 36.c.

b. Aging

	December 31	
	2020	2019
	NIS in thousands	
Unimpaired outstanding premiums:		
Without arrears	437,019	417,274
In arrears **)		
Less than 90 days	90,501	83,024
Between 90-180 days	51,723	58,402
Over 180 days	148,156	153,028
Total unimpaired outstanding premiums	727,399	711,728
Impaired outstanding premiums	2,873	2,310
Total outstanding premiums	730,272	714,038

*) Includes an amount of NIS 294,815 thousand (as at December 31 2019 – NIS 270,611 thousand) of debts in arrears in the life assurance segment. These debts are mainly backed by the policy's redemption value.

c. Movement in allowance for doubtful accounts in respect of outstanding premiums:

	2020	2019
	NIS in thousands	
Balance at January 1	(10,846)	(13,656)
Change in allowance in the period	(2,835)	2,810
Balance at December 31	(13,681)	(10,846)

Note 11 - Assets for Yield Dependent Contracts

a. Details of assets presented at fair value through profit and loss:

	December 31	
	2020	2019
	NIS in thousands	
Investment property	6,923,505	6,899,180
Financial investments:		
Quoted debt assets	35,048,470	37,664,983
Unquoted debt assets *)	15,401,601	14,570,459
Shares	26,171,439	19,175,654
Other financial investments	34,222,601	26,797,734
Total financial investments	110,844,111	98,208,830
Cash and cash equivalents	9,168,697	13,983,926
Other	1,006,218	1,124,534
Total assets for yield dependent contracts	127,942,531	120,216,470
*) Including debt assets measured at amortized cost	318,191	323,589
Fair value of debt assets measured at amortized cost	350,417	388,238

Regarding exposure in respect of yield dependent policy assets see Note 36.b.1.

Regarding details of linkage of debt assets see Note 36.d.1.

Regarding price quotes and interest rates used to determine the fair value of the unquoted debt assets see Note 12.f.

Note 11 - Assets for Yield Dependent Contracts (Cont.)

b. Fair value levels of financial assets distributed into levels:

The table below analyses assets held against insurance contracts and investment contracts that are presented at fair value through profit or loss.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Financial investments:				
Quoted debt assets	28,769,222	6,279,248	-	35,048,470
Unquoted debt assets	-	8,941,607	6,141,803	15,083,410
Shares	23,752,644	-	2,418,795	26,171,439
Other financial investments	22,278,700	3,081,348	8,862,553	34,222,601
Total financial investments	74,800,566	18,302,203	17,423,151	110,525,920
Unquoted debt assets for which disclosure of fair value is provided (11.a above)	-	350,417	-	350,417

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Financial investments:				
Quoted debt assets	33,044,745	4,620,238	-	37,664,983
Unquoted debt assets	-	8,821,714	5,425,156	14,246,870
Shares	16,811,653	-	2,364,001	19,175,654
Other financial investments *)	18,019,690	2,052,446	6,725,598	26,797,734
Total financial investments	67,876,088	15,494,398	14,514,755	97,885,241
Unquoted debt assets for which disclosure of fair value is provided (11.a above)	-	388,238	-	388,238

*) Reclassified, for additional details see Note 2.d.

c. Level 3 financial assets carried at fair value:

	Fair value measurement on the reporting date				
	Financial assets at fair value through profit or loss				
	Quoted debt assets	**Unquoted debt assets**	**Shares**	**Other financial investments**	**Total**
	NIS in thousands				
Balance at January 1, 2020	-	5,425,156	2,364,001	6,725,598	14,514,755
Total gains (losses) recognized in profit and loss *)	-	(202,413)	(207,778)	86,736	(323,455)
Investments	-	1,630,441	327,292	2,672,601	4,630,334
Realizations	-	-	(64,720)	(449,052)	(513,772)
Surrenders	-	(711,381)	-	-	(711,381)
Transfers from Level 3	-	-	-	(173,330)	(173,330)
Balance at December 31, 2020	-	6,141,803	2,418,795	8,862,553	17,423,151
*) Total gains in the period included in profit and loss for assets held at December 31, 2020	-	(211,400)	(216,794)	(60,499)	(488,693)

The transition between levels derives from the use of observable and unobservable market inputs.

Note 11 - Assets for Yield Dependent Contracts (Cont.)

c. Level 3 financial assets carried at fair value (cont.)

	Fair value measurement on the reporting date				
	Financial assets at fair value through profit or loss				
	Quoted debt assets	**Unquoted debt assets**	**Shares**	**Other financial investments**	**Total**
	NIS in thousands				
Balance at January 1, 2019	-	3,731,197	1,854,124	4,528,940	10,114,261
Total gains (losses) recognized in profit and loss *)	-	(87,025)	(133,169)	(476,217)	(696,411)
Investments	-	2,352,865	702,853	2,785,780	5,841,498
Realizations	-	-	(59,807)	(112,905)	(172,712)
Surrenders	-	(571,881)	-	-	(571,881)
Balance at December 31, 2019	-	5,425,156	2,364,001	6,725,598	14,514,755
*) Total losses in the period included in profit and loss for assets held at December 31, 2019	-	(61,936)	(129,555)	(470,154)	(661,645)

The transition between levels derives from the use of observable and unobservable market inputs.

Note 12 - Details of Other Financial Investments

	December 31, 2020			
	Presented in fair value through profit or loss	**Available for sale**	**Loans and receivables**	**Total**
	NIS in thousands			
Quoted debt assets (a)	1,022,497	13,443,837	-	14,466,334
Unquoted debt assets (b)	20,746	-	25,104,439	25,125,185
Shares (d)	35,672	279,808	-	315,480
Other (e)	163,442	2,874,765	-	3,038,207
Total	1,242,357	16,598,410	25,104,439	42,945,206

	December 31, 2019			
	Presented in fair value through profit or loss	**Available for sale**	**Loans and receivables**	**Total**
	NIS in thousands			
Quoted debt assets (a)	790,861	11,067,168	-	11,858,029
Unquoted debt assets (b)	186	-	25,504,658	25,504,844
Shares (d)	35,103	510,722	-	545,825
Other (e)	145,143	2,467,465	-	2,612,608
Total	971,293	14,045,355	25,504,658	40,521,306

a. Quoted debt assets

Composition

	December 31	
	2020	2019
	NIS in thousands	
Government bonds:		
Presented at fair value through profit and loss - held for trade	3,079	1,534
Available for sale	9,333,557	7,834,126
Total government bonds	9,336,636	7,835,660
Other debt assets:		
Unconvertible:		
Presented at fair value through profit and loss and designated at initial recognition	1,019,418	789,327
Available for sale	4,110,280	3,233,042
Total other unconvertible debt assets	5,129,698	4,022,369
Total quoted debt assets	14,466,334	11,858,029
Impairment allocated to profit and loss (accumulated)	-	18,812

Note 12 - Details of Other Financial Investments (Cont.)

b. Unquoted debt assets

Composition

	December 31			
	Carrried Value		Fair Value	
	2020	2019	2020	2019
	NIS in thousands			
Government bonds - designated bonds *)	22,463,254	22,614,668	30,906,560	30,415,558
Other unconvertible debt assets:				
Presented at fair value through profit and loss	183	186	183	186
Presented as loans and receivables, excluding bank deposits	2,189,708	2,412,884	2,396,233	2,636,490
Bank deposits	472,040	477,106	606,142	664,595
Total other unconvertible debt assets	2,661,931	2,890,176	3,002,558	3,301,271
Total unquoted debt assets	25,125,185	25,504,844	33,909,118	33,716,829
Impairment allocated to profit and loss	51,874	48,082		

*) The fair value of designated bonds is calculated according to the contractual maturity date.

c. Details of interest and linkage of debt assets (effective interest):

	December 31	
	2020	2019
	%	
Quoted debt assets:		
Linkage basis:		
Linked to the CPI	0.2	0.0
In NIS	1.7	1.4
Linked to foreign currency	2.7	3.4
Unquoted debt assets:		
Linkage basis:		
Linked to the CPI	5.0	5.0
In NIS	2.5	3.1
Linked to foreign currency	4.0	4.6

d. Shares

	December 31	
	2020	2019
	NIS in thousands	
Quoted:		
Available for sale	226,363	441,835
Total quoted shares	226,363	441,835
Unquoted:		
Presented at fair value through profit and loss	35,672	35,103
Available for sale	53,445	68,887
Total unquoted shares	89,117	103,990
Total shares	315,480	545,825
Impairment allocated to profit and loss (accumulated)	81,403	105,180

Note 12 - Details of Other Financial Investments (Cont.)

e. Other financial investments

Other financial investments mainly include investments in exchange traded funds, mutual fund participation certificates, investment funds, hedge funds, financial derivatives, futures contracts, options and structured products.

	December 31	
	2020	2019
	NIS in thousands	
Quoted		
Presented at fair value through profit and loss, held for trade	7,503	3,580
Available for sale *)	1,086,693	1,020,974
Derivative instruments (e.1)	229	9,610
Total quoted financial investments	1,094,425	1,034,164
Unquoted		
Presented at fair value through profit and loss, held for commerce	37,003	76,483
Available for sale *)	1,788,072	1,446,491
Derivative instruments (e.1)	118,707	55,470
Total unquoted financial investments	1,943,782	1,578,444
Total other financial investments	3,038,207	2,612,608
Impairment allocated to profit and loss (accumulated)	687,310	433,990

*) Reclassified, see additional details in Note 2.d

e.1 Derivative instruments

Hereunder is the amount of net exposure of the base asset, reported in delta terms of financial transactions performed as at the date of the financial statements. Exposure to interest derivative instruments is shown by value:

	December 31	
	2020	2019
	NIS in thousands	
Shares	(149,172)	(707,413)
Index	1,570,808	-
Foreign currency	(5,090,213)	(3,959,113)
Interest	(2,500)	-
Bonds	-	1,032,738

f. The interest rates used for determining fair value:

The fair value of the unquoted debt assets that are measured at fair value through profit or loss and the unquoted financial debt assets for which information regarding their fair value is given for disclosure purposes only is determined by discounting their estimated anticipated cash flows. The discount rates are based on yields of government bonds and the spreads of corporate bonds, as measured on the TASE. The price quotations and interest rates used for discounting are determined by the company which won the tender published by the Ministry of Finance for the construction and operation of price quotations and discount rates pool for institutional entities.

Hereunder are the weighted average interest rates for unquoted debt assets, included in each rating group in other financial investments (*):

	December 31	
	2020	2019
	%	
AA and above	(0.6)	(0.6)
AAA	1.3	1.5
BBB	5.7	3.9
Lower than BBB	3.1	-
Not rated	2.3	4.2

Note 12 - Details of Other Financial Investments (Cont.)

f. The interest rates used for determining fair value (cont.)

(*) The sources for the level of rating in Israel are the rating companies of Ma'alot and Midroog and internal rating. The data from Midroog were transferred to the rating categories according to the generally accepted conversion coefficients. Each rating includes all the ranges: for example, rate A includes A- up to A+.

Regarding internal rating, see Note 36.b(4)b)(1).

g. Fair value levels of financial assets:

Presented hereunder is an analysis of financial assets presented at fair value

The balance in the financial statements of cash and cash equivalents, outstanding premiums and debtors and receivables are the same or proximate to their fair value.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Quoted debt assets	12,103,399	2,362,935	-	14,466,334
Unquoted debt assets	-	-	183	183
Shares	226,363	-	89,117	315,480
Other	1,094,425	162,456	1,781,326	3,038,207
Total	13,424,187	2,525,391	1,870,626	17,820,204
Unquoted debt assets for which disclosure of fair value is provided (12.b above)	-	33,008,637	900,298	33,908,935

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Quoted debt assets	11,327,107	530,922	-	11,858,029
Unquoted debt assets	-	-	186	186
Shares	441,835	-	103,990	545,825
Other *)	1,034,164	75,962	1,502,482	2,612,608
Total	12,803,106	606,884	1,606,658	15,016,648
Unquoted debt assets for which disclosure of fair value is provided (12.b above)	-	32,855,367	861,276	33,716,643

*) Reclassified, see Note 2.d for further details.

Note 12 - Details of Other Financial Investments (Cont.)

h. Fair value levels of financial assets (cont.)

Financial assets measured at fair value at level 3.

	Fair value measurement on the reporting date				
	Financial assets at fair value through profit or loss and available-for-sale financial assets				
	Quoted debt assets	Unquoted debt assets	Shares	Other financial investments	Total
	NIS in thousands				
Balance at January 1, 2020	-	186	103,990	1,502,482	1,606,658
Total gains (losses) recognized:					
In profit and loss *)	-	47	(3,406)	(190,853)	(194,212)
In other comprehensive income	-	-	(397)	24,271	23,874
Investments	-	-	(2,639)	567,799	565,160
Realizations	-	(50)	(8,431)	(88,433)	(96,914)
Transfers from level 3	-	-	-	(33,940)	(33,940)
Balance at December 31, 2020	-	183	89,117	1,781,326	1,870,626
*) Including					
Total gains (losses) in the period included in profit and loss for assets held at December 31, 2020	-	47	332	(225,895)	(225,516)

	Fair value measurement on the reporting date				
	Financial assets at fair value through profit or loss and available-for-sale financial assets				
	Quoted debt assets	Unquoted debt assets	Shares	Other financial investments	Total
	NIS in thousands				
Balance at January 1, 2019	-	152	110,347	1,070,376	1,180,875
Total gains (losses) recognized:					
In profit and loss *)	-	52	(1,667)	(53,997)	(55,612)
In other comprehensive income	-	-	(5,055)	(65,583)	(70,638)
Investments	-	-	365	602,086	602,451
Realizations	-	(18)	-	(50,400)	(50,418)
Balance at December 31, 2019	-	186	103,990	1,502,482	1,606,658
*) Including					
Total gains (losses) in the period included in profit and loss for assets held at December 31, 2019	-	43	(1,667)	(35,511)	(37,135)

Note 12 - Details of Other Financial Investments (Cont.)

h. Aging of investments in unquoted debt assets:

	December 31	
	2020	2019
	NIS in thousands	
Government bonds - designated bonds	22,463,254	22,614,668
Unimpaired debt assets:		
Without arrears	2,650,252	2,878,477
In arrears *)		
Less than 90 days	1,958	2,613
Between 90 – 180 days	941	1,581
Over 180 days	7,274	6,044
Total unimpaired debt assets	2,660,425	2,888,715
Impaired assets		
Specifically impaired assets, gross	53,380	49,543
Impairment allocated to profit and loss (accumulated)	(51,874)	(48,082)
Total debt assets specifically impaired	1,506	1,461
Total unquoted debt assets	25,125,185	25,504,844

*) Mainly loans for which policies are pledged against which there are full surrender values and/or mortgages.

It should be noted that the amounts presented above do not represent the actual amount in arrears but rather the outstanding debt in arrears.

i. Disclosures required according to IFRS9

The table below presents the fair value of financial assets as at December 31, 2020 and 2019 according to two categories:

- Assets that meet the criterion of solely payment of principal and interest (not including assets held for trading or managed on a fair value basis (hereinafter: "category A"))
- All other financial assets (hereinafter: "category B").

	December 31, 2020	
	Category A	Category B
	NIS in thousands	
Financial investments for yield dependent contracts	350,417	110,525,920
Other financial investments – shares	-	315,480
Other financial investments – other	-	3,038,207
Other financial investments – quoted debt assets	13,446,916	1,019,418
Other financial investments – unquoted debt assets *)	33,909,118	-
Cash and cash equivalents for yield dependent contracts	-	9,168,697
Cash and cash equivalents - other	3,674,121	-

	December 31, 2019	
	Category A	Category B
	NIS in thousands	
Financial investments for yield dependent contracts	388,238	97,885,241
Other financial investments – shares	-	545,825
Other financial investments – other	-	2,612,608
Other financial investments – quoted debt assets	11,068,702	789,327
Other financial investments – unquoted debt assets *)	33,716,829	-
Cash and cash equivalents for yield dependent contracts	-	13,983,926
Cash and cash equivalents - other	3,314,539	-

*) Including designated bonds.

Note 13 - Cash and Cash Equivalents for Yield Dependent Contracts

	December 31	
	2020	2019
	NIS in thousands	
Cash and deposits for immediate withdrawal	9,168,697	13,983,926
Cash and cash equivalents	9,168,697	13,983,926

The cash in the banking corporations as of the reporting date bear current interest based on the interest rate in respect of daily bank deposits at the average rate of about 0.05% (2019 - about 0.33%).

Regarding the linkage terms of the cash and short-term deposits, see Note 36.d.1.

Note 13.a - Cash and Cash Equivalents - Other

	December 31	
	2020	2019
	NIS in thousands	
Cash and deposits for immediate withdrawal	3,674,121	3,314,539
Cash and cash equivalents	3,674,121	3,314,539

The cash in the banking corporations as of the reporting date bear current interest based on the interest rate in respect of daily bank deposits at the average rate of about 0.06% (2019 - about 0.28%).

Regarding the linkage terms of the cash and short-term deposits, see Note 36.c.

Note 14 - Equity

a. Composition of share capital

	December 31, 2020		December 31, 2019		December 31, 2018	
	Authorized	Issued and paid up *)	Authorized	Issued and paid up *)	Authorized	Issued and paid up *)
	NIS in thousands					
Ordinary shares of NIS 0.01 par value each	15,000	10,539	15,000	10,539	15,000	10,539

*) In nominal values.

b. 1. Movement in share capital:

There was no change in the Company's authorized share capital during the year.

2. The issued and paid up share capital:

The number of issued and paid up shares in each of the years is 1,053,908,234 having a par value of NIS 10,539 thousand.

c. The shares are traded on the TASE and confer voting rights in the general assembly, rights to receive dividends, rights upon liquidation of the Company and the right to appoint the Company's directors.

d. Distributed dividends:

The following dividends were distributed by the Company:

	Year ended on December 31, 2020		
	2020	2019	2018
	NIS in thousands		
Total dividend	-	350,000 **)	66,000 *)

*) 0.06 NIS per share

**) 0.33 NIS per share

Note 15 - Liabilities in respect of Non-Yield Dependent Insurance and Investment Contracts

	December 31					
	2020	2019	2020	2019	2020	2019
	Gross		Reinsurance		On retention	
	NIS in thousands					
Life assurance and long-term savings:						
Insurance contracts	31,068,308	30,040,386 *)	140,298	115,710	30,928,010	29,924,676
Investment contracts	259,774	280,007	-	-	259,774	280,007
	31,328,082	30,320,393	140,298	115,710	31,187,784	30,204,683
Less - amounts deposited in the Group under defined benefit plan for the Group's employees	29,460	33,364	-	-	29,460	33,364
Total life assurance and long term savings	31,298,622	30,287,029	140,298	115,710	31,158,324	30,171,319
Insurance contracts included in the health insurance segment	2,453,441	2,210,090	59,861	55,609	2,393,580	2,154,481
Insurance contracts included in the general insurance segment	5,268,320	5,189,354	1,012,436	855,995	4,255,884	4,333,359
Total liabilities in respect of non-yield dependent insurance and investment contracts	39,020,383	37,686,473	1,212,595	1,027,314	37,807,788	36,659,159

*) Retrospective application, see Note 2.w.

Note 16 - Liabilities in respect of Yield Dependent insurance and Investment Contracts

	December 31					
	2020	2019	2020	2019	2020	2019
	Gross		Reinsurance		On retention	
	NIS in thousands					
Life assurance and long-term savings:						
Insurance contracts	121,064,326	(* 114,762,370	3,960	3,749	121,060,366	114,758,621
Investment contracts	2,342,806	(* 2,290,985	-	-	2,342,806	2,290,985
	123,407,132	117,053,355	3,960	3,749	123,403,172	117,049,606
Less - amounts deposited in the Group under defined benefit plan for the Group's employees	143,193	142,260	-	-	143,193	142,260
Total life assurance and long-term savings	123,263,939	116,911,095	3,960	3,749	123,259,979	116,907,346
Insurance contracts included in the health insurance segment	2,614,883	2,475,827	6,384	6,818	2,608,499	2,469,009
Total liabilities in respect of yield dependent insurance and investment contracts	125,878,822	119,386,922	10,344	10,567	125,868,478	119,376,355

*) Reclassified, for additional details see Note 2.d.

In yield-dependent insurance contracts, the insurance benefits to which the beneficiary is entitled depend on the yield generated by certain investments made by Migdal Insurance less management fees. Among other things, these contracts include insurance plans that entitle/obligate the insured to a bonus/malus depending on the results of the investments in the profit-sharing policies portfolio of Migdal Insurance. In insurance contracts that are not yield-dependent, the insurance benefits to which the policyholder is entitled do not depend on the gain or loss from the investments made by Migdal Insurance.

The distinction between yield-dependent contracts and contracts that are non-yield dependent is made at individual cover level, so that some policies have several coverages, some of which are yield dependent and others are not.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment

a1. Liabilities in respect of insurance contracts included in the general insurance segment according to type:

	December 31					
	2020	2019	2020	2019	2020	2019
	Gross		Reinsurance		In retention	
	NIS in thousands					
Motor act and liability branches						
Provision for unearned premium	381,279	384,562	77,381	67,108	303,898	317,454
Outstanding claims and provision for premium deficiency	3,842,910	3,718,824	585,414	440,355	3,257,496	3,278,469
Total motor act and liability branches (see b.1 below)	4,224,189	4,103,386	662,795	507,463	3,561,394	3,595,923
Of which: liabilities in respect of the motor act branch (see c.3 and c.4 below)	2,188,732	2,191,422	86,717	97,984	2,102,015	2,093,438
Property and other branches:						
Provision for unearned premium	553,340	579,161	161,913	163,574	391,427	415,587
Provision for premium deficiency	4,307	-	-	-	4,307	-
Outstanding claims	486,484	506,807	187,728	184,958	298,756	321,849
Total property and other branches (see b.2 below)	1,044,131	1,085,968	349,641	348,532	694,490	737,436
Total liabilities in respect of insurance contracts included in the general insurance segment	5,268,320	5,189,354	1,012,436	855,995	4,255,884	4,333,359
Deferred acquisition expenses:						
Motor act and liability branches	60,076	61,693	13,362	12,666	46,714	49,027
Property and other branches	130,900	138,802	33,340	35,076	97,560	103,726
Total deferred acquisition costs	190,976	200,495	46,702	47,742	144,274	152,753
Liabilities in respect of general insurance contracts less deferred acquisition costs:						
Motor act	2,169,250	2,169,511	86,717	97,984	2,082,533	2,071,527
Other liabilities branches	1,994,863	1,872,182	562,716	396,813	1,432,147	1,475,369
Property and other branches	913,231	947,166	316,301	313,456	596,930	633,710
Total liabilities in respect of general insurance contracts less deferred acquisition costs	5,077,344	4,988,859	965,734	808,253	4,111,610	4,180,606

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

a2. Insurance liabilities in respect of insurance contracts included in the general insurance segment according to their calculation method:

	December 31					
	2020	2019	2020	2019	2020	2019
	Gross		Reinsurance		On retention	
	NIS in thousands					
Actuarial valuations:						
Total actuarial valuations by the appointed general insurance actuary Ms. Ronnie Ginor	4,064,876	3,942,230	537,146	371,767	3,527,730	3,570,463
Provisions on the basis of other valuations:						
Claims department valuation in respect of known outstanding claims	262,871	277,063	232,061	249,478	30,810	27,585
Addition to outstanding claims due to claims incurred but not yet reported (IBNR)	5,954	6,338	3,935	4,068	2,019	2,270
Provision for unearned premium	934,619	963,723	239,294	230,682	695,325	733,041
Total insurance liabilities in respect of insurance contracts included in the general insurance segment.	5,268,320	5,189,354	1,012,436	855,995	4,255,884	4,333,359

b. Movement in liabilities in respect of insurance contracts included in the general insurance segment, net of deferred acquisition costs:

1. Motor act and liability branches:

	December 31					
	2020	2019	2020	2019	2020	2019
	Gross		Reinsurance		On retention	
	NIS in thousands					
Balance at the beginning of the year (1)	4,041,693	4,005,872	494,797	505,071	3,546,896	3,500,801
Estimate of the cumulative cost of claims in respect of the current underwriting year (2)	816,286	841,876	94,238	76,595	722,048	765,281
Change in balances at the beginning of the year as a result of linkage to the index	(21,927)	11,095	(2,744)	1,404	(19,183)	9,691
Change in the estimate of the cumulative cost of claims in respect of previous underwriting years (3)	51,684	(108,401)	131,080	(3,176)	(79,396)	(105,225)
Total change in cumulative cost of claims	846,043	744,570	222,574	74,823	623,469	669,747
Payments for settlement of claims during the year (4)						
In respect of current underwriting year	7,660	9,477	157	274	7,503	9,203
In respect of previous underwriting years	715,963	699,272	67,781	84,823	648,182	614,449
Total payments for the period	723,623	708,749	67,938	85,097	655,685	623,652
Balance at the end of the year	4,164,113	4,041,693	649,433	494,797	3,514,680	3,546,896

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

b. Movement in liabilities in respect of insurance contracts included in the general insurance segment, net of deferred acquisition costs: (cont.)

1. Motor act and liability branches (cont.)

Comments

(1) The opening and closing balances include: outstanding claims, provision for premium deficiency and unearned premium, net of deferred acquisition costs.

(2) The ultimate claims cost is: outstanding claims balance, provision for premium deficiency, unearned premium net of deferred acquisition costs with the addition of the total claims payments including direct or indirect expenses for claims settlement.

The ultimate claims cost is updated based on the model in light of actual claims development.

(3) The increase in the estimate of the cumulative gross cost of claims in respect of underwriting years before 2020 stems mainly from the branch of professional liability, for a claim that is mostly covered by reinsurance.

(4) The payments include indirect expenses for settling claims attributable to the underwriting years.

2. Other property branches

	December 31					
	2020	2019	2020	2019	2020	2019
	Gross		Reinsurance		On retention	
	NIS in thousands					
Balance at the beginning of the year (1)	947,166	968,630	313,456	290,844	633,710	677,786
Estimate of the cumulative cost of claims in respect of events during the reporting year (2)	930,017	954,747	176,407	157,828	753,610	796,919
Change in the estimate of the cumulative cost of claims in respect of events prior to the reporting year (3)	(51,767)	(95,710)	4,203	(11,931)	(55,970)	(83,779)
Payment to settle claims during the year (4)						
In respect of events during the reporting year	599,730	606,753	79,927	61,490	519,803	545,263
In respect of events prior to the reporting year	298,843	244,821	97,913	60,694	200,930	184,127
Total payments	898,573	851,574	177,840	122,184	720,733	729,390
Change in provision for unearned premium, net of deferred acquisition costs (6)	(17,919)	(28,927)	75	(1,101)	(17,994)	(27,826)
Change in provision for premium deficiency (5)	4,307	-	-	-	4,307	-
Balance at the end of the year (1)	913,231	947,166	316,301	313,456	596,930	633,710

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

b. Movement in liabilities in respect of insurance contracts included in the general insurance segment, net of deferred acquisition costs: (cont.)

Comments:

(1) The opening and closing balances include: outstanding claims with the addition of provision for premium deficiency and unearned premium, net of deferred acquisition costs.

(2) The cumulative cost of claims in respect of events in the reporting year include the balance of outstanding claims at the end of the reporting year plus the total claims payments during the reporting period, including direct and indirect expenses for settling claims.

(3) The change in the estimate of the cumulative cost of claims is mainly due to the motor casco and comprehensive residential branches in which there was a positive development in claims experience.

(4) The payments for claims settlement include direct and indirect expenses attributed to the years of damage.

The increase in payments is due to an increase in business particularly in the motor casco branch.

(5) The provision for premium deficiency in 2020 is due to the motor casco branch.

(6) The decrease in the provision for unearned premiums is mainly due to the motor casco branch following a decrease in the premium threshold recorded in the reporting year.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c1. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, gross, in the motor act and liability branches

	December 31, 2020										
	Underwriting year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	NIS in thousands adjusted to the CPI of November 2020										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	5,900	5,002	6,711	6,736	7,059	8,218	6,766	9,430	9,435	7,637	
After two years	29,030	29,348	43,074	58,434	63,612	84,712	70,570	87,148	80,753		
After three years	69,201	77,541	145,888	164,126	191,836	236,432	195,552	229,475			
After four years	133,636	142,460	246,447	279,405	300,497	374,139	308,061				
After five years	215,383	194,553	331,385	351,573	389,592	483,200					
After six years	278,538	265,736	388,105	420,796	465,185						
After seven years	342,116	309,630	443,711	480,679							
After eight years	375,749	345,912	489,297								
After nine years	390,515	366,501									
After ten years	406,423										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	468,528	443,225	716,219	743,734	730,501	914,245	774,677	828,833	836,879	816,263	
After two years	483,869	458,881	764,284	745,870	773,615	905,127	773,183	821,674	822,021		
After three years	503,125	476,849	712,302	731,636	769,029	915,214	776,139	852,566			
After four years	462,160	412,116	698,037	768,629	793,319	928,259	836,248				
After five years	468,792	428,082	719,324	767,490	789,558	935,861					
After six years	469,885	452,271	674,477	740,833	758,410						
After seven years	468,302	445,904	653,227	698,571							
After eight years	473,751	429,178	708,109								
After nine years	451,971	427,784									
After ten years	452,081										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	10,079	(15,668)	4,193	47,299	(27,909)	(21,616)	(61,571)	(23,733)	14,858		(74,068)
The rate of deviation in relation to the first year that does not include accumulation, in percentage	2.18%	(3.80%)	0.59%	6.34%	(3.82%)	(2.36%)	(7.95%)	(2.86%)	1.78%		(1.15%)
Accumulated claims cost as at December 31, 2020	452,081	427,784	708,109	698,571	758,410	935,861	836,248	852,566	822,021	816,263	7,307,914
Accumulated payments up to December 31, 2020	406,423	366,501	489,297	480,679	465,185	483,200	308,061	229,475	80,753	7,637	3,317,211
Outstanding claims balance	45,658	61,283	218,812	217,892	293,225	452,661	528,187	623,091	741,268	808,626	3,990,703
Outstanding claims in respect of the years up to and including the underwriting year 2011											121,567
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (3)											51,843
Total liability in respect of insurance contracts in the motor act and liability branches net of deferred acquisition costs at December 31, 2020											4,164,113

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c1. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, gross, in the motor act and liability branches (cont.)

(1) The amounts presented above are in values adjusted for inflation so that it may be possible to examine development on the basis of real values.
(2) Excess (deficiency) in relation to the first year that does not include the accumulation in the claims estimate.
The change in the estimate of the cumulative cost of claims in respect of previous underwriting years is mainly due to, inter alia, a change in the cost of individual claims in its effect on the actuarial model as well as regulatory changes.
(3) Data of a run-off insurance portfolio that was added in 2016 and was excluded from the claims triangle. See Note 37.e.2.

Comments
* The significance level of the actuarial models is higher when the development in claims is examined on the level of all underwriting years, so it is more correct to examine the development in the Company's estimates on the level of all the underwriting years and not for each separate underwriting year.
** The accumulated claims estimate at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
*** The data include the accumulation (excess of income over expenses), insofar as exists.
**** According to an examination the Company performed of the property and others branches, the cost of claims is usually resolved within one year. Therefore, no information is provided regarding the development in claims in these branches.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c2. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, on retention, in the motor act and liability branches

	December 31, 2020										
	Underwriting year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	NIS in thousands adjusted to the CPI of November 2020										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	5,752	4,885	6,457	6,549	6,949	8,100	6,536	9,395	9,162	7,481	
After two years	27,429	27,923	41,873	57,867	62,277	83,576	68,610	84,856	78,474		
After three years	65,932	75,048	144,442	162,881	189,661	234,094	188,199	219,481			
After four years	119,547	139,541	241,830	276,219	297,374	369,403	293,247				
After five years	186,111	189,600	326,012	347,412	377,495	475,820					
After six years	243,301	251,197	381,361	406,211	449,214						
After seven years	296,509	292,993	432,957	461,850							
After eight years	324,122	326,228	476,324								
After nine years	336,037	345,928									
After ten years	350,768										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	392,755	391,084	653,620	677,129	701,548	864,432	697,785	756,137	760,740	722,026	
After two years	391,225	395,988	689,233	715,565	730,085	857,788	678,557	748,210	732,612		
After three years	407,076	411,602	682,571	687,371	731,950	868,466	671,726	758,447			
After four years	396,295	394,800	668,045	719,037	752,609	883,348	714,279				
After five years	407,873	400,585	689,335	709,474	751,932	884,000					
After six years	407,009	425,398	646,249	692,006	722,630						
After seven years	405,729	417,068	623,680	657,001							
After eight years	407,980	403,564	605,317								
After nine years	388,544	400,489									
After ten years	386,164										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	10,131	(5,689)	77,254	58,564	(21,082)	(19,568)	(16,494)	(2,310)	28,128		108,934
The rate of deviation in relation to the first year that does not include accumulation, in percentage	2.56%	(1.44%)	11.32%	8.18%	(3.01%)	(2.26%)	(2.36%)	(0.31%)	3.70%		1.82%
Accumulated claims cost as at December 31, 2020	386,164	400,489	605,317	657,001	722,630	884,000	714,279	758,447	732,612	722,026	6,582,965
Accumulated payments up to December 31, 2020	350,768	345,928	476,324	461,850	449,214	475,820	293,247	219,481	78,474	7,481	3,158,587
Outstanding claims balance	35,396	54,561	128,993	195,151	273,416	408,180	421,032	538,966	654,138	714,545	3,424,378
Outstanding claims in respect of the years up to and including the underwriting year 2011											90,191
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (3)											111
Total liability in respect of insurance contracts in the motor act and liability branches net of deferred acquisition costs at December 31, 2020											3,514,680

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c2. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, on retention, in the motor act and liability branches (cont.)

(1) The amounts presented above are in values adjusted for inflation so that it may be possible to examine development on the basis of real values.
(2) Excess (deficiency) in relation to the first year that does not include the accumulation in the claims estimate.
The change in the estimate of the cumulative cost of claims in respect of previous underwriting years is mainly due to, inter alia, a change in the cost of individual claims in its effect on the actuarial model as well as regulatory changes.
(3) Data of a run-off insurance portfolio that was added in 2016 and was excluded from the claims triangle. See Note 37.e.2.

Comments
* The significance level of the actuarial models is higher when the development in claims is examined on the level of all underwriting years, so it is more correct to examine the development in the Company's estimates on the level of all the underwriting years and not for each separate underwriting year.
** The accumulated claims estimate at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
*** The data include the accumulation (excess of income over expenses), insofar as exists.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c3. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, gross, in the motor act branch.

	December 31, 2020										
	Underwriting year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	NIS in thousands adjusted to the CPI of November 2020										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	3,770	2,941	3,633	3,559	5,155	5,440	4,863	6,987	6,857	4,997	
After two years	13,563	15,626	26,748	42,280	46,200	66,066	52,901	73,547	66,427		
After three years	35,866	44,686	105,194	125,734	149,096	184,958	146,109	188,545			
After four years	60,764	84,440	177,761	205,543	225,978	283,658	217,203				
After five years	101,431	113,039	236,437	252,077	283,970	358,925					
After six years	134,558	154,934	273,191	290,670	329,974						
After seven years	171,922	185,860	306,648	328,688							
After eight years	185,277	207,978	337,588								
After nine years	190,617	216,565									
After ten years	197,386										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	243,906	243,595	485,792	478,648	450,639	568,510	418,089	505,106	488,646	477,469	
After two years	242,528	247,037	502,177	461,702	474,020	565,245	398,125	501,921	471,759		
After three years	248,850	253,592	451,623	435,259	466,614	578,080	388,475	529,819			
After four years	222,354	211,312	439,301	470,334	502,760	588,112	437,418				
After five years	205,828	222,051	463,850	466,455	502,635	596,680					
After six years	215,396	247,037	440,443	470,483	506,902						
After seven years	215,968	247,217	421,065	442,173							
After eight years	217,053	242,737	406,694								
After nine years	208,236	236,704									
After ten years	208,146										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	14,208	(25,392)	44,929	19,529	(56,263)	(28,170)	(19,329)	(24,713)	16,887		(58,314)
The rate of deviation in relation to the first year that does not include accumulation, in percentage	6.39%	(12.02%)	9.95%	4.23%	(12.49%)	(4.96%)	(4.62%)	(4.89%)	3.46%		(1.54%)
Accumulated claims cost as at December 31, 2020	208,146	236,704	406,694	442,173	506,902	596,680	437,418	529,819	471,759	477,469	4,313,764
Accumulated payments up to December 31, 2020	197,386	216,565	337,588	328,688	329,974	358,925	217,203	188,545	66,427	4,997	2,246,298
Outstanding claims balance	10,760	20,139	69,106	113,485	176,928	237,755	220,215	341,274	405,332	472,472	2,067,466
Outstanding claims in respect of the years up to and including the underwriting year 2011											55,018
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (3)											46,766
Total liability in respect of insurance contracts in the motor act branch net of deferred acquisition costs at December 31, 2020											2,169,250

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

C3. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, gross, in the motor act branch (cont.)

(1) The amounts presented above are in values adjusted for inflation so that it may be possible to examine development on the basis of real values.

(2) Excess (deficiency) in relation to the first year that does not include the accumulation in the claims estimate.

The change in the estimate of the cumulative cost of claims in respect of previous underwriting years is mainly due to, inter alia, a change in the cost of individual claims in its effect on the actuarial model as well as regulatory changes.

(3) Data of a claims portfolio that was added in 2016 and was excluded from the claims triangle. See Note 37.e.2.

Comments

* The significance level of the actuarial models is higher when the development in claims is examined on the level of all underwriting years, so it is more correct to examine the development in the Company's estimates on the level of all the underwriting years and not for each separate underwriting year.

** The accumulated claims estimate at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

*** The data include the accumulation (excess of income over expenses), insofar as exists.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c4. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, on retention, in the motor act branch

	December 31 2020										
	Underwriting year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	NIS in thousands adjusted to the CPI of November 2020										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	3,770	2,941	3,633	3,559	5,155	5,440	4,804	6,987	6,857	4,997	
After two years	13,563	15,626	26,748	42,280	46,200	66,066	52,842	73,547	66,427		
After three years	35,866	44,686	105,194	125,734	149,096	184,958	146,050	188,545			
After four years	60,764	84,440	177,760	205,543	225,978	283,658	217,144				
After five years	101,431	113,039	236,436	252,077	281,521	358,925					
After six years	134,559	154,934	273,191	290,670	327,533						
After seven years	171,923	185,860	306,648	328,688							
After eight years	185,278	206,984	337,588								
After nine years	190,517	216,088									
After ten years	196,972										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	238,825	239,252	479,132	470,715	446,169	565,367	415,396	502,406	485,694	473,754	
After two years	236,878	241,165	491,261	459,098	470,876	561,092	395,365	497,768	468,140		
After three years	243,029	247,544	448,123	432,116	463,980	574,030	385,462	523,531			
After four years	220,761	209,609	435,840	467,701	500,059	584,453	434,045				
After five years	204,219	220,660	460,219	463,753	499,072	592,575					
After six years	216,976	245,075	436,911	469,046	502,888						
After seven years	216,564	244,516	418,649	440,287							
After eight years	217,054	240,470	404,132								
After nine years	208,137	234,912									
After ten years	207,713										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	13,048	(25,303)	43,991	18,811	(56,719)	(27,208)	(18,649)	(21,125)	17,554		(55,600)
The rate of deviation in relation to the first year that does not include accumulation, in percentage	5.91%	(12.07%)	9.82%	4.10%	(12.71%)	(4.81%)	(4.49%)	(4.20%)	3.61%		(1.48%)
Accumulated claims cost as at December 31, 2020	207,713	234,912	404,132	440,287	502,888	592,575	434,045	523,531	468,140	473,754	4,281,977
Accumulated payments up to December 31, 2020	196,972	216,088	337,588	328,688	327,533	358,925	217,144	188,545	66,427	4,997	2,242,907
Outstanding claims balance	10,741	18,824	66,544	111,599	175,355	233,650	216,901	334,986	401,713	468,757	2,039,070
Outstanding claims in respect of the years up to and including the underwriting year 2011 (3)											43,380
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (4)											83
Total liability in respect of insurance contracts in the motor act branch net of deferred acquisition costs at December 31, 2020											2,082,533

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

C4. Examination of development in valuation of liabilities in respect of insurance contracts net of deferred acquisition costs, on retention, in the motor act branch (cont.)

(1) The amounts presented above are in values adjusted for inflation so that it may be possible to examine development on the basis of real values.

(2) Excess (deficiency) in relation to the first year that does not include the accumulation in the claims estimate.

The change in the estimate of the cumulative cost of claims in respect of previous underwriting years is mainly due to, inter alia, a change in the cost of individual claims in its effect on the actuarial model as well as regulatory changes.

(3) Includes also data regarding the acquisition of a general insurance portfolio for years before the 2008 underwriting year that were added in 2016. See Note 37.e.2.

(4) Data of a claims portfolio that was added in 2016 and was excluded from the claims triangle. See Note 37.e.2.

Comments

* The significance level of the actuarial models is higher when the development in claims is examined on the level of all underwriting years, so it is more correct to examine the development in the Company's estimates on the level of all the underwriting years and not for each separate underwriting year.

** The accumulated claims estimate at the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

*** The data include the accumulation (excess of income over expenses), insofar as exists.

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c5. Cumulative data regarding underwriting years in the motor act insurance branch

	Underwriting year						
	2020	2019	2018	2017	2016	2015	2014
	NIS in thousands						
For the year ended on December 31, 2020							
Gross premiums	460,798	481,450	515,021	415,486	565,451	508,761	528,203
Cumulative comprehensive income (loss) on retention in respect of the underwriting year *)	(64,087)	(21,806)	(38,260)	(54,822)	(50,507)	(16,493)	79,684
*) Including excess of income over expenses on retention that were recognized in 2015 directly to retained earnings of	-	-	-	-	-	889	12,514
Cumulative effect of investment income on cumulative comprehensive income on retention in respect of the underwriting year	5,841	31,263	45,273	38,818	71,707	67,459	77,044

c6. Cumulative data regarding underwriting years in the other liability insurance branches

	Underwriting year						
	2020	2019	2018	2017	2016	2015	2014
	NIS in thousands						
For the year ended December 31, 2020							
Gross premiums	359,849	375,843	342,195	354,579	341,151	306,949	313,828
Cumulative comprehensive income (loss) on retention in respect of the underwriting year *)	(63,277)	(60,736)	(48,274)	(74,922)	(65,435)	(324)	8,332
*) Including excess of income over expenses on retention that were recognized in 2015 directly to retained earnings at the amount of	-	-	-	-	-	2,210	4,831
Cumulative effect of investment income on cumulative comprehensive income on retention in respect of the underwriting year	2,497	15,480	24,778	30,711	43,081	41,770	45,765

Note 17 - Liabilities in respect of Insurance Contracts included in the General Insurance Segment (Cont.)

c7. Composition of comprehensive income (loss) on retention in the motor act insurance branch:

	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years
	Gross		Retention	
	NIS in thousands			
For the year ended on December 31				
2020	(62,058)	6,779	(64,087)	15,827
2019	(36,004)	156,993	(39,604)	163,012
2018	(45,410)	(14,308)	(50,561)	(18,994)

c8. Composition of comprehensive income (loss) on retention in the other liability insurance branches

	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years
	Gross		Retention	
	NIS in thousands			
For the year ended on December				
2020	(55,397)	35,481	(63,277)	130,410
2019	(64,639)	182,535	(76,845)	158,073
2018	(72,540)	14,401	(88,510)	26,610

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings

a. Details of the liabilities in respect of insurance contracts and investment contracts according to exposure

	December 31, 2020						
	Policies with savings component (including riders) according to policy's date of issue				Policies without savings component		Total
			From 2004		Risk sold as separate policy		
	Up to 1990 [(1)]	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	
	NIS in thousands						
(a) According to insurance exposure:							
Liabilities in respect of insurance contracts:							
Annuity without guarantied coefficients	-	-	-	6,627,810	-	-	6,627,810
Annuity with guaranteed coefficients:							
Up to May 2001	18,186,220	51,966,048		-	-	-	70,152,268
From June 2001	-	11,621,113	43,498		-	-	48,067,250
Annuity in payment	7,530,717	5,930,770	241,493	2,050,281	-	-	15,753,261
Lump sum (without annuity option)	1,508,785	966,362	-	14,179	-	-	2,489,326
Supplementary annuity reserve [(2)]	3,161,570	2,723,281	-	1,867	-	-	5,886,718
Other risk components	119,048	855,221	-	1,421,731	635,413	124,588	3,156,001
Total in respect of insurance contracts	30,506,340	74,062,795	284,991	46,518,507	635,413	124,588	152,132,634
Liabilities in respect of investment contracts	-	808	258,966	2,342,806	-	-	2,602,580
Total	30,506,340	74,063,603	543,957	48,861,313	635,413	124,588	154,735,214
(b) According to financial exposure							
Non yield dependent	29,078,542	303,885	543,957	953,352	427,351	20,995	31,328,082
Yield dependent	1,427,798	73,759,718	-	47,907,961	208,062	103,593	123,407,132
Total	30,506,340	74,063,603	543,957	48,861,313	635,413	124,588	154,735,214

(1) The products issued up to the year 1990 (including their increases) are mainly yield guaranteed and are mainly backed by designated bonds.

(2) The supplementary annuity reserve included in the table above is in respect of a deferred annuity component. Another component is included in the annuity in payment item. See Note 36.b.3.b)(6).

An additional amount of NIS 2,992 million in respect of the existing accumulation will be recognized in profit or loss over the remaining life of the policy until the age of retirement. See Note 36.b.3.b)(6) for more details.

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

a. Details of the liabilities in respect of insurance contracts and investment contracts according to exposure (cont.)

		December 31, 2019						
		Policies with savings component (including riders) according to policy's date of issue				Policies without savings component		
				From 2004		Risk sold as separate policy		
		Up to 1990 (1)	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	Total
		NIS in thousands						
(a)	According to insurance exposure							
	Liabilities in respect of insurance contracts:							
	Annuity without guarantied coefficients	-	-	-	4,454,557	-	-	4,454,557
	Annuity with guaranteed coefficients:							
	Up to May 2001	(* 18,607,515	50,587,439	-	-	-	-	69,194,954
	From June 2001	-	11,361,767	46,782	35,109,553	-	-	46,518,102
	Annuity in payment	6,775,069	5,024,355	272,931	1,637,605	-	-	13,709,960
	Lump sum (without annuity option)	1,524,802	995,718	-	14,355	-	-	2,534,875
	Supplementary annuity reserve (2)	3,308,799	2,124,785	-	1,654	-	-	5,435,238
	Other risk components	141,556	866,890	-	1,221,899	579,597	145,128	2,955,070
	Total in respect of insurance contracts	30,357,741	70,960,954	319,713	42,439,623	579,597	145,128	144,802,756
	Liabilities in respect of investment contracts	-	785	279,222	2,290,985	-	-	2,570,992
	Total	30,357,741	70,961,739	598,935	44,730,608	579,597	145,128	147,373,748
(b)	According to financial exposure							
	Non yield dependent	(* 28,218,572	310,616	598,935	773,326	390,832	28,112	30,320,393
	Yield dependent	2,139,169	70,651,123	-	43,957,282	188,765	117,016	117,053,355
	Total	30,357,741	70,961,739	598,935	44,730,608	579,597	145,128	147,373,748

*) Retrospective application, see Note 2.w.

Reclassification was done in the components of the note, which has no influence on equity, on the profit and the loss and on the comprehensive income.

(1) The products issued up to the year 1990 (including their increases) are mainly guaranteed yield and are mainly backed by designated bonds.

(2) The supplementary annuity reserve included in the table above is in respect of a deferred annuity component. Another component is included in the annuity in payment item. See Note 36.b.3.b)(6).

An additional amount of NIS 2,950 million in respect of the existing accumulation will be recognized in profit or loss over the remaining life of the policy until the age of retirement. See Note 36.b.3.b)(6) for more details.

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

c. Details of results according to types of policies

	For the year ended December 31, 2020						
	Policies with savings component (including riders) according to policy's date of issue				**Policies without savings component**		
			From 2004		**Risk sold as separate policy**		
	Up to 1990	**Up to 2003**	**Non yield dependent**	**Yield dependent**	**Individual**	**Group**	**Total**
	NIS in thousands						
Gross premiums:							
Traditional/endowment	17,531	15,820	-	-	-	-	33,351
Savings component	244,977	2,142,152	-	5,124,228	-	-	7,511,357
Other	35,286	206,518	-	605,649	658,213	31,282	1,536,948
Total	297,794	2,364,490	-	5,729,877	658,213	31,282	9,081,656
Financial margin including management fees	296,340	914,070	945	511,146	-	-	1,722,501
Payments and change in liabilities in respect of gross insurance contracts	1,261,231	6,399,063	(11,864)	7,925,582	353,388	21,179	15,948,579
Payments and change in liabilities in respect of investment contracts	-	23	(5,252)	73,888	-	-	68,659
Income (loss) from life assurance business	205,274	25,150	34,882	(150,984)	111,723	11,959	238,004
Other comprehensive income (loss) from life assurance business	87,814	2,855	(11,518)	8,088	3,833	265	91,337
Total comprehensive income (loss) from life assurance business	293,088	28,005	23,364	(142,896)	115,556	12,224	329,341
Profit from pension and provident funds							35,308
Other comprehensive income from pension and provident funds							4,550
Total comprehensive income from life assurance and long term savings							369,199
Receipts in respect of investment contracts allocated directly to insurance reserves	-	-	18,220	447,296	-	-	465,516
Annualized premium in respect of insurance contracts – new business	-	-	-	244,462	110,623	-	355,085
One time premium in respect of insurance contracts	28	-	-	1,611,668	-	-	1,611,696
Annualized premium in respect of investment contracts – new business	-	-	-	18,821	-	-	18,821
One time premium in respect of investment contracts	-	-	18,220	334,594	-	-	352,814
Transfers to the company in respect of insurance contracts and investment contracts	- ~	-	-	746,542	-	-	746,542
Transfers from the company in respect of insurance contracts and investment contracts	75,158	854,489	-	1,547,360	-	-	2,477,007

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

c. Details of results according to types of policies (cont.)

Comments

1. The products issued up to 1990 (including their increases) were mainly guaranteed yield and are mainly backed up by designated bonds.
2. Increases in existing policies are not included as part of the annualized premium in respect of new business, but as part of the original policy's activity results.
3. The financial margin includes gains (losses) from investments that were recognized in other comprehensive income, does not include additional income of Migdal Insurance collected as a percentage of the premium and calculated before deduction of investment management expenses. The financial margin in policies with a guaranteed yield is based on actual investment income for the reported year, net of the multiplication of the guaranteed rate of annual yield by the average reserve for the year, in various insurance reserves. In respect of yield dependent policies, the financial margin is the total of the fixed and variable management fees calculated on the basis of the yield and the average balance of the insurance reserves.
4. Payments and change in liabilities in respect of investment contracts include only the amount of the gains (losses) from investments in respect of investment contracts.

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

c. Details of results according to types of policies (cont.)

	For the year ended December 31, 2019						
	Policies with savings component (including riders) according to policy's date of issue				Policies without savings component		
			From 2004		Risk sold as separate policy		
	Up to 1990	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	Total
	NIS in thousands						
Gross premiums:							
Traditional/endowment	22,353	18,873	-	-	-	-	41,226
Savings component	264,980	2,215,116	-	5,681,387	-	-	8,161,483
Other	40,484	227,485	-	628,156	635,478	30,586	1,562,189
Total	327,817	2,461,474	-	6,309,543	635,478	30,586	9,764,898
Financial margin including management fees	747,517	1,255,142	77,283	490,096	-	-	2,570,038
Payments and change in liabilities in respect of gross insurance contracts	(* 2,414,757	11,174,416	(* 39,112	(** 10,472,870	245,730	33,830	24,380,715
Payments and change in liabilities in respect of investment contracts	-	93	25,298	(** 219,985	-	-	245,376
Income (loss) from life assurance business	(* (299,034)	(78,466)	(* (18,831)	(47,471)	198,059	5,784	(239,959)
Other comprehensive income from life assurance business	302,592	12,177	40,961	23,112	13,424	1,327	393,593
Total comprehensive income (loss) from life assurance business	3,558	(66,289)	22,130	(24,359)	211,483	7,111	153,634
Profit from pension and provident funds							44,057
Other comprehensive income from pension and provident funds							9,991
Total comprehensive income from life assurance and long term savings							207,682
Receipts in respect of investment contracts allocated directly to insurance reserves	-	-	96,138	552,503	-	-	648,641
Annualized premium in respect of insurance contracts – new business	-	-	-	296,164	108,460	-	404,624
One time premium in respect of insurance contracts	32	-	-	1,910,876	-	-	1,910,908
Annualized premium in respect of investment contracts – new business	-	-	-	27,589	-	-	27,589
One time premium in respect of investment contracts	-	-	96,138	419,142	-	-	515,280
Transfers to the Company in respect of insurance contracts and investment contracts	-	-	-	783,630	-	-	783,630
Transfers from the Company in respect of insurance contracts and investment contracts	39,978	604,964	-	1,039,795	-	-	1,684,737

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

c. Details of results according to types of policies (cont.)

*) Retrospective application, see Note 2.w.

**) Reclassification, for more details see Note 2.d.

Comments

1. The products issued up to 1990 (including their increases) were mainly guaranteed yield and are mainly backed up by designated bonds.
2. Increases in existing policies are not included as part of the annualized premium in respect of new business, but as part of the original policy's activity results.
3. The financial margin includes gains (losses) from investments that were recognized in other comprehensive income, does not include additional income of Migdal Insurance collected as a percentage of the premium and calculated before deduction of investment management expenses. The financial margin in policies with a guaranteed yield is based on actual investment income for the reported year, net of the multiplication of the guaranteed rate of annual yield by the average reserve for the year, in various insurance reserves. In respect of yield dependent policies, the financial margin is the total of the fixed and variable management fees calculated on the basis of the yield and the average balance of the insurance reserves.
4. Payments and change in liabilities in respect of investment contracts include only the amount of the gains (losses) from investments in respect of investment contracts.

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

c. Details of results according to types of policies (cont.)

	For the year ended December 31, 2018						
	Policies with savings component (including riders) according to policy's date of issue				Policies without savings component		
			From 2004		Risk sold as separate policy		
	Up to 1990	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	Total
	NIS in thousands						
Gross premiums:							
Traditional/endowment	26,293	21,839	-	-	-	-	48,132
Savings component	277,804	2,197,686	-	5,472,917	-	-	7,948,407
Other	45,311	239,227	-	595,981	575,191	35,454	1,491,164
Total	349,408	2,458,752	-	6,068,898	575,191	35,454	9,487,703
Financial margin including management fees	(196,919)	360,007	(21,813)	402,091	-	-	543,366
Payments and change in liabilities in respect of gross insurance contracts	(* 1,590,449	2,606,541	(* (1,038)	5,499,852	257,029	24,061	9,976,894
Payments and change in liabilities in respect of investment contracts	-	13	(7,623)	(40,325)	-	-	(47,935)
Income (loss) from life assurance business	(* 166,071	28,376	(* 23,696	(89,408)	182,945	11,753	323,433
Other comprehensive loss from life assurance business	(210,491)	(10,326)	(23,485)	(13,622)	(9,501)	(1,391)	(268,816)
Total comprehensive income (loss) from life assurance business	(44,420)	18,050	211	(103,030)	173,444	10,362	54,617
Profit from pension and provident funds							33,769
Other comprehensive loss from pension and provident funds							(5,696)
Total comprehensive income from life assurance and long term savings							82,690
Receipts in respect of investment contracts allocated directly to insurance reserves	-	-	2,806	591,041	-	-	593,847
Annualized premium in respect of insurance contracts – new business **)	-	-	-	558,905	132,816	-	691,721
One time premium in respect of insurance contracts	37	-	-	1,804,957	-	-	1,804,994
Annualized premium in respect of investment contracts – new business	-	-	-	28,027	-	-	28,027
One time premium in respect of investment contracts	-	-	2,806	453,693	-	-	456,499
Transfers to the Company of insurance and investment contracts	-	-	-	746,231	-	-	746,231
Transfers from the Company of insurance and investment contracts	31,044	479,511	-	585,575	-	-	1,096,130

Note 18 - Additional Information regarding the Life Assurance Segment and Long Term Savings (Cont.)

c. Details of results according to types of policies (cont.)

*) Retrospective application, see Note 2.w.

**) Restated, annualized premium net of discounts.

Comments

1. The products issued up to 1990 (including their increases) were mainly guaranteed yield and are mainly backed up by designated bonds.
2. Increases in existing policies are not included as part of the annualized premium in respect of new business, but as part of the original policy's activity results.
3. The financial margin includes gains (losses) from investments that were recognized in other comprehensive income, does not include additional income of Migdal Insurance collected as a percentage of the premium and calculated before deduction of investment management expenses. The financial margin in policies with a guaranteed yield is based on actual investment income for the reported year, net of the multiplication of the guaranteed rate of annual yield by the average reserve for the year, in various insurance reserves. In respect of yield dependent policies, the financial margin is the total of the fixed and variable management fees calculated on the basis of the yield and the average balance of the insurance reserves.
4. Payments and change in liabilities in respect of investment contracts include only the amount of the gains (losses) from investments in respect of investment contracts.

Note 19 - Details of the insurance Liabilities for Insurance Contracts included in the Health Insurance Segments

a.1 Details of the insurance liabilities in respect of insurance contracts according to financial exposure:

	December 31, 2020				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Yield dependent	2,490,656	-	124,227	-	2,614,883
Other	1,543,154	18,408	888,280	3,599	2,453,441
Total	4,033,810	18,408	1,012,507	3,599	5,068,324

*) The most significant coverage included in other long-term health insurance is medical expenses and in short-term is overseas travel.

	December 31, 2019				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Yield dependent	2,342,310	-	133,517	-	2,475,827
Other	1,363,217	22,086	813,673	11,114	2,210,090
Total	3,705,527	22,086	947,190	11,114	4,685,917

*) The most significant coverage included in other long-term health insurance is medical expenses and in short-term is overseas travel.

a.2 Details of the liabilities in respect of insurance contracts according to insurance exposure:

	December 31, 2020				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Annuity being paid	275,821	11,553	18,286	-	305,660
Other risk components	3,757,989	6,855	994,221	3,599	4,762,664
Total	4,033,810	18,408	1,012,507	3,599	5,068,324

*) The most significant coverage included in other long-term health insurance is medical expenses and in short-term is overseas travel.

	December 31, 2019				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Annuity being paid	232,941	15,386	16,584	-	264,911
Other risk components	3,472,586	6,700	930,606	11,114	4,421,006
Total	3,705,527	22,086	947,190	11,114	4,685,917

*) The most significant coverage included in other long-term health insurance is medical expenses and in short-term is overseas travel.

Note 19 - Details of the insurance Liabilities for Insurance Contracts included in the Health Insurance Segments (Cont.)

b. Details of the results according to policy type

	For the year ended December 31, 2020				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Gross premiums	463,301	5,005	1,180,234	7,555	1,656,095
Payments and change in liabilities in respect of insurance contracts, gross	418,795	9,260	624,144	8,152	1,060,351
Profit (loss) from health insurance business	66,484	(3,275)	114,616	(4,358)	173,467
Other comprehensive income from health insurance business	13,895	161	5,202	21	19,279
Total comprehensive income (loss) from health insurance business	80,379	(3,114)	119,818	(4,337)	192,746
Annualized premium - new**)	9,961	-	129,032	-	138,993

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

Of this, individual premiums in the amount of NIS 999,279 thousand and group premiums in the amount of NIS 188,510 thousand.

**) Including policy riders.

	For the year ended December 31, 2019				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Gross premiums	430,492	5,782	1,137,508	37,070	1,610,852
Payments and change in liabilities in respect of insurance contracts, gross	1,223,664	11,531	619,591	22,742	1,877,528
Profit (loss) from health insurance business	(607,339)	(4,414)	145,738	(886)	(466,901)
Other comprehensive income from health insurance business	18,521	406	10,075	70	29,072
Total comprehensive income (loss) from health insurance business	(588,818)	(4,008)	155,813	(816)	(437,829)
Annualized premium - new**)	57,574	-	146,439	-	204,013

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

Of this, individual premiums in the amount of NIS 983,540 thousand and group premiums in the amount of NIS 191,038 thousand.

**) Including policy riders.

Note 19 - Details of the insurance Liabilities for Insurance Contracts included in the Health Insurance Segments (Cont.)

b. Details of the results according to policy type (cont.)

	For the year ended December 31, 2018				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Gross premiums	392,332	6,384	1,050,502	37,701	1,486,919
Payments and change in liabilities in respect of insurance contracts, gross	335,087	11,318	554,602	20,601	921,608
Profit (loss) from health insurance business	(44,697)	(3,871)	109,112	2,071	62,615
Other comprehensive loss from health insurance business	(15,450)	(854)	(17,617)	(132)	(34,053)
Total comprehensive income (loss) from health insurance business	(60,147)	(4,725)	91,495	1,939	28,562
Annualized premium - new**)	42,030	-	147,830	-	189,860

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

Of this, individual premiums in the amount of NIS 893,304 thousand and group premiums in the amount of NIS 194,899 thousand.

**) Restated, annualized premium net of discounts, including policy riders.

Note 20 - Movement in Liabilities in respect of Life Assurance Contracts, Investment Contracts and Health Insurance

	Life assurance and Long Term Savings			
	Insurance contracts	Investment contracts	Total	Health insurance
	NIS in thousands			
Balance as at January 1, 2019	(* 128,390,135	2,072,046	130,462,181	3,482,402
Interest, linkage differences and investment income (1)	(** 12,376,416	(** 226,173	12,602,589	202,563
Increase in respect of premiums and deposits allocated to liabilities (2)	8,198,027	648,641	8,846,668	284,905
Decline in respect of management fees from accrued savings	(1,705,072)	(18,276)	(1,723,348)	-
Decrease in respect of claims, surrenders and maturities	(4,515,224)	(376,795)	(4,892,019)	(25,903)
Other changes (3)	(* 2,058,474	19,203	2,077,677	741,950
Balance as at December 31, 2019	144,802,756	2,570,992	147,373,748	4,685,917
Interest, linkage differences and investment income (1)	6,048,150	76,403	6,124,553	107,665
Increase in respect of premiums and deposits allocated to liabilities (2)	7,519,091	465,516	7,984,607	263,018
Decline in respect of management fees from accrued savings	(1,386,665)	(20,609)	(1,407,274)	-
Decrease in respect of claims, surrenders and maturities	(5,242,266)	(481,978)	(5,724,244)	(43,782)
Other changes (3)	391,568	(7,744)	383,824	55,506
Balance as at December 31 2020	152,132,634	2,602,580	154,735,214	5,068,324

*) Retrospective application, see Note 2.w.

**) Reclassification, for more details see Note 2.d

Comments

(1) Interest, linkage differences and investment income – this item includes interest, linkage differences and investment income in respect of the balance as at the beginning of the year, with the addition of interest, linkage differences and investment income in respect of premiums for savings only recorded during the reported period.

(2) Increase in respect of premiums allocated to liabilities – this premium does not include the entire premium recorded as income in the Company. The premium includes the premium for savings and part of the premium in products with fixed premium less management fees calculated as a percentage of premiums.

(3) Other changes – In 2020 there was an increase in the provision in respect of the supplementary annuity reserve in life assurance in an amount of approximately NIS 271 million and a decrease in the provision following a liability adequacy test in health insurance in an amount of approximately NIS 34 million. In 2019 an increase was recorded in the aforesaid provisions in life assurance in the amount of approximately NIS 1,514 million and in health insurance in an amount of approximately NIS 667 million (see Note 36.b.3.(b)(5)(a) below). The item includes changes in reserve in respect of outstanding claims, reserve for future claims, IBNR, annuities in payment, etc. (according to assumptions used at the end of the previous year). In addition, the item includes the interest effect, linkage differences and investment income not included in the "interest, linkage differences and investment income" item, such as: interest, linkage differences and investment income for claims payment and non-savings premiums. In addition to the change in the provisions, a decrease was recorded in the item in the reporting year that is due to the investment income included in the reserves as aforesaid being lower than that included last year.

Note 21 - Taxes on Income

a. General

The income of the Company and all other Group companies is subject to corporate tax according to the Income Tax Ordinance (New Version), 1961 ("the Ordinance"). Furthermore, the income of Group companies that are classified as "financial institutions" as defined in the Value Added Tax Law, 1975 is subject to profit and salary tax. It is noted that the activity of companies classified as financial institutions in the insurance, pension and the finance branches constitute the major part of the Group's operations.

b. Tax arrangements that are unique to the insurance industry

Industry agreements were signed between the Association of Life insurance Companies Ltd. and the Tax Authorities that arrange the unique issues of the insurance business, as described below. The most recent industry agreement that was signed between the Tax Authorities and the Association of Life Insurance Companies is for the tax years 2017 up to and including 2019.

The tax items are accounted for in the financial statements on the basis of the aforementioned agreements.

The industry agreements relate, among others, to the following matters:

1. Deferred acquisition costs (DAC) – expenses incurred in the acquisition of life assurance policies up to and including the year 2014 are deductible for tax purposes in equal portions over a period of four years and for the underwriting years 2015 to 2020 over ten years. Such expenses relating to life assurance contracts that have been canceled will be deductible in the year of the cancellation.

   Acquisition expenses of pension and provident funds contracts (as defined in the agreement) for the underwriting years 2015 up to and including 2020 will be deductible for tax purposes equally over ten years, or by the rate of amortization in the financial statements, as chosen by the Company. An early recognition of an expense will not be allowed in respect of pension and provident funds contracts canceled.

   Deferred acquisition costs in sickness and hospitalization insurance are not included in the industry agreement and are amortized over a period of six years, similar to the amortization in the financial statements. Expenses relating to such policies that have been canceled will be deductible in the year of the cancellation.

2. Allocation of expenses to preferred income – expenses will be allocated to tax exempt income received by insurance companies ("preferred income"), which means that part of the preferred income becomes income subject to the full rate of tax, according to the rate of allocation. The rate of allocation provided in the industry agreement depends on the source of the money creating the preferred income.

3. Provision for indirect expenses to settle claims – a portion of the provision for indirect expenses to settle claims in the general insurance and health fields, for each underwriting year beginning from the year 2013 up to the year 2020 will not be allowed. The amount not allowed will be recognized for tax purposes over three years beginning from the year after the disallowment.

4. Taxation of income from assets held as investments in respect of yield-dependent liabilities – in order to prevent possible tax distortions, it was agreed that the taxation of profits from quoted securities and of profits from the revaluation and realization of real estate will be performed such that there is a matching of income to expenses.

5. The tax applicable to the cancellation of the reserve for extraordinary risks in life assurance – the Arrangements in the State Economy Law (Legislative Amendments for Attaining the Budget Goals and the Economic Policy for the Fiscal Year 2007), 2007, dated January 11, 2007, prescribed regulations for the tax applicable due to the cancellation of the reserve for extraordinary risks in life assurance that was included in the financial statements as at December 31, 2006. According to the regulations, a portion of the reserve which is calculated at the rate of 0.17% of the insurance risk amount, on retention, in life assurance and for which a capital requirement was defined, will be exempt from tax. In the industry taxation agreement, it was noted that the basis for the exemption is the capital requirement, as mentioned above, and in the event of a cancellation or decrease in the capital requirement, the parties will discuss the consequent tax implications, if any.

6. Provisions for expenses in respect of application of the recommendations of Winograd Committee – a partial adjustment will be made in the provision for expenses in respect of application of the recommendations of the Winograd Committee in the 2016 tax year. The amount of the adjustment will be recognized for tax purposes in 2019.

7. Provision for LAT, which was recognized in retained earnings as at December 31, 2019 – it was agreed that the portion of the provision recognized in retained earning as at December 31, 2019, as described in Note 2.w above, the source of which is in respect of 2019, will be included as taxable income already in 2019 and the remainder of the amount, which is in respect of the years up to 2018, will be included as taxable income only in 2020.

Note 21 - Taxes on Income (Cont.)

b. Tax arrangements that are unique to the insurance industry (cont.)

In January 2017, the Board of Directors of Migdal Insurance decided to withdraw from the Association of Insurance Companies in Israel (RA) and from the Association of Life Insurance Companies, effective as from the end of 2017. As from such time Migdal Insurance no longer handles the various regulatory issues by means of these bodies. Nonetheless, Migdal Insurance took upon itself to apply the instructions of the industry agreement for the tax years from 2017 up to an including 2019. In the opinion of Migdal Insurance, the withdrawal does not have material effects on the tax items in the Company's financial statements.

The industry agreement for the tax years from 2017 up to and including 2019 did not have a material effect on the taxes in respect of previous years.

c. The tax rates

1. The statutory tax applicable to financial institutions which constitute the Group's main activities is comprised of corporate tax and profit tax.

2. Hereunder are the statutory tax rates applicable to the Group's companies, including financial institutions, beginning from 2018:

Corporate tax rate	Profit tax rate	Overall effective tax rate in financial institutions
	%	
23.00	17.00	34.19

d. Tax assessments

Corporate tax assessments

1. Migdal Insurance has final tax assessments up to and including the year 2015, other than the issue of paying profit tax on dividends from investee companies that were concatenated to the Company in the assessments for the years 2011-2015.

2. In respect of the years 2011 and 2012, the District Court ruled in August 2019 that Migdal Insurance is required to pay profit tax on the dividends it had received from affiliates that are not financial institutions and were passed on by it to the Company. In December 2019 Migdal Insurance filed an appeal on this ruling with the Supreme Court.

   In December 2018 Migdal Insurance was issued best judgement assessments in respect of the years 2013-2015 with respect to the same issue, on which Migdal Insurance submitted a reservation in January 2019. As a result of the reservation being rejected, Migdal Insurance was issued orders in respect of the aforesaid years. In February 2020 Migdal Insurance filed an appeal with the Tel Aviv District Court on the aforesaid orders.

   Migdal Insurance's management believes that no tax provision is required with respect to this issue in addition to that already recorded in the financial statements.

3. The Company and a subsidiary have final tax assessments by agreement or under the statute of limitations up to and including the year 2017. Migdal Makefet Pension and Provident Funds Ltd. has final tax assessments by agreement or under the statute of limitations up to and including the year 2016. Other subsidiaries of the Company have final tax assessments by agreement or under the statute of limitations up to and including the year 2015.

e. Carryforward losses for tax purposes and other temporary differences:

The Group has carryforward business losses for tax purposes in the amount of approximately NIS 139 million as of December 31, 2020 (December 31, 2019 – about 1,254 million) in respect of which deferred tax assets of about NIS 32 million (December 31, 2019 – about NIS 381 million) were recognized in the financial statements.

Furthermore, deferred tax assets relating to carryforward business losses of about NIS 84 million and capital losses for tax purposes of about NIS 115 million (December 31, 2019 – about NIS 86 million and NIS 113 million, respectively) were not recognized because their utilization in the foreseeable future is not probable.

Note 21 - Taxes on Income (Cont.)

f. Taxes on income included in the statements of income:

	For the year ended on December 31 2020		
	2020	2019	2018
	NIS in thousands		
Current taxes	157,455	88,091	280,847
Deferred taxes relating to the creation and reversal of temporary differences *)	12,088	(** (108,246)	(** (109,660)
Taxes in respect of previous years	(1,565)	(997)	(12,625)
Taxes on income (tax benefit)	167,978	(21,152)	158,562

*) See also paragraph g hereunder.

**) Retrospective application, see Note 2.w.

Note 21 - Taxes on Income (Cont.)

g. Deferred taxes

Composition

	Deferred acquisition costs	Available for sale financial assets	Fixed assets and investment property **)	Investments in affiliates	Intangible assets	Losses for tax purposes	Others	Total
	NIS in thousands							
Balance of deferred tax asset (liability) as at January 1, 2019	(163,175)	13,936	(62,643)	8,753	(159,180)	41,376	(* 9,659	(311,274)
Changes recognized in profit and loss	29,963	28,910	(9,064)	(8,727)	(12,573)	339,489	(259,752)	108,246
Changes recognized in other comprehensive income	-	(205,409)	(111,726)	545	-	-	2,497	(314,093)
Balance of deferred tax asset (liability) as at December 31, 2019	(133,212)	(162,563)	(183,433)	571	(171,753)	380,865	(* (247,596)	(517,121)
Changes recognized in profit and loss	29,970	(35,858)	10,584	65	(4,355)	(349,315)	336,821	(12,088)
Changes recognized in other comprehensive income	-	(60,911)	(18,996)	396	-	-	(3,487)	(82,998)
Balance of deferred tax asset (liability) as at December 31, 2020	(103,242)	(259,332)	(191,845)	1,032	(176,108)	31,550	85,738	(612,207)

*) Retrospective application, see Note 2.w

**) Including deferred taxes in respect of software that is presented in the balance sheet in the item of intangible assets.

Note 21 - Taxes on Income (Cont.)

g. Deferred taxes (cont.)

The deferred taxes are reflected in the statement of financial position as follows:

	December 31	
	2020	2019
	NIS in thousands	
Deferred taxes assets	4,814	5,950
Liabilities in respect of deferred taxes	(617,021)	(523,071)
	(612,207)	(* (517,121)

*) Retrospective application, see Note 2.w.

h. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	For the year ended on December 31		
	2020	2019	2018
	NIS in thousands		
Income (loss) before taxes on income	522,841	(* (143,861)	(* 579,888
Overall statutory tax rate applicable to financial institutions (see c above)	34.19%	34.19%	34.19%
Tax computed at the overall statutory tax rate	178,759	(49,186)	198,264
Deduction in respect of companies that are not financial institutions	(9,307)	(25,192)	(15,666)
Increase (decrease) in taxes on income resulting from the following factors:			
Non-deductible expenses	3,008	2,686	2,105
Exempt income, mainly from dividends	(6,767)	(12,636)	(20,466)
Group's share of earnings of affiliates	(1,695)	(5,284)	(7,898)
Increase in losses for tax purposes for which no deferred taxes were allocated and utilization of losses for tax purposes from previous years, for which no deferred taxes were allocated in the past	1,447	30,408	3,472
Taxes on income that was not included in the income statement	-	37,768	-
Taxes in respect of previous years	(1,565)	(997)	(5,028)
Differences in measurement basis and others	4,098	1,281	3,779
Taxes on income (tax benefit)	167,978	(21,152)	158,562
Effective tax rate	32.13%	14.70%	27.34%

*) Retrospective application, see Note 2.w.

Note 22 - Employee Benefit Assets and Liabilities

Employee benefits include short term benefits, post-employment benefits, other long term benefits, termination benefits, as defined in IAS 19, and share based payments.

For additional details on accounting policy for these benefits see Note 2.q.

Regarding benefits for those who hold key management positions see Note 37.h in respect of related and interested parties.

Labor laws and the Severance Pay Law in Israel require the Company to pay severance pay to an employee upon dismissal or retirement or to make current deposits in a defined contribution plan, according to Section 14 as described below. The Company's liabilities in this respect are treated as a post-employment benefit.

The calculation of the Group’s liability for employee benefits after termination of employment is made in accordance with a valid employment contract and is based on the Group’s forecast of the employee's salary at the time of dismissal or retirement.

Post-employment benefits to employees are generally financed by deposit amounts in insurance policies and are classified as defined contribution plans or defined benefit plan as follows:

Defined contribution plans

The provisions of Section 14 to the Severance Pay Law, 1963 ("Section 14") apply to a portion of the severance pay obligations. According to Section 14, the Group's current contributions in insurance companies' policies and/or in pension funds, release it from any additional liability for severance pay to employees in respect of whom amounts were deposited, as mentioned above. These deposits and deposits in respect of provident benefits constitute a defined contribution plan. In 2020, 2019 and 2018 the expenses in respect of the defined contribution plans amounted to NIS 62,609 thousand, NIS 67,954 thousand and NIS 64,220 thousand, respectively, and were included under general and administrative expenses.

Defined benefit plans

The portion of severance pay obligations that is not covered by deposits in defined contribution plans, as mentioned above, are handled by the Group as a defined benefit plan according to which a liability is recorded in respect of employee benefits.

Plan assets

The Group has defined benefit plans for which deposits are made to provident funds, pension funds and appropriate insurance policies.

a. Composition of employee benefit liabilities, net:

	December 31	
	2020	2019
	NIS in thousands	
Liabilities in respect of defined benefit plan which is not financed	16,815	15,152
Liability in respect of financed defined benefit plan	427,379	418,876
Total liability in respect of defined benefit plan – see b.1	444,194	434,028
Less - fair value of the plan's assets – see b.1 and c below	212,759	194,120
Total net liability in respect of defined benefit plans	231,435	239,908
Other short term benefits – provision for vacation	55,911	59,065
Other long term benefits	13,119	12,791
Total liabilities for employee benefits, net	300,465	311,764

Note 22 - Employee Benefit Assets and Liabilities (Cont.)

b. Information regarding defined benefit plans:

1. Changes in the present value of the liability for defined benefit plan and movement in the fair value of the plan assets:

	Expenses (income) allocated to profit or loss *)						Actuarial gain (loss) from re-measurement in other comprehensive income						
	Balance at January 1 2020	Past service cost	Interest expenses, net	Current service cost	Total	Payments from the plan	Yield on plan assets **)	Changes in demographic assumptions	Changes in financial assumptions	Other actuarial loss (gain)	Total	Employer contributions to plan	Balance at December 31, 2020
Defined benefit liabilities	434,028	(1,586)	9,661	46,848	54,923	(37,712)	-	-	(652)	(6,393)	(7,045)	-	444,194
Fair value of plan assets	(194,120)	-	(4,663)	-	(4,663)	15,702	(3,206)	-	-	-	(3,206)	(26,472)	(212,759)
Net liability (asset) from defined benefit	239,908	(1,586)	4,998	46,848	50,260	(22,010)	(3,206)	-	(652)	(6,393)	(10,251)	(26,472)	231,435

*) The expenses are included in wages and related expenses in general and administrative expenses, see Note 32.

**) Other than amounts recognized in interest expenses, net.

Note 22 - Employee Benefit Assets and Liabilities (Cont.)

b. Information regarding defined benefit plans: (cont.)

1. Changes in the present value of the liability for defined benefit plan and movement in the fair value of the plan assets: (cont.)

	Expenses (income) allocated to profit or loss *)						Actuarial gain (loss) from re-measurement in other comprehensive income						
	Balance at January 1, 2019	Past service cost	Interest expenses, net	Current service cost	Total	Payments from the plan	Yield on plan assets **)	Changes in demographic assumptions	Changes in financial assumptions	Other actuarial loss (gain)	Total	Employer contributions to plan	Balance at December 31, 2019
Defined benefit liabilities	426,147	27,825	13,694	46,996	88,515	(100,182)	-	-	22,660	(3,112)	19,548	-	434,028
Fair value of plan assets	(169,662)	-	(5,705)	-	(5,705)	19,873	(11,065)	-	-	-	(11,065)	(27,561)	(194,120)
Net liability (asset) from defined benefit	256,485	27,825	7,989	46,996	82,810	(80,309)	(11,065)	-	22,660	(3,112)	8,483	(27,561)	239,908

*) The expenses are included in wages and related expenses in general and administrative expenses, see Note 32.

**) Other than amounts recognized in interest expenses, net.

Note 22 - Employee Benefit Assets and Liabilities (Cont.)

b. Information regarding defined benefit plans: (cont.)

2. The main actuarial assumptions in determining liabilities in respect of defined benefit plans:

	Year ended December 31		
	2020	2019	2018
		%	
Discount rate on December 31	2.35	2.33	3.64
Anticipated real salary increase	3.63	3.54	3.96

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	December 31, 2020		December 31, 2019	
	+1%	-1%	+1%	-1%
	NIS in thousands			
Future increase in salary costs	32,090	(20,430)	32,485	(22,033)
Discount rate	(25,069)	35,774	(26,227)	34,992

3. Actual yield

	Year ended December 31		
	2020	2019	2018
		%	
Actual yield on plan assets	3.92	9.93	0.54

4. Impact of the plan on future cash flows of the Group:

- The Group estimates the expected deposits in plan assets in 2020 to fund the defined benefit plan to amount to about NIS 27 million.
- The Group estimates the weighted average life of the plan at the end of the reporting period to be 6 years.

c. Composition of plan assets:

	December 31	
	2020	2019
	%	
Central severance pay fund	5.9	6.3
Executive insurance	21.0	21.4
Provident funds and pension funds	73.1	72.3
	100	100

Note 23 - Creditors and Payables

	December 31	
	2020	2019
	NIS in thousands	
Payables from securities	1,362,436	137,760
Employees and other salary-related liabilities	135,573	99,720
Expenses payable	192,469	173,940
Suppliers and service providers	138,560	115,403
Government authorities and institutions	52,145	22,941
Deferred acquisition costs in respect of reinsurance	46,715	47,758
Insurance companies and brokers		
Deposits by reinsurers	92,799	119,152
Other accounts	148,106	193,463
Total insurance companies and insurance brokers	240,905	312,615
Insurance agents	359,449	405,163
Policyholders and members	341,859	400,304
Provision for profit participation of policyholders	2,311	5,242
Prepaid premium	65,950	107,969
Others	48,536	77,829
Total creditors and payables	2,986,908	1,906,644

See details of assets and liabilities distributed according to linkage basis in Note 36.c below.

Note 24 - Financial Liabilities

This Note provides information regarding the contractual conditions of financial liabilities. Additional information regarding the Group's exposure to interest risks, foreign currency and liquidity risks is provided in Note 36.b below.

a1. Details of financial liabilities:

		December 31			
		Carrying amount		Fair value	
		2020	2019	2020	2019
		NIS in thousands			
1.	Financial liabilities at amortized cost:				
	Loans from banking institutions	2,970	2,792	2,970	2,792
	Loans from non-banking institutions	1,560	4,640	1,529	4,636
	Subordinated liability certificates (hereinafter: “bonds”) *)	4,929,803	4,922,013	5,283,793	5,355,909
	REPO liability	1,007,669	-	1,007,669	-
	Total financial liabilities reported at amortized cost	5,942,002	4,929,445	6,295,961	5,363,337
2.	Financial liabilities at fair value through profit or loss:				
	Derivatives for yield dependent contracts	71,599	145,301	71,599	145,301
	Derivatives for non-yield dependent contracts	48,921	50,914	48,921	50,914
	Short sales	131,933	-	131,933	-
	Total financial liabilities reported at fair value through profit and loss	252,453	196,215	252,453	196,215
	Total	6,194,455	5,125,660	6,548,414	5,559,552
	Lease liabilities	101,627	121,222		
	Less accrued interest on subordinated liability certificate presented in the balance sheet under the creditors item	64,900	64,900		
	Total financial liabilities	6,231,182	5,181,982		

*) The fair value of the quoted bonds, which is provided for disclosure purposes only, was determined according to their price at the closing of trade on the reporting date.

Note 24 - Financial Liabilities (Cont.)

a2. Movement in liabilities deriving from financing activities

	Bank loans	Non-bank loans	Subordinated liability certificates	In respect of REPO liabilities	Other financial liabilities	Total
	NIS in thousands					
Balance at January 1, 2020	2,792	4,640	4,922,013	-	121,222	5,050,667
Changes deriving from cash flows from financing activities						
Additions	1,055	28	-	1,006,700	10,443	1,018,226
Maturities	(877)	(3,255)	-	-	(32,712)	(36,844)
Interest payments	-	-	(161,928)	(738)	-	162,666)
Total net cash from financing activities	178	(3,227)	(161,928)	1,005,962	(22,269)	818,716
Other changes	-	147	169,718	1,707	2,674	174,246
Balance at December 31, 2020	2,970	1,560	4,929,803	1,007,669	101,627	6,043,629

*) REPO transactions are short term and are presented net.

**) The movement in liabilities does not include derivative and short sales.

	Bank loans	Non-bank loans	Subordinated liability certificates	Other financial liabilities	Total
	NIS in thousands				
Balance at January 1, 2019	34,703	7,740	5,186,331	-	5,228,774
Changes deriving from cash flows from financing activities					
Additions	2,779	2,520	249,694	152,732	407,725
Maturities	(34,690)	(5,693)	(517,860)	(34,514)	(592,757)
Interest payments	-	-	(163,331)	-	(163,331)
Total net cash from financing activities	(31,911)	(3,173)	(431,497)	118,218	(348,363)
Other changes	-	73	167,179	3,004	170,256
Balance at December 31, 2019	2,792	4,640	4,922,013	121,222	5,050,667

*) The movement in liabilities does not include derivatives.

Note 24 - Financial Liabilities (Cont.)

a2. Movement in liabilities deriving from financing activities (cont.)

	December 31, 2018			
	Bank loans	Non-bank loans	Subordinated liability certificates	Total
	NIS in thousands			
Balance at January 1, 2018	-	20,388	3,684,550	3,704,938
Changes deriving from cash flows from financing activities				
Additions	34,703	251	1,816,453	1,851,407
Maturities	-	(14,995)	(331,475)	(346,470)
Interest payments	-	-	(151,683)	(151,683)
Total net cash from financing activities	34,703	(14,744)	1,333,295	1,353,254
Effect of changes in foreign currency exchange rates	-	1,333	-	1,333
Other changes	-	763	168,486	169,249
Balance at December 31, 2018	34,703	7,740	5,186,331	5,228,774

*) The movement in liabilities does not include derivatives.

Note 24 - Financial Liabilities (Cont.)

b. Financial liabilities at amortized cost:

1. Details of interest and linkage:

	Effective interest December 31 2020	2019
	%	
Linkage basis		
The Consumer Price Index	2.3	1.4
In NIS	3.0	3.5
Foreign currency	0.1	0.5

2. Maturity dates:

	December 31 2020	2019
	NIS in thousands	
First year	1,103,458	99,699
Second year	17,653	23,528
Third year	1,907,393	14,330
Fourth year	902,321	1,902,874
Fifth year and thereafter	2,112,804	3,010,236
Total	6,043,629	5,050,667

See details of maturity dates of non-discounted financial liabilities in Note 36.b.2.

*) Out of which, lease liabilities:

	December 31 2020	2019
	NIS in thousands	
First year	27,872	28,785
Second year	17,653	23,529
Third year	10,608	14,331
Fourth year	6,488	8,812
Fifth year and thereafter	39,006	45,765
Total	101,627	121,222

c. Fair value levels of financial liabilities presented at fair value through profit or loss:

Following is an analysis of financial liabilities that are presented at fair value.

The carrying amount of creditors and payables matches or approximates their fair value.

Note 24 - Financial Liabilities (Cont.)

c. Fair value levels of financial liabilities presented at fair value through profit or loss (cont.)

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	NIS in thousands			
Derivatives	10,175	110,345	-	120,520
Short sales	131,933	-	-	131,933
Total financial liabilities	142,108	110,345	-	252,453
Financial liabilities whose fair value is disclosed (Note 24.a above)	5,283,793	1,012,168	-	6,295,961

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	NIS in thousands			
Derivatives	33,291	145,790	17,134	196,215
Total financial liabilities	33,291	145,790	17,134	196,215
Financial liabilities whose fair value is disclosed (Note 24.a above)	5,355,909	7,428	-	5,363,337

d. Interest rates used in determining fair value:

	December 31	
	2020	2019
	%	
Loans	2.3	2.5
Bonds constituting hybrid tier 2 capital and tier 2 equity instruments	1.4	1.5
Bonds constituting hybrid tier 3 capital	1.2	1.2
REPO liability	0.2	-

e. Bonds

e.1 Issues

There were no issues during the reporting period ended December 31, 2020.

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.2 Information and composition of bonds constituting tier 2 capital in Migdal Insurance:

Bonds	Type of instrument (1)(6)	Date of issue	Nominal value	Issue proceeds (2)	Type of interest	Nominal interest rate	Effective interest rate	Linkage terms	Principal payment date	Interest payment date (3)	Midroog rating(4)	First possible early repayment date	Quoted on the Stock Exchange	Interest payment date
Series C	Hybrid tier 2 capital	June 2015	1,191,594	1,179,150	Fixed	3.58%	3.74%	NIS	Dec. 2027	Annual	Aa3.il (hyb)	Mar. 31, 2023	Quoted	One annual payment, on March 31 of each of the years 2016-2027
Series D	Hybrid tier 3 capital	Dec. 2015	711,215	704,654	Fixed	3.39%	3.53%	NIS	Dec. 2027	Annual	Aa2.il (hyb)	March 31, 2023	Quoted	One annual payment, on March 31 of each of the years 2017-2027
Series E	Hybrid tier 2 capital	Sep. 2016	901,115	890,238	Fixed	3.29%	3.47%	NIS	June 2029	Annual	Aa3.il (hyb)	June 30, 2024	Quoted	One annual payment, on June 30 of each of the years 2017-2029
Series F	Tier 2 equity instrument	Jan. 2018	1,379,149	1,359,852	Fixed	2.63%	2.86%	NIS	Dec. 2030	Annual	Aa3.il (hyb)	Dec. 31, 2025	Quoted	One annual payment, on June 30 of each of the years 2018-2030
Series G	Tier 2 equity instrument	Dec. 2018	713,205	706,294	Fixed	4.10%	4.24%	NIS	Dec. 2031	Annual	Aa3.il (hyb)	Dec. 31, 2026	Quoted	One annual payment, on June 30 of each of the years 2019-2031

Comments

(1) The bonds will be recognized as tier 2 capital in Migdal Insurance subject to restrictions on the maximum rate of tier 2 capital, as stated in the Commissioner's directives regarding composition of the shareholders' equity of an insurance company.

(2) The issue proceeds are net of deferred issue expenses that are amortized using the effective interest method.

(3) The last interest payment will be paid together with the payment of principal.

(4) Stable rating outlook. See paragraph e.5 below regarding the rating of Midroog.

(5) The bonds are not secured under any pledge.

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.2. Information and composition of bonds constituting tier 2 capital in Migdal Insurance (cont.)

	Carrying amount *)		Accrued interest		Fair value *)		Balance of deferred issue expenses	
Bonds	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Series C	1,187,666	1,185,897	31,994	31,994	1,284,538	1,315,043	3,928	5,697
Series D	709,118	708,165	18,083	18,083	763,560	779,492	2,097	3,050
Series E	895,832	894,373	14,823	14,823	975,277	987,712	5,283	6,742
Series F	1,364,392	1,361,613	-	-	1,451,002	1,457,898	14,757	17,535
Series G	707,895	707,065	-	-	809,416	815,764	5,310	6,140
Total bonds	4,864,903	4,857,113	64,900	64,900	5,283,793	5,355,909	31,375	39,164

*) The fair value of Series C-G was determined according to the value on the stock exchange at balance sheet date.

e.3 The status of the bonds

Migdal Insurance undertook to bear all the amounts that were required to settle the bonds (Series C-G) constituting tier 2 capital for their holders. This commitment of Migdal Insurance is subordinated to its other liabilities towards its creditors as follows:

The commitment of Migdal Insurance is subordinated to its other liabilities to its creditors and it has preference over liabilities towards its creditors in respect of components and instruments included in the first tier capital of Migdal Insurance.

Bonds that constitute a hybrid third tier equity instrument of Migdal Insurance that are included in tier 2 capital, as aforesaid, have preference also over its liabilities to its creditors in respect of components and instruments included in the hybrid tier 2 capital and tier 2 equity instrument of Migdal Insurance.

1. Liens and collateral

The bonds are not secured by any lien.

2. Deferral of principal and/or interest payment dates

The terms of the bonds provide that in case of the existence of conditional terms (as detailed below), the payment of the principal and/or interest in respect of tier 2 hybrid capital and tier 2 equity instruments in Migdal Insurance and the principal payments of tier 3 hybrid equity instruments in Migdal Insurance will be deferred, without impairing the right of Migdal Insurance to pay other payments having a higher preference.

This deferral will apply until such conditional terms no longer exist or up to three years from the date of repayment of the initially determined principal and/or interest, whichever the earlier, unless the Commissioner approved the payment of principal and/or interest at an earlier date.

"Conditional terms" with respect to bonds that constitute tier 2 capital in Migdal Insurance refer to the existence of one or more of the following circumstances:

a) With respect to the deferral of the payment of interest on hybrid tier 2 equity instruments and tier 2 equity instruments of Migdal Insurance: according to the latest financial statements of Migdal Insurance that were published prior to the repayment date of the interest, Migdal Insurance does not have distributable profits as defined in the Companies Law, 1999 ("the Companies Law").

b) With respect to the deferral of the payment of principal and/or interest on hybrid tier 2 equity instruments and tier 2 equity instruments, or with respect to the deferral of the payment of principal of a hybrid tier 3 equity instrument: according to the latest financial statements of Migdal Insurance that were published prior to the relevant date of settlement of the principal and/or interest:

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.3. The status of the bonds (cont.)

1) The shareholders' equity of Migdal Insurance is lower than the equity required for suspending circumstances according to the Solvency circular as described in e above.

2) Migdal Insurance did not perform an equity supplementation as at the date of publication of the financial statements.

c) Migdal Insurance's Board of Directors gave instructions to defer the payment of the principal or the interest, if it saw that there is an actual concern regarding Migdal Insurance's ability to meet the shareholders' equity required for suspending circumstances, or to repay on time the liabilities whose priority is higher than that of the bonds, provided that a prior approval is received from the Commissioner.

The terms "shareholders' equity" and "equity required for suspending circumstances" are included in this section according to the position of the Commissioner regarding the proper interpretation of the terms "required equity" and "recognized equity" as regards suspending circumstances, in insurance companies that received the Commissioner's confirmation to performance of an audit of the application of the Solvency circular guidelines, as described in Note 7.c. It is clarified that in November 2018 Migdal Insurance received the Commissioner's confirmation to performance of an audit of the application of the Solvency circular guidelines.

The terms of the bonds provide that as long as all the payments of principal and/or interest whose repayment date is deferred have not yet been settled, Migdal Insurance will not perform any distributions, as defined in the Companies Law, will not repay any capital note, liability certificate, or loan from its controlling shareholders or from those in whom the controlling shareholders have a personal interest, and will not pay any amount of money for any transaction that was approved or should be approved pursuant to the provisions at the end of Section 270(4) to the Companies Law, unless all the aforementioned deferred payments of the principal or interest have been settled. As regards hybrid tier 2 capital and hybrid tier 3 capital, the aforesaid restrictions will not apply to the types of payments as detailed in the Commissioner's circular in relation to "the composition of the insurer's shareholders' equity." As regards tier 2 equity instruments, the restrictions will not apply to types of payments as indicated in the Solvency circular.

3. Early redemption

Migdal Capital Raising will be entitled, without any election right to the holders of the bonds and/or the trustee, to redeem the bonds at an early redemption fully or partially, on condition that the first early redemption date will be as detailed in the table in e.2 above. In the event that this right for early redemption is not exercised, there will be a payment of additional interest over the interest the bonds bear at that time that are indicated in the table above, for the balance of the period (from the early repayment date that was not exercised as stated and up to the actual settlement date), at the rate and terms indicated hereunder:

a) As regards hybrid tier 2 equity instruments and tier 2 equity instruments additional interest will be paid at the rate of 50% of the initial risk margin that was determined for the issue. An early redemption of hybrid tier 2 equity instruments and tier 2 equity instruments will be possible in one of the following cases: (a) the issue of an equity instrument which has the same or higher quality; (b) with the Insurance Commissioner's prior approval and at terms as determined by him; (c) generally, an early redemption will be possible if the shareholders' equity of an insurance company after the early redemption is higher than the SCR.

b) As regards hybrid tier 3 equity instruments additional interest will be paid at the rate of 30% of the initial risk margin that was determined for the issue and at the conditions applicable to hybrid tier 2 equity instruments as described in paragraph a) above.

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.3. The status of the bonds (cont.)

4. Immediate redemption:

As regards the Series F bonds and Series G bonds it was determined that they may be declared immediately due and payable if Migdal Insurance decides on a liquidation (other than a liquidation for the purpose of merging with another company, or a restructuring of the company) or if the court issues a permanent and final liquidation order with respect to Migdal Insurance, or Migdal Insurance is appointed a permanent liquidator, whereas as regards the other bonds that were issued by Migdal Capital Raising, it was determined that that may be declared immediately payable under additional certain circumstances, including (1) a delay beyond a specified period in the payment of any amount in connection with the bonds; (2) Migdal Insurance discontinuing its payments and/or notifying of its intention to discontinue its payments; (3) a breach of material terms of the bonds: (4) the insurer license of Migdal Insurance being revoked, etc.

The deferral of principal payments on the bonds due to suspending circumstances as mentioned, does not establish the right to declare the bonds immediately due and payable. The trustee may not declare unpaid bonds immediately due and payable without the prior written approval of the Commissioner.

5. Rating

Migdal Insurance is rated Aa1 for financial stability (IFSR) by the rating agency Midroog Ltd.

In March 2020 Midroog published a "Special Report – Industry Observation" for insurance companies by which, in the opinion of Midroog, the negative effects on the insurance companies as a result of the coronavirus increase their credit risk, but nonetheless these companies have adequate capacity to absorb losses, a very low liquidity risk and long average duration of liabilities that provide relatively high management flexibility in dealing with extreme events.

On September 15, 2020 Midroog Ltd. announced that it is not making any change in the following ratings:

A rating of Aa1.il for financial stability (IFSR) of Migdal Insurance, a rating of Aa3.il for tier 2 subordinated liability certificates (Series C and E) and for subordinated liability certificates that are tier 2 equity instruments (Series F and G), a rating of Aa2.il for subordinated liability certificates that are hybrid tier 3 capital (Series D) that were issued by Migdal Insurance by means of Migdal Capital Raising. The rating outlook is stable.

e.4 The trustee for the bonds is Reznik Paz Nevo Trusts Ltd. The person in charge at the trust company – Adv. Hagar Shaul, email: hagar@rpn.co.il; tel.: 03-6389200; fax: 03-6389222; address: 14 Yad Harutsim, Tel Aviv.

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.5 Rating

Following are details of the rating of the bonds:

Series	Rating company	Rating awarded as of the Series issue date	Ratings between the Series issue date and the reporting date			Rating at the reporting date and the date the rating was awarded
			Date	Rating	Outlook	
Bonds (Series C)	Midroog Ltd.	Aa2 (Awarded on 28.05.15)	15.11.15 12.09.16 28.09.17 25.09.18 16.09.19	Aa2.il (hyb) Aa3.il (hyb) Aa3.il (hyb) Aa3.il (hyb) Aa3.il (hyb)	Stable	15.09.20 Aa3.il (hyb)
Bonds (Series D)	Midroog Ltd.	Aa1.il (hyb) (Awarded on 15.11.15)	12.09.16 28.09.17 25.09.18 16.09.19	Aa1.il (hyb) Aa2.il (hyb) Aa2.il (hyb) Aa2.il (hyb)	Stable	15.09.20 Aa2.il (hyb)
Bonds (Series E)	Midroog Ltd.	Aa3.il (hyb) (Awarded on 15.09.16)	28.09.17 25.09.18 16.09.19	Aa3.il (hyb) Aa3.il (hyb) Aa3.il (hyb)	Stable	15.09.20 Aa3.il (hyb)
Bonds (Series F)	Midroog Ltd.	Aa3.il (hyb) 18.12.17	25.09.18 16.09.19	Aa3.il (hyb) Aa3.il (hyb)	Stable	15.09.20 Aa3.il (hyb)
Bonds (Series G)	Midroog Ltd.	Aa3.il (hyb) (Awarded on 27.11.2018)	16.09.19	Aa3.il (hyb)	Stable	15.09.20 Aa3.il (hyb)

Note 24 - Financial Liabilities (Cont.)

e. Bonds (cont.)

e.6 To the best of the Company's knowledge, during 2020 and as of December 31, 2020 and as of the date of issuing the report, Migdal Capital Raising was in compliance with all the conditions and obligations under the trust deeds for the bonds, no grounds existed for declaring the bonds immediately due and payable, and it had not received any notice from the trustee for the bonds regarding its failure to comply with the conditions and obligations under the trust deeds.

e.7 Migdal Insurance committed to Migdal Capital Raising to bear all its expenses, including issue expenses, current operating expenses as well as reimbursement of directors' indemnification expenses, if and to the extent there should be any such.

Note 25 - Premium Earned on Retention

	Year ended December 31,2020		
	Gross	Reinsurance	On retention
		NIS in thousands	
Premiums in life assurance	9,081,656	184,417	8,897,239
Premiums in health insurance	1,656,095	113,143	1,542,952
Premiums in general insurance	2,237,176	477,526	1,759,650
Total premiums	12,974,927	775,086	12,199,841
Less - change in the unearned premium balance *)	31,628	(8,607)	40,235
Total premiums earned	13,006,555	766,479	12,240,076

	Year ended December 31,2019		
	Gross	Reinsurance	On retention
		NIS in thousands	
Premiums in life assurance	9,764,898	197,753	9,567,145
Premiums in health insurance	1,610,852	94,462	1,516,390
Premiums in general insurance	2,331,008	465,383	1,865,625
Total premiums	13,706,758	757,598	12,949,160
Less - change in the unearned premium balance *)	2,516	(2,769)	5,285
Total premiums earned	13,709,274	754,829	12,954,445

	Year ended December 31,2018		
	Gross	Reinsurance	On retention
		NIS in thousands	
Premiums in life assurance	9,487,703	195,640	9,292,063
Premiums in health insurance	1,486,919	87,420	1,399,499
Premiums in general insurance	2,402,129	457,085	1,945,044
Total premiums	13,376,751	740,145	12,636,606
Less - change in the unearned premium balance *)	5,549	(5,835)	11,384
Total premiums earned	13,382,300	734,310	12,647,990

* Mainly in general insurance, see Note 17.

Note 26 - Investment income (loss), Net and Finance income

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Profits (losses) from assets held against yield dependent liabilities			
Investment property	335,326	698,580	466,678
Financial investments			
Quoted debt assets	713,226	2,553,618	170,127
Unquoted debt assets	214,597	1,026,113	262,667
Shares	1,616,802	2,923,281	291,460
Other financial investments	3,421,965	5,598,687	(1,887,627)
Cash and cash equivalents	(526,085)	(174,223)	242,920
Total profits (losses) from assets held against yield dependent liabilities, net	5,775,831	12,626,056	(453,775)
Profits (losses) from assets held against non-yield dependent liabilities, capital and others			
Income from investment property			
Revaluation of investment property	3,057	17,581	7,225
Current income in respect of investment property	30,151	32,572	34,283
Total income from investment property	33,208	50,153	41,508
Profits (losses) from financial investments, except for interest, linkage differences, rate differences and dividend			
Available for sale assets (a)	(61,425)	424,763	216,582
Assets reported at fair value through profit and loss (b)	190,668	204,839	(441,888)
Assets reported as loans and debtors (c)	(3,343)	4,370	(5,520)
Interest income and linkage differences from financial assets not at fair value through profit and loss *)	1,236,205	1,505,961	1,654,186
Interest income and linkage differences from financial assets at fair value through profit and loss	63,277	56,304	(7)
Profits (losses) from exchange rate differences in respect of investments not measured at fair value through profit and loss and other assets **)	(218,698)	(160,391)	141,810
Income from dividend	251,665	166,457	189,288
Total profits from net investments and finance income	7,267,388	14,878,512	1,342,184
*) The above income includes interest in respect of financial assets not reported at fair value through profit and loss whose value was impaired	2,747	9,237	9,471
**) Regarding exchange rate differences in respect of financial liabilities see Note 34			

Note 26 - Investment income (loss), Net and Finance income (Cont.)

a. Net gains (losses) from investments in respect of available for sale assets

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Net gains from realized securities	347,922	551,229	349,839
Net impairment recognized in profit and loss	(409,347)	(126,466)	(133,257)
Total gains (losses) from investments in respect of available for sale assets	(61,425)	424,763	216,582

b. Gains (losses) from investments in respect of assets presented at fair value through profit and loss:

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Net changes in fair value, including realization profit	190,668	204,839	(441,888)
Total gains (losses) from investments in respect of assets reported at fair value through profit and loss	190,668	204,839	(441,888)

c. Gains (losses) from investments in respect of assets presented as loans and debtors:

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Net gains (losses) from the realization of assets reported as loans and debtors	(472)	-	(3,281)
Net increase (decrease) in value recognized in profit and loss	(2,871)	4,370	(2,239)
Total gains (losses) from investments in respect of assets reported as loans and debtors	(3,343)	4,370	(5,520)

Note 27 - Income from Management Fees

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Management fees in the pension and provident branches	458,391	468,039	458,826
Variable management fees in respect of life assurance contracts	505,212	855,894	-
Fixed management fees in respect of life assurance contracts	881,453	849,178	784,690
Management fees in respect of investment contracts	20,609	18,276	16,519
Total income from management fees from members and policyholders	1,865,665	2,191,387	1,260,035
Other management fees	147,511	156,183	153,055
Total income from management fees	2,013,176	2,347,570	1,413,090

Note 28 - Income from Commissions

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Insurance agencies' commissions	179,719	182,582	183,234
Reinsurance commissions, net of change in deferred acquisition costs in respect of reinsurance	133,102	147,538	176,964
Other commissions	3,015	3,042	4,048
Total income from commissions	315,836	333,162	364,246

Note 29 - Other Income

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Income from other non-insurance activities	61,069	41,478	39,067
Income from acquired run-off general insurance portfolio (1)	482	727	1,770
Capital gain on sale of fixed assets, net	-	-	97
Other capital gains, net (2)	500	89,686	6,217
Total other income	62,051	131,891	47,151

(1) For more information see Note 37.e.2

(2) In the framework of selling the holdings in an affiliate company, Ramat Aviv Mall Ltd. (hereinafter: “The Mall”) during December 2019, by Migdal Real Estate Holdings Ltd., which held 26.6% of the Mall’s shares, the Company recognized a pre-tax gain of about NIS 84 million.

Note 30 - Payments and Change in Liabilities in respect of Insurance Contracts and Investments Contracts on Retention

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
In respect of life assurance contracts:			
Claims paid and outstanding for death, disability and others	1,267,810	1,086,516	1,132,236
Less reinsurance	127,678	78,772	75,978
	1,140,132	1,007,744	1,056,258
Surrenders	3,161,833	2,675,475	2,266,668
Maturities	1,089,601	2,054,370	1,418,589
Annuities	1,106,578	969,394	819,698
Total claims	6,498,144	6,706,983	5,561,213
Increase in liabilities in respect of life assurance contracts (except for change in outstanding) on retention	9,322,085	(** (* 17,591,601	(* 4,338,769
Increase in liabilities in respect of investment contracts for yield component	68,659	(** 245,376	(47,935)
Total payments and change in liabilities in respect of insurance contracts and investments contracts on retention, in respect of life assurance contracts	15,888,888	24,543,960	9,852,047
Total payments and change in liabilities in respect of general insurance contracts:			
Gross	1,729,066	1,585,885	1,685,964
Reinsurance	393,607	219,181	201,207
On retention	1,335,459	1,366,704	1,484,757
Total payments and change in liabilities in respect of health insurance contracts:			
Gross	1,025,753	1,840,654	883,714
Reinsurance	79,720	93,725	51,312
On retention	946,033	1,746,929	832,402
Total payments and change in liabilities in respect of insurance contracts and investment contracts on retention	18,170,380	27,657,593	12,169,206

*) Retrospective application, see Note 2.w.

**) Reclassified, see additional details in Note 2.d.

Note 31 - Commissions, Marketing Expenses and Other Acquisition Expenses

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Acquisition commissions	563,235	562,896	602,193
Other acquisition expenses	553,572	588,401	573,450
Change in deferred acquisition costs	94,404	(24,089)	(59,368)
Total acquisition expenses	1,211,211	1,127,208	1,116,275
Other current commissions	649,024	697,285	695,221
Other marketing expenses	19,184	23,414	12,616
Total commissions, marketing expenses and other acquisition expenses	1,879,419	1,847,907	1,824,112

Note 32 - General and Administrative Expenses

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Salaries and related expenses	1,188,668	1,226,141	1,165,832
Depreciation and amortization	223,846	213,513	170,096
Maintenance of office premises and communications	103,108	111,672	130,424
Computer services *)	81,993	64,256	59,421
Marketing and advertising	47,808	62,828	56,466
Professional and legal counseling *)	53,959	53,838	54,995
Other *)	155,456	138,212	128,475
Total **)	1,854,838	1,870,460	1,765,709
Less:			
Amounts classified under change in liabilities and payments in respect of insurance contracts	(179,863)	(180,880)	(162,510)
Amounts classified in commissions, marketing expenses and other acquisition expenses	(572,756)	(611,815)	(586,066)
General and administrative expenses	1,102,219	1,077,765	1,017,133
**) General and administrative expenses include expenses in respect of IT	357,531	328,022	310,144

*) Reclassified. See additional details in Note 2.d.

a. Collective agreement

On June 1, 2020, following the coronavirus crisis and its implications on the business activity of the subsidiary, Migdal Insurance, the following was agreed with the workers committee on updates to the collective agreement from May 16, 2019.

The main changes in the new collective agreement include the following understandings:

1. Instead of a raise in wages of 2.8% that was supposed to be paid in April 2020 and an additional raise of 2.7% that was supposed to be paid in April 2021 pursuant to the collective agreement, the eligible employees will be paid one raise in wages of 4.3% in January 2021; in addition the raise in wages of 0.6% that was scheduled for November 2021 according to the collective agreement will increase to 1%, and – insofar as the Company's comprehensive income for 2020 is no less than the Company's comprehensive income for 2019 (as amended following the retrospective application (*)), an additional raise in wages of 0.8% will be paid.

2. The changes to the agreement include various additional understandings, including postponing the increase in pension contributions from 7% to 7.5% from the salary of May 2020 to the salary of January 2021, postponing the Company's 2021 organized vacation, changes intended at helping employees such as participation in transportation expenses also for employees that worked fully from home in April-May 2020 and forming a fund to assist employees in respect of the debt for negative balances of vacation days between April-May 2020, protecting the pension rights of employees who were placed on unpaid leave, etc.

3. The update to the collective agreement also arranged the payment of a bonus for 2019 on the basis of the results for 2019 (as amended following the aforesaid retrospective application). These financial statements include the estimated expense in respect of the bonus.

b. Following the implications of the coronavirus crisis, until the end of the of 2020, the Company's CEO and Chairman of the Board of Directors of Migdal Insurance, Mr. Nir Gilad, and the CEO of Migdal Insurance, Mr. Ran Oz, will reduce their salaries by a rate of 10%, the salaries of the board members will be reduced by 8% and the salaries of the other senior executives will be reduced by up to 8% according to agreed levels.

According to the estimations made by Migdal Insurance, it is expected to save, following the application of the said above in paragraphs a. and b, some NIS 50 million beginning from the updating of the agreement and throughout the coming years as a result of lowering the salary base in the framework of the update to the collective agreement. In view of the dependency on various variables and especially the size of manpower in Migdal Insurance, there is no certainty that the aforesaid saving will be fully achieved.

Note 33 - Other Expenses

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Amortization of intangible assets (except for computer software) *)	14,164	15,979	18,357
Impairment	491	-	22,736
Expenses from other non-insurance activities	31,432	32,478	34,339
Capital loss from sale of fixed assets, net	909	154	-
Other capital losses, net	3,262	1,788	-
Total other expenses	50,258	50,399	75,432

*) For additional details see Note 4.a

Note 34 - Finance Expenses

	Year ended December 31		
	2020	2019	2018
	NIS in thousands		
Interest expenses and linkage differences from:			
Liabilities to banks and affiliate	-	(169)	431
Finance expenses in respect of bonds	169,718	167,182	168,487
Interest expenses to reinsurers	701	691	659
Exchange rate differences, net in respect of liabilities *) **)	(1,523)	(2,321)	2,384
Finance expenses in respect of leases	2,675	3,005	-
Commissions and other finance expenses **)	351	2,095	981
Total finance expenses	171,922	170,483	172,942

*) Regarding exchange rate difference in respect of financial investments see Note 26.

**) Reclassified, for additional information see Note 2.d.

Note 35 - Earnings (Loss) Per Share

	Year ended December 31		
	2020	2019	2018
		NIS	
Basic and diluted earnings (loss) per share attributable to the Company's shareholders (in NIS)	0.33	(*(0.12)	(* 0.40

*) Retrospective application, see Note 2.w.

a. Basic earnings (loss) per share

The calculation of the basic earnings per share for 2020 was based on the net profit attributable to holders of ordinary shares in the amount of NIS 352,487 thousand (2019 – net loss of NIS 125,075 thousand and in 2018 net profit of NIS 419,544 thousand), divided by the weighted average number of ordinary shares outstanding.

The weighted average number of ordinary shares used for calculation of basic earnings (loss) per share for each of the years is 1,053,908,234

b. Diluted earnings (loss) per share

The diluted earnings (loss) per share is the same as the basic earnings per share.

Note 36 - Risk Management

a. General

1. The principal risks

The Group operates in the insurance and long-term savings and financial services areas of activity. The insurance activities focus on life assurance and long-term savings (life assurance, pension funds and provident funds), health insurance and general insurance. Financial services activity focuses on the rendering of financial asset management and investment marketing services, as well as investment banking.

The Company's activities expose it to the following risks:

- Market risks;
- Liquidity risks;
- Insurance risks;
- Credit risks;
- Operating risks, including data security and cyber risks.

These risks are accompanied by general risks such as: regulation and compliance risks, legal risks, goodwill risks, business risks (such as: increase in competition, change in public tastes) etc. See more details in b(5) below.

Market risks – the risk that the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among others, risks resulting from changes in interest rates, stock exchange rates, the CPI and foreign currency exchange rates.

Liquidity risks – the risk that the Group will have difficulties in fulfilling its liabilities on time.

Insurance risks – life assurance and health insurance risks result from uncertainty in the frequency, timing and duration of anticipated future claims payment with respect to the assumptions relating to mortality/longevity rates, annuity realization rates, morbidity/disability rates, expenses, cancellations or surrenders.

Actuarial risks in pension funds are borne by the members while their effect on the managing company pertains to management fees.

General insurance risks derive mainly from pricing, the valuation of reserves and catastrophic risk.

Credit risks – the risk of a loss that is the result of a borrower/reinsurer failing to meet their obligations or of changes in borrowers' rating and credit spreads on the capital market.

Operating risks – the risk of a loss that is the result of the realization of various operating risks due to the inappropriateness or failures in internal processes, human errors, system failures or external events. A significant portion of the Group's activities are dependent on various IT systems. The absence of appropriate IT, data security and cyber infrastructures and/or IT system deficiencies or failures may expose the Group to the risk of noncompliance with regulatory requirements and failures of various operating processes.

For additional information on the risks, see b. below.

The Board of Migdal Insurance defines the exposure policy of the insurer and the members' portfolios to the various risks, including determining risk exposure thresholds to the extent possible and addressing a comprehensive risk exposure level based on the correlation between the various risks.

The board of directors appointed a risk management and solvency committee on its behalf that discusses issues relating to risk management and capital management under the Solvency 2 regime. See Note 7.c above for information regarding the economic solvency regime based on Solvency 2.

This note provides information as to the Group's exposure to each of the above risks, a description of the risk exposure policy, work processes, identification of risks and the controls in the Group. Additional quantitative disclosure is included throughout the financial statements.

Following the outbreak of the coronavirus (COVID-19) at the end of 2019, and it reaching many countries around the world as well, there was a sharp decrease in economic activity, and travel and work restrictions were declared in many areas around the world and in Israel. The spread of the coronavirus and the protection measures that were taken caused and are causing significant economic damage and negative effects on the global economy and global capital markets, including in Israel. Although there are signs of recovery in the capital markets compared to the peak of the crisis, the markets are still volatile and are supported by unprecedented steps that were taken by central banks around the world. See Note 1 for further information regarding the effect of the coronavirus crisis and how the Company is dealing with it.

Note 36 - Risk Management (Cont.)

a. General (cont.)

2. Legal requirements

In the insurance and long-term savings activity

The regulatory provisions regulate and determine, among others, the arrangements in relation to risks to which the companies are exposed, by providing regulatory requirements such as the following.

As part of the Control of Financial Services Law (Insurance) (Board of Directors and its Committees), 2007 and in relation to the management of exposures to risks, the Board of Directors should define the exposure policy of the insurer and the policyholders to various risks, determine the ceilings of exposure to risks as far as is possibly determinable, determine the overall level of exposure to risks taking into consideration the correlation between the various risks, approve tools and controls for measurement of risks and their management and ways of coping with the risks and with their materialization.

Investment management – directives were determined regarding the manner of investment management by the institutional entities, which, among others, set requirements for the degree of dispersal, limitations on investments and liquidity.

Credit management – directives were set in order to make sure that there will be appropriate management, supervision and control mechanisms for management of credit risks while carrying out investment activities, including regarding the establishment of a credit committee and its roles; setting a policy for providing credit as well as ways of supervision, control and reporting to the various investment committees and to the Board of Directors.

Reinsurers – directives regarding management of exposure to reinsurers ("reinsurers' exposure") were prescribed

Capital requirements – directives were determined regarding the solvency capital requirement, for further details see Note 7.c above.

Risk management

In January 2014, the Commissioner issued Chapter 10 in a combined circular regarding the risk management function in an institutional entity. The circular consists of general guidelines that specify the adequacy criteria for risk management officers and require setting up a risk management unit that is distinct from the business lines whose current operations it examines. In addition, the circular specifies the risk management officer's authorities in obtaining information and access to the data needed for performing the risk management unit's functions and the relevant resources. The circular also elaborates on the roles and methodologies of the risk management officer that consist, among others, of identifying the material risks, quantifying and assessing the identified material risks and reporting them to the relevant bodies.

Operating risks – in addition to the above arrangements, the Commissioner published directives regarding the management of specific exposures of which the main ones are: embezzlement and fraud ("the Embezzlement Circular"), IT risk management and cyber risk management that came into effect during 2017 and revokes the circular on data protection risks management ("data protection").

The effectiveness of internal control over financial reporting and disclosure (SOX) - additionally, according to the Securities Regulations, the Company applies the relevant procedures pertaining to the review of the effectiveness of internal control over the Company's disclosure and financial reporting and includes the necessary reports and certification in connection with them in its financial statements. At the same time, the Group's institutional entities apply the provisions of the Commissioner of Insurance regarding the effectiveness of internal control over disclosure and financial reporting in these institutional entities.

In the financial services activity

Migdal Capital Markets and its subsidiaries operate in accordance with the directives applicable to them, and are subject to the supervision of various regulators such as the Israel Securities Authority which have set guideline rules and limitations on the activities of Group companies including: rules for managing investments and for managing mutual funds, conduct with managed customers, and so forth.

Note 36 - Risk Management (Cont.)

a. General (cont.)

3. Description of procedures and methods of risk management:

a) The overall risk management array

In the insurance and long-term savings activity

- The risk management unit is responsible for formulating a work plan for managing risks in the Group, identifying the risks and quantifying them, reporting on exposures to current or extraordinary risks to the relevant bodies (in other words, to the investment committees, the Board of Directors, the risk management forum, etc.), application of risk evaluation systems and their management (including integration of an automated system for Solvency 2 calculations) in the various fields in the Group and application of the regulatory directives relating to risk management in the various fields. The unit is also responsible for the professional guidance of the control units in the Company's lines of business including for preparing the annual control plans, monitoring implementation and taking care of findings for reducing the risks as well as handling embezzlement and fraud risks and failures.

  The unit is also responsible for assessing economic capital solvency under the Solvency 2 regime and for capital planning in the framework of, inter alia, the business work plans of the Company.

  The unit works together with the headquarter units that are responsible for insurance activity, reinsurance activity, investment activity and finance.

- The Group frequently holds professional discussions on risk management issues in both a management forum and special professional forums headed by the CEO.

- The Company has appointed a risks manager for the insurance company and institutional bodies managed by it.

In the financial services activity

The person responsible for managing risks in Migdal Capital Markets entities is the CEO of each entity. In addition, the Group has a compliance and control department that is responsible for implementation and enforcement of the relevant regulatory requirements and for controlling and monitoring violations of regulatory requirements and internal management instructions. This department does not depend on the CEOs of the subsidiaries and it operates independently using advanced software tools and methods.

Among other things, the Group companies were provided risk management methodologies, exposure papers are presented on a frequent basis, and procedures are updated and distributed according to a structured methodology.

With respect to some of the activities policy documents have been defined in accordance, inter alia, with the risk appetite and management method.

This department reports to the Boards of Directors of Migdal Capital Markets and its subsidiaries on the deficiencies that are found including with regard to noncompliance with Company policy and procedures.

Furthermore, Migdal Capital Markets has a special market risk management unit for performing control over market risks of the mutual funds and market making activity. The unit is subordinated to a deputy CEO in the Migdal Capital Markets headquarters.

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity:

The Group's risk management policy is designed to support the Company's achievement of business objectives and maintaining financial strength while estimating losses that can result from exposure to risks facing the Company as a result of its business activities, and the limitation of these losses in accordance with the risk policy that was determined, and at the same time to take note of the changes in the business environment, as well as the regulatory directives and requirements.

Risk management in the Migdal Group is based on three lines of defense: business line managers, risk management and internal controls.

Identification of the material risks, evaluation of their method of management as well as quantification of the exposure and the potential effect of these risks on the future financial position of the Group companies and its policyholders, are carried out together by the risk management unit and the corporate units responsible for the insurance activity, the reinsurance activity, the investment activity and the finance activity, respectively.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows:

- Each headquarter unit is responsible in its field, for compliance with the Group's procedures and the Board of Directors and the investment committee's directives regarding the limitations of the exposure to risks.

  The Group has professional forums headed by the CEO and the heads of the investment, insurance and pension branches. The development of exposure to insurance risks in the various insurance branches and to financial risks is regularly reviewed in these forums as well as the developments in other areas, and management decisions in these areas of activity are made accordingly.

- As from 2020, a "second line" for control of operating and compliance risks operates under the business units. The control array in the business units reviews the established infrastructures in order to manage the various risks involving work processes and legal provisions based on an annual control plan, under the professional guidance of the operating risks manager and the compliance officer.

- Overall responsibility of the risks management unit. See paragraph a.3.a) above.

- The internal audit incorporates in its work plans issues that were defined in the risk survey as issues that require special attention.

New products

The process of entering into a new insurance plan or new area of activity in the Group is executed according to a procedure for launching a new product that complies with, inter alia, regulatory instructions on this matter. The risks affiliated with the product are identified and quantified as follows:

Insurance risks – the exposure to insurance risks is measured by the appointed actuary while taking into consideration both the risk expectancy, which serves as a basis for pricing the product, and the exposure to potential losses expected in excess of the risk expectancy, under various scenarios.

Market risks – in products involving any kind of guaranteed yield, the exposure to market risk is measured using stochastic tools that measure both the expected loss in respect of market risks (which is the basis for pricing the product) and the expected potential loss at a given level of certainty, in respect of such risks.

Overall risk – the compatibility to the Company's risk appetite and risk management policy is measured as well as the effect on the situation of capital under the Solvency 2 regime.

Market and liquidity risks

Market risks are managed by the investment managers in accordance with the law and the overall policy of the Board of Directors and of the investment committees of the asset portfolios of the members' funds: the profit participating policies, pension funds and provident funds (in which the risk is borne by the members), and that of the Nostro assets portfolios.

These bodies receive reports regarding exposure of the Group's various investment portfolios to changes in the money and capital markets which include, as mentioned, interest rates, foreign currency exchange rates and inflation, including management of the assets versus the liabilities, and with reference to this, they define the exposure levels to the various investment vehicles as a framework for investments made by the Group's investment division, subject to the Ways of Investment Regulations.

The Company deals with market risks, inter alia, by diversification of investment channels, issuers, branches and geographical regions. In addition, exposure limitations are set for investment channels and with respect to risk appetite and incorporated in financial scenarios.

For information regarding the exposure to the linkage bases of the managed portfolios see paragraphs c and d hereunder.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows (cont.)

Liquidity risk is managed by the investment managers by regularly monitoring the liquidity of the liabilities in the various investment portfolios and by quantifying the anticipated loss in an extreme scenario of the immediate disposal of assets. The matter is discussed in the Board of Directors and in the investment committees of the managed portfolios, both the Nostro portfolios and the members' portfolios, the profit participating portfolios and the pension and provident funds portfolios. The exposure limits to risk factors of the assets in the managed portfolios is determined, inter alia, in accordance with this data.

The transition to investment baskets particularly reduces the liquidity risk of the small funds.

The exposure to market risks and liquidity risks of the investment portfolios is quantified for market risks by measuring the value at risk (VaR), which measures the maximum potential damage at a given probability over a given period of time, and also by examining the damage expected for the Group under various sensitivity scenarios, historic and hypothetical. In the framework of quantifying the exposure to market risks the overall balance sheet and economic exposure to interest risk is measured, inter alia, by examining matching of assets and liabilities (ALM) in the Nostro portfolio and quantifying the exposure derived from the participating portfolios, the effect of changes in interest curves on their fair value and compliance with the required exposure limits.

For liquidity risk, regarding the portfolios of members, a calculation is also made of the expected loss resulting from a need to realize the portfolio upon the occurrence of an extreme scenario of immediate realization of funds.

In addition, in respect of the managed portfolios (the asset portfolios of the members' funds: the profit participating policies, pension funds and provident funds) various performance indices are calculated with respect to the relation between the return that is obtained and the level of risk in the portfolio.

The exposures of the Group's various asset portfolios are measured monthly and include the risk indices described above, as well as the situation of the exposures to risk factors compared to limitations that were determined by the Board of Directors and the various investment committees.

Exposure reports are provided regularly to the respective investment committees of the various asset portfolios.

Insurance risks

Insurance risks are managed by the insurance field managers and the actuaries of the various branches including the pension funds (in which the risks are borne by the members). The Board of Directors receives the exposure valuation of the maximum loss that is expected from the significant insurance risks, at the confidence level prescribed, based on the following risk components:

- The extent of the maximum anticipated loss as a result of the exposure to a single large damage event, or an accumulation of damages in respect of an extremely large event (catastrophic event), as well as the exposure to an unexpected change of the risk factors that are covered in policies sold by the Company, at a given level of certainty during the period of one year.
- The effect of the measures taken by the Company for dispersion, reduction or limitation of the insurance risks, by underwriting procedures and rules for receipt of business and through reinsurance arrangements, in order to reduce the aforementioned anticipated loss and the impact on the required capital against these risks as a result of the exposure to insurance risks.

Regarding the estimate of the Company's exposure to insurance risks (and to the actuarial risk of the pension fund members), the Board of Directors determines the Company's or the fund's exposure limitations to these risks.

In life assurance, health insurance and pension funds - the exposure to loss arising from the risk components of the life assurance and health insurance businesses and the actuarial risks in pension funds such as mortality and morbidity, life expectancy, exceptionally major events such as earthquakes, epidemic, wars or terrorist acts (catastrophes) and an increase in the cancellation rates (including surrenders and outgoing migrations) is quantified through the effect of extreme scenarios on the value of the long-term savings portfolio, taking into consideration the correlations between the risk factors within a year's outlook.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group’s risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows (cont.)

From time to time the Company carries out various studies and analyses, including sensitivity analyses, of developments in exposures to insurance/actuarial risks such as death, life expectancy, occupational disability, cancellations, expenses, etc. and their effect on the insurance reserves as well as on the profitability of products and the value of the Group's new sales.

In general insurance - the exposure to major deterioration in risk factors that are covered by policies and to a single large damage event or accumulation of damages in respect of a catastrophe such as an earthquake which is the main catastrophe to which it is exposed) and the effect of reinsurance arrangements on the Group's potential loss is quantified by examining scenarios of the central risk factors to which the Company is exposed within the determined degree of certainty. In addition, the Group regularly carries out profitability tests for the various operating segments.

There is ongoing control over the developments and trends in exposures to insurance risks of the various insurance branches, which mainly derive from changes in the frequency of the claims and their severity as well as in expenses and in other costs, and their effect on both the profitability of the products and on the insurance reserves.

The Group deals with the insurance risks by means of reinsurance. In addition, spreading the insurance contracts and spreading between sectors, geographical locations, risk types, coverage amount, etc. reduce the risks.

Credit risks

Credit risks of investments are managed by the investment manager in accordance with law and the overall policy of the Board of Directors and the investment committees. The policy includes exposure limitations which mainly relate to exposures to individual borrowers, groups of borrowers, exposure to credit rating categories, etc. The regulatory requirements are also taken into account when determining the abovementioned limitations. The Company has a credit committee which examines and approves transactions according to the level of authorization that was granted to it by each of the various investment committees.

For information regarding the credit rating of assets in the managed portfolios, see b(4)(a)(2) below.

The exposure to credit risk in the various investment portfolios is estimated mainly on the basis of an examination of the expected losses to the Group from credit assets under various scenarios as derived from the credit rating and average life of the asset.

The credit rating granted in the investment portfolios is rated on the basis of an external rating, if one exists, and of an internal rating of the investment research department, which also examines the external rating.

Regarding internal rating, see b(4)(b)(1) below.

The details of borrowers of credit provided as part of the Group's various investment portfolios are examined once a quarter by the Group research unit, if there has been a change in the credit risk of the borrower. In addition, the credit unit regularly examines the financial covenants of the credit and compliance with the instructions of regulators, the Board of Directors and the investment committees. The exposure to credit risks of the various investment portfolios, including the exposure to borrowers, industries and segments, ratings of borrowers, problematic debts, etc., are brought before the investment committees once a quarter for discussion.

The Company deals with credit risks of investments by diversifying investment channels, issuers, branches and geographical regions, as well as examining the financial stability and solvency of the entities in which it invests, prior to making an investment and during its life.

Reinsurers' credit risks – managed by the reinsurance department who presents the Board of Directors with the exposure to credit risks in respect of reinsurers. The Board of Directors determines the exposure limitations to the reinsurers' credit risk rating, among others, in relation to the type of insurance branch (long/short tail), to the individual reinsurer and taking into account the limitations prescribed by the legislative arrangements.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows (cont.)

The estimate of the exposure to credit risks from reinsurers is mainly based on the probability of a loss at a given level of certainty that derives from the credit rating of the reinsurers.

The rating is mainly determined by S&P.

For information regarding credit risks of reinsurers, see b(1)(4) below.

The reinsurance department examines the financial strength of the reinsurers.

The finance division regularly monitors collection from reinsurers.

The Company deals with credit risks of reinsurers through diversification of reinsurers, limitations on the exposure to a single insurer and credit rating limitations.

Operating risks

Main operating risks – managed by the department heads and supported by various units and functions in the organization including the control unit that is spread throughout the organization's areas of activity, the organization and methods unit, compliance and enforcement, SOX, information security, operating risk management, including prevention of fraud and embezzlement, the technologies unit including internal audit. Policy documents taking the existing regulatory directives into account, in connection with the management of operating risks have been approved by the Company's Board of Directors and the Company acts according to them.

Quantification of the loss arising from operating risks is included in the calculation of the solvency ratio by means of accepted parameters that relate to the volume of the Group's activity in the various branches of insurance.

The Company deals with operating risks by mapping the operating risks and preparing plans to reduce the high residual risks. Furthermore, implementation of the control plans in the areas of activity makes it possible to bring to light and address operating risks in current work processes. On the background of the coronavirus crisis the Company began working remotely. In this framework some of the work processes were changed and respective changes were made in the control plans of the business units.

Data security and cyber risks - in recent years, there has been real escalation in the map of worldwide cyber threats. Many attacks were launched in recent years in Israel and the world against national infrastructures, government authorities and a wide range of corporations. In the insurance world there was a defining event of a break-in to the Shirbit insurance company and a leak of information on a particularly large scale.

The Group's business activity relies to a large extent on IT systems that support the business processes. The availability of those systems, the reliability of the data and the protection of data confidentiality are critical to maintaining proper business operations.

Along with technological progress, the frequency of the threats changes and as a result the level of the risk to the Company and its customers increases. The integration of new technologies in the Group's business core as well as in end systems and among its customers increases the level of cyber-attack risks.

The Group, as a leading financial organization, is a target for various cyber attacks. The IT systems and communication networks of the Group, its suppliers, agents and customers are frequently attacked and are likely to continue to be exposed to cyber attacks such as: viruses, malware, phishing and other attacks that are mainly aimed at harming service, committing theft or corrupting of data.

The Group regularly makes the necessary preparations for dealing with cyber threats and invests a great deal of resources in this field. The Company's supervision and control mechanisms include management and board committees that discuss cyber attacks and monitor the annual work plan in this area. In addition, the Company has a policy for managing cyber risks that is approved by the Group's Board of Directors once a year, and a wide range of work procedures and instructions deriving from it. The Company has a structured but flexible work plan that is updated from time to time according to developments in these frequently changing threats. The plan is based on an analysis of the threats and risks that are relevant to the Company and includes actions aimed at reducing the probability of their occurrence. The Shirbit event was managed as a separate risk, with a mitigation plan and preparation for the implications of the information leakage as a result of the Shirbit event.

Note 36 - Risk Management (Cont.)

a. General (cont.)

b) The Group's risk management policy, methodologies and manner of identifying risks and risk management control in the insurance and long-term savings activity (cont.)

Risk management control is performed at a number of the Group centers as follows (cont.)

It should be noted that the coronavirus crisis has also caused technologic preparation and special cyber controls, such as toughening the access to Migdal's systems, limiting the work to defined hours (reducing the hours of remote access to Migda), adaptation of monitoring thresholds, etc. In addition to management of the event a risk was reported to the various control committees.

In addition, guiding and closely accompanying information and cyber security are done on a routine basis beginning from the stage of initiating technological and other projects having security aspects up to regularly dealing with internal and external risks, such as information leakage, network shutdown, data corruption and unauthorized access to information, which may affect business operations.

Prevention of fraud and embezzlement – the institutional entities of the Group operate in this area according to the instructions of the Commissioner's circular regarding embezzlement and fraud and according to the policy that was approved by the Group's Board of Directors. As part of its risk management array, the Group has an officer in charge of preventing fraud and embezzlement for identifying and assessing the risks and mitigating them together with the heads of the units and with the assistance of the organizational control array. On the backdrop of the coronavirus crisis an increase was observed in fraud attempts and events and in response the Company increased its alertness and control activity in general and at the service centers in particular.

Preparation for disaster (emergency) – The Company has a general business continuity framework that includes reference scenarios and their effects on the Group, mapping crucial processes in a disaster, service objectives in the event of a disaster and a business continuity plan. The business continuity plan (BCP) refers to various aspects required in a disaster, including personnel, physical infrastructures and technological infrastructures. The plan includes, inter alia, work procedures at the time of a disaster for the essential business processes and those supporting them, a back-up plan for essential personnel, a plan for moving to an alternative site (for employees of the Group who support the business processes that are essential in a disaster) and a back-up site (DRP site) for information about policyholders and members that facilitates RPO (Return Point Objective) and RTO (Return to Operations) at predetermined time spans for supporting service objectives in a disaster. The Company has an additional copy (third), that ensures recovery of the information in the event of information being damaged at both the main site and the alternative site. The business continuity plan is instilled in the employees by means of performing periodic drills at various scopes, subject to the directives of the Commissioner. During 2020, the Company acted in the framework of essential activity, in accordance with supervision instructions (definition of essential processes).

b. Details of the risks

1. Market risks

A market risk is the risk that the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among others, risks resulting from changes in interest rates, stock exchange rates, the CPI and foreign currency exchange rates. Regarding the effect of the sensitivity analysis of these variables on the profit (loss) for the period and on comprehensive income (loss), see paragraph b(1)(a) below.

Interest risk – the risk that the fair value or future cash flows of a financial instrument will change as a result of changes in market interest rates.

In most of the Group's businesses the average duration of the assets does not match the average duration of the liabilities. This is true primarily in respect of life assurance liabilities (as well as long term health insurance and pensions) in which the average duration of liabilities is longer than the average duration of assets. As a result, a decrease in the interest rate results in lower future yields when refunding the assets as compared to the liabilities and to a decrease in the embedded value of the life assurance portfolio as well as a decrease in the future embedded yield of the members' monies.

In general insurance, a decrease in the interest rate results in lower profitability on products due to a reduction in income from investments held against the reserves.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

In view of regulatory changes taking place around the world, the global market is preparing to discontinue use of the Libor rate and to start using from the end of 2021 new benchmark rates (hereinafter – "the reform") based to a higher extent on the data of the specific transactions.

This reform may have an effect on financial markets and market participants insofar as entities do not implement in time the necessary measures for a smooth transition to the new benchmark rates, including on the performance, liquidity and value of financial instruments based on IBORs.

The Company has begun the process of identifying existing financial instrument contracts whose payment is expected after the end of 2021 in order to determine its Libor exposure. In addition, the Company examines the need to take necessary actions to reduce the exposure, such as renegotiating with the parties of a contract so as to reduce the contractual uncertainty.

At this stage the Company is unable to assess the effect of the reform, if any, on the various financial instruments that refer to IBORs.

Market risks (equity instruments/real assets) – risks deriving from a change in share prices or a change in the fair value of other assets.

Risks related to the Consumer Price Index – a real loss deriving from erosion in the value of shekel assets as the result of inflation being higher than the expectations reflected in the capital market, as compared to CPI-linked insurance liabilities.

Currency risk – the risk that the fair value or future cash flows of a financial instrument will change as a result of changes in foreign currency exchange rates.

The investment income standing against the insurance reserves and the shareholders' equity has a significant effect on the insurance companies' profits. A major part of the Group's asset portfolio is invested in quoted securities in the capital market, and in financial derivatives, which are characterized by fluctuations as a result of political, security and economic events in Israel and around the world. Quoted securities are reported based on their stock exchange value as at the reporting date. Therefore, the fluctuations in the value of Nostro investments and the effect of the changes in investment income on variable management fees in the profit participating policies may have a significant effect on the Group's profitability and shareholders' equity and also on the value of the life assurance portfolio. A decline in the value of securities held against the profit participating policies, pension funds and provident funds also reduces the fixed management fees received from these portfolios. The extent of the effect on profits depends on the characteristics of the insurance liabilities (yield dependent, non-yield dependent) and the management fee terms of the products for which the relevant reserve is held.

Yield dependent liabilities are liabilities in respect of contracts in which the beneficiary is entitled to receive insurance benefits that depend on the yield derived from investments made against the liabilities in respect of these policies, less management fees as follows:

- In respect of policies issued until 2004, fixed management fees as well as variable management fees at the rate of 15% of the real yield after deducting the fixed management fees.
- In respect of policies issued as from 2004 – fixed management fees.

The Company has direct exposure in respect of the effect of changes in the interest curve on the calculation of the insurance liabilities for these contracts. In addition, the Company has exposure deriving from the variable management fees based on the fluctuations in the yield received by the policyholders, and only in respect of policies issued until 2004, and from the overall amount of the liabilities from which the fixed management fess of the insurer are derived with respect to all the yield dependent products.

The sensitivity tests and maturity dates of the liabilities specified in the following paragraphs include only the direct effect of a change in the interest curve on the calculation of the insurance liabilities.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

Any change of 1% in the real yield on investments in the framework of yield-dependent contracts in respect of policies issued up to the year 2004, whose scope of liabilities at December 31, 2020 is about NIS 72 billion (about NIS 71 billion last year), will affect the management fees by an amount of about NIS 108 million (about NIS 106 million last year).

When the yield on these contracts is negative, the Company does not collect variable management fees, and only collects the fixed management fees at the rate of 0.6% of the accrual, as long as there is no net positive real yield (net of fixed management fees) that covers the accumulated negative yield.

The effect of the aforesaid change on policies issued as from 2004 is immaterial.

In non-yield dependent life assurance - the major part of the life assurance portfolio is in respect of yield guaranteed policies, mainly backed by designated bonds (Hetz – life linked bonds) issued by the Bank of Israel for the duration of the policy's entire term. Therefore, the Company has financial assets covering the main liabilities regarding interest and linkage over the policy's term. As of December 31, 2020, the designated bonds covered about 64% of all the insurance liabilities in life assurance in these programs (about 68% last year*).

There is not a full matching of the linkage base of assets to the linkage base of liabilities in non-yield dependent life assurance (for the portion of the insurance liability not covered by designated bonds) in general insurance and in equity.

The changes in the capital market, in the CPI and in foreign currency exchange rates, might have a significant effect on the Group's results of activities.

* Retrospective application, see Note 2.w.

a) Sensitivity tests relating to market risks:

Hereunder is a sensitivity analysis of the effect of a change in these variables on the profit (loss) for the period and on the comprehensive income (loss) (equity). The sensitivity analysis relates to the carrying amount of the financial assets, the financial liabilities and liabilities in respect of insurance contracts and investment contracts in respect of the relevant risk variable as at each reporting date and assumes that there is no change in all the other variables. Thus, for example, the change in interest is under the assumption that all the other parameters have not changed. In addition, it is assumed that the said changes do not reflect an impairment of assets reported at amortized cost or of available for sale assets and therefore, the above sensitivity test did not include impairment losses in respect of these assets.

The sensitivity analysis only reflects the direct effects and does not reflect the ancillary effects.

It should also be noted that the sensitivity is not necessarily linear. Hence, larger or smaller changes in relation to the changes described below are not necessarily a simple extrapolation of the effect of those changes.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

a) Sensitivity tests relating to market risks (cont.)

December 31, 2020

	Rate of change in interest rate (1) (2)		Rate of change in prices of investments in capital instruments (3)		Rate of change in the CPI		Rate of change in the foreign currency exchange rate (5)	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS in thousands							
Profit (loss)	1,413,270	(1,694,032)	(7,266)	14,776	(13,863)	13,863	(177,383)	184,264
Comprehensive income (loss) (4)	406,999	(440,002)	202,772	(195,327)	(13,863)	13,863	13,676	(6,795)

December 31, 2019

	Rate of change in interest rate (1) (2) *)		Rate of change in prices of investments in capital instruments (3)		Rate of change in the CPI		Rate of change in the foreign currency exchange rate (5)	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS in thousands							
Profit (loss)	1,170,065	(1,445,346)	(48,729)	52,393	(26,225)	26,225	(183,567)	183,567
Comprehensive income (loss) (4)	577,639	(737,985)	152,291	(148,627)	(26,225)	26,225	12,461	(12,461)

Comments

(1) With respect to fixed-interest instruments, the exposure is to the book value of the instrument, and for variable-interest instruments the exposure is in relation to cash flows from the financial instrument. The sensitivity tests are based on the carrying value and not on economic value. The sensitivity tests did not take into account, from the assets with direct interest risk, unquoted debt assets at fixed interest, cash and cash equivalents, reinsurance assets, financial liabilities measured after initial recognition at amortized cost, according to the effective interest method, and liabilities in respect of investment contracts.

The assets underlying the sensitivity analysis in 2020 account for about 27% of total assets for non-yield dependent contracts.

(2) The effect of a 1% decrease in the interest rate on profit and comprehensive income in respect of insurance liabilities in life and health insurance, which is included in the sensitivity test, is estimated at a loss of NIS 1,624 million after tax (last year – NIS 1,538 million after tax**). The effect of a 1% increase in the interest rate is estimated at a profit of NIS 1,349 million after tax (last year – NIS 1,242 million after tax**). See paragraph b.1 above.

In general insurance, the Company discounts its insurance liabilities in the third party and the employers' liability lines. A decrease of 1% in the risk-free interest rate will lead to an increase in liabilities and to a decrease of NIS 47 million after tax in profit and comprehensive income (NIS 40 million after tax last year). An increase of 1% in the risk-free interest will result in an increase in profit in the amount of NIS 43 million after tax (NIS 37 million last year) by reducing the liabilities

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

a) Sensitivity tests relating to market risks (cont.)

(3) Investments in instruments that have no fixed cash flow, or alternatively, the Company has no information about this flow (according to the definition in IFRS 7, they do not include investments in affiliates).

(4) The sensitivity analysis in respect of comprehensive profit (loss) also expresses the effect on profit (loss) for the period.

(5) The change in foreign currency exchange rates includes the effect of non-monetary items and others whose value in the balance sheet amounts to about NIS 2.8 billion.

*) Retrospective application, see Note 2.w.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

b) Direct interest risk

Direct interest risk is the risk that the change in the market interest will cause a change in the fair value or in the cash flows deriving from the asset or the liability. This risk relates to assets settled in cash. The addition of the word "direct" emphasizes the fact that the interest change can also affect other types of assets but not directly, such as the effect of the interest change on the share rates.

Hereunder are details of assets and liabilities according to exposure to interest risks:

	December 31, 2020		
	Non-yield dependent	Yield dependent	Total
	NIS in thousands		
Assets with direct interest risk:			
Quoted debt assets	14,466,334	35,048,470	49,514,804
Unquoted debt assets:			
"Hetz" bonds	22,463,254	955,743	23,418,997
Other	2,661,931	14,445,858	17,107,789
Other financial investments	48,146	178,677	226,823
Cash and cash equivalents	3,674,121	9,168,697	12,842,818
Reinsurance assets	1,212,595	10,344	1,222,939
Total assets with direct interest risk	44,526,381	59,807,789	104,334,170
Assets without direct interest risk *)	9,453,402	68,134,742	77,588,144
Total assets	53,979,783	127,942,531	181,922,314
Liabilities with direct interest risk:			
Financial liabilities	6,044,624	-	6,044,624
Liabilities in respect of insurance contracts and investment contracts	39,020,383	125,878,822	164,899,205
Others	157,272	143,193	300,465
Total liabilities with direct interest risk	45,222,279	126,022,015	171,244,294
Liabilities without direct interest risk **)	2,415,933	1,380,299	3,796,232
Total liabilities	47,638,212	127,402,314	175,040,526
Total assets net of liabilities	6,341,571	540,217	6,881,788
Off balance sheet risk (liabilities to grant credit)	253,414	1,912,134	2,165,548

*) Assets without direct interest risk include: shares, fixed assets and rental property, deferred acquisition costs and other assets as well as balance sheet groups of financial assets (outstanding premiums, insurance companies' current balances and receivables) whose average duration is up to six months and which therefore present a relatively low interest risk.

**) Liabilities without direct interest risk include: derivatives, tax reserves, various credit and debit balances, etc.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

b) Direct interest risk (cont.)

	December 31, 2019		
	Non-yield dependent	Yield dependent	Total
	NIS in thousands		
Assets with direct interest risk:			
Quoted debt assets	11,858,029	37,664,983	49,523,012
Unquoted debt assets:			
"Hetz" bonds	22,614,668	880,774	23,495,442
Other	2,890,176	13,689,685	16,579,861
Other financial investments	113,059	1,439	114,498
Cash and cash equivalents	3,314,539	13,983,926	17,298,465
Reinsurance assets	1,027,314	10,567	1,037,881
Total assets with direct interest risk	41,817,785	66,231,374	108,049,159
Assets without direct interest risk *) ***)	9,346,217	53,985,096	63,331,313
Total assets	51,164,002	120,216,470	171,380,472
Liabilities with direct interest risk:			
Financial liabilities	5,071,965	-	5,071,965
Liabilities in respect of insurance contracts and investment contracts ***)	37,686,473	119,386,922	157,073,395
Others	169,504	142,260	311,764
Total liabilities with direct interest risk	42,927,942	119,529,182	162,457,124
Liabilities without direct interest risk **) ***)	2,283,570	294,571	2,578,141
Total liabilities	45,211,512	119,823,753	165,035,265
Total assets net of liabilities	5,952,490	392,717	6,345,207
Off balance sheet risk (liabilities to grant credit)	260,947	1,780,270	2,041,217

*) Assets without direct interest risk include: shares, fixed assets and rental property, deferred acquisition costs and other assets as well as balance sheet groups of financial assets (outstanding premiums, insurance companies' current balances and receivables) whose average duration is up to six months and which therefore present a relatively low interest risk.

**) Liabilities without direct interest risk include: derivatives, tax reserves, various credit and debit balances, etc.

***) Retrospective application, see Note 2.w.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

1. Market risks (cont.)

c) Details of the exposure to economic branches for investments in shares *):

	December 31, 2020					
	Listed in Tel-Aviv 125 Index	Listed in Yeter index	Not listed in Israel	Abroad	Total	% of total
	NIS in thousands					
Sector:						
Industry	11,729	-	-	28,739	40,468	13.0
Construction and real estate	9,287	-	-	-	9,287	2.9
Electricity and water	10,352	6,442	-	-	16,794	5.3
Commercial	-	-	-	42,878	42,878	13.6
Communication and computer services	2,954	-	-	-	2,954	0.9
Banks	802	-	-	35,799	36,601	11.6
Financial services	-	-	-	10,188	10,188	3.2
Other business services	-	-	35,672	39,566	75,238	23.8
Holding companies	-	-	6,143	27,627	33,770	10.7
Sector:	-	-	-	47,302	47,302	15.0
Total	35,124	6,442	41,815	232,099	315,480	100.0

	December 31, 2019					
	Listed in Tel-Aviv 125 Index	Listed in Yeter index	Not listed in Israel	Abroad	Total	% of total
	NIS in thousands					
Sector:						
Industry	138,229	-	-	35,743	173,972	31.9
Construction and real estate	46,764	-	2,880	12,168	61,812	11.3
Electricity and water	26,726	898	-	-	27,624	5.1
Commercial	8,092	6,966	-	25,274	40,332	7.4
Communication and computer services	32,421	-	-	26,733	59,154	10.8
Banks	2,762	3,569	-	19,523	25,854	4.7
Financial services	4,390	5,583	35,103	21,784	66,860	12.2
Other business services	21,050	10,122	4,083	-	35,255	6.5
Holding companies	5,206	-	-	49,756	54,962	10.1
Sector:	285,640	27,138	42,066	190,981	545,825	100.0

*) Not including investments in affiliates. See Note 7.b.1

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

2. Liquidity risks

Liquidity risk is the risk that the Group will have difficulties in fulfilling its liabilities on time.

The Group is exposed to risks resulting from uncertainty regarding the date the Group will be required to pay claims and other benefits to policyholders in relation to the scope of the monies that will be available for that purpose at that same date. However, a significant part of its insurance liabilities in the life assurance segment are not exposed to the liquidity risks due to the nature of the insurance contracts as described below.

Yield dependent contracts, in life assurance – according to the terms of the contracts, the owners are entitled to receive only the value of the said investments. Hence, if the investment value increases there will be a corresponding increase in the Company's liabilities, net of the management fees that the Company collects.

Non-yield dependent contracts in life assurance in the sum of about NIS 35 billion, which account for about 22% of the insurance and other liabilities in life assurance at December 31, 2020 (previous year, about NIS 34 billion and 22%, respectively) are in respect of non-yield dependent contracts but the yield is guaranteed at a rate that was agreed upon. These contracts are partly backed by designated bonds (Hetz bonds) issued by the Bank of Israel. The Group is entitled to realize these bonds when the redemption of these policies is required.

Hence, the Group's liquidity risk against insurance liabilities is mainly due to the balance of assets that are not designated bonds and are not held against yield dependent contracts. As of December 31, 2020, these assets constitute about 10% of the Group's total assets (about NIS 18 billion) (last year about 10% of the Group's total assets, an amount of about NIS 17 billion).

Of said asset balance as of December 31, 2020, about NIS 11 billion (about NIS 10 billion last year) represents quoted assets and cash and cash equivalents.

It should be noted, however, that a possible necessity to raise funds unexpectedly and in a short time might require a quick realization of a significant amount of assets and selling them at prices that do not necessarily reflect their market value.

According to the Investment Regulations Migdal Insurance is required to hold liquid assets, as defined in the Investment Regulations.

Management of assets and liabilities

Migdal Insurance manages its assets and its liabilities in accordance with the Supervision Law requirements and regulations.

The tables below concentrate the estimated settlement dates of Migdal Insurance's non-discounted insurance and financial liabilities. Since the amounts are non-discounted, they do not match the balances of the insurance and financial liabilities in the statement of financial position.

a) The estimated settlement dates of the liabilities in life assurance and health insurance are included in the tables as follows:

Savings monies – contractual settlement dates, namely, retirement age, without cancellation assumptions, under the assumption that the savings will continue as a lump sum and not as annuity.

Annuity in payment, occupational disability in payment and long-term care in payment – on the basis of an actuarial estimate.

Outstanding claims and risk reserves – reported under the column "without a defined settlement date".

b) The estimated settlement dates of the liabilities in respect of general insurance contracts were included in the tables as follows:

Liabilities in non-aggregated (statistical) insurance branches, estimated by an actuary - are reported based on an actuarial estimate, according to past claims payments experience.

Insurance liabilities in property and other insurance branches, which are aggregated branches (not statistical), and in branches in which the provisions are based on non-actuarial assumptions - are included in the column of settlement up to 3 years.

c) The settlement dates of the financial liabilities and liabilities in respect of investment contracts were included on the basis of the settlement dates of the contracts. In contracts in which the counterparty is entitled to choose the time of payment, the liability is included on the basis of the earliest date that the Company can be required to pay the commitment.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

2. Liquidity risks (cont.)

Liabilities in respect of life assurance and health insurance contracts *)

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	Without a defined settlement date	Total
	NIS in thousands						
December 31, 2020	8,155,509	10,519,973	10,615,257	4,756,484	2,711,314	3,426,600	40,185,137
December 31, 2019	7,256,712	10,015,488	10,920,268	5,287,127	2,560,795	3,075,662	39,116,052

*) Does not include liabilities in respect of yield dependent contracts.

Liabilities in respect of general insurance contracts

	Up to 3 years	Over 3 years and up to 5 years	Over 5 years	Without a defined settlement date	Total
	אלפי ש"ח				
December 31, 2020	2,791,765	982,685	1,326,322	1,980	5,102,752
December 31, 2019	2,775,902	940,536	1,258,749	1,558	4,976,745

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

2. Liquidity risks (cont.)

Financial liabilities and liabilities in respect of investment contracts:

	Up to1 year (1)	Over 1 year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	Without a defined settlement date	Total
	NIS in thousands						
December 31, 2020:							
Financial liabilities, not including lease liabilities (2)	1,293,136	4,699,047	742,446	-	-	-	6,734,629
Lease liabilities	28,070	43,206	23,754	17,264	4,604	-	116,898
Liabilities in respect of non-yield dependent investment contracts	40,915	141,781	60,773	12,743	-	-	256,212
Liabilities in respect of yield dependent investment contracts (3)	2,342,806	-	-	-	-	-	2,342,806
December 31, 2019:							
Financial liabilities, not including lease liabilities (2)	364,247	3,386,667	2,187,107	-	-	-	5,938,021
Lease liabilities	30,145	62,655	18,127	17,163	11,442	-	139,532
Liabilities in respect of non-yield dependent investment contracts	41,200	149,719	65,699	17,049	349	-	274,016
Liabilities in respect of yield dependent investment contracts (3)	(* 2,290,985	-	-	-	-	-	2,290,985

(1) Financial liabilities up to one year include an amount of NIS 3 million for settlement upon demand (in 2019 – NIS 3 million).

(2) Including financial liabilities in respect of yield-dependent policies in the amount of about NIS 72 million at December 31, 2020 (2019 - about NIS 145 million).

(3) Liabilities in respect of yield-dependent investment contracts are for up to a year, since they are payable on demand.

*) Reclassified, for additional details see Note 2.d.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks

a) General

The Group sells policies which cover various risks, such as death risk mainly before retirement age, longevity risk for persons receiving an annuity after retirement ("longevity"), disability, dread diseases (including long term care, occupational disability and professional disability), fire, natural disasters (catastrophic event such as earthquake), theft, burglary, liability for bodily damages, etc. The pricing of the policies and the actuarial estimations with respect to the insurance liabilities of the Company, are made mainly on the basis of past experience and the known legal and regulatory environment.

The obligation to deposit executive insurance savings funds as from January 2008 in annuity policies and the public's tendency to prefer the annuity track as opposed to the capital track upon retirement affect the Company's exposure to longevity risk.

Variance in the risk factors, in the frequency and severity of events and in the legal and regulatory situation could affect the Group's business results.

Insurance risks

Life assurance and health insurance risks

Life assurance and health insurance risks mainly result from uncertainty in the frequency, timing and payment duration of anticipated future claims in relation to the assumptions relating to the mortality/longevity rates, morbidity/disability rates, expenses and cancellation (including surrenders and leaving migrations).

General insurance risks

Pricing risk – the risk of using incorrect pricing as a result of deficiencies in the underwriting process and from the exposure to deterioration in the risk factors covered by the policy beyond the actuarial valuation according to which this premium was determined for covering these risks. The gaps may be due to random changes in the business results and to changes in the average claim cost and/or the frequency of the claims as a result of various reasons.

Valuation of the insurance liabilities (reserve for outstanding claims) risk – the exposure to deterioration in future payments of the outstanding claims above the estimate of the Company's liability for these claims. The actuarial models on whose basis, inter alia, the Company assesses its insurance liabilities assume that the past pattern of behavior and claims represents that in the future.

The Company's exposure is composed of the following risks:

Model risk - the risk of choosing an inappropriate model for pricing and/or evaluating the insurance liabilities.

Parameter risk - the risk of using inappropriate parameters, including the risk that the amount paid for settling the Company's insurance liabilities or the settlement date of the insurance liabilities - will be different from the anticipated amount and date.

Catastrophe risk

An exposure to the risk that a single event of vast effect (catastrophe), such as earthquake, war or terror, will cause huge accumulated damages. The significant catastrophic event to which the Company is exposed in general insurance is earthquake and in life assurance and health insurance - war.

The size of the maximum loss that is expected in general insurance business, as a result of an exposure to a large single damage event or an accumulation of damages in respect of a significantly large event at a maximum probable loss (MPL estimated according to the model applied by the Company), which is basically about 1.8% (*) of the amount at risk, is about NIS 5,581 million, gross, of which about NIS 200 million on self retention.

(*) Excluding exposure in respect of motor casco that is covered by contractual reinsurance agreements, which is subject to MPL at a rate of about 5%.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

a). General (cont.)

In life assurance business there is a catastrophe type (CAT) reinsurance contract which covers death claims and disability resulting from a catastrophe (such as an earthquake or war of any kind, including nuclear, biological or chemical war). As from 2020 the coverage in this type of reinsurance agreement is about USD 80 million after a deductible of USD 30 million for each event. It is noted that a CAT contract does not cover risk of epidemic outbreaks.

For further information on various insurance branches for which the insurer is exposed to insurance risk, see details of insurance liabilities according to insurance risks in Notes 3.d, 17, 18.a and 19.

Business mix

The Group's business activities are concentrated primarily in life assurance and long term savings. Changes in the mix of the various business segments in the long term savings sector, the growth of the pension segment at the expense of the life assurance segment, have a material effect on the results of operations of the Group in the long term.

Preservation of life insurance and long term savings portfolio

The life assurance and long term savings portfolio of the Company is exposed to policy cancellations and surrenders as well as to movement of accumulated savings between entities. The degree of preservation of the portfolio is affected primarily by the growth of the economy and the level of employment, by the regulatory pronouncements, by public interests, by the competition between various long term savings products as well as the competition between all the entities in the sector, which is increasing over time. The preservation level of the life assurance portfolio, including movement between different long term savings products (life assurance, pension funds, and provident funds), which have different profitability margins, has a significant effect on the long-term profitability of insurance companies.

Regarding sensitivity analysis with respect to changes in cancellation rates see b(3)(b)(7) below.

b) Insurance risk in life assurance and health insurance policies:

(1) General

Hereunder is the description of the various insurance products and assumptions used in the calculation of the liabilities in their respect, according to the type of product.

In general, in accordance with the Commissioner's directives, the insurance liabilities are calculated by the actuary according to the accepted actuarial methods and consistent with the previous year. The liabilities are calculated in accordance with the relevant coverage data, such as: age and sex of policyholder, term of insurance, date of commencement of insurance, type of insurance, periodic premium and the amount of the insurance.

(2) Actuarial methods for calculating insurance liabilities:

"Adif" type and "investment tracks" insurance programs:

In "Adif" and "investment tracks" insurance programs there is an identified savings component. The basic and main reserve is at the level of the accumulated savings including the yield according to the policy's terms as follows:

- Principal linked to investment portfolio yield (yield dependent contracts)
- Principal linked to the CPI plus a fixed guaranteed interest or credited by a guaranteed yield against adjusted assets (yield guaranteed contracts).

In respect of insurance components that are attached to these policies (occupational disability, death, long term care, etc.), the insurance liability is calculated separately as mentioned below.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(2) Actuarial methods for calculating insurance liabilities (cont.)

"Endowment" type policies ("traditional") and others:

The "endowment" type insurance programs and similar programs combine a savings component in the event that the policyholder is still alive at the end of the term of the program with an insurance component of death risk during the period of the program. In respect of these products, the insurance liability is calculated for each type of coverage as a discount of the cash flows in respect of the anticipated claims, including a payment at the end of the period, net of future anticipated premiums. This calculation is based on assumptions according to which the products were priced and/or on assumptions based on the claims experience, including the interest rates ("tariff interest"), mortality or morbidity tables. The calculation is according to the net premium reserve method, which does not include the component that was loaded on the premium tariff for covering the commissions and expenses, in the anticipated flow of receipts and on the other hand it does not deduct the anticipated expenses and commissions. The reserve in respect of yield dependent traditional products is calculated according to the actual yield that was obtained, net of management fees.

Liabilities for annuities in payment are calculated in accordance with the anticipated mortality rate, based on mortality tables that were published in the Commissioner's circular from 2019. See also paragraph (3)(b) hereunder.

Liabilities in respect of life annuities paid in respect of valid policies (paid and settled) which have not yet reached the stage of realization of the annuity or the policyholder has reached retirement age but actual payment has not yet begun, are calculated according to the annuity take up rates and in accordance with the anticipated life expectancy on the basis of the updated mortality tables as well as on the basis of cancellation rates expected and relevant discount rates in the annuity portfolio until retirement. These estimates are calculated on the basis of Migdal Insurance's experience together with data published by the Commissioner.

Changes in estimates regarding discount rates, life expectancy, cancellation rates and take-up rates of withdrawing of savings as annuities and/or other changes will affect the above liabilities.

These liabilities include the basic reserve which represents the surrender value of the policy accrued to the policyholder and the supplementary reserve for annuity.

The provision for the supplementary reserve for annuities is accrued gradually until the anticipated date of retirement using the K discount factor (hereinafter: "the K factor"), for additional details about the K discount factor, see paragraph (3)(d) hereinafter.

Other life assurance programs include pure risk products (occupational disability, death, long term care) sold as independent policies or attached to policies with a basic program such as "Adif", "investment tracks" or "traditional". An actuarial liability is calculated in respect of these programs. The calculation is according to the method called the net premium reserve.

In respect of prolonged claims in payment, in long term care and occupational disability insurance, the insurance liability is calculated according to the claimant's age, claim duration, and the duration of the anticipated payment, based on the experience of Migdal Insurance, and it is discounted according to the tariff interest rate of the product.

The reserves for the insurance of individual medical expenses are calculated as the present value of expected future claims based on past experience net of expected net premium. The calculation assumptions regarding parameters relating to morbidity and cancellation were based on the experience of Migdal Insurance, with a conservative margin, as generally accepted for the calculation of reserves.

The outstanding claims in the sub-branches of surgeries, medications and dread diseases are calculated according to the claim triangles (Chain Ladder, Bornhuetter-Ferguson) regarding claims that were paid according to the months of damage, without discounting, and without a range indication.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(2) Actuarial methods for calculating insurance liabilities (cont.)

The outstanding claims in the sub-branches of transplants and surgeries abroad are calculated on the basis of the claims department report.

The insurance liabilities in respect of group insurance consist of a liability in respect of unearned premium, reserve for outstanding claims and IBNR (claims incurred but not yet reported), reserve for continuity and provision for future losses, if necessary.

The liabilities for outstanding claims in life assurance mainly include provisions for outstanding claims and IBNR for death events on the basis of the amount at risk for death events that occurred before the date of the report, for loss of working capacity and for disabilities based on the Chain Ladder model according to damage months.

(3) Main assumptions used in the calculation of the insurance liabilities:

(a) The discount rate:

In respect of insurance programs of the "endowment" (traditional) type and such and pure risk products with fixed premiums, the interest used for discounting is as follows:

In insurance plans mainly backed by designated bonds, the tariff interest is between 3% and 5%, linked;

In respect of yield dependent products, issued in 1991 and onwards, a tariff interest rate of 2.5%, linked. In accordance with the policy's conditions, changes in interest will be credited to the policyholders.

A decline in the economic interest rate could increase the supplementary annuity reserve due to use of a gross discount rate, as noted in Circular 2013-1-2.

Furthermore, a decline in the long-term interest rate may increase the insurance reserves in respect of the free component (which is not backed by designated bonds) of policies in which the savings component includes a guaranteed yield which is higher than the discount interest rate, due to the need to provide an additional reserve as part of a liability adequacy test (LAT). See Note 2.i.1.g). For details on the financial effect, see b.3.b)(5)(a) below.

(b) Mortality and morbidity rates:

(1) The mortality rates used in the calculation of the insurance liabilities in respect of the policyholders' mortality before retirement age (in other words not including mortality of those who receive old age pension and compensation for occupational disability) are usually similar to the rates used for determining the tariff.

(2) In July 2019 the Commissioner published a draft "Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities – Change in the Demographic Assumptions in Life Assurance and Change in the Improvement in Mortality Model for Insurance Companies and Pension Funds" as well as a position paper that discusses that matter. On November 6, 2019 the final circular on the matter was published (hereinafter – "the circular"), which describes up-to-date default assumptions that on their basis the insurance companies will calculate liabilities in respect of life assurance policies that enable receiving an annuity according to guaranteed conversion rates on the basis of up-to-date demographic assumptions. Furthermore, the managing companies of the pension funds that operate under a mutual insurance format, will calculate the actuarial balance of the funds they manage on the basis of the change in the improvement in mortality model, and will accordingly determine the coefficients included in their bylaws.

The circular refers to, inter alia, the change in life expectancy, including future improvements, and to the consequential effects on the amount of the reserves and the method of building them. In addition, the circular includes a new mortality table for retirees of insurance companies, which for the first time is based on, inter alia, mortality experience of retirees of the insurance companies.

In the financial statements for June 2019 Migdal Insurance adjusted its assessments regarding the liabilities for annuities on the basis of the new mortality table and the future improvements in life expectancy that are included in the draft circular. The issuance of the final circular did not require further adjustments to those tables.

See paragraph b.3.b)(7) hereunder for a sensitivity analysis.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health insurance policies (cont.)

(3) Main assumptions used in the calculation of the insurance liabilities (cont.)

(b). Mortality and morbidity rates: (cont.)

(3) The morbidity rates relate to the frequency of claims in respect of dread disease, occupational disability, long term care, surgery and hospitalization, disability from accidents, etc. These rates are determined on the basis of the Company's experience or reinsurers' research. In the long term care and occupational disability branches the period for payment of claims is determined in accordance with the Company's experience, according to the Group's experience or reinsurers' research.

Insofar as morbidity rates and severity increase, so too the insurance liability may increase in respect of dread diseases, occupational disability, long-term care, surgery and hospitalization and accidental disability.

(c) Annuity assumptions:

Life assurance contracts that include a savings component were managed in respect of savings funds deposited up to 2008 in two tracks: a lump sum track or an annuity track. In annuity track policies and policies with annuity appendices, the policyholder is entitled, in respect of accumulation until the end of 1999, to choose the track at the time of retirement. Since the amount of the insurance liability is different in each of these two tracks, Migdal Insurance must determine the take-up rates of policies where the policyholders will choose the annuity track. This rate is determined based on the Group's experience as updated from time to time. Beginning from 2008 all the savings premiums that were deposited in the framework of executive insurance are designated for annuity and the possibility to withdraw the accumulated savings from them in a lump sum was reduced.

Each year Migdal Insurance conducts a study on the subject of annuity assumptions, including annuity take-up rates, retirement tracks and retirement age and adjusts the supplementary annuity reserve accordingly.

Furthermore, the assumptions of the supplementary annuity reserve are adjusted following a study on policy termination before the expected retirement age (as a result of redemption, leaving migrations, etc.).

For details on the financial effect, see paragraph b.3.b)(5)(a) below.

(d) K discount factor:

The provision for the supplementary annuity reserve is made using the K factor, as mentioned in paragraph b.3.b)(2) above.

The supplementary annuity reserve is accumulated gradually, in respect of the monies accumulated in the policies parallel to recognition of profits from the management fees, over the period remaining until the policyholder reaches the retirement age. For premiums expected to be received as part of the policies, the provision will accumulate from the time they were received and until the age of retirement, as said.

The gradual provision is made by using the K Factor, which is derived from the rate of future income, as said. This factor is taken into account in the calculation of the accrual of the supplementary annuity reserve, and it is limited up to the rate of future income expected from management fees or from a financial margin arising from the investments held against the insurance reserve for the policy, or from payments of premiums net of the expenses in respect of the policy. The higher is the K Factor, the lower is the liability for the supplementary annuity reserve that will be recognized in the financial statements and the higher is the amount that will be deferred and recorded in the future.

The actuary of Migdal Insurance determines two separate K factors according to the guidelines of the Commissioner. One K factor is for liabilities in respect of profit participating policies and the other is for guaranteed yield policies.

As of the date of the financial statements, the K value used by Migdal Insurance for profit participating policies is 0.67% (as of December 31, 2019 – 0.69%). The supplementary annuity reserve in respect of guaranteed yield policies is at its full amount as at December 31, 2020 and December 31, 2019 (the K value is 0.00% for those days).

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(3) Main assumptions used in the calculation of the insurance liabilities (cont.)

(d) K discount factor (cont.)

The decrease in 2020 in the K value of profit participating policies is mainly due to an increase in the rate of realizing the annuities.

For details on the financial effect, see paragraph b.3.b)(5)(a) below.

(e) Cancellation rates:

The cancellation rates affect the estimation of insurance liabilities in respect of deferred annuity and in respect of part of the health insurances. Cancellations of insurance contracts can be due to the cancellation of policies initiated by Migdal Insurance due to discontinuation of the premium payments or surrenders of policies at the policyholders' request. The assumptions regarding the cancellation rates are based on the experience of Migdal Insurance and are based on the type of cancellation, type of product and the seniority of the coverage period.

(f) Continuity rates:

In group health insurances the policyholders are entitled to continue to be insured under the same conditions, even if the group contract is not renewed. In respect of this option of the policyholders, Migdal Insurance has an obligation that is based on assumptions regarding the continuity rates of the group insurances and the continuity rates of the contracts with the policyholders after the group contract expires.

(4) Liability adequacy test (LAT)

Migdal Insurance tests for the adequacy of the life assurance and health reserves, including the supplementary annuity reserve.

The assumptions used in making these tests includes assumptions underlying cancellations, operating expenses, yield on assets, interest rates, illiquidity premium and also based on the excess fair value of the assets over their carrying amount, mortality, annuity assumptions and morbidity and are determined by an actuary based on tests, past experience and other applicable research and regulatory directives.

On March 29, 2020 the Commissioner issued insurance circular 2020-1-5 "Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities – Liability Adequacy Test (LAT)", hereinafter – 'the LAT circular".

According to the circular the LAT will be calculated while aggregating life assurance products (other than long-term care products) instead of a calculation for each separate life assurance product, as was the practice until then. This change enables offsetting profitable groups of products from losing groups of products. See Note 2.w for further details and the effect of this circular on the financial statements.

Updating illiquidity premium

On June 7, 2020, the Commissioner published Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities – Illiquidity Premium (hereinafter – "the amendment"). Generally, the provisions of the consolidated circular regarding measurement of liabilities determine that an illiquidity premium at various rates can be added to the risk-free interest that is used in the liability adequacy test. The illiquidity premium can be added with respect to both the yield assumption and the discount rate assumption, as relevant. The amendment adjusted the rate of the illiquidity premium for individual long-term care insurance policies (see paragraph b.3.c)(5)(a) hereunder regarding the effect of the adjustment on reducing the reserves) and motor act and liabilities insurance policies (see paragraph b.3.c)(5)(d) hereunder regarding the effect of the adjustment on reducing the reserves) and set it at 80% instead of 50% as it was until then. The amendment came into effect on June 30, 2020 and was initially applied by way of a change in accounting estimate in accordance with IAS 8.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(4) Liability adequacy test (LAT) (cont.)

Update to the instructions of the consolidated circular – Allocation of Assets not at Fair Value when Calculating Liability Adequacy Test (LAT):

On June 20, 2020, an update to the consolidated circular was published, which includes clarifications in respect of allocating assets that are not at fair value, when performing the Liability Adequacy Test (LAT). The clarification discusses, among other things, the question if changes can be made in the method of allocating assets to insurance liabilities for UGL purposes (the excess value, i.e. the positive difference between the fair value of assets and their carrying amount). The clarification distinguishes between assets with an external or internal limitation on their allocation for covering certain reserves and assets that have no such limitations.

According to the clarification, maximum exploitation of the excess value can be done by, among others, first allocating assets with excess value to the groups characterized in the LAT, until arriving at the amount by which the liabilities are measured, prior to offsetting in respect of UGL.

Migdal Insurance does not have external or internal limitations in respect of the assets, therefore is acts according to the procedure for allocating assets under no limitation as prescribed in the circular.

According to that procedure, the assets with excess value will be allocated in a manner that results in maximum exploitation of the fair value, until reaching the amount by which the liabilities are measured, prior to offsetting in respect of UGL.

The following are data on the assets that are used for calculating the UGL, in NIS millions:

Segment	Type of asset	Carrying amount of the assets	Fair value of the assets	UGL
Life and health	Debt assets	1,625	1,909	284
General	Debt assets	466	514	49

Migdal Insurance has used the total UGL arising from assets standing against the life and health insurance segment for calculating the LAT reserve for long term care, and has also used the complete UGL arising from assets standing against liabilities in the general segment.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(5) Effect of changes in principal estimates and assumptions used to calculate the reserves for life and health insurance

(a) Effect of changes on the supplementary annuity reserve and on the LAT in life and health insurance:

	December 31	
	2020	2019
	NIS in millions	
Change in discount rate in calculating the supplementary annuity reserve [1)]	275	884
Increase (decrease) in annuity reserves due to a change in expected future income derived from the change in the discount rate (K)	(9)	580
Total increase (decrease) in annuity provisions due to the change in the interest rate	266	1,464
Change in annuity assumptions [2)]	5	(46)
Adjustment of life expectancy rates	-	96
Total effect on supplementary annuity reserve for life insurance	271	1,514
Health insurance - Increase (decrease) following the LAT[3)]	(34)	667
Total before tax	237	2,181
Total after tax	156	1,435

1) Migdal Insurance uses yield assumptions based on the existing and expected portfolio to determine the future yields estimates, as part of determining the reserve for annuities. During the reporting year this yields estimate was updated to better represent yield rates expected from the portfolio, which brought to an increase in the expected yield and as a result to a decrease in the reserves of about NIS 240 million.

2) During the reporting year, the supplementary annuity reserve increased by an amount of NIS 140 million mainly in profit participating policies, following an adjustment to the annuity take-up assumption, whereas an adjustment to the estimates regarding distribution of the retirement ages caused the reserve to decrease by NIS 132 million mainly in guaranteed yield policies. Last year there was a decrease of NIS 46 million in the supplementary annuity reserve following an increase in the annuity take-up rates, which was offset by a decrease in the cancellation rate.

3) Following the Liability Adequacy Test (LAT), the provision for LAT in long term care insurance decreased by an amount of NIS 34 million in the reporting period. The decrease was affected mainly by the following reasons: allocation for the first time of the excess fair value of assets over their carrying amount of NIS 284 million, see Note 2.w, and application of the Commissioner's directives regarding illiquidity premium in the amount of NIS 188 million as mentioned in paragraph 36.b.3(b)(4). This decrease was offset by the effect of the risk-free interest curve in the amount of NIS 437 million that includes the effect of the current update in the illiquidity premium. Last year the reserve increased by an amount of NIS 667 million that was affected mainly by a decline in the risk-free interest curve that was offset following the amendment of the LAT circular with respect to the risk-free interest by an amount of NIS 365 million as well as an adjustment following a study on claim duration of about NIS 273 million. In addition Migdal Insurance increased the reserve for claims in payment by the amount of NIS 20 million following a study on the duration of long-term care claims.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

b) Insurance risk in life assurance and health policies (cont.)

(5) Effect of changes in principal estimates and assumptions used to calculate the reserves for life and health insurance (cont.)

(b) The “Migdal Batu’ach” insurance plan is a profit participating plan that includes a commitment for a minimum linked yield after seniority of more than 20 years. In respect of this commitment Migdal Insurance keeps a reserve that is based on, inter alia, risk-free interest rates. In the reporting year there was an increase in the reserve in the amount of NIS 62 million, compared with NIS 75 million last year, as the result of a decrease in the risk-free interest rate that is partly offset by the yield that was actually obtained and was higher than the risk-free interest rate.

(6) Balance of supplementary reserve for annuity

The supplementary reserve for annuity included in the books of Migdal Insurance approximates NIS 8,553 million and NIS 7,722 million as of December 31, 2020 and 2019, respectively*. The balance of the provision, which will be recognized gradually in profit and loss, using the aforementioned K factors, until the policyholders reach retirement age, amounts to about 2,992 NIS million as of December 31, 2020 (previous year – about NIS 2,950 million).

* Of which about NIS 5,887 million is in respect of a deferred annuity (in 2019 about NIS 5,435 million in respect of a deferred annuity).

It should be noted that the figures listed above, in connection with the supplementary reserve for annuity and in connection with the balance of the provisions to be recognized in the future, relate to funds already accumulated in the policies at the end of the reporting periods and do not include provisions in respect of amounts accumulated in the future.

(7) Sensitivity tests

	December 31, 2020							
	Morbidity rate		Rate of cancellations ***)		Mortality rate		Annuity take-up rate **)	
	+10%	-10%	+10%	-10%	+10%	-10% *)	+5%	-5%
	NIS in thousands							
Profit (loss)	(328,188)	352,438	27,597	(34,066)	827,709	(1,784,478)	(117,076)	48,203

	December 31, 2019 ****)							
	Morbidity rate		Rate of cancellations ***)		Mortality rate		Annuity take-up rate **)	
	+10%	-10%	+10%	-10%	+10%	-10% *)	+5%	-5%
	NIS in thousands							
Profit (loss)	(311,583)	339,574	15,579	(20,128)	792,686	(1,614,910)	(177,331)	93,455

*) Mainly due to the supplementary annuity reserve.

**) For purposes of the sensitivity test with respect to the annuity take-up rate, 5% of the annuity take-up rate were added/subtracted. See Note 18.a regarding the amount of the supplementary annuity reserve.

***) The cancellation rates include surrenders, maturities and reductions.

****) Retrospective application, see Note 2.w.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks:

(1) Condensed description of the main insurance branches in which the Group operates:

Migdal Insurance's activities focus on the branches of motor act, motor casco, property insurance and liability insurance.

Motor act insurance covers, pursuant to the motor insurance ordinance, the owner of the vehicle and the driver for any liability they may be liable to pursuant to the Road Accident Victims Compensation Law, 1975, due to bodily damage caused to the driver of the vehicle, the passengers in the vehicle, or pedestrians injured by the vehicle, as a result of the use of the motor vehicle. The claims in this branch are characterized by a long tail, namely, sometimes a long time passes from the date of the event to the time the claim is finally settled.

The tariff for motor act insurance requires the approval of the Commissioner of Insurance and is a differential actuarial tariff (which is not uniform for all the policyholders and adjusted to risk).The said tariff is based on a number of parameters, those related to the vehicle insured by the policy (such as safety systems, etc.), as well as those relating to the characteristics of the policyholders (the age of the youngest driver, years of holding driver license, previous claims experience, etc.).

Motor casco insurance is a voluntary insurance and it is the most common voluntary insurance in the framework of general insurance. Motor casco insurance includes damage coverage for the insured vehicle and property damages that the insured vehicle will cause to a third party.

The coverage is usually limited to the value of the damaged vehicle and/or to the limit of liability for third party specified in the policy.

The tariff for motor casco insurance requires an approval, as well as an approval of the entire policy, by the Commissioner of Insurance and it is a differential actuarial tariff (which is not uniform for all the policyholders and adjusted to risk).The said tariff is based on a number of parameters, those related to the vehicle insured by the policy (such as type of vehicle, production year, etc.), as well as those relating to the characteristics of the policyholders (number of drivers of the vehicle, age of the drivers, previous claims experience, etc.).

The underwriting process is performed partly through the tariff itself and partly through the underwriting policy of the Group as determined from time to time.

In most instances, the motor casco insurance policies are issued for a period of one year. Furthermore, in most cases, claims in respect of these policies are clarified close to the time of occurrence of the insured event.

Liability insurance is designed to cover the policyholders' liability by law in respect of damage that he may cause to any third party. The main types of insurance are: liability insurance towards a third party, employers' liability insurance and other liability insurance such as professional liability, product liability and directors' and officeholders' liability. The policies in liability insurances are usually issued for the period of one year. However, the time it takes to handle the claims in this branch is longer and might take a number of years, due to several reasons: the damage covered by the policy was caused to a third party who is not the policyholder, the time that passes between the date of the event which is the subject of the claim and the time the liability and the damage are determined, and the claim is filed, is relatively long.

In many cases it involves relatively complicated factual and legal inquiries, both, regarding the policyholders' liability, as well as the scope of the damage, the period of limitation in respect of the cause of the claim is longer than the period of limitation which is generally accepted in property insurance. The claims in this branch are characterized by a "long tail", namely, a long time passes from the date of the event until the final settlement date of the claim.

Property insurances are designated to grant the policyholder coverage against physical damage to his property. The main risks covered by property policies are fire risks, explosions, theft, earthquake and natural disasters. The property insurances sometimes include coverage for consequential damage (loss of profits) due to the physical damage to the property. Property insurances constitute an important factor in comprehensive residential insurance, business premises insurances, engineering insurances, freight in transit (marine, cargo, aviation) etc.

In most cases, the property insurance policies are issued for a period of one year. In addition, in most cases the claims in respect of these policies are handled close to the time the insurance event had occurred.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(2) Principles for calculating actuarial valuations in general insurance:

(a) Liabilities in respect of general insurance contracts include the following main components:

- Provision for unearned premium
- Provision for premium deficiency
- Outstanding claims
- Less deferred acquisition costs

The provision for unearned premium reflects the premium component relating to the period after the balance sheet date, according to generally accepted accounting principles.

In addition, according to the Commissioner's directives, provisions for premiums that do not cover the anticipated cost of the claims ("premium deficiency"), are reported, if necessary, in the motor act, motor casco and comprehensive residential branches. This provision, if made, is reported under outstanding claims.

According to the Commissioner’s directives, the outstanding claims, including the reinsurers' share therein, in the non-aggregated (statistical) branches (the liabilities, motor act, motor casco, comprehensive residential and personal accidents branches), were calculated by the appointed actuary in general insurance Ms. Ronnie Ginor, who stated, inter alia, that the valuations were performed in accordance with generally accepted actuarial principles, and the assumptions and methods of valuation of the provisions were determined by her, according to her best professional judgment, and in accordance with the relevant guidelines, directives and principles.

The actuarial valuations are mainly based on data bases in respect of the paid claims that also include direct expenses for the settlement of claims and the deductible. Subrogation and salvage recoveries are taken into consideration in the data base that serves for calculating the actuarial estimates of the outstanding claims. In accordance with the directives of the Commissioner of Insurance, the valuations also included indirect costs for settlement of claims in respect of all the branches in which the Company operates in general insurance.

(b) In accordance with the Commissioner's directives, the outstanding claims are calculated by the actuary, according to generally accepted actuarial methods, consistently with the previous year. The choice of actuarial method suitable for each insurance branch is determined by the actuary, according to the compatibility of the method to the branch and sometimes a combination of methods is used. The valuation of outstanding claims in the Group is based, in most of the branches, on past experience of development in actual claims payments (paid model) and in some of the branches it is based on the accumulated cost of the claims (the actual claims payment with the addition of individual valuations – incurred model). The valuations include assumptions regarding the average claim cost, handling costs of claims and frequency of the claims in the relevant risk group. Other assumptions can relate to changes in interest rates, exchange rates and the timing of the payments and their severity. Claims payments include direct and indirect expenses for settling the claims less subrogation and deductibles.

(c) The use of actuarial methods based on developments in claims is suitable mainly when there is stable and sufficient information on claims payments and/or specific valuations in order to assess the expected cost of the claims. When the information that exists with respect to actual claims experience is insufficient, the actuary sometimes uses a calculation weighting between a known estimate (in the Company and/or in the branch) such as L/R and actual development in the claims. A higher weight is awarded to a valuation based on experience. As time passes, additional information accumulates on the claims.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(2) Principles for calculating actuarial valuations in general insurance: (cont.)

(d) Furthermore, qualitative valuations are included with respect to a future change in trends after exercising judgement when changes were not fully reflected in past experience. The actuary updates the models and/or makes specific provisions on the basis of statistical and/or legal assessments, as relevant.

(e) When valuating exceptionally large claims, the valuation is based on individual estimates of the Company's experts.

(f) There might be new events which are not really expressed in the present claims' payments. If it turns out that the actual experience will be different from the accumulated experience in the present claims' payments, additional provisions might be required in the future.

(g) The actuarial valuation is based on statistical estimates that include an uncertainty component. The statistical estimate is based on various assumptions, which will not necessarily be realized. The assumptions used in the actuarial forecast affect the final results of the provision. Therefore, the actual claims cost might be higher or lower than the statistical estimate.

(h) Assumptions that were determined in the past might change in accordance with new information received in the future. In such cases, the outstanding claims will change according to the change in the assumptions and the actual results, and the differences created during the reported year will be included in the general insurance business statement.

(i) In the employers' liability and third party branches the Company acts in accordance with best practice principles and accordingly discounts future claim payments in these branches. The discounting is according to the risk-free interest curve, adjusting it to the illiquid nature of the insurance liabilities and taking into consideration the manner of revaluation of the assets held against these liabilities.

(j) The outstanding claims are calculated on a gross level. The reinsurers' share in the outstanding claims is estimated taking into consideration the type of the agreement (proportional/non-proportional), actual claims experience and the premium that was transferred to the reinsurers.

(k) The provision for outstanding claims for residual insurance arrangements ("the Pool") was performed based on the calculations of the Pool's actuary.

(3) Details of the actuarial methods in the main insurance branches

The following actuarial models were utilized in order to estimate the outstanding claims, in a combination with the various assumptions:

(a) Link Ratio - this statistical method is based on the claims development (payment development and/or total claims development, development of the number of claims, etc.), in order to estimate the anticipated development of existing and future claims. This method is mainly suitable after a sufficient period of time has passed from an event or the underwriting of the policy, and there is enough information from the existing claims in order to estimate the total anticipated claims. If necessary, use is made of the Sherman Power Curve method which provides a non-linear distribution to the development coefficients that were calculated using the Link Ratio method. This distribution makes it possible to calculate the development coefficients for earlier periods on which there is no information ("the development tail").

(b) Bornhuetter-Ferguson - this method combines early estimates (a priori) known to the Company or in the branch, and an additional estimate based on the claims themselves. The early estimate utilizes premiums and loss ratio for evaluating the total claims. The second estimate utilizes the actual claims experience based on other methods (such as Link Ratios). The combined claims valuation weighs the two estimates, and a larger weight is given to the valuation based on the claims experience as time passes and additional information is accumulated for the claims. The use of this method is mainly suitable for the recent period where there is not enough information from the claims or for a new business, or a business with insufficient historical information.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(3) Details of the actuarial methods in the main insurance branches (cont.)

(c) Averages - in certain cases, like in the Bornhuetter-Ferguson method, when the claims experience in the recent periods is insufficient, the historical average method is utilized. In this method the claims cost is determined based on the cost of the claim per policy for earlier years and the number of policies in the later years. Likewise, the claims cost is calculated based on the forecast of the number of claims (the Link Ratio method) and the historical average claim.

(d) Other - For claims regarding occupational diseases in employers' liability insurance, which are claims based on prolonged damage, a provision is calculated on the basis of future expected cost. In claims of this type there is no specific date on which the employee was injured and the damage is formed as the result of prolonged exposure to the risk factors. Claims of this type are characterized by a very long period of time between the beginning of exposure to the risk factors and the date the claim is reported (long tail claims).

(4) Hereunder is a description of the actuarial methods that were applied in the main insurance lines:

(a) Motor act and liability lines:

In these lines the liabilities are calculated on the basis of the development in claims' payments and/or the development in payments and outstanding claims (Link Ratio). The model is at the level of the underwriting year and is calculated at the level of the gross claims.

For immature periods use is made of a combination of the claims' cost/loss ratio based on an a priori estimate and the cost from the development of payments/claim amounts model.

Specific assessments of the claims departments are taken into consideration in cases of long-standing claims and large claims.

Since the valuation of the outstanding claims is calculated, as mentioned, at a gross level, there is a model for estimating the reinsurance outstanding claims, as follows:

In non-proportional reinsurance (excess of loss), the model for the old underwriting years is based on the treatment of individual claims. For recent underwriting years the estimate is based on a large claims model that forecasts the number of claims that will surpass the excess as well as the average amount of these claims.

In proportional reinsurance, including facultative, the model is based on the estimate of individual outstanding claims for old years and recent years according to the loss ratio rate.

A stochastic model is also used for measuring the expected variance in the reserves, so as to comply with the requirements of the Commissioner's position regarding the best practice for calculating general insurance reserves.

(b) Motor casco

In the motor casco branch the liabilities are calculated on the basis of development in claims payments (Link Ratio) while taking into consideration the type of coverage such as comprehensive/third party, the type of vehicle and the type of damage such as accidents, theft and natural disasters.

In the recent damage months, the Company uses the averages method, which is based on claim cost per policy.

Specific assessments of the claims departments are taken into consideration in cases of long-standing claims.

Subrogation and salvage recoveries are taken into account since the actuarial model is based on the development in all payments (positive and negative).

The outstanding claims valuation is calculated on the gross level. The reinsurance component in this line of business is insignificant.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(4) Hereunder is a description of the actuarial methods that were applied in the main insurance lines (cont.)

(c) Comprehensive residential

In the comprehensive residential branch, the liabilities are calculated based on the development in claim amounts (Link Ratio). In the last damage months, the averages method was used. This model is based on claims per policy.

Specific assessments of the claims departments are taken into consideration in cases of long-standing claims.

In this line of business, the reinsurance is proportional, and the retention is calculated based on the actual reinsurance rates in each damage year.

(d) Personal accidents:

In the personal accidents branch the liabilities are calculated based on the development in claim amounts (Link Ratio).

In the last underwriting years, the Bornhuetter Ferguson method was used, on the basis of Loss Ratio.

Specific assessments of the claims departments are taken into consideration in cases of long-standing claims.

In this line of business, the reinsurance is in part proportional and in part excess of loss type reinsurance. The retention is calculated based on the actual reinsurance rates in each underwriting year.

(e) Lines of business in which non-actuarial provisions were set up:

In the following lines no actuarial model was applied due to the lack of statistical significance: comprehensive business premises insurance, engineering insurance, contractors' insurance, marine insurance, aviation insurance and goods in transit insurance.

The outstanding claims with respect to these lines were included based on estimates that included the following components:

- Known outstanding claims that include an appropriate provision for handling expenses up to the end of the period, but were not yet paid as at the financial statements date. This provision is mainly based on an individual valuation of each claim, based on the opinion received from the Company's attorneys and experts handling the claims. Most of the claims are backed by reinsurance and therefore the effect is immaterial.
- A provision for claims incurred but not yet reported (IBNR) based on past experience.

  In addition, the provision for a run-off general insurance portfolio that was added during the year was based on specific assessments of the Company's experts.

(5) Changes in principal assumptions and estimates used to calculate insurance liabilities in respect of general insurance contracts:

- The provisions for outstanding claims are made on the basis of cautious assumptions as to risk factors arising from regulatory changes as well as precedential and other court rulings in the course of the years, such as: the "lost years" rule, the National Insurance Institute's (NII) subrogation right, imposition of a duty of reporting to the NII, cancellation of agreement with the NII and signing of a new agreement at the end of 2014, transfer of insurance liability for the provision of medical services to the providers of health care services, a change in the discount rate of benefits, etc. If the claims due to the risk factors are not realized according to the estimates, a surplus or deficiency is created in the development of the outstanding claims. In addition, the Company does not customarily discount outstanding claims (other than in the employers' liability and third party branches), as an additional element of caution.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(5) Changes in principal assumptions and estimates used to calculate insurance liabilities in respect of general insurance contracts (cont.)

- As from December 31, 2015, the Company applies the Commissioner's position on the best practice for calculating insurance reserves in general insurance, in accordance with the Commissioner's directives, including the following determinations.

  (a) "Caution" means that with respect to a reserve calculated by an actuary as "an adequate reserve for covering the insurer's liabilities" it is fairly likely that the insurance liability that was determined will be sufficient to cover the insurer's liabilities. As for outstanding claims in the motor act and liability branches, "fairly likely" refers to a probability of at least 75%. At the same time, if there are limitations in the statistical analysis, the actuary will exercise judgment and generally accepted actuarial methods may be used.

  In this regard, account should be taken of the random risk and the systemic risk.

  (b) Cash flow discount rate – to determine the rate for discounting the liabilities flow, the actuary must take into account the points detailed in the discounting standard of the Israel Association of Actuaries and present the considerations (including assumptions and limitations) in choosing the discount rates. According to said standard, the appropriate discount rate for the review will be based on the risk-free interest rate curve, adjusting it to the illiquid nature of the insurance liabilities.

  (c) In 2020 the insurance liabilities in these branches decreased by about NIS 37million, compared with an increase of NIS 22 million in 2019, as a result of changes in the discount rate and differences between the fair value and carrying amount of the unquoted assets, as well as the effect of the current update in in the illiquidity premium.

  (d) The update in the rate of the illiquidity premium, as mentioned in paragraph 36.b.3(b)(4) above, which affects the employers' liability and third party liability insurance branches in which the Company discounts the outstanding claims according to best practice principles, reduced the liability by an amount of NIS 11 million.

  (e) The update made in 2020 in the allocation of part of the excess fair value of assets over their carrying amount, as mentioned in paragraph 36.b.3(b)(4) above, brought to a reduction of about NIS 25 million in the insurance liabilities.

  Last year, the excess of the fair value of the assets over their carrying amount was allocated to the general insurance branches according to the proportion of the reserves.

  (f) Grouping – for the purpose of calculating margins for uncertainty in statistical branches (as defined in the circular), each branch should be treated separately, but the risks (or damage) from all the underwriting years in the branch can be grouped together. In non-statistical branches, all the branches can be treated together.

  (g) Determination of the amount of insurance liabilities for policies sold in proximity to the reporting date and for unexpired risks.

- In August 2019 the Supreme Court ruled that as a rule, the discount rate for compensation for bodily damages in tort will continue to be 3% while adopting the adjustment mechanism that was recommended by the inter-ministerial committee on the matter, this until the matter is arranged in legislation, and that the National Insurance Institute (Discount) Regulations – 1973 (hereinafter in this item: "the discount regulations") should be amended accordingly.

  Accordingly, in 2019 the Company assessed the effect of the aforesaid ruling and reduced the provisions in the motor act and liability branches by an amount of NIS 140 million on retention before tax.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

3. Insurance risks (cont.)

c) General insurance contract insurance risks (cont.)

(5) Changes in principal assumptions and estimates used to calculate insurance liabilities in respect of general insurance contracts (cont.)

In September 2020 and prior to amendment of the discount regulations as aforesaid, the Supreme Court ruled in another case that specifically discussed the matter of the discount rate, that the National Insurance Institute ("NII") should calculate the subrogation claim from the insurance company according to a discount rate of 3%, in a manner that matches the discount rate the court uses for ruling on the overall amount of the damages, the discount rate used for deducting the annuities from the injured party, to the rate that is used to calculate the subrogation claim of the NII from the insurance company.

According to the aforesaid ruling, and based on the opinion of its legal counsel, Migdal Insurance released a provision of NIS 65 million on retention before tax in respect of claims of the NII.

Insofar as there is an update to the discount rate as a result of the mechanism that was recommended by the committee, it will be necessary to create a provision again accordingly.

4. Information regarding credit risks in respect of assets against non-yield dependent contracts:

Credit risk is, as mentioned, the risk of loss if a borrower fails to meet its obligations, or if there is a change in the credit margins in the capital market.

The failure of a counterparty to meet its obligations due to a deterioration of its repayment ability, including insolvency, may affect Migdal Insurance's business results.

Credit assets that are given from members' monies and quoted credit assets in the Nostro portfolios, calculated according to fair value, are also influenced by changes in the credit margins as reflected in the capital market or from a downgrading of the debtor's credit rating.

With respect to the rating sources, see d.2 and d.3 below.

The carrying amount approximates the maximum credit risk. Therefore, the "total" column represents the maximum credit risk.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

(a) Debt assets credit risks

(1) Breakdown of debt assets according to their location

	December 31, 2020		
	Quoted *)	Unquoted	Total
		NIS in thousands	
In Israel	12,103,399	24,486,703	36,590,102
Abroad	2,362,935	638,482	3,001,417
Total debt assets	14,466,334	25,125,185	39,591,519

	December 31, 2019		
	Quoted *)	Unquoted	Total
		NIS in thousands	
In Israel	11,327,107	24,921,777	36,248,884
Abroad	530,922	583,067	1,113,989
Total debt assets	11,858,029	25,504,844	37,362,873

*) Quoted debt assets are classified mainly under the available for sale category and are reported at fair value.

Also see details of assets according to ratings below.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks: (cont.)

(2) Details of assets according to ratings:

(a) Debt assets:

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets in Israel					
Quoted debt assets:					
Government bonds	8,448,660	-	-	-	8,448,660
Corporate bonds	3,395,357	256,487	-	2,895	3,654,739
Total quoted debt assets in Israel	11,844,017	256,487	-	2,895	12,103,399
Unquoted debt assets:					
Government bonds	22,463,254	-	-	-	22,463,254
Corporate bonds	422,584	603	13	1,477	424,677
Deposits in banks and financial institutions	472,040	-	-	-	472,040
Other debt assets according to security:					
Mortgages	-	-	-	226,732	226,732
Loans on policies	-	-	-	23,652	23,652
Loans against real estate charges	70,866	43,030	-	-	113,896
Loans against charges on shares conferring control	-	20,695	-	-	20,695
Other security	250,001	276,097	-	100,497	626,595
Not secured	59,457	29,591	-	26,114	115,162
Total unquoted debt assets in Israel	23,738,202	370,016	13	378,472	24,486,703
Total debt assets in Israel	35,582,219	626,503	13	381,367	36,590,102
Of which debt assets according to internal rating	155,334	64,510	-	-	219,844
Includes debt assets in internal rating whose rating was reduced by Migdal Insurance	39,649	-	-	-	39,649

*) Each rating includes all the ranges, for example: A includes A- up to A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(a) Debt assets (cont.)

	International rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets abroad					
Quoted debt assets:					
Government bonds	855,214	32,762	-	-	887,976
Corporate bonds	25,276	1,100,059	320,830	28,794	1,474,959
Total quoted debt assets abroad	880,490	1,132,821	320,830	28,794	2,362,935
Unquoted debt assets:					
Corporate bonds	-	6,945	7,640	6,609	21,194
Other debt assets	109,206	59,122	28,982	419,978	617,288
Total unquoted debt assets abroad	109,206	66,067	36,622	426,587	638,482
Total debt assets abroad	989,696	1,198,888	357,452	455,381	3,001,417
Of which debt assets according to internal rating	-	-	-	-	-

*) Each rating includes all the ranges, for example: A includes A- up to A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(a) Debt assets (cont.)

	Local rating *)				
	December 31, 2019				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets in Israel					
Quoted debt assets:					
Government bonds	7,706,039	-	-	-	7,706,039
Corporate bonds	3,228,914	388,047	39	4,068	3,621,068
Total quoted debt assets in Israel	10,934,953	388,047	39	4,068	11,327,107
Unquoted debt assets:					
Government bonds	22,614,668	-	-	-	22,614,668
Corporate bonds	504,334	41,612	251	5,232	551,429
Deposits in banks and financial institutions	477,106	-	-	-	477,106
Other debt assets according to security:					
Mortgages	-	-	-	254,840	254,840
Loans on policies	-	-	-	34,306	34,306
Loans against real estate charges	39,346	28,963	-	-	68,309
Loans against charges on shares conferring control	-		-	25,313	25,313
Other security	357,514	335,503	-	29,852	722,869
Not secured	77,731	10,894	-	84,312	172,937
Total unquoted debt assets in Israel	24,070,699	416,972	251	433,855	24,921,777
Total debt assets in Israel	35,005,652	805,019	290	437,923	36,248,884
Of which debt assets according to internal rating	117,077	109,541	-	-	226,618
Includes debt assets in internal rating whose rating was reduced by Migdal Insurance	21,758	50,781	-	-	72,539

*) Each rating includes all the ranges, for example: A includes A- up to A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(a) Debt assets (cont.)

	International rating *)				
	December 31, 2019				
	A and above	BBB	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets abroad					
Quoted debt assets:					
Government bonds	93,026	36,595	-	-	129,621
Corporate bonds	-	322,548	78,753	-	401,301
Total quoted debt assets abroad	93,026	359,143	78,753	-	530,922
Unquoted debt assets:					
Corporate bonds	-	17,030	-	6,464	23,494
Other debt assets	-	87,564	-	472,009	559,573
Total unquoted debt assets abroad	-	104,594	-	478,473	583,067
Total debt assets abroad	93,026	463,737	78,753	478,473	1,113,989
Of which debt assets according to internal rating	-	-	-	-	-

*) Each rating includes all the ranges, for example: A includes A- up to A+.

(b) Credit risks in respect of other assets (In Israel)

Additional information

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debtors and receivables, excluding balances of reinsurers	21,660	3,908	-	372,280	397,848
Deferred tax assets	4,814	-	-	-	4,814
Other financial investments	-	-	-	679,512	679,512
Cash and cash equivalents	3,548,195	30,695	-	-	3,578,890

	Local rating *)				
	December 31, 2019				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debtors and receivables, excluding balances of reinsurers	28,612	3,909	-	359,132	391,653
Deferred tax assets **)	5,950	-	-	-	5,950
Other financial investments	-	-	-	314,938	314,938
Cash and cash equivalents	3,107,106	25,470	-	-	3,132,576

*) Each rating includes all the ranges, for example: A includes A- up to A+.
**) Retrospective application, see Note 2.w.

Note 36- Risk Management (Cont.)

b. Details of the risks (Cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(c) Credit risks in respect of off-balance sheet instruments (in Israel):

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	52,625	28,775	-	63,851	145,251

	Local rating *)				
	December 31, 2019				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	13,915	42,103	-	70,046	126,064

*) Each rating includes all the ranges, for example: A includes A- up to A+.

(d) Credit risks in respect of other assets (abroad):

	International rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debtors and receivables, excluding balances of reinsurers	2,709	-	250	7,791	10,750
Other financial investments	-	-	-	2,358,695	2,358,695
Cash and cash equivalents	95,231	-	-	-	95,231

	International rating *)				
	December 31, 2019				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debtors and receivables, excluding balances of reinsurers	635	392	-	5,226	6,253
Other financial investments	-	-	-	2,297,670	2,297,670
Cash and cash equivalents	181,963	-	-	-	181,963

*) Each rating includes all the ranges, for example: A includes A- up to A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

a) Debt assets credit risks (cont.)

(2) Details of assets according to ratings (cont.)

(e) Credit risks in respect of off balance sheet instruments (abroad):

	International rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	11,212	-	-	96,951	108,163

	International rating *)				
	December 31, 2019				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	-	-	-	134,883	134,883

*) Each rating includes all the ranges, for example: A includes A- up to A+.

b) Additional information regarding credit risks:

(1) In August 2017 the Commissioner gave his approval to Migdal Insurance using an internal credit rating model that was developed by it, further to an approval to use a credit rating model from August 2013 (hereinafter- the model). According to the approval, as regards provisions of the law concerning credit rating, the rating according to the model will be considered a rating that is parallel with respect to risk to the rating of a rating agency subject to the conditions provided in the approval.

(a) The model will be used within the framework of the structure, methodology and procedures that were presented to the Commissioner during the process of examining the model;

(b) Any significant change in the model's structure requires the Commissioner's prior approval.

(c) The model can be used in the calculation of the capital requirements under the Solvency 2 regime, subject to the conditions specified in the capital regime directives.

(2) There is a difference in the rating scales between debt assets in Israel and debt assets abroad. It should be noted that in accordance with the Capital Market Circular 2008-6-1, regarding the publication of the conversion scale between the Israeli rating and the International rating, the rating companies published a comparative analysis between the local rating scale and the international rating scale.

(3) Information regarding credit risks in this Note does not include the assets for yield dependent contracts that are reported in paragraph d below.

(4) Regarding reinsurers' exposure to credit risk see b(4.1) below.

(5) The Group is also exposed in its activities to other receivables such as employers and policy holders. An increase in the insolvency of businesses in Israel may also affect the amount of the employers' debts from not transferring the pension insurance deposits for their employees, which in turn, obliges the institutional entities in the Group to take action. With respect to the balance of outstanding premiums in the amount of NIS 730,272 thousand (2019 – NIS 714,038 thousand) see Note 10.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

b) Additional information regarding credit risks (cont.)

(6) Details of exposure of market branches to investments in quoted and unquoted financial debt assets:

	December 31, 2020		
	Balance sheet credit risk		Off balance sheet risk
	Amount NIS in thousands	% of the total	NIS in thousands
Economic sector:			
Industry	448,684	1.1	-
Construction and real estate	1,700,394	4.3	91,171
Electricity and water	1,446,032	3.7	140,697
Commerce	49,660	0.1	-
Transportation and storage	106,893	0.3	-
Communication and computer services	404,529	1.0	21,546
Banks	2,359,627	6.0	-
Financial services	294,044	0.7	-
Other business services	580,679	1.5	-
Holding companies	10,405	-	-
Private individuals	390,682	1.0	-
Government bonds	31,799,890	80.3	-
Total	39,591,519	100.0	253,414

	December 31, 2019		
	Balance sheet credit risk		Off balance sheet risk
	Amount NIS in thousands	% of the total	NIS in thousands
Economic sector:			
Industry	505,078	1.4	19,739
Construction and real estate	1,753,225	4.7	91,407
Electricity and water	995,587	2.7	146,701
Commerce	4,271	-	-
Transportation and storage	128,728	0.3	-
Communication and computer services	295,434	0.8	-
Banks	2,367,493	6.3	-
Financial services	286,455	0.8	-
Other business services	93,273	0.2	3,100
Holding companies	21,755	0.1	-
Private individuals	497,841	1.3	-
Government bonds	30,413,733	81.4	-
Total	37,362,873	100.0	260,947

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4. Information regarding credit risks in respect of assets against non-yield dependent contracts (cont.)

b) Additional information regarding credit risks (cont.)

(7) Geographical risks:

Details of countries/regions the exposure to which exceeds 1% of the investment:

	December 31, 2020									
	Government bonds	Corporate bonds	Shares	ETNs/ETFs	Mutual funds	Investment property	Other investments *)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS in thousands									
Israel	31,767,128	4,498,415	85,962	408,310	6,929	714,589	5,448,655	42,929,988	55,869	42,985,857
US	-	330,990	102,118	183,442	23,183	-	919,236	1,558,969	(60,261)	1,498,708
Switzerland	-	7,440	-	-	-	-	295,149	302,589	-	302,589
Other	32,762	738,724	127,400	77,913	450,889	-	2,168,124	3,595,812	(144,780)	3,451,032
Total amount	31,799,890	5,575,569	315,480	669,665	481,001	714,589	8,831,164	48,387,358	(149,172)	48,238,186

	December 31, 2019									
	Government bonds	Corporate bonds	Shares	ETNs/ETFs	Mutual funds	Investment property	Other investments *)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS in thousands									
Israel	30,413,733	4,406,939	362,179	59,256	3,580	796,737	5,289,614	41,332,038	(294,576)	41,037,462
US	-	9,729	69,703	190,059	19,447	-	801,748	1,090,686	1,012,416	2,103,102
Switzerland	-	-	-	-	-	-	380,438	380,438	-	380,438
Other	36,595	180,624	113,943	115,102	694,178	-	1,692,005	2,832,447	(392,515)	2,439,932
Total amount	30,450,328	4,597,292	545,825	364,417	717,205	796,737	8,163,805	45,635,609	325,325	45,960,934

*) Other investments include reinsurance assets, investments in affiliates, cash and other financial investments not included in the other columns.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4.1 Reinsurers' credit risks:

Migdal Insurance insures part of its business by reinsurance, most of which is done through reinsurers abroad. However, the reinsurance does not release Migdal Insurance from its commitment towards its policyholders according to the insurance policies.

Migdal Insurance is exposed to risks resulting from uncertainty regarding the reinsurers' ability to pay their share in the liabilities in respect of insurance contracts (reinsurance assets). Therefore, the financial stability of reinsurers and their ability to meet their financial obligations may affect the business results of the Company. This exposure is managed by a current follow-up of the reinsurers rating in the international market and their following through on monetary liabilities to the Company.

Migdal Insurance is exposed to concentrated credit risk to an individual reinsurer, due to the reinsurance market structure and the limited amount of reinsurers with sufficient rating.

In accordance with the Commissioner's directives, once a year the Board of Directors of Migdal Insurance determines the limits of the maximum exposure to the reinsurers with whom the Company has engaged and/or will engage, which is mainly based on their rating. These exposures are managed in the Company by individual assessment of each of the reinsurers.

In addition, Migdal Insurance's exposures are dispersed between various reinsurers, and the principal ones are reinsurers who are rated at relatively high ratings.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4.1 Reinsurers' credit risks (cont.)

	December 31, 2020										
			Reinsurance assets							Debts in arrears (b)	
Rating group (d)	Total reinsurance premiums for 2020	Balances in debit (credit) net	In life assurance	In health insurance	In property insurance	In liability insurance	Deposits by reinsurers	Amount of letters of credit received from reinsurers	Total exposure (a) (c)	Between half a year and one year	Over one year
	NIS in thousands										
AA and above											
Swiss Reinsurance Co (e)	204,939	(43,496)	19,151	19,541	47,581	93,393	25,196	-	110,974	-	-
Hannover Reinsurance Co	81,962	(20,514)	2,842	25,502	15,175	9,725	110	-	32,620	-	-
Others	175,785	(27,649)	109,965	17,627	71,207	103,206	18,831	5,517	250,008	15	3
	462,686	(91,659)	131,958	62,670	133,963	206,324	44,137	5,517	393,602	15	3
A											
Assicurazioni Generali SpA (f)	24,527	(11,359)	2,979	2,145	46,741	103,283	35	692	143,062	-	-
Others	270,050	(22,917)	9,321	1,430	155,853	342,701	42,754	286	443,348	27	158
	294,577	(34,276)	12,300	3,575	202,594	445,984	42,789	978	586,410	27	158
BBB	17,380	(896)	-	-	13,007	5,181	5,873	-	11,419	-	-
Lower than BBB – or unrated (g)	443	(3,597)	-	-	77	5,306	-	-	1,786	2,477	123
Total	775,086	(130,428)	144,258	66,245	349,641	662,795	92,799	6,495	993,217	2,519	284

Comments:

1. (a) The total exposure to reinsurers is: debit (credit) balances, net, reinsurance assets, net of the deposits and net of the amount of letters of credit received from reinsurers as a guarantee for their liabilities.

   (b) After deduction of the provision for doubtful debts in an amount of approximately NIS 1,895 thousand.

   (c) The total provision for doubtful debts plus the reduction in the reinsurers' share in outstanding claims and in reserves amounts to approximately NIS 1,895 thousand which constitutes about 0.2% of the exposure at December 31, 2020.

   (d) The rating is mainly determined by the S&P rating agency. Where there is no rating of S&P, the rating is determined by another rating agency and converted for reporting purposes into S&P's rating, in accordance with a conversion scale as determined pursuant to the Ways of Investment Regulations. Each rating includes all the ranges, for example: A includes A- through A+.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4.1 Reinsurers' credit risks (cont.)

Comments (cont.)

(e) Includes balances deriving from a reinsurance agreement as part of the acquisition of a run-off general insurance portfolio. For details see Note 37.e.2.

(f) Generali is not rated by S&P, and therefore the rating was determined by AMBest. It is noted that Moody's rates Generali at BBB+, when converted into S&P.

(g) The unrated group includes balances for outstanding claims through brokers from businesses that were received up to and including 2003 in the amount of about NIS 40 thousand.

2. The total exposure of the reinsurers for an earthquake event in general insurance is about NIS 5,381 million, at a maximum probability of damage of mainly about 1.80% (MPL according to model adopted by the Company). For details see also Note 36.b.3.a). The most significant reinsurer is Swiss Re, whose share in this exposure is about NIS 975 million.

3. There are no other reinsurers apart from those detailed above in respect of which the exposure exceeds 10% of the overall exposure of reinsurers or in respect of which the premium exceeds 10% of the total premiums for reinsurance for 2020. There is also an exposure of about NIS 97 million to an Israeli insurance company with respect to life assurance reinsurance.

	December 31, 2019										
			Reinsurance assets							Debts in arrears (b)	
Rating group (d)	Total reinsurance premiums for 2019	Balances in debit (credit) net	In life assurance	In health insurance	In property insurance	In liability insurance	Deposits by reinsurers	Amount of letters of credit received from reinsurers	Total exposure (a) (c)	Between half a year and one year	Over one year
	NIS in thousands										
AA and above											
Swiss Reinsurance Co (e)	78,023	(47,067)	1,007	25,548	11,581	6,576	141	-	(2,496)	-	-
Others	164,569	(33,467)	102,423	16,718	69,053	75,106	21,303	5,931	202,599	-	-
	441,728	(120,583)	114,855	59,058	126,916	194,680	70,699	5,931	298,296	-	-
A											
Assicurazioni Generali SpA (f)	36,636	(8,344)	970	2,166	50,153	96,679	7	743	140,874	-	-
Others	278,375	(46,208)	3,634	1,203	171,173	214,283	48,446	308	295,331	150	57
	315,011	(54,552)	4,604	3,369	221,326	310,962	48,453	1,051	436,205	150	57
BBB	360	(196)	-	-	141	12	-	-	(43)	-	-
Lower than BBB – or unrated (g)	499	(4,224)	-	-	149	1,809	-	-	(2,266)	322	85
Total	757,598	(179,555)	119,459	62,427	348,532	507,463	119,152	6,982	732,192	472	142

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

4.1 Reinsurers' credit risks (cont.)

Comments:

1. (a) The total exposure to reinsurers is: debit (credit) balances, net, reinsurance assets, net of the deposits and net of the amount of letters of credit received from reinsurers as a guarantee for their liabilities.

   (b) After deduction of the provision for doubtful debts in an amount of approximately NIS 1,871 thousand.

   (c) The total provision for doubtful debts plus the reduction in the reinsurers' share in outstanding claims and in reserves amounts to approximately NIS 1,871 thousand which constitutes about 0.3% of the exposure at December 31, 2019.

   (d) The rating is mainly determined by the S&P rating agency. Where there is no rating of S&P, the rating is determined by another rating agency and converted for reporting purposes into S&P's rating, in accordance with a conversion scale as determined pursuant to the Ways of Investment Regulations. Each rating includes all the ranges, for example: A includes A- through A+.

   (e) Includes balances deriving from a reinsurance agreement as part of the acquisition of a run-off general insurance portfolio. For details see Note 37.e.2.

   (f) Generali is not rated by S&P, and therefore the rating was determined by AMBest. It is noted that Moody's rates Generali at BBB+, when converted into S&P.

   (g) The unrated group includes balances for outstanding claims through brokers from businesses that were received up to and including 2003 in the amount of about NIS 140 thousand.

2. The total exposure of the reinsurers for an earthquake event in general insurance is about NIS 5,800 million, at a maximum probability of damage of mainly about 1.80% (MPL according to model adopted by the Company). For details see also Note 36.b.3.a). The most significant reinsurer is Swiss Re, whose share in this exposure is about NIS 1,053 million.

3. There are no other reinsurers apart from those detailed above in respect of which the exposure exceeds 10% of the overall exposure of reinsurers or in respect of which the premium exceeds 10% of the total premiums for reinsurance for 2019. There is also an exposure of about NIS 96 million to an Israeli insurance company with respect to life insurance reinsurance.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

5. General risks

a) Economic and employment conditions:

The employment rate has a significant impact on the Group's business in the life assurance and long term savings sector. A deterioration of the employment rate, a decline in the number of employed, an increase in the unemployment rate and a decline in the level of salaries of the employed, affects the amount of new sales and the cancellation rates in the portfolio. In addition, the general condition of the economy affects the Group's business in the different sectors in which it operates. A recession could result in an increase in bad debts, an increase in disability claims, a decline in the insurance coverage purchased in the policies and an increase in the level of fraud. The state of the economy is also liable to affect the market value of the Group's assets in Israel. Similar to worldwide implications, the coronavirus caused a health and economic crisis, which has cut the trend of growth that characterized the Israeli economy in the years prior to 2020, following which there was a decline in product. The coronavirus crisis caused a significant shrinkage in the volume of economic activity and a steep jump in unemployment. See Note 1 for details on the effect of the coronavirus crisis on the Company's financial results.

The Group keeps track of developments in the economy and prepares itself according to market conditions.

b) Changes in regulation and compliance:

The Group companies are subject to widespread regulation in respect of their activities. Noncompliance with regulatory requirements, including unintentional, could lead to sanctions, and form a basis for imposing sanctions, monetary claims and in the extreme case also cancellation of a license.

Regulation of insurance and long term savings has a significant impact on the prices and management fee rates collected on various products, sales processes, the nature of the products, the ability to differentiate products from the competition and the level of expenses of the Group companies engaged in these areas. The legal pronouncements, guidelines and agreements related to the structure of savings in the economy and primarily in respect of pension savings, including tax implications thereon, impact the changes in business volume in this sector and the level of product alternatives, including the migration between products. Furthermore, changes in the law and in regulation, mainly in the area of long term savings, may also have an effect with respect to products that were sold in the past, through both retroactive implementation following their effect on the interpretation of agreements entered in the past and as a consequence of competition. Consequently, these pronouncements affect the life assurance and long term savings portfolio of the companies and the future sales of these products.

The great number of regulatory changes places a burden on the technology and operational systems and could increase the exposure to operational errors or affect the ability to comply with the new directives, due to the necessity of modifying processes.

Pension insurance is undergoing material changes with respect to, inter alia, the pension products sold by the insurance companies and how they are sold, the various distribution channels and with respect to the policy holders, insurance candidates and their rights.

Furthermore, in recent years directives were issued with respect to migration of default pension arrangements, restrictions on selling insurance coverage in the framework of pension savings, consolidation and migration of accounts, encouraging competition to the large management companies and to plan managers and greater involvement of the regulator in approving management fees and competition in respect thereto as well as in approving tariff plans. Various directives were also determined with respect to agents and license holders that promote competition between the agents, such as limiting the ability of the agents and arrangement agencies to engage in both selling and operating at the same time, prohibition on connection between the commission paid to an agent and the management fee and refund of a volume commission in the event of a policy being cancelled.

The capital adequacy requirements are a key requirement for the insurance companies. Regulatory changes in capital requirements may affect the activities of the companies and the scope thereof. For details on the capital requirements applying to the Company, see Note 7c to the financial statements.

Furthermore, Group’s insurance agencies are also subject to regulation, including regulations as to the holding of agencies by an insurance company and requirements placed on the marketer of pension products. Changes in the law with respect to the activities of insurance agencies affect the activities of the agencies and their profitability.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

5. General risks (cont.)

b) Changes in regulation and compliance (cont.)

The Group companies keep abreast of court rulings and new regulations in its areas of activity or in areas that could affect it, in order to assimilate and implement the required changes and also in order to identify basic principles and general directions the courts, the lawmaker or the regulator are endeavoring to establish, so that the Company's actions are consistent with these principles and directions even if they have not yet been given concrete expression in new case law or regulations. However, it is difficult to foresee new rulings/laws/regulations, including changes in stresses or directions of the relevant authorities and there is also natural uncertainty regarding their inception. Since by the nature of things this involves unknown and uncertain future occurrences, the risk in question can be managed or reduced only to a limited degree.

c) Increase in competition:

The increase in competition in the sectors in which the Group operates, may hurt the Group’s profitability. The Commissioner, under regulatory organization, has been leading processes during the past decade to increase competition in the long term savings sector, in terms of the substitutability of products, the development of standard products and the structure of the management fees.

d) Changes in customer preferences:

The public's inclination to choose alternative products or not to purchase insurance or in the realization of annuities may affect the demand for the Group's products and the profitability of the various sectors.

The wide range of products offered by the Company in most of the areas of insurance reduces this exposure.

The Company deals with this risk by monitoring the public's preferences and adjusting its products accordingly.

e) Legal risks - legal precedents, class and derivative actions, authorities of the Commissioner and interpretation

The Group companies are exposed to judicial decisions, including class and derivative action suits which are filed against the Group companies and against other entities in the industry, which can create a potential obligation to pay material amounts, and create a binding legal precedent with respect to the Group’s operations, mainly in all that concerns the payment of insurance claims and increasing the payment in respect thereto that was anticipated at the time it issued the policy, and accordingly to affect its operations and/or financial results and increase its insurance liabilities.

The Group’s exposure to class and derivative actions includes exposure with respect to cases where a legal proceeding has been initiated, cases whose potential exposure to the filing of a class or derivative action has come to the attention of Group companies by either self- discovery and/or by various communications of customers, and cases where Group companies are not aware of the exposure. In recent years there has been an increase in the number of motions to certify class actions that are filed and in the number of motions to certify class actions that are accepted by the courts. In the Company’s opinion this is affected by, inter alia, a general change in the courts’ approach to class actions in general and the unique characteristics of the insurance, pension and provident industries in particular. Regarding class actions, legal proceedings and other proceedings, including claims and proceedings that are related to regulatory risks or operational risks – see Note 38.1.f.5) to the financial statements.

Furthermore, the Group’s institutional bodies are subject to various decisions in circulars, rulings, positions and so forth, that are issued by the Commissioner as to the method of operation of those bodies, and they are subject to audits that are performed by the Commissioner from time to time. These proceedings may lead to the institutional bodies being charged significant sums and/or to an order to operate with respect to insurance/pension/provident plans that were sold in the past, in a manner different from that which was the basis for their original sale by the Group and which may increase the costs of these products, including the imposing of financial sanctions on it. For ways of coping by the Company see b(5)(b) above.

The complexity of the Group’s operation and its extent, and particularly the long term nature of insurance agreements, create a material exposure to legal risks that may derive from deficiencies in processes, legal documents, including reinsurance policies and contracts, from operational deficiencies in the implementation of agreements or processes and from changes that occur over time in interpretation, also with respect to products that were sold many years ago. Accordingly, the possibility of lowering the risk inherent in developments in court rulings, including rulings of the Supreme Court, applying the interpretation rules they set or determining proper norms in the framework of the rulings, with respect to products sold in the past is by nature limited.

Note 36 - Risk Management (Cont.)

b. Details of the risks (cont.)

5. General risks (cont.)

e) Legal risks - legal precedents, class and derivative actions, authorities of the Commissioner and interpretation) (cont.)

The management of legal risks involves providing ongoing legal consultation to the governing bodies of the Company on various matters involving the Company’s operations, continuously examining work processes, documents and forms, where they apply to multiple instances of the same type or matter investing them with an inbuilt representative nature. The Company also reviews, to the extent possible, claims and proceedings that were filed against it or against other parties in its lines of business, as well as the rulings in these proceedings, and it attempts to draw lessons for the work processes applied by it.

f) Damage to reputation:

The Group's reputation and good name are an important factor in the conducting of transactions with new customers and retaining existing customers. Damage to the Group's reputation may significantly harm the Group's business.

Note 36 - Risk Management (Cont.)

c. Details of assets and liabilities distributed into linkage basis:

	December 31, 2020					
	In unlinked NIS	In NIS linked to the CPI	In foreign currency *)	Non-monetary and others	Yield dependent	Total
	NIS in thousands					
Assets						
Intangible assets	-	-	-	1,234,446	-	1,234,446
Deferred tax assets	-	-	-	4,814	-	4,814
Deferred acquisition costs	-	-	-	1,952,433	22	1,952,455
Fixed assets	-	-	-	1,179,397	-	1,179,397
Investments in affiliates	-	-	-	21,701	-	21,701
Investment property for yield dependent contracts	-	-	-	-	6,923,505	6,923,505
Other investment property	-	-	-	714,589	-	714,589
Reinsurance assets	162,021	1,042,600	7,974	-	10,344	1,222,939
Current tax assets	-	144,971	2,722	-	25,423	173,116
Debtors and receivables	350,184	-	80,025	64,487	638,249	1,132,945
Outstanding premiums	53,362	294,267	50,463	-	332,180	730,272
Financial investments for yield dependent contracts	-	-	-	-	110,844,111	110,844,111
Other financial investments:						
Quoted debt assets	3,061,025	8,959,968	2,445,341	-	-	14,466,334
Unquoted debt assets	469,628	23,973,702	681,855	-	-	25,125,185
Shares	-	-	-	315,480	-	315,480
Others	67,124	-	39,306	2,931,777	-	3,038,207
Total other financial investments	3,597,777	32,933,670	3,166,502	3,247,257	-	42,945,206
Cash and cash equivalents for yield dependent contracts	-	-	-	-	9,168,697	9,168,697
Other cash and cash equivalents	3,420,028	-	254,093	-	-	3,674,121
Total assets	7,583,372	34,415,508	3,561,779	8,419,124	127,942,531	181,922,314

*) Exposure to the foreign currency exchange rates mainly arises from the exposure to the Dollar and the Euro or from the linkage to them

Note 36 - Risk Management (Cont.)

c. Details of assets and liabilities distributed into linkage basis (cont.)

	December 31, 2020					
	In unlinked NIS	In NIS linked to the CPI	In foreign currency *)	Non-monetary and others	Yield dependent	Total
	NIS in thousands					
Total equity	-	-	-	6,881,788	-	6,881,788
Liabilities						
Liabilities in respect of non-yield dependent insurance and investment contracts	672,785	38,326,751	20,847	-	-	39,020,383
Liabilities in respect of yield dependent insurance and investment contracts	-	-	-	-	125,878,822	125,878,822
Deferred tax liabilities	-	-	-	617,021	-	617,021
Liabilities for employee benefits, net	85,845	-	-	71,427	143,193	300,465
Liabilities in respect of current taxes	-	5,745	-	-	-	5,745
Creditors and payables	850,343	439,070	320,317	68,478	1,308,700	2,986,908
Financial liabilities	5,844,386	103,138	78,370	133,689	71,599	6,231,182
Total liabilities	7,453,359	38,874,704	419,534	890,615	127,402,314	175,040,526
Total equity and liabilities	7,453,359	38,874,704	419,534	7,772,403	127,402,314	181,922,314
Total balance sheet exposure	130,013	(4,459,196)	3,142,245	646,721	540,217	-
Exposure to underlying assets through derivative instruments in delta terms	3,741,228	1,568,867	(5,150,341)	(159,754)	-	-
Total exposure	3,871,241	(2,890,329)	(2,008,096)	486,967	540,217	-

*) Exposure to the foreign currency exchange rates mainly arises from the exposure to the Dollar and the Euro or from the linkage to them.

Note 36 - Risk Management (Cont.)

c. Details of assets and liabilities distributed into linkage basis (cont.)

	December 31, 2019					
	In unlinked NIS	In NIS linked to the CPI	In foreign currency *)	Non-monetary and others	Yield dependent	Total
	NIS in thousands					
Assets						
Intangible assets	-	-	-	1,176,023	-	1,176,023
Deferred tax assets **)	-	-	-	5,950	-	5,950
Deferred acquisition costs	-	-	-	2,046,832	27	2,046,859
Fixed assets	-	-	-	1,179,482	-	1,179,482
Investments in affiliates	-	-	-	26,627	-	26,627
Investment property for yield dependent contracts	-	-	-	-	6,899,180	6,899,180
Other investment property	-	-	-	796,737	-	796,737
Reinsurance assets	163,574	851,454	12,286	-	10,567	1,037,881
Current tax assets	-	204,984	12,710	-	23,600	241,294
Debtors and receivables	336,145	-	38,710	48,650	804,295	1,227,800
Outstanding premiums	64,637	315,418	47,938	-	286,045	714,038
Financial investments for yield dependent contracts	-	-	-	-	98,208,830	98,208,830
Other financial investments:						
Quoted debt assets	4,060,026	7,154,809	643,194	-	-	11,858,029
Unquoted debt assets	623,578	24,195,301	685,965	-	-	25,504,844
Shares	-	-	-	545,825	-	545,825
Others	-	-	20,870	2,591,738	-	2,612,608
Total other financial investments	4,683,604	31,350,110	1,350,029	3,137,563	-	40,521,306
Cash and cash equivalents for yield dependent contracts	-	-	-	-	13,983,926	13,983,926
Other cash and cash equivalents	2,959,637	-	354,902	-	-	3,314,539
Total assets	8,207,597	32,721,966	1,816,575	8,417,864	120,216,470	171,380,472

*) Exposure to the foreign currency exchange rates mainly arises from the exposure to the Dollar and the Euro or from the linkage to them.

**) Retrospective application, see Note 2.w.

Note 36 - Risk Management (Cont.)

c. Details of assets and liabilities distributed into linkage basis (cont.)

	December 31, 2019					
	In unlinked NIS	In NIS linked to the CPI	In foreign currency *)	Non-monetary and others	Yield dependent	Total
	NIS in thousands					
Total equity**)	-	-	-	6,345,207	-	6,345,207
Liabilities						
Liabilities in respect of non-yield dependent insurance and investment contracts **)	693,142	36,959,666	33,665	-	-	37,686,473
Liabilities in respect of yield dependent insurance and investment contracts	-	-	-	-	119,386,922	119,386,922
Deferred tax liabilities **)	-	-	-	523,071	-	523,071
Liabilities for employee benefits, net	87,008	-	-	82,496	142,260	311,764
Liabilities in respect of current taxes	-	38,409	-	-	-	38,409
Creditors and payables	914,851	492,184	239,239	111,100	149,270	1,906,644
Financial liabilities	4,895,314	87,588	30,150	23,629	145,301	5,181,982
Total liabilities	6,590,315	37,577,847	303,054	740,296	119,823,753	165,035,265
Total equity and liabilities	6,590,315	37,577,847	303,054	7,085,503	119,823,753	171,380,472
Total balance sheet exposure	1,617,282	(5,785,510)	1,513,521	2,261,990	392,717	-
Exposure to underlying assets through derivative instruments in delta terms	4,267,596	-	(4,582,209)	314,613	-	-
Total exposure	5,884,878	(5,785,510)	(3,068,688)	2,576,603	392,717	-

*) Exposure to the foreign currency exchange rates mainly arises from the exposure to the Dollar and the Euro or from the linkage to them.

**) Retrospective application, see Note 2.w.

Note 36 - Risk Management (Cont.)

d. Information regarding financial investments for yield dependent contracts:

1. Composition of investments according to linkage basis:

	December 31, 2020				
	In unlinked NIS	In NIS linked to the CPI	In foreign currency	Non-monetary and others	Total
	NIS in thousands				
Cash and cash equivalents	7,096,978	-	2,071,719	-	9,168,697
Quoted assets	11,869,192	16,386,718	6,792,560	46,031,344	81,079,814
Unquoted assets	4,836,347	7,190,328	5,725,646	19,941,699	37,694,020
Total assets	23,802,517	23,577,046	14,589,925	65,973,043	127,942,531
Exposure to the underlying asset through derivative instruments in delta terms	19,952,672	-	(30,318,110)	10,365,438	-

	December 31, 2019				
	In unlinked NIS	In NIS linked to the CPI	In foreign currency	Non-monetary and others	Total
	NIS in thousands				
Cash and cash equivalents	12,838,970	-	1,144,956	-	13,983,926
Quoted assets *)	14,504,218	18,064,642	5,096,123	34,831,343	72,496,326
Unquoted assets *)	3,196,681	7,104,357	5,695,577	17,739,603	33,736,218
Total assets	30,539,869	25,168,999	11,936,656	52,570,946	120,216,470
Exposure to the underlying asset through derivative instruments in delta terms	18,994,006	-	(33,775,272)	14,781,266	-

*) Reclassified, for additional details see Note 2.d.

Note 36 - Risk Management (Cont.)

d. Information regarding financial investments for yield dependent contracts: (cont.)

2. Credit risk for assets in Israel

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Debt assets in Israel:					
Government bonds	13,353,209	-	-	-	13,353,209
Other debt assets - quoted	12,962,400	2,152,215	71,335	230,063	15,416,013
Other debt assets - unquoted	5,007,602	2,865,196	-	2,610,586	10,483,384
Total debt assets in Israel	31,323,211	5,017,411	71,335	2,840,649	39,252,606
Of which debt assets at internal rating	920,437	670,466	-	-	1,590,903
Includes debt assets at internal rating whose rating was reduced by the Company	266,233	-	-	-	266,233

*) The sources for the rating level in Israel are Maalot, Midroog and an internal rating. The rating of Midroog was converted into the rating signs according to generally accepted conversion coefficients. Each rating includes all the ranges, for example: A includes A- through A+.

**) The carrying amount approximates the maximum credit risk. Therefore, the total column represents the maximum credit risk.

	Local rating *)				
	December 31, 2019				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Debt assets in Israel:					
Government bonds	16,688,644	-	-	-	16,688,644
Other debt assets - quoted	14,658,425	1,691,667	6,009	-	16,356,101
Other debt assets - unquoted	5,177,332	2,754,350	1,502	2,555,329	10,488,513
Total debt assets in Israel	36,524,401	4,446,017	7,511	2,555,329	43,533,258
Of which debt assets at internal rating	627,953	897,328	-	-	1,525,281
Includes debt assets at internal rating whose rating was reduced by the Company	115,234	405,117	-	-	520,351

*) The sources for the rating level in Israel are Maalot, Midroog and an internal rating. The rating of Midroog was converted into the rating signs according to generally accepted conversion coefficients. Each rating includes all the ranges, for example: A includes A- through A+.

**) The carrying amount approximates the maximum credit risk. Therefore, the total column represents the maximum credit risk.

Note 36 - Risk Management (Cont.)

d. Information regarding financial investments for yield dependent contracts: (cont.)

3. Credit risk for assets abroad:

	International rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Total debt assets abroad	924,973	4,487,121	2,162,921	3,622,450	11,197,465
Of which debt assets with internal rating	-	-	-	-	-

	International rating *)				
	December 31, 2019				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Total debt assets abroad	32,665	3,249,835	2,030,722	3,388,962	8,702,184
Of which debt assets with internal rating	-	-	-	-	-

*) The sources for the international rating level are S&P, Moody's and Fitch, which were approved by the Commissioner of Insurance. Each rating includes all the ranges, for example: A includes A- through A+.

**) The carrying amount approximates the maximum credit risk. Therefore, the total column represents the maximum credit risk.

e. Disclosure required according to IFRS 9

The table below presents the carrying amount of the financial assets that meet the solely payment of principal and interest criterion (excluding assets held for trading or managed on the basis of fair value), according to credit risk levels. The carrying amount is measured according to IAS 39 but before providing for impairment.

	Local rating *)				
	December 31, 2020				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Cash and cash equivalents - others	3,548,195	30,695	-	-	3,578,890
Financial investments for yield-dependent contracts	266,233	51,958	-	-	318,191
Other financial investments – quoted debt assets	10,828,674	252,412	-	2,895	11,083,981
Other financial investments – unquoted debt assets	23,738,202	370,016	13	378,472	24,486,703

Note 36 - Risk Management (Cont.)

e. Disclosure required according to IFRS 9 (cont.)

	Local rating *)				
	December 31, 2019				
	AA and above	BBB to A	Lower than BBB	Not rated	Total
	NIS in thousands				
Cash and cash equivalents - others	3,107,106	25,470	-	-	3,132,576
Financial investments for yield-dependent contracts	-	323,589	-	-	323,589
Other financial investments – quoted debt assets	10,149,818	383,855	39	4,068	10,537,780
Other financial investments – unquoted debt assets	24,070,699	416,972	251	433,855	24,921,777

	International rating *)				
	December 31, 2020				
	A and above	BBB	Lower than BBB	Not rated	Total
	NIS in thousands				
Cash and cash equivalents - others	95,231	-	-	-	95,231
Other financial investments – quoted debt assets	880,490	1,132,821	320,830	28,794	2,362,935
Other financial investments – unquoted debt assets	109,206	66,067	36,622	425,929	637,824

	International rating *)				
	December 31, 2019				
	A and above	BBB	Lower than BBB	Not rated	Total
	NIS in thousands				
Cash and cash equivalents - others	181,963	-	-	-	181,963
Other financial investments – quoted debt assets	93,026	359,143	78,753	-	530,922
Other financial investments – unquoted debt assets	-	104,594	-	477,665	582,259

*) Each rating includes all the ranges, for example: A includes A- through A+.

Note 36 - Risk Management (Cont.)

e. Disclosure required according to IFRS 9 (cont.)

The table hereunder presents a comparison between the fair value and the carrying amount of assets in category A above that do not have a low credit risk. The carrying amount is measured according to IAS 39 but before providing for impairment.

	December 31, 2020	
	Carrying amount	Fair value
	NIS in thousands	
Other financial investments – unquoted debt assets	50,810	4,261

	December 31, 2019	
	Carrying amount	Fair value
	NIS in thousands	
Other financial investments – unquoted debt assets	49,930	6,746

Note 37 - Balances and Transactions with Interested and Related Parties

a. General

1. The Company is controlled by Eliahu Issues Ltd., a wholly owned company of Eliahu 1959 Ltd. (hereinafter – "Eliahu 1959"), which holds 68% of the Company's shares. As the Company was informed by Eliahu 1959, Mr. Shlomo Eliahu is the ultimate controlling shareholder of the Company and Eliahu 1959. See details of the controlling shareholder's holdings in the Company in Note 1 above.

   See also details and data of transactions with the controlling shareholder, his relatives or companies controlled by him or of third party transactions in which the controlling shareholder has a personal interest ("controlling shareholder transactions") in c-e below.

2. Mr. Shlomo Eliahu directly and indirectly held about 27% of the issued and paid-up share capital of Union Bank Ltd. ("Union Bank"). Accordingly, from the date of acquisition of control, the transactions of the Company and/or its subsidiaries with Union Bank and/or companies controlled by it are classified as transactions in which the Company's controlling shareholder has a personal interest (this is in addition to there being engagements in which a senior officer in the Company has a personal interest, starting from the date on which Mr. Shlomo Eliahu began serving as a director in the Company and later on as the Chairman of the Board).

   In September 2020, as part of a full exchange offer, Bank Mizrachi Tefahot Ltd. (hereinafter: “Bank Mizrachi”) purchased shares of Union Bank, such that the shareholders in Union Bank received shares in Bank Mizrachi. Following this purchase, Mr. Shlomo Eliahu no longer holds shares of Union Bank.

   According to the directives of the Antitrust Commissioner in an approval granted by him in connection with the acquisition of control, effective from the date of consummation of the transaction for the acquisition of control, the Company will not enter into any agreements (directly and indirectly) with trading companies in which the controlling shareholder holds at least 5% of the share capital, directly or indirectly[1], for conducting transactions in members' assets for which the consideration is paid from the members' assets but rather only through a competitive tender in which every trading company has a fair chance of participating under the terms set forth by the Antitrust Commissioner.

   In the reporting year, the said directive was only applicable to Union Bank.

   See details and data of transactions with Union Bank ("other related party") in paragraphs c and d below.

3. Details and data of engagements with affiliates are presented in c, d and f below.

   This Note does not include a description of controlling shareholder transactions and/or transactions with other related parties which occurred before they became related parties. Financial data regarding these transactions in the reporting period are included in the data in c and d below. Balances and transactions between the Company and interested and related parties which occurred when those parties were related and/or interested parties and in the reporting period ceased being related and/or interested parties are disclosed in this Note in comparative figures presenting previous periods.

b. The Company's policy on immaterial transactions

1. In its ordinary course of business, the Group performs or is likely to conduct transactions with interested parties and/or controlling shareholder transactions, including, but not limited to, the following types of transactions: purchase of assets, rental of real estate properties, purchase of products and services through the controlling shareholder, joint ventures, including joint investments and receipt of financial or economic services. Please note that the above transactions do not constitute a closed list.

2. As detailed in 4 below, the Company's Board has adopted certain guidelines and rules for classifying the transactions of any of the Group companies pursuant to Regulation 41(a3)(1) to the Securities Regulations (Preparation of Annual Financial Statements), 2010 ("the immaterial transactions procedure"). These guidelines and rules serve in examining the scope of disclosure and reporting required from public companies in connection with transactions with interested parties and/or controlling shareholder transactions according to the Securities Regulations (Periodic and Immediate Reports), 1970 ("the Reporting Regulations"), including the reporting framework in interim financial statements (as stated in Regulation 22 to the Reporting Regulations).

1 Excluding a trading company whose entire shares were directly or indirectly held by the Company on the date of consummation of the transaction, namely Migdal Capital Markets.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

b. The Company's policy on immaterial transactions (cont.)

3. The financial data included in c and d below include immaterial transactions. The details of transactions with other related parties and/or controlling shareholder transactions do not include a description of transactions that are classified as immaterial according to the Board's immaterial transactions test.

4. On March 22, 2017, the Company's Board decided to update the guidelines and rules for classifying transactions with an interested party and/or controlling shareholder as immaterial. According to this decision, such a transaction will be viewed as immaterial if it meets all the following conditions:

1) It is not an irregular transaction (as defined in the Companies Law).

2) In the absence of any special qualitative considerations that arise from the relevant circumstances, a transaction will be viewed as immaterial if one of the following conditions is met:

a) Insurance transaction

1. The total amount of the premiums from the transaction, including separate transactions that are interdependent, does not exceed NIS 2 million (adjusted for the increase in the Consumer Price Index in relation to the known CPI for January 2017) and the premium ratio does not exceed 0.5%.

2. The liabilities ratio in the relevant area does not exceed 0.5% (for the purpose of calculating the liability ratio, the liability that is the subject of the event will be the insurance amount).

b) Life insurance and long-term savings, health insurance and finance transactions – the transactions are made at the same terms awarded to Group employees.

c) Other engagements.

1. The scope of the individual transaction does not exceed NIS 5 million (in an investment transaction the scope of the transaction with the controlling shareholder or interested party will be examined according to the commissions or management fees receivable/payable by the controlling shareholder/interested party, as relevant), adjusted to the rate of increase in the Consumer Price Index in relation to the known CPI for January 2017.

And

2. The result of measuring the transaction against the relevant benchmark(s) as discussed below does not exceed 0.5%.

The relevant benchmarks for classifying a certain transaction as an immaterial transaction are:

- In the sale of insurance or purchase of reinsurance - premium ratio.
- In the purchase of an asset - asset ratio.
- In the sale of an asset - profit ratio, asset ratio.
- In the purchase/sale of products or other services - expense ratio or service income ratio, as applicable.
- In assuming a financial liability (including taking out credit) - liability ratio.

In this context:

Premium ratio:	The premium underlying the event divided by the total annual premiums in the relevant operating segment (life insurance and long-term savings, health insurance, general insurance), calculated on the basis of the last four quarters for which reviewed or audited financial statements have been issued.
Assets’ ratio:	The scope of the assets underlying the event (purchased or sold assets) divided by the total assets; the ratio is measured separately for the members' funds that are managed by the Group and for Nostro funds. In the event of a joint venture of the members' funds and Nostro funds, the relevant ratio of each type of assets will be measured separately according to the amount of the portion of the members' funds/Nostro funds, as applicable, in the transaction against the total amount of the assets - members' funds/Nostro funds are measured according to the latest known reviewed/audited financial statements.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

b. The Company's policy on immaterial transactions (cont.)

c) Other engagements (cont.)

Profit ratio:	The profits or losses attributable to the event divided by the average annual comprehensive income or loss (including changes in capital reserves) in the last three calendar years.
Liability ratio:	The liability underlying the event divided by the total liabilities according to the latest known reviewed/audited financial statements.
Equity ratio:	The increase or decrease in equity divided by the equity according to the latest known reviewed/audited financial statements.
Service income ratio:	The scope of income underlying the event divided by the total average annual income in the last three years that is not from premiums, calculated on the basis of the last four quarters for which reviewed or audited financial statements have been issued
Service expense ratio:	The scope of expenses underlying the event divided by the annual general and administrative expenses calculated on the basis of the last four quarters for which reviewed or audited financial statements have been issued.

5. Regarding multiannual transactions, the scope of the transaction is calculated on an annual basis for the purpose of testing immateriality, thus, for example in a multiannual insurance transaction, the scope of the transaction will be viewed as the annual insurance fees that are paid or collected. Separate transactions that are interdependent, so that they are actually a part of one engagement, will be examined as one transaction.

6. In cases in which, at the Company's discretion, all the quantitative benchmarks mentioned above do not apply to testing the immateriality of a transaction, the transaction will be viewed as immaterial based on another applicable benchmark determined by the Company provided that this benchmark is at a rate of at least 0.5% and the scope of the transaction does not exceed NIS 5 million, linked to the CPI as discussed above.

7. The examination of the qualitative considerations of a controlling shareholder or interested party transaction may lead to the classification of the transaction as material despite the above mentioned. For instance, and only for example, a controlling shareholder transaction will not generally be considered immaterial if it is regarded as a significant event by the Company's management and serves as the basis for making management decisions or if in the framework of a controlling shareholder or interested party transaction the controlling shareholder or interested party, as relevant, is expected to receive benefits which must be reported to the public.

8. A transaction that was classified by an investee of the Company as immaterial will also be considered as immaterial for the Company. Such a transaction which was classified by the investee as immaterial will be examined against the relevant benchmarks at the Company's level.

9. The Company's Board will review the need to update this procedure from time to time, considering the controlling shareholder and interested party transactions entered into by the Company and changes in the applicable legal provisions.

c. Balances with interested and related parties

Interested parties, related parties and key management personnel in the Company and/or in the subsidiaries in which they serve as officers, including the controlling shareholder and/or his relatives serving as officers, may purchase, from time to time, insurance contracts, investment contracts or other financial products that were issued by the Group and/or that are sold by the Group members, at market terms and in the ordinary course of business. Details on these transactions are not included in this note.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

c. Balances with interested and related parties (cont.)

Composition:

	December 31, 2020		
	Eliahu Group	Other related parties *)	Affiliates
	NIS in thousands		
Debtors and receivables	-	-	1,648
Debt assets *)	-	-	17,530
Creditors and payables ***)	-	(5,273)	-

*) The highest balance of debt assets of an interested party during the year amounted to NIS 45,928 thousand.

	December 31, 2019		
	Eliahu Group	Union Bank and other related parties *)	Affiliates
	NIS in thousands		
Debtors and receivables	-	-	2,024
Debt assets *)	-	60,153	17,860
Shares	-	3,569	-
Creditors and payables **)	-	(759)	-
Financial liabilities	-	(270)	(2,871)

*) The highest balance of debt assets of an interested party during the year amounted to NIS 75,897 thousand.

**) Prior to the acquisition of control in the Company, the Company and its subsidiaries purchased bonds and shares of Union Bank and from the date of acquisition of control and as of the reporting date they do not purchase any securities of Union Bank but occasionally sell these holdings in the course of ordinary trading activity.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

d. Transactions with interested and related parties

	Year ended December 31, 2020		
	Eliahu Group	Union Bank and other related parties *)	Affiliates
	NIS in thousands		
Premiums received	(120)	818	-
Claims paid	217	14	-
Distribution and operating agreements	-	619	-
Agent commission and other commissions	-	433	2,099
Revenue from leasing fees/usage fees	-	35	-
Revenue from management fees	-	-	250
Transaction costs	798	-	-
Other	-	(4,576)	793

	Year ended December 31, 2019		
	Eliahu Group	Union Bank and other related parties *)	Affiliates
	NIS in thousands		
Premiums received	678	853	-
Claims paid	428	15	9
Distribution and operating agreements	-	792	-
Agent commission and other commissions	-	508	1,686
Revenue from leasing fees/usage fees	-	40	-
Revenue from management fees	-	-	420
Transaction costs	847	-	-
Other	-	(77)	681

	Year ended December 31, 2018		
	Eliahu Group	Union Bank and other related parties	Affiliates
	NIS in thousands		
Premiums received	931	933	-
Commissions and profit participating in group insurances	-	28	-
Claims paid	164	34	32
Distribution and operating agreements	-	909	-
Agent commission and other commissions	-	530	1,221
Revenue from leasing fees/usage fees	-	41	-
Revenue from management fees	-	-	610
Transaction costs	870	-	-
Other	-	(1,765)	4,518

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions

Following is a description of controlling shareholder transactions classified as extraordinary and non-extraordinary transactions pursuant to Section 270(4) to the Companies Law:

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
1	Mr. Eliahu Eliahu	April 5, 2016 and February 4, 2019 - approval of the Company's general meeting	Terms of employment of the central region's director of the general insurance business – Mr. Eliahu Eliahu, the brother of Mr. Shlomo Eliahu, who began working at Migdal Insurance on January 1, 2013 as central region's director of the general insurance business for a monthly salary of NIS 50 thousand and related benefits such as recreation, vacation and sick pay, vehicle maintenance, reimbursement of expenses, social benefits, occupational disability insurance and advanced study fund. The overall remuneration paid to Mr. Eliahu Eliahu in 2020 amounted to NIS 798 thousand and in 2019 approximated NIS 847 thousand (cost to employer and before salary tax effect). The terms of employment of Mr. Eliahu Eliahu were approved for the first time in March 2013 and after then were reapproved by the general meeting every 3 years, on both April 5, 2016 and February 4, 2019. The current approval is in effect until September 30, 2020, the end of Mr. Eliahu's tenure. See more details of the terms of Mr. Eliahu Eliahu's tenure in the Company's immediate report of December 28, 2018, reference no. 2018-01-127740, regarding the convening of the general meeting and its immediate report of February 4, 2019, reference no. 2019-01-012390, regarding the results of the general meeting.
		December 30, 2016 - approval of the Company's general meeting	Bonuses for 2017 up to and including 2019 - approval of a normative annual bonus in the amount of NIS 200 thousand to Mr. Eliahu Eliahu for each calendar year from 2017 up to and including 2019. According to the updated remuneration policy, the annual bonus of Mr. Eliahu Eliahu will be based on performance. The amount of the bonus in each calendar year will be determined based on the normative bonus according to a performance scale of 70% to 140%. At a scale of 100%, the bonus will be equal to the normative bonus; at a scale below 70%, Mr. Eliahu Eliahu will not be entitled to any bonus; at a scale of 140% and above, Mr. Eliahu Eliahu will be entitled to a maximum bonus of NIS 280 thousand a year. See more details of the annual and normative bonuses in immediate report of December 22, 2016 (complementary immediate report regarding the convening of the general meeting), reference no. 2016-01-142339 and the immediate report of January 1, 2017 regarding the results of the general meeting (reference no. 2017-01-000333). In 2020 Mr. Eliahu Eliahu was paid an annual bonus in respect of 2019 in the amount of NIS 183 thousand. Mr. Eliahu Eliahu did not receive an annual bonus in respect of 2020 and 2018.

[2] Throughout this Note, refers to the last date of approval by the relevant entity for the purpose of the Companies Law and the identity of the approving entity. Transactions approved in the general shareholders' meeting were previously approved by the Company's Audit Committee and Board. Where an update and/or change is made to a previous transaction, the description of the entire transaction will be made at the earlier date of the two abovementioned dates.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions (cont.)

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
2	Eliahu 1959	February 3, 2016 – approval of the Company's general meeting	Agreement for the acquisition of run-off general insurance portfolio – Migdal Insurance entered into an agreement with Eliahu Insurance Ltd. ("Eliahu 1959") under which sole responsibility for the run-off of Eliahu Insurance's general insurance portfolio will be transferred to Migdal Insurance, including policies issued by Eliahu 1959 up to December 31, 2012 ("the insurance portfolio"). Concurrently with the transfer of the insurance portfolio, Eliahu 1959 transferred to Migdal Insurance a cash amount equal to the actuarial assessment of the liabilities included in the insurance portfolio (intended for funding the handling of the insurance portfolio), subject to the adjustments specified in the agreement (the actuarial assessment of the exposure to claims included in the insurance portfolio, as of June 30, 2015, according to Eliahu 1959's financial statements, amounted to NIS 393 million) and also the amount of indirect expenses (see hereunder regarding approval of an amendment to the amount of indirect expenses). In consideration for handling the insurance portfolio, Migdal Insurance will be entitled to 71% of the profits, if any, generated by the insurance portfolio, but not less than NIS 7 million (profit guaranteed by Eliahu 1959, which will be transferred as an advance payment on the transaction closing date). Together with the agreement, and as a condition thereof, a reinsurance agreement was signed between Migdal Insurance and Swiss Re ("Swiss"), pursuant to which Swiss is to grant insurance coverage for the insurance portfolio, covering all of Migdal Insurance's insurance liabilities ("the Swiss reinsurance"). Under the reinsurance agreement with Swiss, Swiss will be entitled to a premium of NIS 11 million (to be transferred as an advance payment immediately after the closing of the transaction, according to the mechanism provided for) as well as (in addition to said premium) 29% of the profits, if any, arising from the insurance portfolio. The agreement also establishes arrangements regarding Eliahu 1959's duty of indemnification and payment in the event that the amount of the actuarial assessment and the Swiss reinsurance do not suffice to cover the claims and expenses connected with the insurance portfolio, said indemnification to be included in the accounting between the parties. Furthermore, Eliahu 1959 gave a separate undertaking to indemnify Migdal Insurance in the event that the amounts deposited in the expense account do not suffice to cover the indirect expenses of the insurance portfolio, said indemnification to be deducted from the profits of Migdal Insurance, if any, from the insurance portfolio. In addition to the indemnification undertaking, on the transaction closing date Eliahu 1959 provided an autonomous bank guarantee of an Israeli bank in favor of Migdal Insurance, at 5% of the amount of the actuarial assessment ("the bank guarantee"), according to the Commissioner's request, as part of the conditions for approving the agreement.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions (cont.)

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
2	Eliahu 1959 (Cont.)	February 3, 2016 – approval of the Company's general meeting	According to those conditions, the bank guarantee has to be valid up to the year 2020 at the least, with its amount being adjusted annually, based on the assessed amount of the claims in the insurance portfolio, as reported in the financial statements of Migdal Insurance. Likewise, the agreement establishes various indemnification arrangements in circumstances where the Swiss reinsurance does not apply (e.g. due to exclusions set in the Swiss reinsurance terms), and in the event of various claims, demands and proceedings as specified between the parties, and the indemnification pursuant to these arrangements will not be included in the accounting. Accordingly, as at December 31, 2020, there is no such balance. On April 21, 2016, after having been approved by the Court, the transaction was closed and the insurance portfolio was transferred to the responsibility of Migdal Insurance. For further details see the report of December 29, 2015 regarding the convening of the general meeting to approve this transaction (reference no. 2015-01-081583), the report of February 3, 2016 regarding the results of the general meeting (reference no. 2016-01-022456) and the immediate report of April 24, 2016 regarding the closing of the transaction (reference no. 2016-01-054871). As regards motions filed to certify class actions, see Note 38.1.b claim 21.
		August 4, 2016 – approval of the company's general assembly	Approval of an amendment to the agreement for acquisition of a run-off general insurance portfolio due to an error in the original version of the agreement with respect to calculation of the amount of indirect expenses – most of the amendment relates to the method of calculating the indirect expenses Eliahu 1959 was required to transfer to Migdal Insurance upon the closing of the agreement, such that according to the aforesaid amendment the amount of the indirect expenses will be calculated as 3% of the adjusted actuarial assessment, before reinsurance (instead of 3% of the "original" actuarial assessment (i.e. the actuarial assessment as at the determining date, June 30, 2015), before reinsurance). According to the adjusted actuarial assessment, (as at the closing date, according to the data as at March 31, 2016), the amount of indirect expenses according to the aforesaid amendment amounted to NIS 9.8 million. For further details see the report of June 28, 2016 regarding the convening of the general meeting (reference no. 2016-01-068974) and the report of August 4, 2016 regarding the results of the general meeting (reference no. 2016-01-097930).
		June 16, 2019 – approval of the Commissioner	On June 16, 2019, following a request made by Mr. Shlomo Eliahu, the Commissioner approved cancelling the bank guarantee, in exchange for Mr. Shlomo Eliahu providing a personal guarantee according to the amounts and terms of the bank guarantee, as described above. The Commissioner also approved that the personal guarantee that had been provided by Mr. Shlomo Eliahu pursuant to his commitments under the agreement, which is unlimited in amount or time, may be considered a guarantee for the purpose of meeting the condition for cancelling the bank guarantee as aforesaid. Accordingly, the bank guarantee of Eliahu 1959 was cancelled.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions (cont.)

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
3	Israel Eliahu	February 11, 2020; October 24, 2019 / the general meeting; March 22, 2017 / the Company's Board	Terms of service - Mr. Israel Eliahu, the son of Mr. Shlomo Eliahu, serves as Chairman of the Nostro Investment Committee of Migdal Insurance and as Chairman of the Board of Migdal Capital Markets (1965) Ltd. ("Capital Markets") and until May 28, 2018 served also as a director in the Company and in Migdal Insurance. In respect of his service in Migdal Insurance, Mr. Israel Eliahu is entitled to annual remuneration of NIS 130 thousand and a fee of NIS 5 thousand for participating in each Board and/or committee meeting, which is identical to the fee paid to other directors, including external directors (not including the Chairman of the Board). VAT as required by law is added to the above amounts and the amounts are updated once a year based on the increase in the CPI. When Mr. Israel Eliahu served as a director in the Company and Migdal Insurance, these terms were approved in accordance with Regulation 1b(3) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 ("the Reliefs Regulations"). See the immediate report of March 22, 2017, reference no. 2017-01-027750. On February 11, 2020, upon the expiry of this approval, the Company's general meeting approved renewing payment of the remuneration to Mr. Israel Eliahu in respect of his service as Chairman of the Nostro Investment Committee of Migdal Insurance for an additional 3 years in 2020-2022 (inclusive). The overall remuneration paid to Mr. Israel Eliahu for his service in Migdal Insurance amounted to about NIS 244 thousand (including VAT) in 2020, to about NIS 245 thousand (including VAT) in 2019 and to about NIS 259 thousand (including VAT) in 2018. For more details see the Company's immediate report of March 22, 2017 (reference no. 2017-01-027750); and immediate reports of December 31, 2019 (reference no. 2019-01-116178) and an amending report from the same date (reference no. 2019-01-116367), immediate report of February 4, 2020 (reference no. 2020-01-013125) and of February 11, 2020 (reference no. 2020-01-015150) regarding the convening of the general meeting and its approval. Furthermore, as from September 1, 2019 Mr. Israel Eliahu began receiving remuneration also for his service as the Chairman of the Board of Migdal Capital Markets, in a 60% position, in the amount of NIS 54 thousand per month plus related social benefits such as vacation, recreation, sick leave and pension contributions. For further details see the Company's immediate report of September 19, 2019 (reference no. 2019-01-097279) and of October 24, 2019 (reference no. 2019-01-090429) regarding the convening of the general meeting and its approval.
4	Ofer Eliahu	December 30, 2016 - approval of the Company's general meeting	Mr. Ofer Eliahu, the son of Mr. Shlomo Eliahu, served as CEO of Migdal Insurance and Chairman of Makefet and Yozma until May 31, 2018

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

e. Description of controlling shareholder transactions (cont.)

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
5	The controlling shareholder and his relatives serving as officers in the Company	February 14, 2021 – approval of the Company's Board to the insurance of offficers	Officers' insurance – For details of the Company's and its subsidiaries' officers' insurance policy and of Capital Markets' officers' insurance policy, including in respect of officers who are the controlling shareholder or his relatives, see h.4.i) below. This insurance coverage for the controlling shareholder and/or his relatives was approved in accordance with Regulation 1b to the Reliefs Regulations. See the Company's immediate reports of February 14, 2021, reference no. 2021-01-017947 and of December 31, 2019, reference no. 2019-01-116205.
		December 30, 2016, and February 11, 2020 – approval of the general meeting to granting letters of indemnification and release letters	Indemnification of officers who are the controlling shareholder or his relatives – On December 30, 2016, and on February 11, 2020, the Company's general meeting approved granting letters of indemnification also to officers who are the controlling shareholder and his relatives. Grant of release letters – On December 30, 2016 the general meeting approved granting release letters to officers and directors, including directors who are the controlling shareholder or his relative, who did not have release letters on that date, and on February 11, 2020 the general meeting approved renewing its aforesaid decision for an additional three years for 2020-2022. For further details see the Company's immediate report of December 22, 2016 regarding the convening of a general meeting (completion report) whose agenda includes, inter alia, approval to granting the letters of indemnification and release, reference no. 2016-01-142339, and the Company's immediate report of January 1, 2017 regarding the results of the meeting, reference no. 2017-01-000333 and the immediate reports of the Company of December 31, 2019, reference no. 2019-01-116178 and an amending report from the same date, reference no. 2019-01-116367, an immediate report of February 4, 2020 reference no. 2020-01-013125 and of February 11, 2020, reference no. 2020-01-015150 regarding the results of the meeting. For details of letters of indemnification and release granted to officers who are the controlling shareholder or any entity in which the controlling shareholder has a personal interest see Note 38.2.d below.

f. Affiliates

1. Regarding investments in affiliates see Note 7 above on investment in investees.
2. Migdal Insurance pays commissions on the marketing of insurance products and pension products to other affiliates in immaterial amounts.
3. In 2015 Migdal Insurance provided loans to foreign affiliates in an amount of about NIS 20,162 thousand to be repaid by the end of 2025. The balance of the loans as of December 31, 2020 is NIS 17,530 thousand and as of December 31, 2019 is NIS 17,860 thousand. Finance income was recorded in respect of these loans in 2020, 2019 and 2018 in the amount of approximately NIS 847 thousand, NIS 753 thousand and NIS 4,502 thousand, respectively. These loans are presented as unquoted debt assets under other financial assets.
4. The Company owns various real estate properties. Some of these properties are used by the Company and some are leased to the Group companies, including companies that are not wholly owned by the Company, for immaterial fees.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

g. Remuneration and benefits to key management personnel (including directors)

Some of the key management personnel of the Company are entitled to a salary, a bonus and non-cash benefits (such as a vehicle, medical insurance, etc.). Some of the key management personnel also participated in the Company's share option plan

h. Data of the remuneration and benefits to key management personnel

1. Benefits to key management personnel

	Year ended December 31,					
	2020		(*2019		(*2018	
	Number of persons	Amount	Number of persons	Amount	Number of persons	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
Short-term benefits	11	24,528	11	18,826	8	13,815
Post-employment benefits	11	2,623	11	2,655	9	1,235
Other long-term benefits	-	-	9	5	6	1
		27,151		21,486		15,051

*) Restated

2. Benefits to directors not employed by the Company

	Year ended December 31,					
	2020		(*2019		(*2018	
	Number of persons	Amount	Number of persons	Amount	Number of persons	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
Management fees to directors who are not employed by or on behalf of the Company	10	3,605	10	2,521	8	3,775
		3,605		2,521		3,775

*) Restated

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

3. The remuneration policy for the Company's officers

a) Remuneration policy of institutional entities for 2017 through 2019

The policy is validated and updated from time to time. Throughout the years 2018-2019 the boards of the institutional entities approved changes in the remuneration policy, in view of the need to update the policy according to issues that arose in the course of applying the policy, as was approved in November 2017.

The institutional remuneration policy was in keeping with the Commissioner of the Capital Market's circular of April 10, 2014, the Commissioner's circular of October 7, 2015 on the remuneration policy in institutional entities – amendment, as in effect at the time of approving the policy (the original Commissioner's circular and the revised remuneration policy circular are referred to together in this section as "the Commissioner's circular") and the Law for the Remuneration of Officers in Financial Corporations (Special Approval and Limitation of Expenses due to Irregular Remuneration), 2016 (“the remuneration law”). According to the Commissioner's circular, the governing bodies must examine the policy on an annual basis and such examination and update of the institutional remuneration policy were carried out as a part of that examination.

The institutional remuneration policy sets forth specific provisions regarding the salary components of "key officers" identified as such in the Commissioner's circular, including, among others, all the officers in institutional entities pursuant to the Companies Law, officers defined as such in the Commissioner's circular, relatives of the controlling shareholder, investment entities and officers identified by the institutional entities as key officers, insofar as the officer's function is liable to have a material impact on the risk profile of the institutional entities or if that officer manages a group of employees who are subject to the same remuneration arrangement whereby the variable component of the remuneration, when measured on a cumulative basis, may expose the institutional entity or the savings funds retained therein to material risk.

The current institutional remuneration policy replaced the institutional remuneration policy for 2017 through 2019 that was approved on November 7, 2017 and November 22, 2017 by the boards of the institutional entities. The remuneration policy for the years 2017 through 2019 was approved for the first time on November 21, 2016 and November 24, 2016.

b) Remuneration policy of the Company for 2017 through 2019

On December 12, 2017 the Company's general meeting approved changes in the Company's remuneration policy ("the current remuneration policy"), in view of the Company's wish to update the remuneration policy according to issues that arose in the course of applying the remuneration policy that was approved in December 2016. For further details regarding the current remuneration policy and the changes compared to the previous remuneration policy, see the Company's immediate report of November 7, 2017 reference no. 2017-01-097540,

The current remuneration policy replaced the remuneration policy for 2017 through 2019 that was approved on December 30, 2016 by the Company's general meeting which, inter alia, was adjusted according to the updates in regulation that apply to the Company and the institutional entities it controls (including provisions of the remuneration law) and the issues that arose in the course of applying the previous remuneration policy.

For further details regarding the remuneration policy that was approved in December 2016 see the Company's immediate report of December 22, 2016 regarding the convening of a general meeting (complementary report), reference no.: 2016-01-142339.

The remuneration policy applies to all officers in the Company, while all the Company's officers also serve as officers in the institutional entities. The Company's remuneration policy was adapted to the institutional remuneration policy.

c) The main issues prescribed in the current institutional remuneration policy and current remuneration policy of the Company for 2017 to 2019 are as follows:

- A ceiling was set for the maximum forecasted annual cost of the Chairman of the Board, CEO and officers.
- Provisions regarding the fixed component – limitations on monthly salary, related benefits, linkage, guaranteed annual bonus, etc.
- Multiplication ratio for the chairman of the board of institutional entities

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

3. The remuneration policy for the Company's officers (cont.)

c) The main issues prescribed in the current institutional remuneration policy and current remuneration policy of the Company for 2017 to 2019 are as follows (cont.)

- Provisions regarding the variable component/annual bonus – the measurement period, spread of the variable component, components of the variable component (the Company's targets, personal targets and component of overall discretion and evaluation) and its method of calculation, threshold conditions for paying the annual bonus and its deferred components, possibility to grant a variable component also when not all the threshold conditions are met and the ratio between the fixed salary components and the variable salary components.
- Arrangements for returning the variable component under circumstances specified in the policy.
- Provisions regarding the termination of employment.

d) The remuneration policy of the Company and institutional entities for 2020-2022

On December 30, 2019, and January 30, 2020, the boards of directors of the institutional entities approved a new remuneration policy for 2020-2022, after it was approved by the remuneration committee of the institutional entities. In its approval of the policy for those years the Company implemented the updates that were issued by the Commissioner on July 11, 2019, in Institutional Entities Circular 2019-9-6 "Amendment to Provisions of Consolidated Circular Part 1 Cover 5 Chapter 5 titled "Remuneration", which updated and replaced the Commissioner's circular (hereinafter: "the updated remuneration circular"). The updated remuneration circular was issued in order to match the regulation of the institutional entities to the relevant regulatory framework that was established in this area since issuance of the Commissioner's circular, including the provisions of the Companies Law, directives of the Supervisor of Banks and legislation regarding remunerations of executives, and in view of the experience that was accumulated in the Capital Market, Insurance and Savings Authority regarding implementation of the Commissioner's circular and applications of institutional entities. Furthermore, adjustments were made in the annual bonus component so that it may be adjusted every year according to the work plan and adjustments were also made in the threshold condition for an annual bonus as a result of the transition to a Solvency II regime, in accordance with the provisions of the circular "Economic Solvency Regime Based on Solvency II of Insurance Companies", and focusing on objectives relating to the Company's solvency ratio pursuant to the requirements of the law and the return on equity target. In accordance with the aforesaid, the Company's remuneration policy for 2020-2022 was also updated and approved by the Company's general meeting on February 11, 2020. For further details see the Company's immediate report of December 31, 2019 reference no. 2019-01-116178 and an amending report from the same date, reference no. 2019-01-116367, an immediate report of February 4, 2020, reference no. 2020-01-013125, and of February 11, 2020, reference no. 2020-01-015150, regarding the general meeting's approval.

4. Interested parties - Chairman of the Board / CEO

a. Mr. Shlomo Eliahu, the Company's Chairman of the Board

Mr. Shlomo Eliahu serves as a director in the Company from October 29, 2012, and he served as the Company's Chairman of the Company's Board from October 1, 2013, through February 18, 2015. In addition, Mr. Shlomo Eliahu served as a director in Migdal Insurance from October 29, 2012 to October 15, 2020. On February 24, 2014, Mr. Shlomo Eliahu reported to the Board of Directors of the Company and to the Board of Migdal Insurance that he waives any salary in connection with his service as Chairman of the Board and as a director of Migdal Insurance and will not demand remuneration for these positions. On this matter see the Company’s immediate report of February 24, 2014, reference no.: 2014-01-046135.

On June 18, 2018, Mr. Shlomo Eliahu was again appointed as the Company's Chairman of the Board. For this service too, Mr. Eliahu waived receiving any salary and he is not entitled to any monetary or equivalent compensation for his service as the Company's Chairman of the Board. On this matter see the Company’s immediate report of May 28, 2018, reference no.: 2018-01-043782.

On December 17, 2020, the Company’s general meeting approved the reappointment of Mr. Shlomo Eliahu as director in the Company. On this matter see the immediate report dated December 17, 2020, reference no. 2020-01-129427

On October 15, 2020, the service of Mr. Shlomo Eliahu as director in Migdal Insurance ended. On this matter, see the immediate reports of the Company dated October 15, 2020, (references nos. 103474-01-2020 and 103477-01-2020).

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

b. Mr. Nir Gilad, the Company's CEO and chairman of the board of Migdal Insurance

Mr. Nir Gilad served as the chairman of the board of Migdal Insurance as from March 1, 2019, in a 90% position. On July 2, 2019, he also began serving as the Company's acting CEO (upon conclusion of the service of the Company's CEO Mr. Doron Sapir) and on October 10, 2019, was appointed as the Company's CEO, along with serving in other capacities in the Migdal group, pursuant to those positions.

The work relations between Mr. Gilad and Migdal Insurance and the Company ended on February 1, 2021. Mr. Gilad's six-month advance notice period began on January 1. 20201.

In 2019, Mr. Gilad was entitled to a monthly salary in the amount of NIS 190 thousand, and as of 2020 Mr. Gilad was entitled to monthly salary of NIS 207 thousand (in accordance with the salary adjustment mechanism set forth in his employment agreement). Mr. Gilad was entitled to social and accompanying benefits, such as: advanced education fund, paid vacation, recreation days and a cellphone. Due to the coronavirus crisis, in 2020 Mr. Gilad's salary was reduced by 10% for a period of six months. In 2020 the Company bore the tax cost deriving from the "disallowed expense" according to the remuneration law in the amount of NIS 180 thousand and in 2019 in the amount of NIS 78 thousand. The employment agreement of Mr. Gilad is for a finite period of five years from March 1, 2019 to February 29, 2024 ("the finite period"), and provides that at the end of the finite period it will be automatically renewed for an indefinite period according to the same terms. Each party was entitled to terminate it at any time and for any reason at an advance notice of six months. According to the employment agreement any compensation in respect of termination of the agreement before the end of the finite period will be subject to the provisions of the legislative arrangement, including the remuneration law and the updated remuneration circular and will be paid insofar as permitted according to those provisions.

The Company agreed to hold a mediation proceeding with respect to Mr. Gilad's allegations of damages that were caused to him following termination of his work with the companies ("the mediation proceeding"). Insofar as the mediation proceeding is not concluded with a settlement agreement, all the rights will be reserved for Mr. Gilad and he will be entitled to take action to fully exercise his rights without his consent derogating from his allegations. All the defense arguments are reserved for the companies. Insofar as the mediation proceeding is concluded with a settlement agreement, the agreement will require the approval of the parties pursuant to any law. The agreement includes a waiver of the companies to the non-competition commitment of Mr. Gilad in his employment agreement and also a waiver and dismissal of the allegations and claims of the companies and boards of directors of the companies towards Mr. Gilad, and also, subject to the signing of a settlement in the mediation proceeding, insofar as one is reached, a waiver and dismissal of the allegations and claims of Mr. Gilad towards the companies and the boards of directors of the companies. Mr. Gilad agreed to be at the Company's disposal and assist it in any matter required for a period of five months which is the remainder of the advance notice period according to the employment agreement. For further details, see the immediate report of the Company dated December 27, 2020 (reference no: 2020-01-140202). The mediation proceeding is being held before the honorable judge (retired) Gerstel and a provision in the amount of NIS 3 million was recorded in respect thereto, but any payment depends on conclusion of the mediation and the approval of the Company's authorized bodies, and is subject to there being no objection on the part of the Capital Market Commissioner.

For further details regarding the employment terms of Mr. Nir Gilad, see the immediate report that was issued by the Company on December 31, 2019 on the convening of a general meeting having on its agenda, inter alia, approval of the employment terms of Mr. Nir Gilad, reference no. 2019-01-116178 and the amending report from the same date, reference no. 2019-01-116367, an immediate report from February 4, 2020, reference no. 2020-01-013125, and from February 11, 2020, reference no. 2020-01-015150, regarding the results of the general meeting. An immediate report from February 27, 2020, reference no. 2020-01-140202, on the agreement to terminate employment. An immediate report from January 3, 2021, reference no. 2021-01-000504, on the termination of service as the chairman of the board of directors of Migdal Insurance. An immediate report from February 1, 2021, reference no. 2021-01-012478, on the termination of service as the Company's CEO.

c. Mr. Ran Oz, CEO of Migdal Insurance

On September 1, 2019 Mr. Ran Oz was appointed as the CEO of Migdal Insurance and on February 2, 2019 as the chairman of the board of Migdal Makefet, along with serving in other capacities in the Migdal group, pursuant to those positions.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

c. Mr. Ran Oz, CEO of Migdal Insurance (cont.)

Mr. Oz is entitled to a monthly salary in the amount of NIS 221 thousand that will be adjusted at the beginning of each calendar year of the employment term in accordance with the provisions of the remuneration law, such that the forecasted annual expense for the Company in respect of the overall remuneration to Mr. Oz according to the overall cost of all the remuneration components for the year, in accordance with generally accepted accounting principles, will amount to the maximum remuneration according to the remuneration law or an amount of NIS 2.5 million, whichever is higher ("the remuneration restriction"), and in any event no more than NIS 3.5 million. The monthly salary of Mr. Oz, as at the reporting date, and after adjustment is NIS 238.5 thousand and in 2020 was NIS 231 thousand. According to the employment terms, whenever in the future an amount is expected to be paid that will result in deviation from the remuneration restriction ("the excess amount"), the excess amount will not be paid and the Company will be exempt from paying it. Mr. Oz is entitled to social and accompanying benefits such as: advanced education fund, paid vacation, recreation days and a cellphone. Due to the coronavirus crisis, in 2020 Mr. Oz’s salary was reduced by 10% for a period of six months. In 2020 the Company bore the tax cost deriving from the “disallowed expense” according to the remuneration law in the amount of NIS 274 thousand and in 2019 in the amount of NIS 93 thousand. The employment agreement of Mr. Oz is for an indefinite period. Each party may terminate it at any time and for any reason at an advance notice of nine months. Upon the conclusion of his service Mr. Oz committed to not compete with the Group's business and operations for 3 months from the actual date of ending the employee-employer relationship. In addition, and insofar as possible according to the legislative arrangement, including the remuneration law, and subject to the restrictions deriving from the provisions of the legislative arrangement, Mr. Oz will be entitled upon the conclusion of his service to an adaptation bonus in the amount of 9 monthly salaries.

d. Mr. Doron Sapir, CEO of the Company and CEO of Migdal Insurance

Mr. Doron Sapir began serving as the CEO of Migdal Insurance on June 1, 2018, and as the CEO of the Company on June 26, 2018, along with serving in other capacities in the Migdal group. The employment relationship between him and Migdal Insurance ended on January 1, 2020, at the end of an advance notice period.

The employment agreement of Mr. Sapir was for a finite period of two years from June 1, 2018 to May 31, 2020 ("the finite period"). The agreement was supposed to be automatically renewed for an indefinite period at the end of the finite period according to the same terms. Each party had the right to terminate it at any time and for any reason at an advance notice of six months. In the event of the employment relations between Migdal Insurance and the CEO being terminated before the end of the finite period not at the initiative of the CEO, as happened in the case of Mr. Sapir, according to the terms of the agreement, in addition to the severance pay due to him by law he was entitled to be paid 50% of the salary that he would have been paid plus social and salary-related benefits, with respect to the period from the termination of the employment relations until the end of the finite period, subject to the provisions of the legislative arrangement, including the remuneration law. In 2020, the accounts were settled with Mr. Sapir and an amount of NIS 624 thousand, was paid as compensation for ending the agreement.

For further details regarding the employment terms of Mr. Sapir, see the immediate report that was issued by the Company on February 26, 2019, reference no. 2019-01-016900 and the immediate report of September 11, 2019, regarding approval of the terms of employment by the general meeting, reference no. 2019-01-032443.

e. Mr. Oded Sarig, Chairman of the Board of Migdal Insurance

Mr. Oded Sarig served as the Chairman of the Board of Migdal Insurance and in other positions in the Group between April 1, 2018, and March 1, 2019. The employment relationship between him and Migdal Insurance ended on September 1, 2019, at the end of an advance notice period.

f. Mr. Yohanan Danino, Chairman of the Board of the Company and Migdal Insurance

Mr. Danino was appointed as a director in the Company on November 24, 2015, and as the Company's Chairman of the Board on December 16, 2015.

The employment relationship between him and the Company ended on September 30, 2018, at the end of an advance notice period.

g. Mr. Eran Czerninski, CEO of the Company and CFO

Mr. Eran Czerninski served as the Company’s CEO until June 27, 2018, and as the Company's CFO and Migdal Insurance's director of the finance and actuary division until September 30, 2018.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

h. Mr. Moti Rosen, CEO of the Company and chairman of the board of Migdal Insurance

Mr. Moti Rosen began serving as the chairman of the board of Migdal Insurance on January 3, 2021 and as the Company's CEO on February 1, 2021. The compensation terms of Mr. Rosen, in respect of his service as the chairman of the board of Migdal Insurance and the CEO of the Company, are in accordance with the management services agreement between Migdal Insurance, the Company and Mr. Rosen ("the service agreement"), with the compensation of Mr. Rosen according to the service agreement being the overall compensation for all his responsibilities in the Migdal group.

The authorized bodies o Migdal insurance approved the service agreement. The compensation committee and board of directors of the Company approver Mr. Rosen's service agreement and it is subject to the approval of the Company's general meeting that is scheduled to convene on April 5, 2021. For further details, see the Company's immediate report dated February 23, 2021 (reference no. 2021-01-021249).

Until the beginning of Mr. Rosen's service as the Company's CEO (meaning February 1, 2021) Migdal Insurance bore the full cost of Mr. Rosen's compensation according to the service agreement. As from the beginning of Mr. Rosen's service as CEO of the Company, Migdal Insurance bears the cost of Mr. Rosen's compensation pursuant to the service agreement, according to the allocation model between it and the Company by which Migdal Insurance bears 90% of the cost.

According to the service agreement, Mr. Rosen is entitled to management fees as described hereunder. It is clarified that the management fees are an estimate that will be adjusted every calendar year, after the end of the year and with respect to the previous year in accordance with the limitations described hereunder in this paragraph, so that the final amount of the management fees in that year will result in the annual expense of Mr. Rosen's compensation, according to the overall cost of all the compensation components for the year, in accordance with generally accepted accounting principles, to the higher of:

(1) Two million five hundred thousand NIS per year (calculation of the compensation will not take into account payments made instead of pension contributions including loss of working capacity by law, and contributions for severance pay as required by law), linked to the CPI from April 12, 2016 in accordance with the linkage provisions of the Compensation for Officers of Financial Corporations Law (Special Approval and Disallowance of Expenses for Tax Purposes in Respect to Exceptional Compensation), 2016 ("the amount limitation" and "the compensation law", respectively;

(2) The annual expense in the twelve months prior to the date of the calculation in respect of the lowest compensation paid in Migdal Insurance and the Company according to the cost of a full time position paid by Migdal Insurance and the Company to the employee (calculation of the compensation will not take into account payments made instead of pension contributions including insurance for loss of working capacity by law, and contributions for severance pay as required by law), directly or indirectly (including to an employee of a manpower agency that is employed directly by Migdal Insurance and the Company as a contract worker) multiplied by 35 ("the minimum salary product" and together with the amount limitation: "the compensation limitation"). When the calculation is made for the purpose of the year ended, the calculation for purposes of this paragraph will be made separately in respect of each one of the work months.

The forecasted annual expense, including the actual expense, in respect of the compensation to Mr. Rosen shall in no case exceed three and a half million NIS, plus an amount equivalent to the pension contributions including insurance for loss of working capacity by law and contributions for severance pay as required by law ("the compensation ceiling"). If necessary, and following changes in the compensation of the employee having the lowest salary in Migdal Insurance and the Company, the management fees will be adjusted at the beginning of each calendar year, beginning from the beginning of that year, such that the total amount of the management fees paid in the relevant calendar year will be the amount calculated in accordance with the expected annual expense of the compensation of Mr. Rosen based on the total cost of the compensation components for the year, in accordance with generally accepted accounting principles, and will be the higher of the amount limitation and the minimum salary product as described above, but in no case more than the compensation ceiling. The amount of the monthly management fees of Mr. Rosen, as at the reporting date, is NIS 283 thousand. According to the provisions of the agreement, in any case where an amount is expected to be paid in the future that will cause a deviation from the compensation limitation ("the excess amount"), the excess amount will not be paid and Migdal Insurance will be exempt from paying it. The management fees to Mr. Rosen include entitlement to payment instead of social benefits, paid vacation, recreation and sick leave and accompanying benefits. Mr. Rosen will be entitled to convert benefits and payments into additional management fees, providing that the conversion does not increase his annual compensation cost above the compensation ceiling.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

h. Mr. Moti Rosen, CEO of the Company and chairman of the board of Migdal Insurance (cont.)

The service agreement of Mr. Rosen is for an indefinite period of time. Each party to the agreement may terminate the agreement at any time and for any reason by providing an advance notice of nine months ("the advance notice period"). The nine-month advance notice period is contingent upon revising the terms of the compensation policy of the Company and the terms of the compensation policy of Migdal Insurance that provide for an advance notice period of six months. Mr. Rosen undertook that for a period of nine months from the last date of the service agreement he will refrain from serving as an officer or in any other position in an entity in the insurance sector, and in that period will not provide services, directly or indirectly, to such an entity, either for or without compensation, unless approved in advance and in writing by Migdal Insurance and the Company, in exchange for the payment of management fees throughout that period ("the non-competition arrangement"). It is noted that the non-competition arrangement is contingent upon revising the compensation policy of the Company and the compensation policy of Migdal Insurance. As at the reporting date, the compensation policy has not yet been revised in respect of the aforesaid matters.

In addition to the service agreement, the compensation committee and board of directors of the Company approved compensation in the amount of NIS 1 million for Mr. Rosen, in respect of the period prior to his employment by the group and in relation to the circumstances of his appointment as a director in the Company (and a candidate for the position of chairman of the board of Migdal Insurance) according to a decision of the Company from April 23, 2020 that its coming into effect was delayed for more than eight months, under circumstances reasons unrelated to Mr. Rosen, and in that period Mr. Rosen suffered from loss of other opportunities. The said compensation is subject to the approval of the Company's general meeting that is scheduled to convene on April 5, 2021, and this solely for reasons of prudence, since the compensation is awarded in respect of the period prior to the appointment of Mr. Rosen as the CEO and is not part of his terms of service and employment with the Company. For further details, see the immediate report of Migdal Insurance from February 23, 2021 (refence no. 2021-01-021249).

On March 11, 2021 the board of directors of Migdal Insurance, further to discussions that were held in the board of directors of Migdal Insurance, decided that in view of disagreements and irreconcilable differences between Mr. Moti Rosen and the CEO of Migdal Insurance regarding the manner of conduct in Migdal Insurance, it would act to terminate the service of Mr. Rosen as chairman of the board of Migdal Insurance. The Company's board of directors has not yet made any decisions regarding the service of Mr. Moti Rosen as the Company's CEO and as a director in Migdal Insurance. Talks regarding the resignment terms were unsuccessful. On March 14, 2021, the board of directors of Migdal Insurance decided to suspend the service of Mr. Moti Rosen as chairman of the board of Migdal Insurance with immediate effect. For further details see the Company's immediate reports from March 11, 2021 (reference no. 2021-01-031983) and March 14, 2021 (reference no. 2021-01-033825).

i. Officers' liability insurance policy, including for officers who are the controller shareholder or his relatives – The Group's directors and officers, including the controlling shareholder and his relatives who serve as officers in the Group, the Company's CEO and officers who serve in Migdal Insurance, in Migdal Capital Markets and in companies controlled by Migdal Insurance or Migdal Capital Markets, are insured under the Group's D&O liability insurance policies for a period of twelve months starting from February 15, 2021 until February 14, 2022. The new policy's liability limit is US$ 100 million per event and for the period. The total annual premium for the aforesaid coverage and the amount of the deductible are according to market terms and were determined after examining offers the Company received from reinsurers. It is noted that the premium is higher than the amount provided in the compensation policy, as described hereunder, but as aforesaid is according to market terms, is immaterial and is not expected to have a material effect on the Company's profitability, assets or liabilities. The Company plans to bring to the approval of the general meeting a revision to the Company's compensation policy in which it will remove the premium limitation set forth in the compensation policy in view of the hardening in conditions in the insurance sector on this matter and its unique characteristics. This insurance coverage was approved in accordance with Regulation 1b to the Reliefs Regulations. For details see the Company's immediate report of February 14, 2021, reference no. 2021-01-017947.

Note 37 - Balances and Transactions with Interested and Related Parties (Cont.)

h. Data of the remuneration and benefits to key management personnel (cont.)

4. Interested parties - Chairman of the Board / CEO (cont.)

i. Officers' liability insurance policy, including for officers who are the controller shareholder or his relatives (cont.)

According to the remuneration policy for the years 2017-2019 and the remuneration policy for the years 2020-2022, the insurance limit of the D&O insurance for officers, directors and members of investment committees, including for the controlling shareholder and his relatives who will serve in the Company and/or in the Migdal Holdings Group shall not $ 200 million for an annual premium not to exceed $ 1.5 million. This amount was determined on the basis of an assessment regarding future need and the amount of the insurance will be determined according to market conditions, including the premium in relation to the insurance coverage and risk.

For more details of the Company's and the Capital Markets Group's approval for entering into the previous insurance policies, see the Company's immediate reports from December 30, 2019, reference no. 2019-01-116205 and from November 28, 2018, reference no. 2018-01-114783.

j. See details of letters of waiver and letters of indemnification granted to directors and other officers in the Company by the Company and interested parties therein (Generali, Bank Leumi, Leumi Real Holdings Ltd. (formerly: S.A.L. Holding Company Ltd.) owned by Bank Leumi) in Note 38.2.d.

Note 38 - Contingent Liabilities and Commitments

1. Contingent liabilities

a. Legal and other proceedings – general

Paragraphs (b) to (g) (inclusive) below provide details regarding legal and other material proceedings against the Company and/or its consolidated subsidiaries. Paragraph (b) below details pending motions to certify claims as class actions, including claims that were certified to be filed as class actions ("class actions"); paragraph (c) below details class actions that ended during the reporting period and up to the report publication date; paragraph (d) below details other legal proceedings and other material claims, paragraph (e) below describes other legal proceedings that ended during the reporting period and up to the report publication date, paragraph (f) provides a summary of class action data and paragraph (g) below details additional legal and other proceedings, Insurance Commissioner directives and events and developments in respect of which the Company and/or its consolidated subsidiaries are subject to exposure.

Recent years have seen significant growth in the number of class actions filed against the Company and/or its consolidated subsidiaries, as part of the general increase in motions to certify claims as class actions in general, and as part of the increase in motions of this kind against companies operating in the lines of business of the consolidated subsidiaries. This trend has significantly heightened the potential exposure of the Company and/or its consolidated subsidiaries to losses in the event of the acceptance of a class action against them. The class actions are in different stages of adjudication, from the stage of hearing the class action certification motion through to the stage of certification and adjudication of the class action. Some of the class actions are under appeal.

Class actions can be filed on the grounds of various causes as specified in the law on this matter, and with respect to an insurer they include any matter between the Company and a customer whether or not they have entered into a transaction. The law prescribes a process and restrictions regarding compromise settlements in class actions that make it difficult to reach a compromise on class actions which include, inter alia, the right of the Attorney General and other parties to file an objection to the compromise settlement and the appointment of an examiner to the compromise settlement. The scope of a class action is decided when it is certified and depends on the causes of action that were certified and the relief that was approved for those causes.

In respect of legal proceedings or class action certification motions in which, in the Company's assessment, based among others on legal opinions it received, it is more likely than not (i.e. a probability of more than 50%) that the plaintiff's claims will be accepted and the case decided in his favor (or in the case of a class action certification motion – that the court will certify a class action), provisions were included in the financial statements to cover the exposure estimated by the Company and/or its consolidated subsidiaries.

In respect of class action certification motions in which a class action was certified by the court, provisions were included in the financial statements to cover the exposure estimated by the Company and/or its consolidated subsidiaries, where, in management's assessment, based among others on legal opinions it received, it is more likely than not that the plaintiff's claims will be accepted in the action itself. Where a class action was certified by the court and the plaintiff submitted an appeal to expand the judgment that was issued, provisions were included in the financial statements to cover the exposure estimated by the Company and/or its consolidated subsidiaries due to the appeal, where, in management's assessment, based among others on legal opinions it received, it is more likely than not that the plaintiff's arguments in the appeal will be accepted.

In the event of the parties' willingness to settle in any proceeding, a provision was included in the amount of the proposed settlement, even where, based on the foregoing, no provision would have been included in the financial statements if not for the settlement or the willingness to settle. In cases where, based on the foregoing, a provision must be made in the financial statements and the parties are willing to settle, a provision was included in the financial statements to cover the higher of the exposure estimated by the Company and/or its consolidated subsidiaries or the amount of the proposed settlement. In cases where a settlement was approved, a provision was included in the financial statements in the amount of the cost of the settlement estimated by the Company and/or its consolidated subsidiaries.

In respect of legal proceedings (or certification motions) to which, in management's assessment, based among, inter alia, legal opinions it received, the foregoing does not apply, as well as legal proceedings (or class action certification motions), as described in items 45 and 46 in the table hereunder, which are in the preliminary stages and the chances of the claim cannot be assessed, no provision was included in the financial statements.

In management's assessment, which is based on, inter alia, legal opinions it received, adequate provisions were included in the financial statements, where necessary, to cover the exposure estimated by the Company and/or its consolidated subsidiaries or in respect of the amount the Company and/or its companies are prepared to pay for a settlement, as the case may be.

b. Class proceedings – pending class action certification motions and certified class actions.

Following are details of class action certification motions and certified class actions that are pending against the Company and/or its consolidated subsidiaries, in chronological order according to date of filing.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (Cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
1.	1/2008 Tel-Aviv District Court	Life insurance policyholder v. Migdal Insurance and other insurance companies	Illegal collection of a premium component known as the "sub-annual" component with respect to certain components and/or coverages in the policy and in an amount that exceeds the permitted amount. The remedies sought include motion for reimbursement of the amount collected unlawfully from the class members as a sub-annual component and a mandatory injunction ordering the defendants to change their method of operation.	Anyone who was charged for a "sub-annual" component in non-permissible circumstances and amounts.	On July 29, 2016 the Court issued a ruling that certified the class action with respect to anyone who was charged a “sub-annual” component in respect of the savings component in endowment type policies or in respect of the policy factor component or in respect of policies that insure health, disability, dread diseases, loss of working capacity and long-term care. On December 15, 2016 Migdal Insurance and the other defendant companies filed an application for leave to appeal the aforesaid ruling to the Supreme Court. On April 2, 2017 the Supreme Court accepted the motion to stay execution that had been filed by Migdal Insurance and the other insurance companies and ruled that the hearing before the District Court would be suspended until the issuance of a ruling on the application for leave to appeal. On May 31, 2018 the Supreme Court accepted the application for leave to appeal that was filed by the companies on the certification of the claim as a class action. On June 26, 2018 a motion was filed requesting an additional hearing on the case. In this framework, the Public Representatives association also filed a motion requesting to join the additional hearing as a "friend of the court". On July 2, 2019 the Supreme Court accepted the motion to hold an additional hearing on the ruling and ordered that it be held before a panel of 7 judges. The Attorney General was requested to consider appearing in the proceeding. The motion of the Public Representatives association to join the proceeding as a "friend of the court" will be heard by that panel.	About NIS 2,300 million, of which about NIS 827 million attributed to Migdal Insurance

1 The date of filing of the actions and the motions is the original date of filing and the court is the original court of filing.

2 Laws are cited by their full name but without the year of their enactment.

3 The class the plaintiff is seeking to represent, as requested in the first class action certification motion that was filed in the proceeding, and is the basis for the estimate of the amount claimed in the statement of claim, unless stated otherwise.

4 The amount estimated by the plaintiff in the original claim. Unless stated otherwise the amounts are approximations.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
1.	Cont.				On November 10, 2019 the Attorney General advised that he would appear at the proceeding and on February 2, 2020 he submitted his position, by which insofar as the regulator's interpretation of its directives is possible according to accepted interpretation rules (literal and purposive) it will be awarded preferential weight, unless there are various considerations that require reducing from that weight (such as cases of regulator inconsistency, an interpretation becoming deep-rooted in the market, etc.). It is noted that in this claim the position of the regulator, as was presented in the court of first instance, was that there is nothing to prevent collection of the “sub-annual” component in respect of the collection components. On July 26, 2020 a hearing was held at the Supreme Court before an extended panel and the parties are now waiting for a ruling.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
2.	4/2010 Central District Court	Life insurance policyholders v. Migdal Insurance and other insurance companies	Failure to refund premiums after discontinuance of insurance policies during the month, in cases where the premium is collected in advance at the beginning of the month, and/or the refund of premiums in nominal values (without interest and linkage differences). The remedies sought include reimbursement of the excess premiums unlawfully collected from policyholders and a mandatory injunction ordering the respondents to change their method of operation and refund premiums to policyholders from the day of creation of the right to a refund together with interest and linkage differences.	Any policyholder of the respondents (excluding holders of general insurance policies) whose policy was discontinued, whether due to cancellation or upon the occurrence of an insured event.	On June 23, 2015 the Court issued a ruling that certified the claim as a class action, with respect to the remedy of reimbursement of premiums collected in respect of the period after the insurance coverage was discontinued in insurance policies (excluding general insurance policies) that include a provision stating that the cancellation will take effect immediately; and with respect to cases in which the insurance policy was cancelled due to the occurrence of the insured event; and also with respect to payment of interest and linkage differences in accordance with the Insurance Contract Law on premiums that were refunded to policyholders at nominal value following cancellation of their policy or to policyholders who received a premium refund at nominal value, respectively, during seven years prior to the filing of the motion (April 18, 2010) and up to March 14, 2012. On September 13, 2016, a settlement agreement was submitted to the Court that includes a clause by which Migdal Insurance and the other respondents are to donate 80% of the amount of the refund that is found by an examiner, and also refers to future conduct. The settlement agreement is subject to the Court's approval. On March 2, 2017, the Attorney General submitted his position regarding the settlement agreement in which he specified his reservations concerning the agreement, and Migdal Insurance submitted its reply to the position. On June 14, 2017, the Court decided that an examiner would be appointed to examine the settlement agreement. On December 7, 2020, the examiner submitted to the court the report with respect to Migdal. According to the examiner's conclusions in the report, Migdal is required to refund a total amount of NIS 4.7 million, including linkage differences and interest until October 2020). The examiner also determined that according to the method of calculating the damage, it will not be possible to make individual refunds.	About NIS 225 million (for a period of ten years).

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
3.	4/2011 Central District Court	Life insurance policyholder v. Migdal Insurance and other insurance companies	Charging amounts for a "policy factor" that sometimes reach a considerable part of the premium paid, without having contractual consent and without providing proper disclosure thereof. The remedies sought include compensation/reimbursement in the amount of the "policy factor" actually collected from the class members, with the addition of the return on that amount of which they were deprived and a mandatory injunction ordering to cease collecting these amounts. In the certification motion the plaintiffs note that on April 2, 2011 a class action was certified on the same exact grounds against a different insurance company. It is noted, with respect to that claim, that following an application for leave to appeal that the defendant had filed with the Supreme Court, the court had reversed the certification ruling and remanded the certification motion to the District Court for continuing the hearing of the claim.	Anyone who is and/or was insured by the respondents and charged any amount as "other management fees" and/or "policy factor".	On June 10, 2015 a settlement agreement was submitted to the court, in which agreement was reached on the refund of amounts in respect of the past, to be distributed to class members holding "Adif" and "Yoter" policies in a total amount of NIS 100 million, of which Migdal Insurance's share is NIS 44.5 million. As to the future, agreement was reached on a discount of 25% in the amount of the policy factor actually collected in those policies. The total value of the settlement agreement with respect to all the respondents, as estimated by them, amounts to NIS 540 million. The settlement agreement that was submitted to the Court for approval included also an agreement regarding the fee of the plaintiff and his attorney in the amount of NIS 43 million plus VAT, of which Migdal's share is 44.5%. The examiner appointed by the court found difficulty in approving the settlement agreement in its present format. According to him, in order for the settlement agreement to be proper and fair, the total amount of the benefit to the class members should be raised and the difference reduced between the class members receiving the future discount in the collection of the policy factor and the class members whose policies will already be settled before the date of approval of the settlement agreement by the Court. Accordingly, the examiner recommended applying the arrangement for the future to the years 2013 to 2015. On February 26, 2016 the Attorney General submitted his position on the settlement agreement, by which the settlement agreement should not be approved in its present format. The Attorney General joined the principles and conclusions in the examiner's opinion regarding the settlement agreement and left it to the judgement of the Court to decide on the proper amount of compensation under these circumstances and according to the data before it.	About NIS 1,470 million (for a period of seven years), of which about NIS 522 million attributed to Migdal Insurance.[5]

[5] In accordance with the amended claim that the plaintiff filed after certification of the class action

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
3.	Cont.				In his position the Attorney General also stated that there is difficulty in the proposed settlement that allows the insurance companies to continue collecting the policy factor in the future in a way that will prevent the class members from taking action on this matter, but he left this matter too to the Court's judgement in view of the circumstances of the claim in question. Furthermore, the Attorney General expressed his position by which any reduction in the policy factor collected in the future should in its entirety be directed to increasing the savings component of the policy and he referred to several other matters that have to be arranged as part of the agreement, should it be approved. On November 21, 2016 the Court issued a ruling that rejects the settlement agreement and partly accepts the class action certification motion and decided that even though the Commissioner allowed the insurance companies to include in life insurance policies an arrangement that permits them to charge the policy factor, they did not include any such contractual arrangement in the insurance policies and therefore there is no legal basis for charging the policy factor, and charging amounts for the policy factor reduced the savings accumulated by the policyholders. Even so, it was ruled that there is no place to certify the class action with respect to risk policies. On the other hand, as regards policies that combine a savings component it was decided that there is a foundation for hearing the claim as a class action since transferring the money to the policy factor reduced the savings accumulated by the policyholders. The Court also ruled that the settlement agreement is unfair and unreasonable since even though the refund for the past awards the class members a benefit of a considerable amount, it is unfair and unreasonable considering the calculations that were made by the supervisory bodies by	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
3.	Cont.				which the examiner estimated that between the years 2004 and 2012 (inclusive) the defendants had collected a total of NIS 700 million as a policy factor ("estimated collection according to the examiner") and the future discount provided in the settlement agreement also does not meet deterrence requirements as its meaning is to validate retroactively and from this date on, collection of most of the policy factor on account of the savings component. Accordingly, the certification motion was accepted with respect to collection of a policy factor beginning from seven years before the date of filing the claim (as from April 21, 2004) from persons having life insurance policies combining a savings component that were issued in the years 1982-2003, and who accumulated lower savings because of being charged a policy factor. The requested remedies that were defined in the certification motion are to adjust the accumulated savings of the policyholders by the amount of the additional savings they would have had if they had not been charged a policy factor or to compensate the policyholders by the aforesaid amount, as well as to cease charging a policy factor from this date on. On May 16, 2017 Migdal Insurance and the other defendant insurance companies filed with the Supreme Court an application for leave to appeal the aforesaid court ruling. On September 3, 2018 the Attorney General submitted his position on the case. The position of the Attorney General supports the ruling of the District Court and accepts its reasons. On February 6, 2019, in a hearing that was held, Migdal and the other insurance companies withdrew the application for leave to appeal they had filed with the Supreme Court and the case was remanded to the District Court for hearing as a class action.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
3.	Cont.				The proceeding is in the process of being heard as a class action. In this framework, on March 27, 2019 the plaintiff filed an amended claim alleging overall damage to the entire branch in the amount of NIS 1,470 million of which an amount of NIS 522 million is attributed to Migdal Insurance. On June 27, 2019 the defendants filed a defense statement and on November 3, 2019 the plaintiff filed a reply brief. Affidavits of evidence-in-chief have been filed in the case on behalf of Migdal Insurance and the other defendants. In addition, Migdal announced that it is joining an out-of-court mediation proceeding that is being held by the additional defendants along with the legal proceeding. In a hearing that took place on February 7, 2021, the defendants (other than Migdal Insurance) notified the court that they had offered the plaintiffs an amended settlement agreement that, inter alia, is also based on the recommendation of the examiner regarding the previous settlement agreement that was submitted on the matter, and accordingly includes an increase in the amount of the refund to the class members, and that according to the mediator this amended settlement agreement is worthy and fair under the circumstances of the matter. The defendants announced that they plan to try and obtain the position of the Attorney General regarding the amended settlement agreement while in the opinion of the plaintiffs, subject to obtaining the agreement of the Attorney General, it will be possible to submit the amended agreement to the court for its approval. Migdal Insurance is still in the process of negotiating in the framework of the mediation proceeding with respect to its share, taking note of the evidence it submitted in the framework of the legal proceeding. Along with the mediation proceeding, the court is continuing to hear the case and more evidentiary hearings are planned to take place.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
4.	5/2013 Tel-Aviv District Court	Health insurance policyholders v. Migdal Insurance and other insurance companies	Failure to pay linkage differences and interest from the date of occurrence of the insurance event and alternatively to pay interest differences on insurance benefits from 30 days after the date of filing of the claim until the date of payment. The remedy sought is payment of interest differences that were not paid as required by law.	Any entitled person (a policy holder, beneficiary or third party) who received in the seven years preceding the date of filing of the claim or will receive up to the date of the issuance of the judgment insurance benefits without interest and linkage differences as required by law.	On August 30, 2015 the Court issued a decision rejecting the class action certification motion as regards linkage differences, but accepting it as regards the payment of interest starting 30 days after the first demand for payment of insurance benefits (and not from the date of providing the last document required by the insurer for examining the obligation), for a period of three years prior to the filing of the action up to the date of the ruling on the matter, with the exclusion of insurance benefits that had been paid pursuant to a court ruling ("The Approval Decision"). On August 3, 2016, a hearing was held on the application for leave to appeal that the defendants had filed with the Supreme Court, mainly appealing the District Court's decision that a previous settlement agreement Migdal Insurance had reached regarding the same matter does not create a claim preclusion from filing the certification motion and does not provide protection to the defendants, following which the certification motion was struck out, at the recommendation of the Supreme Court and at the parties' consent, while reserving the right of Migdal Insurance and the other respondents to again raise the arguments included in the application for leave to appeal as part of the appeal that will be filed, if any, on the final ruling made on the class action. On February 28, 2021 a partial judgment was handed down in the case, which accepted the class action against the defendants (hereinafter: "the judgment"), in respect of any entitled person (policy holder, beneficiary or third party) who during the period beginning three years before the filing of the claim and ending on the date of the judgment, received from the defendants insurance benefits, not pursuant to a court ruling on the matter, without adding to them interest and linkage differences as required by law (hereinafter: "the class members").	About NIS 503 million, of which about NIS 120 million are attributed to Migdal Insurance [6].

6 In accordance with the amended claim that was filed in accordance with the certification ruling.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
4.	Cont.				It is noted that the judgment established the principles which on their basis the entitlement of the class members to the interest difference should be calculated, and accordingly the entitlement to a refund and compensation will be calculated on the basis of these principles. The judgment also determined that an expert would be appointed in order to realize and calculate the refund due to the class members, either individually or to all the class members. In addition, expenses and fees of immaterial amounts were awarded to the lead plaintiffs and their representatives. The compensation to the lead plaintiffs and their representatives will be determined in the final judgment. Migdal Insurance is considering its legal options, including filing an appeal with the Supreme Court. It is noted that another claim and motion for its certification as a class action have been filed against the Company for the same cause with respect to another class of plaintiffs and which refers to the period after the date of the certification ruling. In view of the court's judgment that increased the number of the class members until the date of providing the judgment (instead of as decided in the certification ruling as aforesaid), it is probable that that other claim and motion for certification, which from the beginning was filed solely out of prudence should the court decide otherwise regarding the class members, will become superfluous. On this matter see claim no. 26 hereunder in this note. Furthermore, as regards the payment of interest and linkage differences pursuant to a court ruling see also claim no. 18 hereunder in this note.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
5.	7/2014 Central District Court	Associations and organizations acting to benefit senior citizens v. Migdal Makefet and another four pension fund management companies	Bad faith use of the right under the bylaws to raise the management fees to the maximum allowed rate when members retire, and failure to give notice before retirement. The remedies sought are an order to refund to retired members or to the pension fund the excess management fees that were and/or will be collected from them unlawfully, and alternatively, to refund to the pension fund all the management fees collected from retired members and redistribute the funds that were collected unlawfully fairly and equally among all the retired members, forbidding the respondents to raise the management fees for any member immediately before his retirement, deciding that the condition in the defendants' bylaws that allows them to raise the management fees from time to time is (prima facie) a discriminatory condition in a standard contract, and ordering the cancellation or change thereof in a manner that eliminates the alleged discrimination.	Any member of the respondents' new comprehensive pension fund who is and/or will be entitled to old age pension.	The proceeding is in the stage of clarification of the class action certification motion. At the request of the Court, several questions have been sent to the attention of the Capital Market Authority regarding the issues in dispute in the action. On September 3, 2017, the Insurance Commissioner's position on the matter was submitted in which it is was stated according to the position of the pension funds that management fees upon retirement are essentially different from management fees on current savings. Pursuant to the Court's recommendation the parties held a mediation proceeding on the matter, which was unsuccessful. The parties advised that they are foregoing interrogations in the case, and accordingly the case is scheduled for summations. On April 30, 2020 a motion to inspect the file was submitted which was rejected by the Court. On June 18, 2020 a motion for leave to appeal this decision was filed with the Supreme Court. On December 24, 2020 the motion for leave to appeal was accepted and the Supreme Court accepted the appeal and allowed the applicant to inspect the case file. The parties completed the process of submitting summations. Accordingly, the case is waiting for a ruling on the motion for certification. See also claim 10 hereunder in this section and claim 3 in section c hereunder.	At least NIS 48 million, without quantifying the other remedies at this stage, as well as compensation for the future from all the defendants.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
6.	9/2015 Central District Court	Long-term care insurance policyholder v. Migdal Insurance and other insurance companies	Breach of the terms of the policy, when examining policyholders' entitlement to long-term care benefits, by interpreting "incontinence" as entitling to points only when it is caused by urological or gastroenterological diseases, whereas it is argued that points for this condition should be awarded also in the case of functional incontinence, as well as failure to comply with the duty of disclosure in this connection prior to the purchase of the policy. The reliefs sued for include ordering the defendants to pay compensation.	Any long-term care insurance policyholder who upon the occurrence of the insured event was not awarded the appropriate number of points for incontinence due to the said interpretation.	On April 23, 2020 the court ruled on the certification motion and allowed hearing part of the claim as a class action against Migdal Insurance and three other insurance companies. The class action certification relates to anyone who was insured by Migdal Insurance and the other companies, against which the claim was certified as a class action, and suffered from loss of bowel or bladder control, due to a combination of incontinence that does not amount to an organic loss of control with a poor functional condition, and regardless of the aforesaid did not receive from the insurers points for incontinence when examining their claim to receive long-term care insurance benefits, such that their rights to insurance benefits were impaired between September 9, 2021 and the date of certifying the claim as a class action. On June 1, 2020 the plaintiff filed an amended claim pursuant to the certified class action. The parties to the proceeding, except for Migdal Insurance, entered an out-of-court mediation proceeding. Migdal Insurance is holding direct talks with the plaintiff for examining conclusion of the proceedings in her case.	Tens and even hundreds of millions of shekels

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
7.	9/2015 Tel Aviv District Court	Pension fund member v. Migdal Insurance and pension fund management companies	Claim that the respondents pay commissions to insurance agents that are derived from the management fees, such that a conflict of interests is created for the insurance agents and the fund members pay inappropriately high management fees. The reliefs sued for are declaratory relief stating that the respondents must change their arrangement with agents and bring it into compliance with the law, reimbursement of all the management fees that were collected in excess, and any other relief as the court deems right and equitable in the circumstances of the case.	Members of provident funds of the management companies who were charged management fees from which the agents' commission is derived based on the amount of the fees.	The proceeding is in the stage of clarification of the class action certification motion. The plaintiff filed with the Supreme Court an application for leave to appeal with respect to the plaintiff's motion to disclose documents that was denied. The proceeding at the District Court is suspended until a ruling is made on the application for leave to appeal. On December 18, 2019 the Supreme Court denied the application for leave to appeal, other than with respect to documents relating to the plaintiff himself. Accordingly, clarification of the certification motion will continue at the District Court and the case if filed for interrogation. It is noted that in January 2017 the Knesset approved Amendment 20 to the Control of Financial Services (Provident Funds) Law – 2017, by which there will be no connection between the calculation of distribution fees of provident funds and the management fees the management company charges the member.	NIS 2 billion probably from all the defendants
8.	9/2015 Central District Court	Members of Migdal Insurance and Migdal Makefet v. Migdal Insurance and Migdal Makefet	Damages caused by the acts of a former trader at Migdal's share trading desk who was convicted, on his admission in a plea bargain, of fraud involving share hiking and market manipulation of securities. The reliefs sued for include compensation for the damages caused to fund members in any manner the court deems fit.	Each of the members / customers of Migdal Insurance and/or Migdal Makefet who was harmed by the alleged acts between the years 2006 and 2011.	A motion to dismiss in limine that was filed by Migdal was denied. On March 14, 2018, a revised motion to certify a class action was filed. On September 16, 2018, Migdal filed a reply to the revised motion together with an expert opinion. In view of the Court's recommendation the parties agreed to hold another mediation proceeding that matured to a settlement agreement, which on June 22, 2020 was submitted to the Court for its approval. Upon receiving the settlement agreement, the Court ordered its publication. In the framework of the settlement agreement, the defendants agreed to pay, without admitting any liability on their part, a total amount of NIS 12 million, which mainly includes compensation to the class, a reward and fees to the applicants and their representatives. The compensation to the class will be credited to the members' accounts.	The damage to the members is estimated to be NIS 65 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
8.	Cont.				The agreement was submitted to the Accountant General for comment, and on February 24, 2021 he advised that he does not object to approval of the settlement agreement but called the Court's attention to several matters, including to the need for details and expansion on the liabilities the respondents took upon themselves in all that concerns updating and refreshing trading procedures and performing controls over that activity, including a recommendation to appoint a supervisor for a certain period that will report to the Court in respect thereto. The respondents submitted to the Court their objection to the aforesaid recommendations.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
9.	1/2016 Central District Court	Policyholder v. Migdal Insurance	Violation of policyholders' rights in connection with the implementation of Amendment No. 3 to the Control of Financial Services Law (Provident Funds) ("Amendment 3 to the Provident Funds Law"), since, it is argued, the defendant did not assign to policyholders who prior to the entry of Amendment 3 to the Provident Funds Law into effect held a capital (lump-sum) policy, the annuity factors they had in a previous annuity policy that was held by them with the defendant or with another insurance company ("earlier annuity policy"), The plaintiff is seeking to base his claim on, among other things, the Central District Court's decision to certify a class action in Class Action Case No. 48006-03-10 Granit vs. Clal Insurance ("the Granit case"). The reliefs sued for include to order the defendant to assign to the capital (lump-sum) policies of its policyholders the annuity factor they had prior to Amendment 3 to the Provident Funds Law in the earlier annuity policy with the preferable annuity factor; alternatively, to order the defendant to allow the plaintiff and the other class members to deposit the full amount of the pension savings, retroactively from the date of entry of Amendment 3 to the Provident Funds Law into effect and prospectively, with the earlier annuity policy; alternatively, to order the defendant to compensate the plaintiff and the other class members in the amount of the alleged damage to their pension rights and	Anyone who held, prior to the effective date of Amendment 3 to the Provident Funds Law, both a capital (lump-sum) policy of the defendant and an annuity policy (whether of the defendant or of another insurance company), and who, following the above amendment to the law, was not assigned an annuity factor in the capital policy or was assigned in the capital policy an annuity factor inferior to the annuity factor in his old annuity policy.	The proceeding is in the stage of clarification of the class action certification motion. On May 4, 2017, the Court ruled that the proceeding should be transferred to the Labor Court. On August 22, 2017, the application for leave to appeal the aforesaid ruling that was filed by the plaintiff with the Supreme Court was denied. In a ruling from February 7, 2018, the Labor Court denied the motion to certify a class action based on the Granit case and decided that the conduct of Migdal Insurance with its policyholders should be examined separately. On April 4, 2018, the Attorney General, who had submitted a position in the Granit case, announced that he had decided not to appear in this case. The case is at the stage of summations. The plaintiff filed a motion to suspend the proceedings on the case until the District Court rules on the Granit case. Migdal Insurance filed a reply in which it objected to the aforesaid motion to suspend. On August 15, 2018, the Court decided not to order a suspension in the proceedings at this time but ordered the parties to file their summations. The Court noted in its decision that after the summations are filed, insofar as no ruling has as yet been provided on the Granit case, it will consider whether to suspend its decision until a ruling on the Granit case. On May 12, 2020, after the plaintiff submitted his summations in the case and before Migdal Insurance submitted its summations, the Court ordered suspending the proceedings until a ruling on the Granit case.	NIS 50 million per year. The cumulative damage will be equal to the annual damage multiplied by the number of relevant years that will be determined in the judgment.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
9.	Cont.		the amount by which it became enriched at the expense of the class members due to its above policy; and regarding policyholders already retired since January 1, 2008 who began to receive a lower annuity than they were entitled to, according to the plaintiff, based on the preferable annuity – to order the defendant to reimburse to said policyholders the difference between the annuity they were entitled to be based on the preferable factor, and the annuity actually received by them.			
10.	2/2016 Central District Court	Registered association acting on behalf of weak populations and special-needs people v. Migdal Makefet Pension and Provident Funds	Collection of management fees on disability and survivor annuities paid by the pension fund, without disclosing to the members that they will be charged management fees on these annuities and that management fees at the maximum rate will be charged on these annuities from when the disability or survivor annuity begins to be paid, exploiting these annuitants' distress since they are unable to transfer the balance of their personal account or the amount of the annuity reserves the fund holds on their behalf. The reliefs sued for are as follows: financial relief of reimbursement to each of the disability annuitants of the entire amount of the management fees that were and/or will be collected from them unlawfully; alternatively, reimbursement to the pension fund of the entire amount of the management fees that were and/or will be collected from the annuitants unlawfully, to make a fair and equitable distribution of the amounts;	Anyone who receives and/or is entitled to receive a disability annuity of any kind, and anyone who receives and/or is entitled to receive a survivor annuity, and anyone who is an active plan holder and/or insured and/or member in any of the defendants' new pension funds, and who was harmed as a result of the collection of management fees on disability and survivor annuities.	On January 29, 2018, the Court ordered the transfer of this proceeding to the Tel Aviv Regional Labor Court. The proceeding is in the stage of clarification of the class action certification motion. On December 28, 2019, the Court approved a procedural arrangement of the parties, by which no application would be made to the Commissioner and no inquiries would be held. Accordingly, summations on the case have been scheduled and have been submitted by the parties, except for the reply summations of the plaintiff that have not yet been submitted. The case is set for completion of oral arguments. See also claim 5 above in this section and claim 3 in section c. hereunder.	In the motion for certification the plaintiff did not estimate the overall amount claimed for the class in view of the need to receive data, but in an actuarial opinion that was attached to the motion for certification estimated that the amount is high and is at least NIS 500 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
10	Cont.		prohibition on the collection of management fees on disability and survivor annuities, and alternatively, to order the respondents to reduce the management fees that are collected to an appropriate rate; to order the respondents to refund the difference to the annuitants and/or to the fund and to disclose at their initiative the management fees on these annuities, and to establish that the condition in the fund's bylaws that allows the defendants to unilaterally set the management fees from time to time is a discriminatory condition in a standard contract.			
11	5/2016 Central - District Court	Policyholders v. Migdal Insurance	Allegations that Migdal Insurance distributes the premiums it receives arbitrarily and contrary to the instructions it receives, and contrary to agreements and the provisions of the law; that Migdal Insurance transfers part of the excess amounts collected to a different insurance plan that the policyholder did not request; that Migdal Insurance collects a premium from policyholders for risks that do not exist and retroactively amends reports it issues while misleading the policyholders and that Migdal Insurance refrains from implementing checking mechanisms that can provide an alert on possible errors and prevent unlawful charges. The main reliefs requested are: (a) to compensate the class members for financial and non-financial damages they incurred; (b) to order Migdal Insurance to adjust the premiums it charges to the amount that should have been charged and to order Migdal Insurance to correct the	(a) All the policyholders and/or insured persons and/or beneficiaries of a life insurance policy that paid a premium higher than that promised to them in the policy, whether the premium is according to the insured salary or according to a fixed amount. (b) All the insured persons having life insurance that the money transferred was distributed not	The proceeding is in the stage of clarification of the class action certification motion. At the recommendation of the Court, the parties are holding a mediation process on agreed issues.	Was not estimated by the plaintiff

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
11	Cont.		reports; (c) to order Migdal Insurance to return the premiums it unlawfully received that are in excess of that agreed, and to return the profits it earned and the management fees on the excess amounts collected; (d) to declare that Migdal Insurance collected monies illegally and it should act to change the existing situation; (e) to give mandatory injunction on the matter of changing the work procedures and systems and in respect of wording of policies.	according to the agreement and distribution decided by the employer, including between the different internal funds. (c) All the insured persons who in their annual reports the opening balance was changed (including by way of an “updated opening balance”) without being provided full and detailed disclosure on the change and its reasons. (d) Any insured person whose deposited money was transferred to new insurance that was opened without their consent. (e) Any insured person for whom all or part of the premium they were charged does not improve the insured person’s situation and/or provide any		

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
11	Cont.			additional compensation upon occurrence of the insurance event.		
12	10/2016 Jerusalem Regional Labor Court	Study fund member v. Migdal Makefet	Allegation that investment management expenses were charged without a contractual provision in the bylaws on the matter. The requested relief is to return all the investment management expenses/fees that the class members were charged in the seven years preceding the date of filing the claim, with the addition of shekel interest as required by law and also to order Migdal Makefet to refrain from deducting from the accounts of the class members any amounts for investment management expenses/fees.	Any member of the "Migdal Hishtalmut" fund (under this name or its previous names, including all the funds that were merged into it) presently and in the seven years preceding the date of filing the motion.	The proceeding is in the stage of clarification of the class action certification motion. On May 13, 2018, the Capital Market Authority submitted its position on the case by which the institutional bodies are permitted to collect direct expenses from the members even if this is not explicitly stated in the bylaws of the institutional body on the condition that they are collected according to the bylaws. The case is in the stage of filing summations. It is noted that on May 31, 2019, the District Court approved a motion to certify a class action that is being held against other insurance companies regarding the collection of direct expenses in individual insurance policies on the basis of, inter alia, a decision that the policies are an inclusive arrangement in all that concerns the amounts the companies are entitled to charge the policyholders and that the policies' silence on this matter is a negative arrangement and not a lacuna ("the certification ruling" and "parallel proceeding against other companies"). The applicants in the parallel proceeding filed a motion for leave to appeal the aforesaid certification ruling with the Supreme Court, which ordered that a reply be submitted to the motion and also ordered the Attorney General to submit his position. On August 13, 2020, in the parallel proceeding against other companies, the Attorney General advised that he would appear as a side to the proceeding, and also submitted his position on the matter. According to the position of the Attorney General, among other things, there is a contractual basis in the insurance policies of the applicants in that	About NIS 94 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
12.	Cont.				proceeding for collecting direct expenses from the assets of the savers, and therefore, in his opinion, it is not likely that the class actions will be accepted. In view of the aforesaid, the Attorney General believes that the Court should accept the motion for leave to appeal and the appeal on its merits, and order rejection of the certification motions. The position of the Attorney General was submitted by Migdal Makefet in the framework of a motion to suspend proceedings in the case until a ruling is made on the motion for leave to appeal in the parallel proceeding against other companies, as done by other panels of the Labor Court that discuss parallel class actions against other defendants on the same matter. The case is in the stage of submitting summations and is waiting for a decision on the motion to suspend the proceedings. In this respect it is noted that Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses for Executing Transactions) (Amendment) – 2020 (hereinafter in this paragraph: "the Regulations") were published on September 2, 2020. The Regulations extend from December 31, 2019 to February 28, 2021 the temporary order that sets a ceiling for the amount of certain expenses that can be collected as direct expenses. In addition, the Regulations impose on an institutional entity obligations of notifying a member/policyholder regarding the collection of direct expenses from the fund's asset at both the stage of joining and in the framework of the quarterly reports sent by the provident funds. See also claims 14 and 16 below in this section.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
13.	10/2016 Central District Court	Member of annuity paying provident fund v. Migdal Insurance, Migdal Makefet and Mivtach Simon	Allegation of incorrect classification of amounts deposited in annuity paying provident funds, which will supposedly lead to excess tax on the annuity that will be received from the provident funds at the time of eligibility for payment. The primary relief requested is a mandatory injunction ordering Migdal Insurance and Migdal Makefet to act to correct the records so as to correspond to the law. The alternative relief requested is compensation in an amount that was not estimated in the class action certification motion. In addition, the class action certification motion included a request for a mandatory injunction to change the future conduct of the respondents, such that they will have to have proper classification instructions.	Two sub-classes: (1) customers of any of the defendants whose money that was deposited by them or for them was split at the time of the deposit into two annuity paying provident funds managed by Makefet and/or Migdal, and due to this split these monies were classified as being insufficient for a “recognized annuity”, as this term is defined in Section 9A(a) of the Income Tax Ordinance. (2) customers of any of the defendants, who are salaried members of annuity paying provident funds managed by Migdal Makefet or Migdal Insurance, who deposited	On December 25, 2018, the Court ruled that the subject-matter jurisdiction to hear the claim belongs to the regional labor court and accordingly the hearing of the motion for certification against all the respondents was transferred to the Tel Aviv Regional Labor Court. As part of clarifying the proceeding even before its transfer to the Regional Labor Court, pursuant to the Court's request the tax authority submitted a reply to questions, which in the opinion of the defendants' legal counsel supports their position. Furthermore, on May 1, 2018, the Commissioner issued a circular regarding the components of an account in a provident fund, and which refers to the cases included in the claim, which in the opinion of the defendants' legal counsel also supports their position. On December 2, 2019, the Labor Court denied the certification motion against Mivtach Simon and accepted the motion against Migdal Makefet and Migdal Insurance with respect to the two subclasses the motion referred to. The causes for which the class action was certified are: Are the defendants obligated to act to correct "the double amount error for being classified as a recognized annuity" with respect to the members of the first subclass? And are they obligated to act to correct the "annual calculation error" with respect to the members of the second subclass? In view of the certification decision, Migdal Insurance and Migdal Makefet filed a defense statement, and the hearing of the claim's merits began. In this framework the Court decided on March 3, 2020, that the position of the regulators should be accepted with respect to both the reliefs requested in the claim and new regulatory actions, insofar as there are any that may affect continuation of the proceeding. In July 2020, a motion was submitted by a third party to expand the members of the class to where the deposits of the members were split not only at the	Cannot be estimated but is under the court's jurisdiction (non-binding estimate of about NIS 9.5 million).

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
13.	Cont.			money with the fund in respect of the employee's annuity component, and as a result such money was classified as insufficient for a 'recognized annuity".	defendants but also at other insurance companies and/or pension funds. On October 20, 2020 the Capital Market Authority and Income Tax Authority submitted their position on the matters for which the class action was certified which mainly supports the position of Migdal Insurance and Migdal Makefet. The parties waived submitting additional affidavits and holding an evidentiary proceeding, and accordingly the case is scheduled for summations, which have been submitted by the parties. The Capital Market Authority and Income Tax Authority have the right to submit their comments to the parties' summations too. A ruling is expected to be provided on the case after that.	
14.	12/2016 Central District Court	Persons insured under executive insurance policies v. Migdal Insurance	Allegation of charging investment management expenses without this being permitted in a contractual provision in the policies. The requested relief is to return all the investment management expenses that were collected from the class members in the seven years before the date of filing the claim, with the addition of shekel interest as required by law, as well as to order Migdal Insurance to refrain from deducting any amounts from the accounts of the class members in respect of investment management expenses.	All the persons insured under executive insurance policies that were issued by Migdal Insurance (profit participating, "Yoter", "Migdalor" and so forth), who were charged investment management expenses contrary to the law and/or without the policy including a specific provision permitting Migdal Insurance to collect these expenses.	The proceeding is in the stage of clarification of the class action certification motion. On June 15, 2017, the Court decided to transfer the case to the Labor Court. In its ruling from February 19, 2018, the Court directed several questions on the matter to the Commissioner and requested his position. A reply to the questions was received on June 24,2018. It is noted that on May 31, 2019, the District Court approved a motion to certify a class action that is being held against other insurance companies regarding the collection of direct expenses in individual insurance policies on the basis of, inter alia, a decision that the policies are an inclusive arrangement in all that concerns the amounts the companies are entitled to charge the policyholders and that the policies' silence on this matter is a negative arrangement and not a lacuna ("the certification ruling" and "parallel proceeding against other companies").	NIS 567 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
14.	Cont.				The applicants in the parallel proceeding filed with the Supreme Court a motion for leave to appeal the aforesaid certification ruling, which ordered that a reply be submitted to the motion and also ordered the Attorney General to submit his position. A motion to suspend proceedings until a ruling is provided on the motion for leave to appeal was denied on the basis that the proceeding in question is different from the facts of the District Court ruling. Accordingly, the parties submitted their summations, and on June 4, 2020 a hearing was held for completing oral arguments. The case is now waiting for a decision on the motion for certification. On August 13, 2020, in the parallel proceeding against other companies, the Attorney General advised that he would appear as a side to the proceeding, and also submitted his position on the matter. According to the position of the Attorney General, among other things, there is a contractual basis in the insurance policies of the applicants in that proceeding for collecting direct expenses from the assets of the savers, and therefore, in his opinion, it is not likely that the class actions will be accepted. In view of the aforesaid, the Attorney General believes that the Court should accept the motion for leave to appeal and the appeal on its merits, and order rejection of the certification motions. The position of the Attorney General was submitted by Migdal Insurance in this case. In view of the common issues arising in the cases before it and in the parallel proceeding against other companies, the Court ruled, on September 7, 2020, that the proceedings in this case should be suspended until a ruling is made on the parallel proceeding against other companies. Furthermore, on October 6, 2020 the request of the applicants to join the parallel proceeding by way of submitting a reply was accepted.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
14.	Cont.				In this respect it is noted that Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses for Executing Transactions) (Amendment) – 2020 (hereinafter in this paragraph: "the Regulations") were published on September 2, 2020. The Regulations extend from December 31, 2019 to February 28, 2021 the temporary order that sets a ceiling for the amount of certain expenses that can be collected as direct expenses. In addition, the Regulations impose on an institutional entity obligations of notifying a member/policyholder regarding the collection of direct expenses from the fund's asset at both the stage of joining and in the framework of the quarterly reports sent by the provident funds. See also claim 12 above, including the position of the Commissioner that was submitted in that case and also claim 16 below in this section.	
15	1/2017 Central District Court	Two motor act insurance policyholders v. Migdal Insurance	Allegation by which Migdal Insurance refrains from disclosing to its policyholders that according to its customary practice (which exists also at the other insurance companies), they are entitled to a reduction in the premium paid by them when they reach an age group and/or driving experience as customary in the company. The requested reliefs is to order Migdal Insurance to return to the class members the excess insurance premiums that were charged contrary to the law as a result of the aforesaid conduct, as well as a mandatory injunction ordering Migdal Insurance to change its aforesaid conduct.	Persons insured by Migdal Insurance under a motor act, third party and comprehensive policy in the period beginning seven years before the filing of the claim, who during the period of the insurance reached the age group and/or driving experience that according to law	The proceeding is in the stage of clarification of the class action certification motion, at the point of evidentiary hearings.	About NIS 62 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
15.	Cont.			and the customary practice of Migdal Insurance qualify for a reduction in the insurance premiums, and who Migdal Insurance did not treat according to law and according to its customary practice and as a result did not receive the reduction in the premium.		
16.	2/2017 Central District Court	Registered association acting on behalf of the elderly population v. Migdal Makefet	Allegation by which Migdal Makefet charged its pension fund and provident fund members amounts for “direct expenses of executing transactions in assets of the provident funds” (direct expenses), contrary to the bylaws and contrary to the contractual and pre-contractual representations to its members. In doing so Migdal Makefet allegedly breaches the contract between it and its members and also violates the law. The requested reliefs are: (a) to issue an order by which the conduct of Migdal	Anyone who has a right of any kind or type in amounts held in the pension fund managed by Migdal Makefet as from July 2013, and anyone who had such a right in the past.	The proceeding is in the stage of clarification of the class action certification motion. On March 7, 2018, the Court decided to transfer the case to the Tel Aviv Regional Labor Court. On July 5, 2018, the Court requested that the Commissioner be requested to provide his opinion whether the positions that were presented in the other cases on the same matter apply also to this case. On November 20, 2018, the Commissioner replied and referred to the position he had provided in a different case on the same matter.	About NIS 287 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
16.	Cont.		Makefet is unlawful in that it breaches the contract – bylaws between it and its members; (b) to order Migdal Makefet to return to each one of the class members the amount that was collected and/or deducted from their account with respect to any kind of expense relating to direct expenses of executing transaction in assets of the provident funds; (c) alternatively to order Migdal Makefet to return to the assets of the pension fund and to the assets of the provident funds all the direct expenses that were unlawfully collected and to distribute these amounts justly and fairly; (d) to order Migdal Makefet to state clearly and explicitly from that day on, in all the registration forms and in all the bylaws, that in addition to the management fees an additional amount will be charged and/or deducted with respect to direct expenses and to indicate the maximum rate that will be charged.	Also anyone who has a right of any kind or type in amounts held in the provident fund managed by Migdal Makefet in the seven years preceding the date of filing the certification motion, and anyone who had such a right in the past.	It is noted that on May 31, 2019, the District Court approved a motion to certify a class action that is being held against other insurance companies regarding the collection of direct expenses in individual insurance policies on the basis of, inter alia, a decision that the policies are an inclusive arrangement in all that concerns the amounts the companies are entitled to charge the policyholders and that the policies' silence on this matter is a negative arrangement and not a lacuna. ("the certification ruling" and “parallel proceeding against other companies”). The applicants in the parallel proceeding filed with the Supreme Court a motion for leave to appeal, which ordered the Attorney General to submit his position. On November 28, 2019, a procedural arrangement was approved by the parties, by which the parties waived holding inquiries, and instead it was decided that summations would be submitted in writing after which the matter would be concluded with oral arguments. On April 6, 2020 it was decided that insofar as the parties believe that there is no point in holding an evidentiary hearing on the case, they should submit to the Court a list of agreed and disputed issues, or else an evidentiary hearing will be held. On July 23, 2020 a court hearing was held in which it was decided that the parties would holds talks on the agreed facts and submit to the Court an update notice on the matter, including whether there is a need for an investigative hearing and on what issues. On August 13, 2020, in the parallel proceeding against other companies, the Attorney General advised that he would appear as a side to the proceeding, and also submitted his position on the matter. According to the position of the Attorney General, among other things, there is a contractual basis in the insurance policies of the applicants in that proceeding for collecting direct expenses from the assets of the savers, and therefore, in his opinion, it is not likely that the class actions will be accepted.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
16.	Cont.				In view of the aforesaid, the Attorney General believes that the Court should accept the motion for leave to appeal and the appeal on its merits, and order rejection of the certification motions. The position of the Attorney General was submitted by Migdal Makefet in this case and on September 15, 2020 the Court ordered, with the consent of the parties, to suspend the proceedings in this case until a ruling is made on the motion for leave to appeal in the parallel proceeding against other companies. In this respect it is noted that Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses for Executing Transactions) (Amendment) – 2020 (hereinafter in this paragraph: "the Regulations") were published on September 2, 2020. The Regulations extend from December 31, 2019 to February 28, 2021 the temporary order that sets a ceiling for the amount of certain expenses that can be collected as direct expenses. In addition, the Regulations impose on an institutional entity obligations of notifying a member/policyholder regarding the collection of direct expenses from the fund's asset at both the stage of joining and in the framework of the quarterly reports sent by the provident funds. See also claims 12 and 14 above in this section.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
17.	5/2017 Tel Aviv District Court	Employees of employers for whom the defendants manage their arrangement v. Mivtach Simon and other insurance agencies	Argument that the defendants by their activity as insurance agencies (pension arrangement managers) caused the class members financial damage, since up to the recent legislation amendments (legislation amendments recently made in the Control of Financial Services Law (Pension Advice, Marketing and Clearing Systems) ('the Advice Law"), and the Control of Financial Services Law (Provident Funds) in the framework of the Economic Plan Law (Legislation Amendments for Implementation of the Economic Policy for the 2015 and 2016 Budget Years), the operating costs of the pension arrangement services provided by the defendants to employers were subsidized by the employees of those employers, and the defendants favored the employers, with whom they had entered into service agreements, over the employees, who actually paid for those operating services via excessive management fees that were collected from them. The alleged damage to the class members is the excess payment for the operating services, which, it is contended, was loaded onto the class members via excessive management fees that were collected from them. The reliefs sued for are: reimbursement/return of the excess management fees collected from the class members according to the plaintiffs and any other relief as the court deems right and equitable in the circumstances of the case.	Whoever was a customer of any of the defendants at the time they provided to the employer pension arrangement management services throughout a period beginning 7 years prior to the filing of the claim until the employer began paying the operating costs according to Amendment No. 6 to the Advice Law.	The class action certification motion includes allegations that are similar to those included in a different class action certification motion that was filed at an earlier date and was struck by the Court on November 28, 2016, following the Court's recommendation to strike the proceeding. On August 2, 2017, the respondents filed a motion to dismiss in limine the class action certification motion ("the motion to dismiss"), and alternatively to transfer it to the Labor Court and decide on a guarantee for expenses. Mivtach Simon filed its reply to the class action certification motion on December 3, 2017. On August 20, 2018, the Court ruled that the subject-matter jurisdiction belongs to the labor court and accordingly ordered that the case be transferred to the labor court. On January 20, 2019, the motion to dismiss and deposit a guarantee was denied by the Court. On February 25, 2019, the respondents filed a motion to add the Directorate of Business Organizations as a respondent to the class action certification motion. This motion was denied. Conversely, a motion from April 3, 2019, of the Chamber of Commerce of Tel Aviv and the Center to join as a friend of the court was accepted. The position of the Chamber of Commerce, as was submitted to the court on July 4, 2019, supports the position of the respondents. A letter of the Directorate of Business Organizations that also supports the interpretation of the respondents was attached to the case by the respondents. The parties have submitted their summations and the case is now waiting for a ruling on the certification motion. On April 10, 2020, a decision was given, instructing the parties to submit completion of arguments in respect of the alleged existence of a collective agreement that led to Amendment 6 to the Advice Law and regarding holding a short inquiry proceeding for clarifying the allegations on this matter.	NIS 357 million, of which about NIS 131 million from Mivtach Simon Insurance Agencies

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
17.	Cont.				On July 23, 2020 a hearing was held in connection with the aforesaid completion of argument, which at its end the Court recommended to the applicants to withdraw from the proceeding. The applicants refused to accept the Court's recommendation. On August 9, 2020 the parties submitted an additional completion of arguments and a motion to obtain the position of the regulator and Attorney General on the matter of the significance of Amendment 6 and the estoppel following existence of a collective agreement. On August 30, 2020 a ruling was provided that denied the certification motion and requires the plaintiff to pay expenses. In its ruling the Court accepted the position of the defendants on all the matters in question. On October 5, 2020 the applicants submitted an appeal on the ruling with the National Labor Court. On October 27, 2020 a motion to strike an appeal notice was filed, following which, on January 25, 2021, the Court ordered that a revised appeal notice be submitted, and that the appeal be conveyed to the Capital Market, Insurance and Savings Authority in order to obtain its opinion on the matters raised in the appeal. A hearing on the appeal has been scheduled.	

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
18.	9/2017 Jerusalem District Court	Policyholder v. Migdal Insurance and "Eliahu 1959"	According to the plaintiffs the defendants do not apply Section 5(b) of the Interest and Linkage Law as required and do not pay, as a matter of policy, interest (including interest for delay) and linkage as required by that law. The principal reliefs are: (a) A declaration that the defendants have violated the provisions of the Interest and Linkage Law in that they did not add to the amounts they paid linkage differences and/or interest and/or linked interest when they paid amounts later than the payment date; (b) To order the defendants to pay compensation for the damages caused as a result of that violation; (c) To order the defendants to amend their policy from that date on such that they are required to comply with the provisions of the law regarding the payment of interest and linkage on the payment of a judgment debt. As regards the part of the claim against "Eliahu 1959" Ltd., according to the agreement by which on April 21, 2016, Migdal Insurance acquired the run off general insurance portfolio from "Eliahu 1959", the Company's controlling shareholder, insofar as the claim against "Eliahu 1959" is included in the run off portfolio it is the responsibility of Migdal Insurance. Aspects of the claim that are not included in the run off portfolio, insofar as there are any, will not be transferred to the responsibility of Migdal Insurance. The agreement to acquire the run off portfolio includes arrangements regarding reinsurance coverage for claims included in the acquired run off portfolio and indemnity arrangements for certain cases.	Anyone who was paid by the defendants amounts awarded to them by a judicial authority on a date later than the payment date (as this term is defined in the Interest and Linkage Law) without linkage differences and/or interest and/or linked interest being added to the awarded amount.	The proceeding is in the stage of clarification of the class action certification motion. At the recommendation of the Court the parties reached a settlement agreement and on March 4, 2021 filed it with the court for its approval. As part of the settlement agreement, it was agreed that the defendants will correct the settlement notes they use, insofar as required, in accordance with and in the manner defined in the agreement. In addition, the defendants will enable providing settlement notes by an additional means other than an original copy, subject to the conditions set forth in the settlement agreement. Insofar as the settlement agreement is approved, the defendants will pay a reward and fee to the lead plaintiffs and their representatives in immaterial amounts.	Tens of millions of NIS if not more, and in any case more than NIS 2.5 million so that the Court may have jurisdiction on this matter.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
18.	Cont.		It is noted that a notice on the aforesaid was provided by Migdal Insurance to "Eliahu 1959". See Note 37.e.2 to the financial statements as at December 31, 2020 regarding the general insurance run off transaction in Eliahu.			

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
19	12/2017 Jerusalem District Court	Insurance applicants v. Migdal Insurance, other insurance companies and the healthcare service providers Maccabi Healthcare Services and Clalit Health Services.	Refusal to provide long term care insurance to the applicants and other persons on the autism spectrum; setting for them impossible and unreasonable conditions without providing an explanation or justification for doing so; failure to provide a detailed and respectful reply to the insurance candidate with respect to the refusal and detailed reasons for the refusal, and the refusal not being based on relevant actuarial or medical statistical data, all contrary, as alleged, to that required in the Equal Rights for Persons with Disabilities Law (hereinafter: "the Equal Rights Law"), and in Equal Rights for Persons with Disabilities Regulations (Notice of Insurer regarding Different Treatment to a Person or regarding Refusal to Insure a Person" ("Equal Rights Regulations"). The principal reliefs requested in the claim are: to provide a declaratory order that the defendants have violated the Equal Rights Law and Regulations; to provide an order nisi instructing the respondents to stop discriminating the class's members, to establish clear work procedures regarding the individual treatment without discrimination of persons with disabilities that are based on the provisions of the Equal Rights Law; to provide an order nisi to the respondents instructing them to fulfill the provisions of the law and an in-principle decision of the Commissioner that establish a proper process concerning refusal to provide insurance; to provide an order nisi	Persons with autism disabilities who requested to be insured under a long term care insurance policy of any of the respondents and unlawfully received from the respondents different and discriminatory treatment and/or were not provided a detailed reply regarding the different treatment in the seven years preceding the date of filing the motion.	The proceeding is in the stage of clarification of the class action certification motion. On July 26, 2018, Clalit Health Services filed a motion to dismiss in limine the claim against it and on August 20, 2018, also Maccabi Healthcare Services filed such a motion. On October 24, 2018, the Court recommended that the parties begin a negotiation proceeding, including as part of a mediation. Accordingly, the parties held such negotiations. On April 11, 2019, the position of the Attorney General was submitted in a different claim against Migdal Insurance that deals with a similar issue, which supports the position of the insurance companies ("the Attorney General's position"). Migdal Insurance submitted to the Court a request to include that position in the case. On June 19, 2019, the Court ordered that the Attorney General submit his position in this proceeding too and allowed him, if he should wish, to also appear in the proceeding. On January 8, 2020, the Attorney General announced that he does not plan to appear in the proceeding, and he referred to the position he had provided as aforesaid in a different case against Migdal. On March 29, 2020 the Court denied the motion to disclose documents of the applicants, insofar as it concerns Migdal Insurance and took the side of the insurance companies that the motion for certification refers to a legal dispute – the status of the reinsurers' instructions – are they "other information" as defined in the Equal Rights Law, while referring to the position of the Attorney General. In addition, the Court denied, in the same decision, the motion to dismiss in limine of the healthcare service providers and decided that the motions to dismiss would be heard in the framework of the decision on the motion for certification.	According to the applicants the personal damage caused to them amounts to tens of thousands of NIS for each applicant. The amount of the damage for all the class members cannot be accurately estimated at this time. The amount is in the jurisdiction of the District Court.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
19	Cont.		that instructs the respondents to retroactively insure the class members who are found to be eligible for long term care insurance after performing an equal underwriting process according to the aforesaid procedures; to pay compensation to the class members according to that mentioned in Section 19.51(b) of the Equal Rights Law without proof of damage and if necessary to also grant non-pecuniary damages; to compensate the class members for pecuniary damages.		On July 2, 2020, the Maccabi and Clalit healthcare service providers submitted to the Supreme Court a motion for leave to appeal the decision to not dismiss in limine the claim against them. On the same date the applicants also submitted to the Supreme Court a motion for leave to appeal the decision to deny the motion to disclose documents they had filed, which the Supreme Court decided requires a reply. On November 10, 2020 the Supreme Court dismissed in limine the motion for leave to appeal of the healthcare service providers.	
20.	1/2018 Central District Court	Community interest company v. Migdal Insurance and other insurance companies	Failure to pay insurance benefits and/or indemnity for the VAT component applicable to the cost of damages in cases where the damages were not actually repaired. The principal reliefs requested in the claim are: (a) A declaration that the defendants refraining from paying insurance benefits and/or indemnity for the VAT component applicable to the repair, when the damage was not actually repaired is unlawful; (b) To issue an order instructing the defendants, from that date on, to include in the insurance benefits they pay also the VAT applicable to the cost of the repair, even if the damage was not repaired; when as a result, even in the case of a policyholder or third party receiving insurance benefits at "indemnity value" and not at "reinstatement value", the defendants are required to pay the policyholder insurance benefits for the full amount of the damage, including the VAT. As regards the sub-class	Any policyholder and/or beneficiary and/or third party, in any kind of insurance, who on the date of filing the insurance claim did not repair the damage specified in the claim, and who received from the insurance company insurance benefits and/or indemnity for the damage without the insurance benefits including the VAT component of the cost of the repair.	This claim and the class action certification motion attached to it were filed on the basis of the same cause in a previous claim and class action certification motion against the defendants (in class action 55177-05-15) ("the previous claim") that was struck. Migdal Insurance filed a motion to dismiss in limine the class action certification motion ("motion to dismiss"). On May 14, 2018 the Court ruled that the issues presented in the motion to dismiss require an examination of the facts and evidence, which should be done at the stage of hearing the class action certification motion and not as part of the motion to dismiss. The evidentiary hearings have been concluded and the case is scheduled for summations.	The plaintiff estimates the compensation of Migdal Insurance to the class members to amount to NIS 13 million for each year and of all the companies to amount to NIS 82 million for each year. The requested compensation period is from June 4, 2001 which is when the ruling was

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
20.	Cont.		members, to include in the insurance benefits, also the VAT that is not offset by the members of the sub-class; (c) To require the defendants to pay compensation to the class members; (d) In addition and/or alternatively to that requested in subsection (c) above, should the class members be awarded compensation that is impracticable in the circumstances of the matter, the plaintiff is requesting to order compensation of the public as seen fit by the Court in the circumstances of the matter.	Furthermore, the plaintiff is requesting to define a sub-class as follows: all the class members who are entitled to a partial input tax deduction. The plaintiff is requesting to exclude from the class those who are entitled to a full input tax deduction because of their motor vehicle being used for business purposes (such as: owners of taxis, buses or trucks).		issued on Civil Appeal 1772/99 Zlochin vs. Diur La'oleh Ltd., Ruling 45 (4) 203, or alternatively, a period since the filing of the previous claim against the defendants, on the same grounds, in Class Action 55177-05-15 (paragraph c.1 hereunder) or alternatively to the alternative for a period of 7 years from the date of filing the aforesaid claim.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
21.	3/2018 Tel Aviv Regional Labor Court	Members of pension funds including Migdal Makefet v. Migdal Makefet and other pension funds	Allegation that there is an active duty of voluntary disclosure that includes explaining to unmarried members that dependents insurance is a worthless insurance product for them and it is therefore recommended that they refrain from purchasing it and paying the insurance premium in respect thereto. The main reliefs that are requested in the claim include: issuing a mandatory injunction ordering the defendants to assign to the savings fund of the class members all the amounts they paid that had been considered payments for dependents insurance, plus the return the class members would have received on such amounts if they had been assigned to their savings fund on the date they were paid to the pension fund; issuing a mandatory injunction ordering the defendants to properly disclose, clarify and explain to anyone who joins or is joined to the fund that if they do not have dependents it is recommended that they "forgo" purchasing dependents insurance; and issuing a mandatory injunction ordering the defendants to properly disclose, clarify and explain to whoever they transfer to a dependents insurance policy according to the instructions of the circular, that if they have no dependents it is recommended that they "forgo" purchasing dependents insurance.	Anyone who does not have dependents, who joined or was joined to a pension fund managed by any of the defendants and who the fund charged insurance premiums for dependents insurance even though they have no dependents.	The proceeding is in the stage of clarification of the class action certification motion. Summations have been filed and the case is waiting for a ruling. On July 7, 2020, the Israel Consumer Council filed a motion to join the case as friend of the court. Notwithstanding the objection of the parties to the motion, on October 11, 2020, the Court accepted the motion of the Consumer Council.	Was not estimated by the plaintiffs

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
22.	1/2019 Tel Aviv District Court	Policyholder v. Migdal Insurance	The claim involves an allegation that denying a claim in personal accident policies in the case of hospitalization in a rehabilitation hospital, on the basis of the policy's definition of a hospital as not including a rehabilitation hospital, is unlawful. The plaintiff alleges that this coverage exclusion is presented in a manner that is misleading and/or not properly phrased.	The class the plaintiff wishes to represent is customers of Migdal who purchase health insurance for personal accidents and their claim for compensation in respect of hospitalization days was denied on the grounds that according to its definition in the policy a "hospital" is a medical institution that is recognized by the competent authorities in Israel or overseas only as a general hospital, and is not a rehabilitation hospital and/or mental health institution and/or convalescent home and/or sanitarium and/or long-term care facility.	On February 18, 2021 the Tel Aviv-Jaffa District Court accepted the class action certification motion as follows: The class members: Policyholders of Migdal Insurance who purchased personal accident insurance and their claim for compensation in respect of hospitalization days was denied on the grounds that according to its definition in the policy a "hospital" is a medical institution that is recognized by the competent authorities in Israel or overseas only as a general hospital, and is not a rehabilitation hospital and/or mental health institution and/or convalescent home and/or sanitarium and/or long-term care facility, in the three years preceding the date of filing the class action certification motion. The causes of the claim for which the class action is certified: Breach of the provisions of Section 3 of the Insurance Contract Law; breach of the instructions in the circular of the Capital Market, Insurance and Savings Authority concerning "Proper Disclosure to a Policyholder when Joining a Health Insurance Policy"; breach of an insurance contract. The requested relief: Payment of the insurance benefits in respect of the hospitalization days entitling to compensation for hospitalization days regardless of the facility where the policyholder was hospitalized; removing the definition of a "hospital" from the policy or amending it according to the provisions of the law and a declaratory ruling by which Migdal Insurance had breached the law.	Presently estimated at NIS 24 million.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
23.	4/2019 Tel Aviv Regional Labor Court	Former employee v. Mivtach Simon	The claim involves allegations that Mivtach Simon underpays pension contributions and that they are not in accordance with the extension order in the import, export and wholesale trade sector ("the extension order"), which allegedly applies to the insurance sector, as well as an allegation that Mivtach Simon does not pay to employees who receive commissions and/or salary according to output ("sales commissions") social benefits in respect of those components. The main relief requested is monetary relief as well as declaratory relief that orders Mivtach Simon to stop infringing the rights of the class members.	The classes the plaintiff wishes to represent are as follows: (1) All the employees of Mivtach Simon who were employed as of March 2012 and the contributions for them were not in accordance with the extension order, including in respect of sales commissions, and who were not paid social benefits in respect of sales commissions; (2) All the employees of Mivtach Simon, who received sales commissions and their determining salary for annual vacation, as from March 2016, did not include this component.	A reply has been filed to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion. At the same time, the parties held negotiations that were concluded with a settlement agreement. According to the settlement agreement, Mivtach Simon will pay differences in respect of the relevant period according to the rates set forth in the settlement agreement in respect of vacation and sick leave days, in accordance with and subject to the provisions of the agreement. In addition, Mivtach Simon undertook to take the component of commissions into account when calculating the value of vacation and sick leave days in the future. The agreement was submitted to the approval of the Regional Labor Court.	NIS 13 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
24.	5/2019 Central District Court	Motor vehicle insurance policyholder v. Migdal Insurance	The claim involves an allegation that Migdal Insurance did not receive the approval required by law to the rate of the insurance fees for returning the comprehensive motor vehicle insurance coverage to its previous amount, after insurance benefits were paid in respect of an insurance event that the motor vehicle was not a total loss ("reinstatement fees"). Alternatively, the plaintiff alleges that the formula Migdal uses to calculate the reinstatement fees is clearly unreasonable or alternatively Migdal applies this formula in a clearly unreasonable manner.	The class the plaintiff wishes to represent is anyone who had and/or has comprehensive motor vehicle insurance policies of Migdal Insurance in the 7 years prior to the filing of the claim, and paid reinstatement fees and/or was charged reinstatement fees.	A reply has been filed to the class action certification motion. As part of the proceeding of clarifying the class action certification motion, on December 5, 2019, the Court ordered the position of the Commissioner on the matters in dispute be obtained, with respect to the formula for collecting reinstatement fees. On January 7, 2021 the Commissioner's position was submitted that supported the position of Migdal Insurance. On February 23, 2021 the applicant who stepped into the shoes of the deceased applicant, notified the Court that she accepts its recommendation to conclude the proceeding by withdrawing from it and will not insist on continuing clarification of the certification motion. The applicant's request for withdrawal as aforesaid is subject to the Court's approval.	NIS 346 million or alternatively NIS 312 million or alternatively to the alternative NIS 176 million.
25.	5/2019 Tel Aviv District Court	Life insurance policyholder v. Migdal Insurance	The claim involves an allegation that in profit participating policies that include an RM formula, Migdal Insurance does not pay the full amounts as required by the insurance policy and the law, including the full share of the policyholders in the profits pursuant to the policies, and also an allegation that it breaches the duty of disclosure and reporting to the policyholders with respect to the policy and their rights according to it. In the motion the plaintiff relies on a ruling that certified a class action against another insurance company with respect to policies of that company for similar causes. A similar claim was filed also against another insurance company.	The class the plaintiff wishes to represent is all the present and past policyholders of Migdal Insurance who received payments pursuant to profit participating life insurance policies that include an RM formula.	A reply has been filed to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion. On July 5, 2020 the applicant submitted a motion to transfer the hearing of a different class action that was filed against Migdal Insurance, which is described hereunder in item 27 of this table, to the panel that is hearing this claim and to suspend the hearing of that claim until a ruling on his motion and alternatively to dismiss that motion on the grounds that it is covered by the class members represented in this class action. On November 22, 2020 the Court accepted the aforesaid motion to transfer the claim from the Regional Labor Court. Furthermore, on August 12, 2020 the applicant submitted a motion to consolidate the hearing of this claim with that of a claim he had filed against a different insurance company on	NIS 692 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
25.	Cont.				the grounds that both claims concern the same issues and that the judicial panel that will discuss these two claims will be the judicial panel that discussed the class action against a different insurance company that was already certified, which according to the applicant also concerns a cause similar to that in this claim. The insurance companies, including Migal Insurance, object to this motion on the grounds of, inter alia, the difference between the proceedings and claims.	
26.	6/2019 District – Tel Aviv	Third party of motor vehicle insurance policyholder v. Migdal Insurance and other insurance companies	The claim involves an allegation that Migdal Insurance does not pay interest on insurance benefits beginning from 30 days after the delivery date of the claim. This is a continuation claim to that mentioned in Paragraph 4 above ("the first claim") and it was filed, as stated by the applicant, solely as a precaution should the Court deny its motion to expand the class until such time as a ruling is provided on that claim.	Anyone who has received and/or will receive insurance benefits from Migdal Insurance, in the period between August 31, 2015 (subsequent to the date of the certification ruling on the first claim) and the date of ruling on this claim, without interest being added to the insurance benefits as required by law.	No reply has as yet been filed with respect to the motion to certify a class action. On November 3, 2019 Migdal Insurance and the other defendants filed a motion to suspend proceedings until a ruling is provided in the first claim on expansion of the class, as described above. On December 26, 2019 the Court ruled that at this time before ruling on the motion to suspend, and until it provides a ruling as aforesaid, Migdal Insurance shall not file a reply to the certification motion. On July 28, 2020, after holding a pre-trial, the Court ordered, at the request of the defendants and with the consent of the applicants, to suspend the proceedings in this case until a ruling is provided on the first claim. On February 28, 2021 a partial ruling was provided on the first claim, which accepted the claim, including the request of the plaintiffs to expand the class members, until a ruling is provided, as requested by the applicant in this claim. Accordingly, it is likely that hearing this claim and the class action certification motion will become redundant. For information regarding the first claim and the partial ruling, see claim 4 above in this section.	NIS 90 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
27.	6/2019 Tel Aviv Regional Labor Court	Loss of working capacity policyholder v. Migdal Insurance	The claim involves an allegation that beginning from the 25th payment, Migdal Insurance unlawfully deducts amounts in respect of "nominal interest" from the insurance benefits that are paid pursuant to profit participating policies that include coverage for loss of working capacity and/or a release from paying premiums. A similar claim was also filed against a different insurance company.	Anyone who has or had profit participating life insurance policies that include a mechanism that links the insurance benefits and/or the release from premiums to the return on the investment portfolio as of the 25th payment, to whom Migdal Insurance paid the insurance benefits and/or released savings riders from the payment of premiums, for a period longer than 24 months and deducted interest from the return, as of the 25th month, other than policyholders or anyone who was a policyholder, that their policies explicitly stated and emphasized in the linkage clause itself the interest	A reply has been filed to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion. On July 5, 2020 an applicant who had submitted against the company a different motion to certify a class action, which is described in item 26 above in this table, submitted a motion to transfer the hearing of this class action to the panel that is hearing the claim he had submitted and to suspend the hearing of this claim until a ruling is provided on his motion and alternatively to dismiss this motion on the grounds that it is covered by the class members represented in the class action certification motion he had submitted. On November 22, 2020 the Court accepted the aforesaid motion to transfer the hearing, and accordingly the claim will be heard before the Tel Aviv District Court.	NIS 1.5 billion

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
27.	Cont.			rate that would be deducted, and providing that the words "by which the amount of the monthly compensation was calculated" do not appear		
28.	7/2019 Tel Aviv District Court	Third party damaged by a motor vehicle policyholder v. Migdal Insurance	The claim involves an allegation that when a third party chooses to exercise their right and to not repair the damaged vehicle, Migdal Insurance arbitrarily and uniformly deducts a salvage value from the amounts that were specified in the appraiser's opinion in respect of parts that were damaged and need to be replaced and which were not actually replaced, without presenting an opposing appraiser opinion on its behalf and even though the parts have no value.	As regards monetary reliefs – any third party who was damaged by a policyholder of Migdal Insurance in the seven years prior to the filing of the claim and who was not paid the full value of the parts that were not repaired, without Migdal presenting an appraiser opinion prepared according to law, and any policyholder who Migdal reduced the value of the unrepaired parts without providing an appraiser opinion as aforesaid, in the	A reply has been filed to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion. According to the recommendation of the Court, the parties entered a mediation proceeding.	NIS 11.5 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
28.	Cont.			seven years prior to the filing of the claim or alternatively 3 years. As regards the future – all the policyholders of Migdal Insurance and/or third parties that are involved in an accident with its policyholders.		
29.	2/2020 Tel Aviv Regional Labor Court	Life insurance policyholder v. Migdal Insurance	The claim involves an allegation that Migdal Insurance unilaterally raised the management fees of the applicant to higher than the rate that was agreed with him, without requesting and receiving his consent to do so. Whether this was done by mistake or knowingly, Migdal Insurance is requested to return the excess management fees it charged. In the motion the applicant stated that a certification motion with respect to the same practice is pending against another insurance company, and in it a settlement agreement was submitted to the Court in which that insurance company undertook to change the rate of the management fees of the class members back to the original rate that was agreed with them and to return to the class members 67.5% of the excess management fees it had charged them.	All the customers of Migdal Insurance that have executive insurance policies, who were charged management fees at a higher rate than that specified in the policy and/or in the insurance information statement and/or contrary to the directives of the Commissioner of Insurance in the Ministry of Finance (or any other agreed relevant authority) and/or	The proceeding is in the stage of clarification of the class action certification motion. A reply has been filed to the class action certification motion. An evidentiary hearing has been scheduled on the case.	Was not estimated by the applicant

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
29.	Cont.		The principal alleged causes of the claim are: contractual causes of breach of contract and breach of the duty of good faith in fulfilling a contract, unjust enrichment, breach of loyalty duties, deception and breach of a statutory duty. The principal relief requested in the claim is monetary relief of refunding all the amounts Migdal Insurance collected from the class members in respect of management fees it charged in excess of the management fees indicated in the policy and/or contrary to the instructions of the competent authority and/or the provisions of the law.	contrary to the Insurance Contract Law (or the provisions of any other relevant law).		
30.	3/2020 Tel Aviv Regional Labor Court	Israel Consumers Council v. Migdal Insurance	The claim involves an allegation that Migdal Insurance does not calculate the amount of the annuity paid to the policyholder, all or part, according to the guaranteed conversion factor specified in the rider attached to a capital executive insurance policy and/or that corresponds to it, pursuant to which the capital insurance amount can be converted into an annuity whose rate is guaranteed according to an annuity factor. The plaintiff alleges that Migdal permits converting the capital insurance amount according to the annuity factor in the aforesaid rider only with respect to a small part of the policyholder's accumulated amounts, whereas as regards most of the amounts it converts according to a new conversion factor that is not mentioned anywhere in the schedule – a factor that reduces the annuity of the policyholder. The alleged caused of the claim are, inter alia, breach of contract, breach of a statutory duty, unjust enrichment, breach of good faith and of fiduciary duty pursuant to sections 12 and 39 of the Contracts Law.	Anyone who entered into a guaranteed annuity agreement in a rider to a capital executive insurance policy (whatever it is called) who actually received and/or will receive from Migdal Insurance annuity that part and/or all of it is calculated according to a factor that is higher than that specified in the rider (including derivatives of the factor specified in the rider).	The proceeding is in the stage of clarification of the class action certification motion. A reply has been filed to the class action certification motion. An evidentiary hearing has been held and the case is scheduled for filing summations.	Tens of millions of NIS at the least

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
30.	(Cont.)		The principal reliefs requested in the claim are: compensation in the amount of the difference between the annuity that was actually paid to the class members and the annuity they would have been paid had it been calculated fully according to the factors indicated in the rider and/or a corresponding factor (according to the age of the policyholder on the conversion date), all with the addition of interest and linkage differences by law; to order Migdal to calculate and pay the class members the full annuity from this date on according to the indicated factors and/or factors that correspond to the factors indicated in the rider. It is noted that this claim was filed after a claim on the same matter was concluded on March 13, 2020, with the applicant's motion to withdraw and the Court deciding to strike the claim and certification motion (see paragraph c.1 hereunder).			

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
31.	3/2020 Tel Aviv Regional Labor Court	Heirs of a pension fund member v. Migdal Makefet	The claim alleges that Migdal Makefet does not notify the members, when they submit a request for the payment of a disability pension, that according to the bylaws of the pension fund, if their health condition should deteriorate and require long-term care they are entitled to receive an additional long-term disability annuity. Thus, according to the plaintiffs, Migdal Makefet impairs the ability of the fund members who are eligible for an additional long-term care annuity, to request it and exercise the rights due to them according to the fund's bylaws. The alleged causes of the claim are, inter alia, breach of fiduciary, disclosure and notification duties that apply to Migdal Makefet as a pension fund management company, breach of a statutory duty, breach of agreement, fraud. The principal reliefs requested in the claim are: To compel Migdal Makefet to notify all the class members who applied to it, in clear and simple language, of their eligibility according to the bylaws to receive an additional long-term care annuity in the event of long-term care being required; to transfer to the heirs the long-term care annuities that were due to deceased class members with the addition of interest and linkage by law; to compel Migdal Makefet to add to the claim forms, as from that date on, an item that requests the members to refer to their long-term care condition; to compensate all the class members by an	All the members of Migdal Makefet, who submitted a claim for payment of a disability pension and were not informed by law of their right to receive an additional long-term disability annuity, throughout a period beginning seven years before the filing of the class action certification motion up to the date of certifying the claim as a class action.	The proceeding is in the stage of clarification of the class action certification motion. A reply has been filed to the class action certification motion. In the framework of a preliminary hearing, which was held on February 8, 2021, the Court suggested that the parties conclude the proceeding in a settlement agreement that includes a commitment of Migdal Makeft with respect to the future and without any compensation to the class members. The applicants refused the Court's suggestion. An evidentiary hearing has been held. The applicants have submitted a motion to add a lead plaintiff. The parties are in the process of negotiating a settlement.	NIS 30 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
31.	Cont.		amount of NIS 15 million in respect of the emotional distress they were caused, the impairment of their autonomy and of their right to live with dignity at their darkest hour.			
32.	4/2020 District Court - Haifa	A vehicle insurance (act and casco) policyholder v. Migdal Insurance and additional insurance companies	The claim involves an allegation that the defendants, supposedly contrary to their duty by law, refrain from lowering the insurance premiums in vehicle insurance policies (act and casco) even though the risk the defendants are exposed to has decreased considerably, as alleged in the claim, as a result of the outbreak of the coronavirus in Israel which led to a dramatic drop in kilometrage in Israel, this as from March 8, 2020 until the complete removal of the movement restrictions ("the determining period"). The principal causes of the claim are: unjust enrichment, breach of provisions of the Insurance Contract Law, contractual causes of breach of duty of good faith in fulfilling a contract, breach of statutory duty and negligence. The principal reliefs requested in the claim are: to refund the excess premium the defendants collected from the class members in the determining period; a mandatory injunction ordering the defendants to adjust the insurance premiums they collect to the risk they are actually exposed to in the determining period and/or a declaratory ruling by which a significant drop in the use of vehicles in circumstances such as the events indicated in the claim require an adjustment (lowering) of the premium.	Anyone who was insured by one or more of the defendants, by motor act and/or motor casco and/or third party insurance during the determining period or part of it.	No reply has as yet been submitted to the class action certification motion The motion was transferred for hearing at the Tel Aviv District Court before the panel that is hearing the motions described in items 33-34 hereunder. Migdal Insurance and the other respondents have petitioned to strike two of the three aforesaid class action certification motions that had been filed in connection with vehicle insurance. The applicants in the class action certification motions together with the applicants in the class action certification motion in item 34 filed a motion to strike the motion described hereunder in item 33. The motion described in item 33 was struck with respect to vehicle insurance (insofar as concerning Migdal Insurance). The Court ordered a consolidation of the motions described in this item and in item 34 and that they be submitted again (or that one of the motions be chosen to be heard as the consolidated motion). See items 33-35 in the table hereunder with respect to additional claims on the same matter and/or an argument regarding the effects of the coronavirus on the decline in insurance risk.	NIS 125 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
33.	4/2020 District Court – Tel Aviv	A vehicle insurance (act and casco) policyholder and home contents insurance policyholder v. Migdal Insurance and additional insurance companies	The claim involves an allegation that the defendants, supposedly contrary to their duty by law, refrain from lowering the insurance premiums in vehicle insurance policies (act and casco) and in home contents insurance, even though the risk the defendants are exposed to has decreased considerably, as alleged in the claim, as the result of an extreme change in circumstances that was caused by the coronavirus pandemic, following which movement restrictions were imposed in Israel and accordingly the number of home burglaries dropped significantly as well as the kilometrage, this as from March 19, 2020, the date on which Emergency Regulations (Limitations on Activity) – 2020 were announced for the first time. The principal causes in the claim are: unjust enrichment, breach of provisions of the Insurance Contract Law, contractual causes of breach of duty of good faith in fulfilling a contract, breach of statutory duty and negligence. The principal relief requested in the claim is to refund the excess premium the defendants collected as a result of the decline in risk as alleged in the claim.	Anyone who was insured by Migdal Insurance under a motor act and/or motor casco and/or third party vehicle insurance policy and/or a home contents insurance policy and on the determining date for filing the claim held one or more of the aforesaid insurance policies and in view of the decline in risk associated with each one of the aforesaid policies did not receive from Migdal a refund and/or did not receive notice of a future refund and/or a credit in respect of excess insurance premiums they paid in view of the decline in risk as alleged in the claim.	No reply has as yet been submitted to the class action certification motion This motion and two other similar class action certification motions, which were filed against Migdal Insurance and other insurance companies on the grounds described in this motion, and are described in item 32 above and item 34 hereunder ("similar motions"), will all be heard at the Tel Aviv District Court. Furthermore, the applicants in the certification motions described in item 32 above and item 35 hereunder petitioned to strike this motion in all that concerns vehicle insurance. Migdal Insurance and the other respondents have petitioned to strike two of the three aforesaid class action certification motions that had been filed in connection with vehicle insurance. The motion to strike the claim in all that concerns vehicle insurance was accepted and the Court allowed the applicants to continue the proceeding only with respect to the home contents insurance (insofar as concerning Migdal Insurance). See item 32 in the table above and items 34-35 in the table hereunder with respect to additional claims on the same matter and/or the effects of the coronavirus on the decline in insurance risk.	NIS 92 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
34.	4/2020 Central District Court	A vehicle insurance (act and casco) policyholder v. Migdal Insurance and additional insurance companies	The claim involves an allegation that the defendants, supposedly contrary to their duty by law, refrain from lowering the insurance premiums in vehicle insurance policies (act and casco) even though the risk the defendants are exposed to has decreased considerably, as alleged in the claim, as a result of the movement restrictions that were imposed in Israel following the outbreak of the coronavirus in Israel, which led to a dramatic drop in car accidents, this as from March 12, 2020. The principal causes of the claim are: unjust enrichment, breach of provisions of the Insurance Contract Law, contractual causes of breach of duty of good faith in fulfilling a contract and negligence. The principal relief requested in the claim is monetary relief of refunding the excess premiums that were collected as a result of the decline in risk as described above and also to lower the premiums for as long as the defendants' insurance risk is lower as a result of the coronavirus pandemic.	All the policyholders of the defendants who between March 12, 2020 and the date of filing the claim had vehicle insurance policies (act and/or casco including comprehensive or third party) and did not receive a refund and/or reduction in the premiums in respect of the relevant period at a rate and amount corresponding with the decrease in the insurance risk.	No reply has as yet been submitted to the class action certification motion The motion was transferred for hearing at the Tel Aviv District Court before the panel that is hearing the motions described in items 32-33 above. Migdal Insurance and the other respondents have petitioned to strike two of the three aforesaid class action certification motions that had been filed in connection with vehicle insurance. The applicants in the class action certification motions together with the applicants in the class action certification motion in item 32 filed a motion to strike the motion described above in item 33. The motion described in item 33 was struck with respect to vehicle insurance (insofar as concerning Migdal Insurance). The Court ordered a consolidation of the motions described in this item and in item 32 and that they be submitted again (or that one of the motions be chosen to be heard as the consolidated motion). See items 32-33 in the table above and item 35 hereunder with respect to additional claims on the same matter and/or the effects of the coronavirus on the decline in insurance risk.	NIS 106 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
35.	4/2020 District Court – Haifa	An employers' liability and third party insurance policyholder v. Migdal Insurance and additional insurance companies	The claim involves an allegation that following the government's decisions to dramatically lower all economic activity following the outbreak of the coronavirus pandemic, the risk to which the defendants are exposed from employers' liability and third party insurance included in the insurance policies of businesses has considerably decreased, in the determining period, as defined hereunder, in view of the decrease in the number of employees, suppliers and customers that visit the businesses. Even so, and supposedly contrary to the duty of the defendants by law, the defendants refrain from lowering the insurance premiums in the aforesaid policies. The principal causes of the claim are: unjust enrichment, breach of provisions of the Insurance Contract Law, contractual causes of breach of duty of good faith in fulfilling a contract and negligence. The principal reliefs requested in the claim are monetary relief of refunding the excess premium the defendants collected and are still collecting, as alleged in the claim, from the class members in the determining period; a mandatory injunction ordering the defendants to adjust the insurance premiums they collect to the risk they are actually exposed to in the determining period and/or a declaratory ruling by which a significant decrease in the activity of businesses in circumstances such as the events indicated in the claim require an adjustment (lowering) of the premium.	Anyone who was insured by one or more of the defendants under a business insurance policy that includes employers' liability and/or third party insurance in the period from March 15, 2020 until a full and complete removal of the restrictions that were imposed in Israel following the coronavirus (hereinafter: "the determining period").	On July 13, 2020 a motion was filed to transfer the hearing of this class action certification motion to the panel that is hearing the other certification motions that were filed against Migdal Insurance and other insurance companies on the grounds of a decline in the insurance risk following the coronavirus outbreak. The motion was denied. A reply has been filed to the certification motion. The proceeding is in the stage of clarification of the class action certification motion and an evidentiary hearing has been scheduled. See items 32-34 in the table above with respect to additional claims on a similar matter in connection with the effects of the coronavirus on the decline in insurance risk.	NIS 11.5 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
36.	4/2020 Tel Aviv Regional Labor Court	Loss of working capacity policyholder v. Migdal Insurance and other insurance companies	The certification motion involves a claim that the defendants refuse, supposedly, to extend the insurance coverage of loss of working capacity insurance policies that were purchased before 2017 according to the new age of retirement provided in the legislative change in 2004 and also refuse to pay to those policyholders compensation for loss of working capacity until the age of 67 for salaried employees and until the age of 70 for self-employed. The causes of the claim are, inter alia, breach of contract, breach of the Insurance Contract Law, breach of a statutory duty, unjust enrichment, breach of the duty of good faith and of the fiduciary duty pursuant to sections 12 and 39 of the Contracts Law, breach of the Equal Rights for Persons with Disabilities Law, fraud. The principal relief is to require the defendants to pay to the plaintiff and the other class members the compensation for loss of working capacity that was not paid to them from the age of 65 up to the age of 67 for salaried employees and up to the age of 70 for self-employed.	Anyone who purchased from the defendants loss of working capacity insurance before 2017 and the defendants terminated the policy with them when they reached the age of 65 and stopped them from extending the insurance coverage until the age of 67 for salaried employees, and until the age of 70 for self-employed, in accordance with the new age of retirement from 2004.	The proceeding is in the stage of clarification of the class action certification motion. A reply has been filed to the class action certification motion.	The estimated amount of the claim for the damage attributed to all the defendants is NIS 540 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
37.	5/2020 Tel Aviv District Court	Study fund member v. Migdal Makefet and other management companies	The certification motion involves an allegation that the defendants, supposedly, classify part of the contributions for the members as contributions that are subject to tax, even though they are not and/or that they recorded them incorrectly. The causes of the claim are, inter alia, breach of the fund's bylaws, breach of the duty of good faith, breach of the Supervision of Financial Services (Provident Funds) Law, of the Wage Protection Law, the Income Tax Ordinance, breach of a statutory duty, unjust enrichment, negligence, impairment of autonomy, theft and breach of the Consumer Protection Law. The principal reliefs are: To order the defendants to immediately cease from the illegal denying of the tax benefit; to order a refund and/or payment as specified in the claim, to all the class members and/or the public; to order the defendants to revise all the annual reports in which the contributions were incorrectly classified for any reason whatsoever.	All the present and past customers of the defendants for whom the defendants managed and/or manage a study fund and the defendants classified the contributions transferred on their behalf as being subject to tax contrary to the law and/or recorded them incorrectly (whether the tax has already or not yet been deducted).	No reply has as yet been submitted to the class action certification motion. In a decision from June 29, 2020 the Court expressed its position that the manner of filing the motion, against 14 different respondents by 34 different applicants with different factual arguments, which combines the matter of all the respondents together in one hearing appears to be unreasonable and inefficient. Accordingly, the applicants are requested to submit their position regarding the manner of holding the proceeding bearing in mind that stated in the decision.	Cannot be estimated.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
38.	5/2020 Tel Aviv Regional Labor Court	Executive insurance policyholder v. Migdal Insurance	The class action certification motion involves an allegation that Migdal, supposedly, deducted from the employers' contributions amounts at a rate that is higher than the rate permitted by law for purchasing life insurance coverage, and also purchased for the policyholders insurance coverages that are not life insurance and may not be purchased, supposedly, from the contributions of the employer, this with respect to policyholders whose insurance policies were issued between August 1, 1999 and December 31, 2013 (hereinafter: "the relevant period"). The causes of the claim are, inter alia, breach of a statutory duty (income tax regulations) and unjust enrichment. The principal reliefs requested in the claim are mandatory injunctions ordering Migdal to transfer the excess amounts collected to the savings account of the class members that is managed by it in the insurance fund/s in their names, or to the bank account of the class members or their heirs, with the addition of the return accumulated in the fund from the from the date of deposit of each excess amount until the date of returning it and to stop collecting from then on, in excess of that provided in Income Tax Regulations (Rules for Authorization and Management of Provident Funds) – 1964 (hereinafter: "Income Tax Regulations").	All the policyholders of the respondent, whose insurance fund was opened in the relevant period, and from which Migdal deducted for insurance coverage an amount that is higher than 10% of the share of the employer in the contributions, beginning from seven years preceding the date of filing this motion until the date Migdal stops making the unlawful deductions or until the motion is certified as a class action, whichever earlier. All this excluding policyholders who requested to apply to them section 45 of the Income Tax Regulations.	The proceeding is in the stage of clarification of the class action certification motion. A reply has been filed to the class action certification motion. On January 28, 2021, in a hearing that was held the Court decided to request from the Commissioner his position regarding the issues raised in the certification motion and postponed the stage of evidence until after receipt of the Commissioner's position.	Cannot be estimated.

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Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
39.	6/2020 Central District Court	Member of pension fund v. Migdal Insurance and Migdal Makefet	The class action certification motion involves an allegation that in CPI-linked loan agreements the defendants supposedly adopted an unlawful practice that is purportedly a depriving condition in a contract, in view of the one-way linkage mechanism – by which when the Consumer Price Index is lower at the time of making a loan payment (hereinafter: "the new index") than the index that was known at the time the loan was granted (hereinafter: "the base index"), the member does not receive the difference, contrary to the opposite situation (where the new index is higher than the base index) where the payment is raised by the rate at which the new index is higher than the base index. The causes of the claim are, inter alia, a depriving condition in accordance with the Standard Contracts Law – 1982 and unjust enrichment. The principal reliefs requested in the claim are: A declaratory order by which the defendants' conduct in the framework of CPI-linked loan agreements, as described above, is against the law, a mandatory injunction that orders the defendants to establish a two-way linkage mechanism and enable the borrowers to benefit from the new index being lower than the base index in CPI-linked loans and to compensate the class members for their damages. According to that stated in the class action certification motion, certification motions are pending against two other insurance companies that raise common questions of fact and law as mentioned in the class action certification motion.	All the customers of the defendants who took out CPI-linked loans of any kind, which include a depriving condition by which a decline in the index compared to the base index does not credit the customer.	No reply has as yet been submitted to the class action certification motion.	More than NIS 3 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
40.	7/2020 Central District Court	Health and loss of working capacity policyholder v. Migdal Insurance and other insurance companies	The class action certification motion involves an allegation that in cases of insurance policies that specify that an event/injury/disease or any risk that materialized and was due and/or connected to an existing medical condition of the policyholder on the day of purchasing the policy are not covered by the policy (hereinafter: "exclusion"), the defendants unlawfully collected premiums since they did not lower the premiums in respect of such policies according to the lower risk that is a result of the exclusion. The causes of the claim are, inter alia, breach of the Equal Rights for Persons with Disabilities Law – 1988, of the Prohibition of Discrimination in Products, Services and Entry into Places of Entertainment and Public Places Law – 2000, lack of good faith, breach of the Supervision of Financial Services (Insurance) Law – 1981, breach of a statutory duty, negligence and unjust enrichment. The reliefs requested are to return the excess premiums collected as alleged and a mandatory injunction ordering the defendants to correct their conduct and lower the premium where an exclusion exists.	Anyone who was insured in the period beginning seven years before the day of filing the claim and ending on the day of its certification as a class action, by one or more of the defendants, under an insurance policy for disability, long-term care, life, loss of working capacity, personal accidents, health (including dread diseases, surgeries in Israel or abroad, transplants in Israel or abroad, medications, ambulatory procedures or any other medical coverage) that contains an exclusion.	No reply has as yet been submitted to the class action certification motion.	NIS 228 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
41.	9/2020 Tel Aviv Regional Labor Court	Member of pension fund v. Migdal Makefet and other management companies	The class action certification motion involves an allegation that the defendants collected the maximum management fees permitted by law in respect of deposits that were transferred to the complementary fund and/or charged higher management fees than agreed in respect of deposits in the complementary fund, without receiving the consent or notifying the plaintiff and the members of the fund regarding the maximum rate of management fees that are charged in the complementary fund that was opened. The causes of the claim are, inter alia, breach of a statutory duty (breach of the fund's bylaws and the instructions of the Commissioner), breach of the higher fiduciary duties that apply to the pension fund, including breach of the duty of good faith and the duty of disclosure and notification, breach of the duty of loyalty and unjust enrichment. The principal reliefs relate to the period from June 2018 until the date of a ruling, and include returning the excess management fees that were charged and compensating and/or returning the amount of the loss of yield caused to the members as a result of the excess management fees.	All the members of the comprehensive pension fund of Migdal Makefet, for whom a general pension fund was opened after they crossed the ceiling of statutory deposits in the comprehensive and/or general pension fund, or for any other reason, and who contrary to the bylaws of the pension fund and contrary to the instructions of the Commissioner, and without receiving a notice and/or the consent of their members, were charged management fees that exceed the management fees they were charged and were agreed in the comprehensive and/or general pension fund from the date the recent pension bylaws came into effect and no later than June 2018 until the date of a final ruling on the claim.	No reply has as yet been submitted to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion.	Was not estimated

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
42.	11/2020 Beit She'an Magistrate's Court	Third party whose vehicle was damaged in an accident by a vehicle insured with Migdal Insurance v. Migdal Insurance	The class action certification motion involves an allegation that Migdal Insurance acts systematically and deliberately contrary to the law when it calculates the value of spare parts that need to be replaced when making repairs according to the prices of spare parts from parallel import, which according to the plaintiff are not available at the relevant times, instead of the prices of spare parts that appear in the price lists of the official importers. The causes of the claim are, inter alia, breach of insurance contract and of the duty of good faith, breach of a statutory duty, unjust enrichment and negligence. The principal reliefs requested are monetary relief that includes compensating all the class members by the amount of the difference between the prices of spare parts available in the local market inventory and the prices of spare parts that are unavailable with the addition of linkage and interest by law as well as declaratory relief by which Migdal Insurance acted contrary to the law by acting as described above in this report and that the Court order it to refrain in the future from calculating the amount of the compensation according to the prices of spare parts that are not available in the local market inventory.	Anyone who is entitled to compensation from the defendant (policyholder, beneficiary or third party), who submitted a claim in respect of damage caused to their vehicle, but received lower compensation that was calculated according to prices of spare parts that are not immediately available, instead of the prices of the same spare parts that are available in the local market inventory.	No reply has as yet been submitted to the class action certification motion.	NIS 1.5 million

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

b. Class proceedings – pending class action certification motions and certified class actions (cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
43.	1/2021 Tel Aviv District Court	Executive insurance policyholder v. Migdal Holdings, former CEO of Migdal Holdings and deputy CEO of Migdal Insurance	The class action certification motion involves several allegations, the main one being as follows: Migdal Holdings rounds amounts of deposits and therefore there is a discrepancy between the amounts of the deposits transferred by the employer and the amounts reported in the quarterly reports that are sent to the policyholder; inability to redeem the savings accumulated in the policies, either by a lump-sum withdrawal or by receiving an annuity, as from the day the applicant retired; harassing the applicant by demanding that he provide exemption certificates from the assessing officer even though according to the applicant such amounts are exempt from tax in any case and also regarding proof of his identity.	Migdal Insurance policyholders, whose reports are unreliable.	No reply has as yet been submitted to the class action certification motion.	Was not quantified. An estimate of hundreds of millions was noted in the certification motion.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
1.	7/2017 Tel Aviv Regional Labor Court	Person insured under an executive insurance policy v. Migdal Insurance	Allegation that Migdal Insurance does not calculate the amount of the annuity paid to the policyholder, all or part, according to the conversion factor specified in the rider attached to a capital executive insurance policy and/or that corresponds to it. It is alleged that Migdal Insurance converts the capital insurance amount according to the annuity factor in the aforesaid rider only with respect to the employer's contributions for retirement benefits, whereas with respect to all the other amounts in the policy the capital insurance amount is converted according to an inferior annuity factor. The reliefs requested are: (a) To order Migdal Insurance to pay each class member who received an annuity that was fully or partly calculated according to factors higher than those specified in the rider and/or those derived from those specified in the rider, compensation in the amount of the difference between the annuity they was actually paid and the annuity they would have been paid if it had been fully calculated according to the factors specified in the rider and/or corresponding factors (according to the age of the policyholder at the time of the conversion), all with the addition of interest and linkage differences according to law. (b) To order Migdal Insurance to calculate and pay the class members, from this day on, the fully annuity based on the specified factors and/or factors corresponding to the factors indicated in the rider.	Was not estimated by the plaintiff	On October 31, 2019 the applicant filed a motion to unilaterally withdraw from the certification motion, while stating in the motion that the representatives of the applicant are searching for an alternative plaintiff for refiling the motion. Migdal Insurance has filed its objection to the motion to withdraw and has requested that a ruling be made on the merits of the motion in view of the advanced stage in which the motion was filed. On March 13, 2020 a ruling was issued that accepted the plaintiff's motion to withdraw, which brought the certification motion to its conclusion, and required the applicant to pay expenses of Migdal Insurance.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
2.	12/2018 Jerusalem District Court	Movement for the Promotion of a Fair Society and Economy v. Migdal Insurance	The claim involves an allegation that the defendants unlawfully hold money in that they pay the policyholders insurance benefits or premium refunds by means of uncashed checks that were limited in time. The plaintiff alleges that the defendants should pay the amounts to the policyholders according to the means of payment of which they have information and in the future pay the amounts in the same way as the premium is paid. It is also alleged that insofar as any of the class members cannot be found, the defendant should be required to transfer the amounts to the Administrator General.	The plaintiff noted in the claim that at this time it cannot estimate the cumulative extent of the damage to the class members, but noted that it estimates it to be millions of NIS and higher than NIS 2.5 million.	On April 10, 2019 Migdal Insurance filed a motion to dismiss in limine the certification motion. According to a court ruling from June 18, 2019 the motion will be heard as part of the hearing on the certification motion. On September 16, 2019 Migdal Insurance filed a reply to the certification motion. As part of the proceeding of hearing the certification motion the Court recommended to the applicant, in a pretrial that was held on December 9, 2019, to withdraw the motion and ordered the applicant to advise whether it insists on continuing the hearing of the case. Accordingly, on March 8, 2020 the applicant filed a motion to withdraw from the certification motion, without an award of costs. On March 17, 2020 Migdal Insurance replied to the Court that it agrees to the withdrawal and requested a costs judgement. On April 1, 2020 a ruling was issued that accepted the plaintiff's motion to withdraw, which brought the certification motion to its conclusion.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
3.	1/2016 Central District Court	Pension fund member v. Migdal Makefet and other management companies	Increasing members' management fees without any notification being sent to them before or after such increase, thereby acting in breach of the fiduciary duty and duty of care as well as the duty of disclosure and reporting by law. The plaintiff is seeking to base his claim, among others, on the Tel Aviv District Court's decision certifying a class action in Class Action Case No. 16623-04-12 Levy v. Psagot. The reliefs sought are: compensation and/or reimbursement in the amount of the management fees collected in excess, compensation in the amount of the loss of the return on the management fees paid in excess, and financial relief for violation of autonomy; declaratory relief stating that the difference between the management fees paid after the increase without any notice and the management fees that would have been paid if not for the increase form part of the member's assets, and the fund violated the provisions of the law, and alternatively any other relief as the court deems right and equitable in the circumstances of the case.	Was not estimated by the plaintiff	On April 7, 2019 the parties filed a motion to approve a settlement agreement that includes paying a benefit to the members out of a total benefit amount specified in the agreement. On June 12, 2019 the Court ordered that the settlement agreement be amended as regards certain matters and that a revised settlement be submitted. On July 30, 2020 a revised settlement agreement was submitted pursuant to a decision of the Court from March 17, 2020 and after the appointment of a court expert. On August 2, 2020 a ruling was issued that approved the revised settlement agreement and awarded it judicial force. The aforesaid settlement agreement includes a process for implementing payment of the benefits to the members. See also claims 5 and 10 above in section b of this note.
4.	1/2019 Central District Court	Policyholder v. Migdal Insurance	The claim involves an allegation that the defendants unlawfully refund the relative part of insurance premiums for cancelled motor vehicle and property insurance more than 14 days later and unlawfully refrain from adding linked interest on a late refund of insurance premiums. It is also alleged that Migdal and another defendant do not refund the full amount of the linkage differences.	NIS 4 million	On July 30, 2020 the applicants filed an agreed motion to withdraw from the class cation certification motion, which according to the Court's recommendation includes a plan for a future arrangement, in which Migdal Insurance agreed to take on itself commitments with respect to the manner of refunding insurance premiums in motor vehicle and property policies from that time on. On August 19, 2020, the Court issued a ruling that accepted the motion to withdraw and awarded it judicial force. Accordingly, the certification motion against Migdal Insurance was dismissed and the personal claim of the plaintiffs against Migdal Insurance was denied. With this the claim and certification motion were concluded.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
5.	5/2019 Central District Court	Loss of working capacity policyholder v. Migdal Insurance	The claim involves an allegation that Migdal Insurance refuses to recognize loss of working capacity that is the result of preventive surgery and/or the need for it as an insurance event pursuant to the policy, which requires the existence of a disease or the occurrence of an accident.	NIS 566 million	On August 3, 2020 a pretrial was held following which the applicant was requested to provide her position as regards withdrawal from the claim. On October 28 the parties filed an agreed withdrawal arrangement, which was approved by the Court already on the same day. With this the claim and certification motion were concluded.
6.	8/2015 Tel Aviv District Court	Life insurance policyholder v. Migdal Insurance	Failure to pay a profit-participation bonus pursuant to a rider to the insurance policy called "Kefula" ["Multiple"], and conversion thereof into an additional amount insured without notifying the policyholders; payment of a much lower amount than the amount the policyholders are entitled to under the aforementioned rider; failure to set the rate of the policyholder's participation in profits each year during the life of the policy, and setting an unreasonably low uniform rate for this participation.	NIS 600 million	On May 14, 2020 the Court issued a summary of the ruling on the certification motion, by which hearing the claim as a class action was partly approved, this with respect to policyholders who purchased from Migdal Insurance a profit participating life insurance policy to which a "Kefula" rider was attached, and which entitled them to receive a cash bonus per its definition in the policy and in the Kefula rider at the end of the period of paying the policy's premiums. The Court denied the certification motion with respect to the other causes. Furthermore, in that same decision the Court suggested to the parties that before it issues a reasoned decision in writing, the parties should hold negotiations in an attempt to conclude the proceeding in a settlement pursuant to the aforesaid court ruling. In accordance with the Court's recommendation the parties held settlement negotiations and on July 15, 2020 submitted to the Court a motion to approve a settlement agreement. The Attorney General was in support of approving the settlement agreement. According to the principles of the settlement agreement, Migdal Insurance undertook to act to locate the class members, which as at the determining date, per its definition in the settlement agreement, have the right to be paid a cash bonus and the bonus has not yet been paid to them and/or their beneficiaries, this in the manner described in the settlement agreement.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
6.	Cont.				The settlement agreement also arranged the manner of paying a bonus that in the past was converted into additional insurance for a policyholder that requests its payment following the locating actions that will be taken by Migdal Insurance according to the settlement agreement as described above. On December 28, 2020, the settlement agreement including all its components was approved and awarded judicial force. With this the legal proceeding has been concluded.
7.	2/2017 Tel Aviv District Court	Life insurance policyholder v. Migdal Insurance	Allegation by which Migdal Insurance collected handling fees or any other payment from its customers on loans granted contrary to the draft position of the Insurance Commissioner regarding the charging of handling fees on loans and contrary to the provisions of the Control of Financial Services Law (Provident Funds) and the Control of Financial Services Law (Insurance).	NIS 2 million	At the recommendation of the Court the parties entered into a mediation proceeding, which upon its conclusion on February 13, 2020 the parties submitted to the Court a motion to approve a settlement agreement, which as regards Migdal Insurance includes an insignificant payment of compensation and attorney fees to the applicant and his representative. On October 20, 2020 the Attorney General expressed his objection to approval of the settlement agreement in its current format. With respect to Migdal Insurance the Attorney General argued that there is no cause against it and since the agreement does not include compensation, he objects to the settlement agreement constituting a claim preclusion for the class members. In view of the position of the Attorney General the parties agreed that the understandings that were reached in the settlement agreement would be a part of a motion to withdraw. On December 5, 2020 the Court approved the motion to withdraw.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

c. Class actions that ended in the reporting period and up to the report publication date (cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
8.	10/2017 Central District Court	Policyholder v. Migdal Insurance	The plaintiff alleges that Migdal Insurance ignores the provisions of the law that regulates the process of marketing and selling service contracts, in that Migdal Insurance sells to the policyholders motor vehicle property insurance plans that include the service contracts as an inherent and inseparable part of the plan, without presenting to the customers the price of the service contract during the sale process and also after then, and without the policyholder being able to decline the service contract and instead receive a lower price that reflects the cost of the removed service contract; while in fact creating a stipulation between acquisition of the service contract and the insurance plan; while refraining to disclose reliable and complete information to the policyholders during the marketing and selling process; and failing to adjust the insurance according to the needs of the insurance candidate.	Was not estimated	On August 5, 2019 a motion to approve a settlement agreement was submitted to the Court, that includes actions Migdal Insurance is to take, including a monetary refund to part of the policyholders as provided in the settlement. On July 20, 2020 the Attorney General presented his objection to approval of the settlement agreement in its present format and explained his objection with several reservations, including with respect to the amount of the compensation proposed in the settlement agreement, the amount of the persons entitled to the compensation, expanding the disclosure regarding the arrangement and appointing an external examiner before approval of the settlement. The parties submitted their reply to the objection of the Attorney General. On March 2, 2021 the Court approved the settlement agreement and awarded it judicial force. With this the proceeding has been concluded. Migdal Insurance will act to perform the actions as specified in the settlement agreement.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

d. Other legal proceedings

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
1.	10/2018 Tel Aviv District Court	Dirot Yukra Ltd. v. Migdal Insurance, Migdal Makefet Pension and Provident Funds, Migdal Real Estate Holdings and Pel-Hamagen House Ltd.	Allegation of failure to meet a contractual liability and of causing damages to the plaintiff at Hazahav Mall in Rishon Le'Zion, which is held by Migdal Insurance and Migdal Makefet at the rate of 75% in partnership with Dirot Yukra that holds 25% and provides management services, with respect to the failure of the "Golden Market" project at the mall. Before this claim was filed, Dirot Yukra had filed a claim for declaratory orders with respect to the food market following which on May 3, 2018 the Court ruled to strike the claim and awarded costs to the applicant in the amount of NIS 7,500.	NIS 800 million	A defense statement was filed on January 29, 2019. The parties are in the early stages of the proceeding, On November 27, 2019 Migdal Insurance filed a monetary claim in the amount of NIS 60 million against the plaintiff Dirot Yukra. According to Migdal Insurance, Dirot Yukra breached its commitments pursuant to the set of agreements between the parties in that it did not exercise the increased rights that were approved for it, and in any case did not construct and lease out the minus 1 level of the mall as a typical mall level, in accordance with a building permit that was provided already in 2015 until it expired. Accordingly, as alleged by Migdal, the funds that were supposed to be invested in the mall by Migdal were not invested and the return on the investment, which is the amount of the claim, was not generated, since the plaintiff had breached its commitments in the way it had managed the Golden Market project at the mall thus causing the loss of the return on the investment. Migdal Insurance also filed a motion to consolidate the hearing with the claim pending against Migdal Insurance. Pursuant to a recommendation of the Court in a pretrial that was held on July 6, 2020, the parties agreed to begin a mediation proceeding, which is currently underway.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

e. Other legal proceedings that ended in the reporting period and up to the report publication date

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
1.	1/2018 Central District Court	Israel Aerospace Industries Ltd. v. Peltours Insurance Agencies Ltd. (a sub-subsidiary of the Company, "Peltours") and other defendants	Claim to pay the balance of the insurance benefits with respect to the total loss of the satellite "Amos 6" (hereinafter: "the satellite") plus maximum interest according to Section 28A to the Insurance Contract Law (hereinafter: "the interest"). The claim alleges that the insurers in the satellite pre-launch policy (who are also named as defendants in the claim) owe Israel Aerospace Industries (hereinafter: "IAI") the full balance of the unpaid insurance benefits plus the interest. The claim also alleges that Peltours and Marsh Ltd. (hereinafter "Marsh"), which according to the claim acted as an insurance agent and broker, respectively, with respect to the pre-launch policy, breached their duties toward IAI and they too owe it the full balance of the insurance benefits, in addition to and/or alternatively to the insurers. The principal causes in the claim against Peltours are: breach of contract, breach of the duty of good faith, breach of an insurance agent's duties and negligence. Further to the settlement agreement that was signed between IAI and Peltours and the insurers (hereinafter: "the settlement agreement") on December 11, 2019, IAI filed a revised claim against Marsh alone for payment of the difference between the insurance benefits IAI is entitled to receive and the amount that was paid according to the settlement ("the revised claim"). On February 23, 2020 Marsh filed a third party notice against the insurers and Peltours. According to Marsh, the insurers are liable for the full amount of the insurance benefits, since the test that caused the loss of the satellite was not considered a material increase in risk that justified paying an additional	The amount of the claim (including the interest) was set at NIS 303 million. Nevertheless, according to that stated in the claim, the insurers will be paying IAI an additional amount of $ 21 million in the future, in consideration for the claim being filed against all the involved parties (including Peltours and Marsh). According to the reports of IAI, the aforesaid amount was indeed paid to it by the insurers in March 2018, and is supposed to be deducted from the claim which will then amount to NIS 231 million. The revised amount of the claim and accordingly – the amount claimed in the framework of the third party notice of Marsh – was set at the amount of NIS 55.5 million.	On September 26, 2019, some of the parties to the proceeding, IAI, the insurers and Peltours, without Marsh, signed a settlement agreement. The Court approved the settlement agreement and granted it judicial force. In addition, on that date IAI and Peltours signed an agreement by which IAI will indemnify Peltours in respect of legal expenses insofar as Marsh continues with the third party notice proceeding against Peltours. Following the signing of the settlement agreement, Peltours and the insurers filed motions to dismiss in limine the third party notice of Marsh against them. No ruling has as yet been made on the motions to dismiss. On July 5, 2020 the Court accepted the motion to dismiss in limine that was filed by Peltours and the insurers. On September 2, 2020 Marsh notified the Court that it does not plan to appeal the aforesaid ruling to dismiss in limine. With this the proceeding against Peltours has been concluded.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

e. Other legal proceedings that ended in the reporting period and up to the report publication date

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
1.	Cont.		premium; and alternatively – Peltours is responsible for the payment because of it breaching its duties as the insurance agent of IAI and because of the agreement between Marsh and Peltours by wich Peltours is responsible for advising IAI.		
2.	06/20 Higher Court of Justice	Female life insurance policyholders v. Migdal Insurance and other insurance companies, the National Labor Court, the Jerusalem Regional Labor Court, the Capital Market, Insurance and Savings Authority	The cause of the claim for which a motion to certify a class action was filed and was denied, and is the subject of the petition, is payment of a monthly annuity to women that is lower than the one paid to men with the same profile, on their reaching the retirement age, on the grounds that women's life expectancy is longer, although the premium collected from women for death risk insurance is identical to that collected from men notwithstanding the lower mortality rates of women. The remedies sought included declaratory relief by the court stating that this discrimination is wrong and that female policyholders will be entitled to choose between the following alternatives: (a) equalizing the annuity factors to those applied to men, or (b) reducing the risk amounts collected and putting them at the risk amounts appropriate for female policyholders.	Issuing an order nisi to the Supreme Court, sitting as the High Court of Justice, against the National Labor Court, the Jerusalem Regional Labor Court , the State of Israel – Capital Market, Insurance and Savings Authority and against the defendants, in which the applicants are petitioning that the honorable court order the respondents to explain why it should not order reversal of the ruling and reinstatement of the decision to certify a class action.	On August 17, 2014, the Regional Labor Court issued a ruling that certified the claim as a class action. On December 2, 2014 Migdal Insurance and the other defendants filed with the National Labor Court an application for leave to appeal the ruling, which was accepted. On December 3, 2019 the National Labor Court issued a ruling that accepted the appeal on the ruling of the Regional Labor Court, and in this reversed its ruling and denied the certification motion. On May 27, 2020 the applicants filed a petition with the Supreme Court sitting as the High Court of Justice against the ruling of the National Labor Court, and on June 10, 2020 the petition was dismissed in limine by the Supreme Court. On July 13, 2020 a motion was filed to hold an additional hearing on the decision of the High Court for dismissal in limine of the petition. On November 24, 2020 the Supreme Court dismissed in limine the motion to hold an additional hearing. With this the proceeding has been concluded.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

e. Summary of legal claims

1) Following is a summary table of the amounts claimed in pending motions to certify claims as class actions, claims that were certified as class actions and other material claims, as stated by the plaintiffs in the pleading filed on their behalf. It should be noted that the amount claimed is not necessarily a quantification of the amount of exposure estimated by the Company and/or its consolidated subsidiaries, since these are estimates made by the plaintiffs that will be considered in the legal proceeding. It should also be noted that the table below does not include proceedings that have ended.

Type	Number of Claims	Amount Claimed in NIS in Thousands (1)
Claims certified as class actions (2) (3)	7	1,727,278
Stated amount attributed to the Group	5	1,502,278
The claim relates to a number of companies and no specific amount was attributed to the Group	1	225,000
The claim amount was not stated	1	-
Pending motions to certify claims as class actions (3)	37	8,624,307
Stated amount attributed to the Group (4)	19	4,452,307
The claim relates to a number of companies and no specific amount was attributed to the Group	5	4,172,000
The claim amount was not stated	13	-
Other material claims	1	800,000
Stated amount attributed to the Group	1	800,000

(1) All the amounts are approximate amounts in NIS in thousands as of the date of filing of the motions or the claims, as the case may be.

(2) Including a claim which does not state an exact claim amount (claim no. 2 in the table in paragraph b above), the amount of the claim being estimated there at hundreds of millions of NIS without stating the amount of the claim.

(3) Where the amount attributed to the Group is specified, the amount taken into account is in respect of the Group and not in respect of all the defendants.

(4) Including a claim which does not state an exact claim amount and for which a non-binding estimate of NIS 9.5 million was made (claim no. 13 in the table in paragraph b above).

2) The total amount of the provision in respect of class actions and other material claims that were filed against the Group, as detailed in the summary table in 1) above, is approximately NIS 189 million (as of December 31, 2019 – approximately NIS 149 million).

3) Total provisions in respect of all proceedings against the Group, including class actions and other material claims, including in respect of the proceedings detailed in paragraph f below, is approximately NIS 218 million (as of December 31, 2019 – approximately NIS 178 million).

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

f. Additional legal proceedings and other proceedings, Insurance Commissioner directives, events and developments in respect of which the Company and/or its consolidated subsidiaries are subject to exposure

Below is a description of additional legal and other proceedings pending against the Company and/or the consolidated subsidiaries:

1) Proceedings pursuant to Sections 198 and 198A of the Companies Law – 1999 ("the Companies Law") on the backdrop of the conduct of the Company's controlling shareholder.

Further to a demand from August 23, 2020 that was made by a shareholder of the Company to file a claim against the Company's controlling shareholder, on November 22, 2020 a motion was filed with the Tel Aviv District Court, Economic Department, against the Company and the Company's controlling shareholder, Mr. Shlomo Eliahu (hereinafter: "Mr. Eliahu") to approve the claim that was attached to the motion as a derivative claim of the Company against him, pursuant to Section 198 of the Companies Law (hereinafter: "the motion to approve a derivative claim").

The motion to approve a derivative claim involves an allegation that Mr. Eliahu's conduct, as described in the letter of the Commissioner from July 14, 2020 and as described in the draft corporate governance audit report concerning Migdal Insurance Ltd., which was published by the Commissioner on November 4, 2020 (see the Company's immediate reports from July 15, 2020, reference 2020-01-068140, and from November 5, 2020, reference 2020-01-110437), constitutes a breach of the fiduciary duty in his role as a director in the Company and Migdal Insurance, breach of the duty of care, breach of the duty of fairness as a controlling shareholder in the Company and causing and assisting breach of the fiduciary duty of directors in the Company and Migdal Insurance, which caused the Company damage in the total amount of NIS 332.8 million.

A motion for inspection and disclosure of documents pursuant to Section 198A of the Companies Law was filed against the Company and against Migdal Insurance by a different shareholder with respect to the conduct of the controlling shareholder, as specified in the letter of the Commissioner. On November 18, 2020 the Court accepted the motion to dismiss that was filed by the applicant and dismissed the motion (see the Company's immediate reports from September 22, 2020, reference 1010-01-103602 and from November 18, 2020, reference 2020-01-115819).

It is noted further that on September 30, 2020 the Company's board of directors decided to set up an independent committee that will examine and discuss claims on this matter and will be comprised of the honorable judge (retired) Prof. Yoram Danziger as the chairman of the committee; Prof. Roni Ofer and Ms. Linda Ben Shosan, who serves as an external director in the Company (see the Company's immediate reports from October 1, 2020, reference 2020-01-097966 and from October 25, 2020, reference no. 2020-01-106516).

On January 11, 2021 the Company filed a motion to dismiss the motion for approval in limine on the grounds that it is based mainly on the draft audit report that the Authority had advised it had reached the conclusion that it is not needed for reaching final findings and issuing a final report, and on confidential, secret and inadmissible documents. At the same time, the Company filed an alternative motion to suspend the proceedings on the motion to approve a derivative claim, until after the independent committee reaches its conclusions and presents them to the Company's board of directors. The Court has not yet decided on the said motion to dismiss and motion to suspend and at the same time decided that the Company would present its position on the motion to approve the derivative claim by April 15, 2021. The Company plans to act to postpone that date.

2) Regarding tax assessments for 2011 and 2012 regarding the capital gains tax on a dividend from investee companies that was concatenated to the Company, the District Court's ruling adopted the position of the tax authority. Migdal Insurance paid the resulting tax liability. In December 2019 Migdal Insurance filed an appeal to the Supreme Court on that ruling.

As regards tax assessments for the years 2013-2015 on the same issue, in February 2020 Migdal Insurance filed an appeal with the Tel Aviv District Court.

For further information see Note 21.d.2.

3) The Company and/or its consolidated subsidiaries are exposed to additional claims or allegations for various causes, which do not involve coverage under insurance policies issued by Migdal Insurance, on the part of customers, former customers and various third parties, of which an aggregate amount of NIS 135 million is in respect of claims that were filed (as of December 31, 2019 – NIS 127 million) in addition to the general exposures described in this note including in paragraph g.4 and g.5 of this note.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

f. Additional legal proceedings and other proceedings, Insurance Commissioner directives, events and developments in respect of which the Company and/or its consolidated subsidiaries are subject to exposure (cont.)

4) From time to time, the Commissioner issues position papers, principles for drafting insurance plans, papers on proper and improper practices and other documents or draft documents that are relevant to the Group's areas of operation and which may have an effect on the rights of the policyholder/s and/or member/s and may create an exposure for the Group in certain cases with respect to both its period of operation prior to those documents coming into effect and the future.

It is impossible to predict in advance whether and to what extent the insurers are exposed to allegations connected to and/or resulting from directives that may arise in part through the procedural mechanism set forth in the Class Action Law. Also circulars issued by the Commissioner that usually affect the future may have such an effect.

From time to time complaints are filed against the Group, including complaints to the Commissioner with respect to rights of policyholders and/or members according to insurance plans and/or funds and/or the law. These complaints are handled regularly by the Group's public complaints department. At times, the Commissioner's decisions (or draft decisions) on these complaints are rendered across the board for a class of policyholders.

Furthermore, from time to time, and also following policyholders' complaints, the Commissioner conducts audits on his behalf at the Group's institutional entities and/or sends requests to them to receive information on different issues of management of the institutional entities and management of the rights of the institutional entities' policyholders and members, as well as audits to verify the implementation of regulatory directives and/or lessons from previous audits, wherein, among others, demands are received to make changes in various products and instructions are given for implementing circulars and/or guidelines and/or for rectifying deficiencies or for the taking of actions by the institutional entities, including making refunds to policyholders and members. On the basis of the audit findings or the information provided, the Commissioner sometimes imposes financial sanctions pursuant to the Enforcement Authority Law.

5) There is a general exposure which cannot be estimated and/or quantified, due to, among others, the complexity of the services provided by the Group to its policyholders. The complexity of these arrangements entails, among others, a potential for interpretation and other arguments resulting from disparities in information between the Group and the third parties to the insurance contracts that relate to a long list of commercial and regulatory conditions. This exposure is expressed mainly in connection with pension savings and long-term insurance products, including health insurance, in which the Group operates, due to them being characterized by a prolonged lifespan and extreme complexity, particularly in view of the legislative arrangements relating both to management of the products and to taxation, including on issues concerning setting tariffs, the deposits made by employers and insured persons, separation and attribution of the deposits to the various policy components, investment management, the policyholder's employment status, his deposit payments, etc. In this context it is noted that the Control of Financial Services (Provident Funds) (Payments to Provident Funds) Regulations – 2014 ("the payment regulations"), which came into effect gradually from February 1, 2016, were meant to facilitate this complexity by arranging automated flow of information between all the involved parties on how deposits are made and attributed to the components of the provident fund, including the taxation. Nevertheless, applying the payment regulations is a complex process that in the short term can cause operational difficulties, including a resultant increase in operating and automation expenses.

In this respect it is noted that on May 23, 2019 Migdal Insurance received an audit report on behalf of the Commissioner regarding payments to provident funds, further to an audit the Commissioner had conducted at Migdal Insurance in the period between July 2017 and July 2018. The report deals with several deficiencies relating mainly to the manner of implementing the payment regulations and how the money is attributed to executive insurance policies on the systems of Migdal Insurance. Migdal Insurance sent to the Commissioner a work plan for correcting the deficiencies that were presented in the report and it is implementing that stated in the plan.

It is also noted that the Group's products are managed over years during which there are changes in policy, regulatory requirements and legal trends, including in court rulings. These changes are implemented by automated systems that undergo frequent changes and adjustments. The complexity of these changes and application of changes with respect to many years creates increased operating exposure. Receipt of a new interpretation to insurance policies and long-term pension products may, at times, affect the Group's future profitability with respect to the existing portfolio, in addition to the exposure involved in the demands to compensate customers for past activities. It is not possible to anticipate the kind of arguments that will be raised in this area and the exposure resulting from any arguments that are raised in respect of the insurance contract, among others, by the procedural mechanism established in the Class Action Law.

Note 38 - Contingent Liabilities and Commitments (Cont.)

1. Contingent liabilities (cont.)

f. Additional legal proceedings and other proceedings, Insurance Commissioner directives, events and developments in respect of which the Company and/or its consolidated subsidiaries are subject to exposure (cont.)

5) (cont.)

Furthermore, the insurance area in which the Group companies operate is high in detail and circumstances, and has an inherent risk that cannot be quantified as to the occurrence of an error or series of mechanical or human errors, in both structured work processes and when handling a specific customer, and which may cause expansive consequences as to both the effect on a large number of customers or cases and the relevant monetary effect concerning an individual customer. The Group's institutional entities regularly cleanse the rights of policyholders, in all that concerns management of the products at institutional entities, according to gaps that are discovered from time to time.

The Company and the subsidiaries are exposed to claims and allegations on the level of contract laws and fulfillment of the insurance commitments in the policy, deficient consultation, breach of duty of loyalty, conflict of interests, duty of care, negligence as part of the professional liability of the professional bodies in the Group including the Group’s agencies and so forth allegations relating to the services provided by the Group companies, and from time to time there are circumstances and events that raise concerns regarding allegations of that type. The Group purchases professional liability insurance policies, including as required by the legislative arrangement, and when necessary it reports to this policy or policies in order to cover an obligation deriving from professional liability that can be protected by purchasing insurance. The amounts of the possible exposure are higher than the amounts covered and there is no certainty that the insurance coverage will actually be received upon the occurrence of an insurance event.

See Note 36.a regarding other general exposures.

2. Commitments

a. For details regarding the acquisition of a run-off general insurance portfolio, see Note 38.e.2.

b. Commitments for investment and granting of credit

1) The balance of Migdal Insurance's commitments for additional investments in investment funds as of December 31, 2020 amounts to approximately NIS 10,597 million, of which approximately NIS 8,850 million is in respect of yield-dependent contracts (in 2019 – approximately NIS 8,637 million, of which approximately NIS 7,151 million is in respect of yield-dependent contracts).

2) The balance of Migdal Insurance's commitments for additional investments in acquired corporations as of December 31, 2020 amounts to approximately NIS 32 million, of which approximately NIS 32 million is in respect of yield dependent contracts (in 2019 – approximately NIS 12 million, of which approximately NIS 12 million is in respect of yield-dependent contracts).

3) The balance of Migdal Insurance's commitments to provide credit upon demand as of December 31, 2020 amounts to approximately NIS 2,139 million, of which approximately NIS 1,884 million is in respect of yield-dependent contracts (in 2019 – approximately NIS 2,043 million, of which approximately NIS 1,781 million is in respect of yield-dependent contracts).

c. Commitments for acquisition of real estate assets

The balance of Migdal Insurance's commitment for investments in real estate as of December 31, 2020 amounts to approximately NIS 564 million, of which approximately NIS 426 million is in respect of yield-dependent contracts (in 2019 – approximately NIS 319 million, of which approximately NIS 235 million is in respect of yield-dependent contracts). Some of the above amounts are based on the accounting mechanism prescribed in the agreement.

d. Letter of indemnity and waiver to officers

1) Letters of indemnity granted up to 2006

a) The Company granted letters of indemnity to officers of investees and other corporations in which they serve by virtue of their being officers of the consolidated subsidiary, as well as to a number of the Group's employees, whereby Migdal will indemnify them in the amount, under the circumstances and subject to the qualifications detailed in the letters of indemnity, for a financial liability imposed on them due to actions done by them in their capacity as officers of the aforementioned corporations, or for actions as detailed in the letter of indemnity.

Note 38 - Contingent Liabilities and Commitments (Cont.)

2. Commitments (cont.)

d. Letter of indemnity and waiver to officers (cont.)

1) Letters of indemnity granted up to 2006 (cont.)

b) The Company granted letters of waiver to officers of investees and other corporations in which they serve by virtue of their being officers of Migdal and of subsidiaries of Migdal, whereby the Company waived, under the circumstances and subject to the qualifications detailed in the letters of waiver, any claims against those officers with respect to any act and/or omission done by them as officers of the aforementioned corporations.

c) The Company granted letters of indemnity to officers of Migdal, subsidiaries of Migdal and investees, whereby they will be indemnified, in the amount, under the circumstances and subject to the qualifications detailed in the letters of indemnity, for any financial liability imposed on them in connection with the following matters:

(1) Prospectus of the Company from the year 1996.

(2) Liabilities applying to the Company and/or the Migdal Group companies due to the fact that the Company is a company whose shares are held by the public and listed on the stock exchange, provided that the indemnification obligation will apply only to liabilities arising from actions done during a period of up to one year from the date of the prospectus.

d) The Company granted letters of waiver and undertaking for dismissal of claims against officers in corporations that belong to the Migdal Group, whereby it waived, under the circumstances and subject to the qualifications detailed in the letters of waiver and undertaking, claims against the officers with respect to any act and/or omission that done by them as officers in each of the corporations, including actions with respect to the areas detailed below:

(1) The Company's prospectus from 1996.

(2) Liabilities applying to the corporation due to the fact that the Company is a company whose shares are held by the public and listed on the stock exchange.

The Company also undertook, under the circumstances and subject to the qualifications detailed in the letters of waiver and undertaking, to cause the dismissal of any claim filed against the corporations or any one of them, if as a result of such claim the officers are sued by any of the corporations in a claim that is not dismissed in limine.

2) Letters of release and indemnity granted in 2006:

In November 2006, an extraordinary general meeting of the Company approved the grant of an undertaking to exempt and indemnify officers of the Company. Accordingly, the Company informed its officers as follows:

Undertaking for release – the Company releases its officers from any liability towards the Company, to the extent that this is permitted by law, for any damage that is and/or may be caused to it due to breach of the duty of care owed to it by the officers in their bona fide activity by virtue of being officers of the Company officers and/or at its request as officers of another company in the Migdal Group and/or as a representative of the Company and at the request of another corporation in which the Company holds rights, directly or indirectly, or in which it is an interested party ("the other company"), as specified in the letter of release and indemnity given to the officer.

Indemnity undertaking – the Company undertakes in advance to indemnify the Company's officers including officers of the other company in accordance with the wording of the letter of waiver and indemnity given to the officers. In accordance with the letter of indemnity and subject to the provisions of the law, the Company undertakes to indemnify the officers for any liability or expense as specified in the letter of indemnity that is imposed on them or incurred by them due to actions done by them (including actions prior to the date of the letter of indemnity) and/or that they may do in their capacity as officers of the Company and/or the other company, provided that the action relates, directly or indirectly, to one or more of the categories of events listed in the addendum to the letter of indemnity, and provided that the maximum amount of indemnity under Section 2.1.1 of the letter of indemnity, inclusively and in the aggregate, payable by the Company cumulatively to all the officers under all the letters of indemnity issued and/or to be issued by the Company, does not exceed in the aggregate an amount equal to 25% of the Company's (consolidated) equity according to the last consolidated annual financial statements before actually giving the indemnity, for each of the officers and for all of them jointly, for a single event and cumulatively, all the above in addition to amounts, if any, received from an insurance company as part of the insurance purchased by the Company.

Note 38 - Contingent Liabilities and Commitments (Cont.)

2. Commitments (cont.)

d. Letter of indemnity and waiver to officers (cont.)

3) Limit to release from liability and indemnity undertaking granted in 2011:

In November 2011, the Company's Audit Committee decided to limit until November 30, 2020, the period of events during which the Company's existing release and indemnity arrangements will apply, insofar as they are not replaced by other arrangements, as well as letters of release or indemnity that will be granted from time to time by the Company according to the Company's existing release and indemnity arrangements, with respect to officers of the Company who are serving or may serve from time to time, where the controlling shareholder of the Company might be considered to have a personal interest in granting letters of release and indemnity to these officers. See the Company's immediate report dated November 29, 2011, reference no.: 2011-01-344238.

4) Updated letters of indemnity granted in 2012:

In February 2012, an extraordinary general meeting of the Company approved the grant of updated letters of indemnity to officers of the Company that the Company's controlling shareholder may be considered as having a personal interest in granting letters of indemnity to those officers as they may be appointed from time to time ("certain officers") and to the Company's directors. The updated letters of indemnity granted to certain officers are identical to the letters of indemnity to be granted to directors and are in the wording attached to the immediate reports that were published in respect thereto, as indicated hereunder. The updated provisions of the letters of indemnity will apply, subject to the provisions of applicable law, also to actions committed prior to the amendment thereof. The provisions of the letters of indemnity include, inter alia, as follows:

a) A prior indemnity undertaking in respect of a financial liability imposed on an officer for payment to victims of a violation in an administrative proceeding, and expenses incurred by an officer in connection with an administrative proceeding conducted against him, including reasonable litigation expenses, including attorney's fees, all the above in accordance with the effective date of the Administrative Enforcement Law and the amendment to the Securities Law, 5728-1968 ("Securities Law") and in accordance with the Increased Enforcement in the Capital Market Law (Legislation Amendments), 5771-2011.

b) The maximum indemnification amount payable to officers of Migdal as a whole, under all the letters of indemnity issued and to be issued from time to time, has not changed, but has been amended such that it may not exceed an amount equal to 25% of the Company's equity (consolidated) according to the last financial statements published by it prior to the actual indemnification (instead of being determined according to the last annual financial statements published by the Company prior to the actual indemnification).

c) It was clarified that the indemnity undertaking also applies to other positions filled by the holder of the letter of indemnity in companies of the Migdal Group and/or in another company in which he serves on behalf of the Migdal Group.

d) It was clarified that the indemnity undertaking applies both in respect of an event occurring in Israel and an event occurring outside of Israel.

In addition, in view of recent developments in the business environment in which the Company operates and in the regulatory requirements applicable to the Company, the list of events in respect of which the Company is entitled to grant an indemnity undertaking was updated to relate also the following events: risk management, investment policy, SOX controls and procedures, preparation of financial statements and other reports and management of customers' funds.

For more information about these letters of indemnity, see the Company's immediate report dated December 28, 2011, reference no. 2011-01-378141, immediate report dated February 2, 2012, reference no. 2012-01-032109, and immediate report dated February 7, 2012, reference no. 2012-01-036555.

5) Letters of indemnity and letters of release granted in 2016

In December 2016, an extraordinary general meeting of the Company approved the grant of letters of indemnity also to officers who are the controlling shareholder and his relative and the grant of letters of release to officers and directors, including officers who are the controlling shareholders or his relative. For further details see the Company’s immediate report dated December 22, 2016 regarding the convening of a general meeting (complementary report) having on its agenda, inter alia, approval of the grant of indemnity and release letters, reference no. 2016-01-142339, and the Company’s immediate report dated January 1, 2017 regarding the results of the meeting, reference no. 2017-01-000333).

Note 38 - Contingent Liabilities and Commitments (Cont.)

2. Commitments (cont.)

d. Letter of indemnity and waiver to officers (cont.)

6) Officers' insurance (cont.)

a. On December 30, 2019, after having been approved by the Company's compensation committee on December 17, 2010, the Board of Directors of the Company approved the renewal of the Group's directors and officers liability insurance policy, including in respect of the controlling shareholder and his relatives who serve as officers of the Group, the Company’s CEO and officers serving in Migdal Capital Markets (1965) Ltd. and in companies controlled by Migdal Capital Markets (1965) Ltd., a subsidiary wholly owned and fully controlled by the Company. The insurance was renewed for a period of twelve (12) months from January 15, 2020, with a liability limit of $ 120 million per event and for the entire insurance period in consideration for a premium no higher than $ 680 thousand. The Company's deductible is no higher than $ 200 thousand per claim. See details in the Company’s immediate report dated December 31, 2019 (reference: 2019-01-116205).

b. On January 7, 2021 the Company's Board of Directors approved extending the directors and officers liability insurance policy of the Company and all its subsidiaries and sub-subsidiaries (hereinafter: "the Group") for 30 days from January 15, 2021 to February 14, 2021 with no change in the terms of the policy, this until concluding the negotiations on the terms of the policy.

c. On February 11, 2021 the Company's compensation committee approved renewal of the directors and officers liability insurance policy, for directors and officers of the Migdal Group, including the controlling shareholder and his relatives who serve as officers of the Group. The insurance will be renewed for a period of 12 months, beginning from February 15, 2021, with a liability limit of $ 100 million per event and for the entire insurance period. The annual premium for the aforesaid coverage and the amount of the deductible are based on market terms and were determined after examining offers the Company received from reinsurers. It is noted that the premium is higher than that specified in the compensation policy, but as aforesaid is at market terms, is immaterial and is not expected to have a material effect on the Company's profitability, its assets or its liabilities. See details in the Company's immediate report dated February 14, 2021 (reference 2021-01-017947).

e. Other commitments

1) On July 19, 2015 Migdal Capital Markets, a wholly owned subsidiary of the Company, and Migdal Stock Exchange Services, a wholly owned subsidiary of Migdal Capital Markets, which is a member of the Tel Aviv Stock Exchange Ltd., entered into a merger agreement with IBI Holdings (1997) Ltd. ("IBI Holdings") and a wholly owned subsidiary thereof, Israel Brokerage and Investments IBI Ltd., which too is a member of the Tel Aviv Stock Exchange ("IBI Brokerage" or the "merging company"), for the merger of Migdal Stock Exchange Services with and into IBI Brokerage ("the merged companies").

In consideration for the merger, Migdal Capital Markets was allotted ordinary shares of IBI Brokerage, so that it holds 19.9% of the shares of IBI Brokerage ("the consideration shares"), and IBI Holdings holds the balance of the shares.

The agreement provides further that Migdal Capital Markets will not be entitled to sell its shares other than in accordance with the mechanisms established in the agreement:

a) A put option to Migdal Capital Markets to sell the consideration shares to IBI Holdings, exercisable starting from the date of approval of the financial statement for 2020.

b) A call option to IBI Holdings to purchase the consideration shares from Migdal Capital Markets, exercisable starting from the date of approval of the financial statement for 2020.

c) A tag-along right given to Migdal Capital Markets to join in the sale of shares of the merging company by IBI Holdings.

d) A right given to IBI Holdings to obligate Migdal Capital Markets to join in the sale of the shares of the merging company.

The merger agreement includes an indemnity undertaking given by each of IBI Investment House and Migdal Capital Markets to the merging company in connection with events occurring prior to the merger date and in connection with declarations and representations in the merger agreement.

Note 38 - Contingent Liabilities and Commitments (Cont.)

2. Commitments (cont.)

e. Other commitments (cont.)

1) (cont.)

It should be noted that Migdal Capital Markets purchased run-off insurance to cover professional liability in respect of the past activity of Migdal Stock Exchange Services up to the merger date, which will be in effect for a period of seven years from the merger date.

On October 28, 2015 the merger was completed, after the Registrar of Companies approved the merger and issued a merger certificate, following compliance with all the conditions precedent (other than receipt of the tax authority's confirmation, which was waived by Migdal Capital Markets).

Pursuant to the completion of the merger, as of October 28, 2015 Migdal Capital Markets holds 19.9% of the shares of the merging company, and IBI Holdings holds the balance of the shares at a rate of 80.1%. Migdal Capital Markets' holding in the merging company is accounted for as a financial asset revalued to fair value.

2) Migdal Insurance has an agreement for the provision of services with B-Well Quality of Life Solutions Ltd. (hereinafter "B-Well"), a wholly owned subsidiary of Migdal Health and Quality of Life Ltd. ("Migdal Health"), which is a wholly owned subsidiary of Migdal Insurance and provides Migdal services in relation to health.

The services are provided by B-Well to policyholders of Migdal in accordance with a framework agreement that was signed in 2016 and arranges provision of the various services, which were divided into several types based on inter alia, the date on which the services began being provided, while for each type of service a separate engagement period was set.

In October 2015 Migdal Insurance and B-Well signed a service agreement that does not involve service letters. This agreement regulates the provision of additional services to Migdal Insurance: collection of medical information for the clarification of claims in all lines of insurance, hotline, operations and dental treatment, as well as settlement of dental claims. The agreement is for an indefinite period, with each one of the parties having the right to terminate it by providing advance notice to the other party.

In 2020, 2019 and 2018 Migdal Insurance paid B-Well a total of NIS 34,598 thousand, NIS 36,290 thousand and NIS 37,894 thousand, respectively.

f. Management of financial assets and marketing of investments

The Capital Markets Group manages investment portfolios and mutual funds for customers who are not related parties for a total value of NIS 44 billion as of December 31, 2010 (December 31, 2019 – NIS 36 billion).

g. Operating leases in which the Group is the lessor

The Group leases out investment property to external entities. The lease agreements are for an average period of 3 to 7 years. Usually the lessees have an option to extend the period of lease according to the conditions that were set in the agreement.

Hereunder are the minimum lease fees that will be received under irrevocable lease contracts (not including the option period):

	December 31
	2020
	NIS in thousands
First year	430,617
Second year	354,700
Third year	218,621
Fourth year	176,003
Fifth year	146,366
More than six years	717,666
	2,043,973

Note 38 - Contingent Liabilities and Commitments (Cont.)

2. Commitments (cont.)

During the year ended December 31, 2020, the Group recognized the sum of NIS 1,247 thousand as income in the statement of income in respect of contingent leasing fees (in 2019 and 2018 – NIS 2,178 thousand and NIS 1,923 thousand, respectively).

For additional information regarding income recognized in respect of investment property, see Notes 8 and 26 above.

Note 39 - Material Events after the Reporting Period

a. On October 28, 2019 the board of directors of Migdal Makefet approved entering into an agreement to merge Yozma into Makefet in a statutory merger pursuant to the first chapter of part eight of the Companies Law – 1999 (subject to the approval of the shareholders of Makefet). In addition, the board of directors approved transferring management of the pension fund managed by Yozma to the management of Makefet in accordance with Section 41 of the Supervision of Financial Services (Provident Funds) Law – 2005 and the instructions of the Capital Market Commissioner on this matter. Completing the merger is subject to receiving the regulatory approvals that are preconditions to executing the process including the approval of the tax authority (tax ruling) and the Capital Market Authority's approval to the management transfer. As at the date of issuing this report the Company has received the aforesaid approvals. The merger is expected to be completed at the beginning of the second quarter of 2021.

b. On December 22, 2020 the boards of directors of Shaham Insurance Agencies (1977) Ltd. (hereinafter – "Shaham") and Orlan Insurance Agency (1994) Ltd. (hereinafter – "Orlan"), sub-subsidiaries of the Company, approved the merger of Orlan into Shaham in accordance with the provisions set forth in the merger agreement. The merger date was set to be December 31, 2020. On December 23, 2020 the general meetings of Shaham and Orlan passed decisions that approved the decisions of the boards of directors from December 22, 2020 in accordance with the merger agreement and subject to fulfilling all the conditions set forth and/or required and/or suspending that are included in the merger agreement. On December 31, 2020, in the framework of a pre-ruling proceeding, the companies submitted to the tax authorities a request to approve the merger as aforesaid. Requests were submitted also to the Supervisor of the Capital Market, Insurance and Savings Authority and to the Registrar of Companies. As at the date of the financial statements, the approvals of the aforesaid authorities to the merger have not yet been received.

c. On January 3, 2021 Mr. Nir Gilad concluded his service as chairman of the board of Migdal Insurance, and on that date Mr. Moti Rosen began serving as the chairman of the board of Migdal Insurance, after the Commissioner had advised that he has no objection to the said appointment, and after the appointment was approved by the board of directors of Migdal Insurance.

See additional details in the Company's immediate reports from December 24, 2020 (reference no. 2020-01-139800) and January 3, 2021 (reference nos. 2021-01-000393, 2021-01-000420, 2021-01-000504).

d. On February 1, 2021, Mr. Nir Gilad concluded his service as the CEO of the Company, and on that date Mr. Moti Rosen began serving as the Company’s CEO.

See additional details in the Company's immediate reports from February 1, 2021 (reference nos. 2021-01-012478, 2021-01-012487).

e. On the matter of developments in connection with the service of Mr. Moti Rosen, the Company’s CEO and chairman of the board of Migdal Insurance, see Note 37.h.4.h).

APPENDIX - DETAILS OF ASSETS OF OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE COMMISSIONER OF INSURANCE

a. Quoted debt assets

	December 31			
	Carrying amount		**Amortized cost**	
	2020	2019	2020	2019
	NIS in thousands			
Government bonds – available-for-sale	9,331,422	7,828,188	9,018,695	7,529,985
Other debt assets				
Non-convertible:				
Available-for-sale	4,110,280	3,233,042	3,895,207	3,070,414
Designated on initial recognition at fair value through profit or loss	1,019,418	789,327	1,005,505	770,589
Total quoted debt assets	14,461,120	11,850,557	13,919,407	11,370,988
Impairment recognized in profit or loss (on a cumulative basis)	-	18,812		

b. Shares

	December 31			
	Carrying amount		**Amortized cost *)**	
	2020	2019	2020	2019
	NIS in thousands			
Quoted				
Available-for-sale	226,363	441,835	171,516	366,879
Total quoted shares	226,363	441,835	171,516	366,879
Unquoted				
Available-for-sale	53,445	68,887	22,222	37,266
Total unquoted shares	53,445	68,887	22,222	37,266
Total shares	279,808	510,722	193,738	404,145
Impairment recognized in profit or loss (on a cumulative basis)	81,403	105,180		

*) Net of provisions for impairment.

c. Other financial investments

Other financial investments include mainly investments in ETFs, participation certificates in mutual funds, hedge funds, investment funds, financial derivatives, future contracts, options and structured products.

	December 31			
	Carrying amount		Cost *)	
	2020	2019	2020	2019
	NIS in thousands			
Quoted				
Available-for-sale**	1,086,693	1,020,974	923,054	965,878
Derivative instruments	202	9,486	-	13,541
Total quoted financial investments	1,086,895	1,030,460	923,054	979,419
Unquoted				
Presented at fair value through profit or loss	37,003	76,483	-	75,379
Available-for-sale**	1,788,072	1,446,491	1,725,518	1,405,428
Derivative instruments	118,707	55,470	-	18,328
Total unquoted financial investments	1,943,782	1,578,444	1,725,518	1,499,135
Total other financial investments	3,030,677	2,608,904	2,648,572	2,478,554
Impairment recognized in profit or loss (on a cumulative basis)	687,310	433,990		

*) Net of provisions for impairment.

**) Reclassified, for further details see Note 2.d.