Translated from the Hebrew original

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

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Building a better working world

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INDEPENDENT AUDITORS' REPORT

to the Shareholders of

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.

<u>Regarding the Audit of Components of Internal Control over Financial Reporting</u>

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

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, 2019. 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, 2019.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and our report dated March 26, 2020 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	SOMEKH CHAIKIN	KOST FORER GABBAY & KASIERER
March 26, 2020	Member of KPMG International	Member of Ernst & Young Global

Joint auditors

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INDEPENDENT AUDITORS' REPORT

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, 2019 and 2018, 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, 2019. 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 6,701 thousand and NIS 351,304 thousand as of December 31, 2019 and 2018 respectively, and the Group's share in their losses amounted to approximately NIS 261 thousand for the year ended December 31, 2019, and in their profits to approximately NIS 23,481 thousand and NIS 39,723 thousand for the years ended December 31, 2018 and December 31, 2017, respectively. 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, 2019 and 2018, 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, 2019, 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 39(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, 2019, and our report dated March 26, 2020 included an unqualified opinion on the effective maintenance of those components.

Tel-Aviv, Israel	SOMEKH CHAIKIN	KOST FORER GABBAY & KASIERER
March 26, 2020	Member of KPMG International	Member of Ernst & Young Global

Joint auditors

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2019	2018
Assets	**Note**	NIS in thousands	
Intangible assets	4	1,176,023	1,162,425
Deferred tax assets	21g	33,370	5,457
Deferred acquisition costs	5	2,046,859	2,022,770
Fixed assets	6	1,179,482	618,542
Investments in affiliates	7	26,627	151,097
Investment property for yield dependent contracts	8	6,899,180	6,230,525
Investment property - other	8	796,737	648,883
Reinsurance assets	15-16	1,037,881	999,443
Current tax assets		241,294	252,974
Debtors and receivables	9	1,227,800	1,838,814
Outstanding premiums	10	714,038	735,878
Financial investments for yield dependent contracts	11	98,208,830	86,245,691
Other financial investments:	12		
Quoted debt assets	12a	11,858,029	11,355,930
Unquoted debt assets	12b	25,504,844	24,667,280
Shares	12d	545,825	919,139
Others	12e	2,612,608	2,790,100
Total other financial investments		40,521,306	39,732,449
Cash and cash equivalents for yield dependent contracts	13	13,983,926	10,564,992
Cash and cash equivalents - other	13a	3,314,539	2,723,446
Assets held for sale	7b	-	206,065
Total assets		171,407,892	154,139,451
Total assets for yield dependent contracts in an insurance subsidiary	11	120,216,470	104,799,754

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2019	2018
Equity and liabilities	**Note**	NIS in thousands	
Equity	14		
Share capital		110,629	110,629
Share premium		273,735	273,735
Capital reserves		821,258	52,142
Retained earnings		4,521,840	5,505,836
Total equity attributable to equity holders of the Company		5,727,462	5,942,342
Non-controlling interests		5,956	10,242
Total equity		5,733,418	5,952,584
Liabilities			
Liabilities in respect of non-yield dependent insurance contracts and investment contracts	15	38,616,102	35,661,315
Liabilities in respect of yield dependent insurance contracts and investment contracts	16	119,386,922	103,407,603
Liabilities in respect of deferred taxes	21g	232,651	260,256
Liabilities in respect of employee benefits, net	22	311,764	330,732
Liabilities in respect of current taxes		38,409	77,175
Creditors and payables	23	1,906,644	1,875,474
Financial liabilities	24	5,181,982	6,574,312
Total liabilities		165,674,474	148,186,867
Total equity and liabilities		171,407,892	154,139,451

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

March 26, 2020			
Date of approval of the financial statements	Shlomo Eliahu Chairman of the Board	Nir Gilad CEO	Yossi Ben Baruch CFO

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Note	2019	2018	2017
		Year ended December 31,		
		NIS in thousands		
Gross premiums earned		13,709,274	13,382,300	12,622,168
Premiums earned by reinsurers		754,829	734,310	769,593
Premiums earned on retention	25	12,954,445	12,647,990	11,852,575
Net investment gains and finance income	26	14,878,512	1,342,184	9,558,756
Income from management fees	27	2,347,570	1,413,090	2,026,140
Income from commissions	28	333,162	364,246	335,922
Other income	29	131,891	47,151	60,752
Total income		30,645,580	15,814,661	23,834,145
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross		28,817,079	12,301,865	20,740,201
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts		395,037	329,431	411,019
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	30	28,422,042	11,972,434	20,329,182
Commissions, marketing expenses and other acquisition expenses	31	1,847,907	1,824,112	1,715,267
General and administrative expenses	32	1,077,765	1,017,133	1,037,894
Other expenses	33	50,399	75,432	85,677
Finance expenses	34	170,483	172,942	128,480
Total expenses		31,568,596	15,062,053	23,296,500
Share of earnings of investees accounted for at equity	7b	14,706	24,052	40,560
Income (loss) before taxes on income		(908,310)	776,660	578,205
Taxes on income (tax benefit)	21f	(282,517)	225,838	197,506
Profit (loss) for the period		(625,793)	550,822	380,699
Attributable to:				
Equity holders of the Company		(628,159)	549,040	378,955
Non-controlling interests		2,366	1,782	1,744
Profit (loss) for the period		(625,793)	550,822	380,699
Basic and diluted net earnings (loss) per share attributable to equity holders of the Company (in NIS)	35	(0.60)	0.52	0.36

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2019	2018	2017
		NIS in thousands		
Profit (loss) for the period		(625,793)	550,822	380,699
Other comprehensive income (loss):				
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		1,089,229	(405,947)	597,971
Net change in fair value of available-for-sale financial assets transferred to profit and loss		(551,229)	(349,839)	(281,367)
Impairment loss of available-for-sale financial assets allocated to profit and loss		63,011	77,738	68,999
Foreign currency translation adjustment of foreign operation		(1,595)	1,493	(1,672)
Tax effect on available-for sale financial assets	21	(205,409)	231,802	(130,031)
Tax effect on other comprehensive income items	21	545	(509)	570
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		394,552	(445,262)	254,470
Other items of other comprehensive income (loss) that will not be carried to profit and loss:				
Actuarial gain (loss) from defined benefit plan	22b	(8,483)	7,515	(13,938)
Revaluation of fixed assets		486,290	-	-
Tax effect (tax benefit)	21	(109,229)	(2,353)	4,846
Total other comprehensive income (loss) for the period that will not be carried to profit and loss, net of tax		368,578	5,162	(9,092)
Total other comprehensive income (loss), net		763,130	(440,100)	245,378
Total comprehensive income for the period		137,337	110,722	626,077
Attributable to:				
Equity holders of the Company		135,120	108,958	624,301
Non-controlling interests		2,217	1,764	1,776
Comprehensive income for the period		137,337	110,722	626,077

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	5,505,836	5,942,342	10,242	5,952,584
Loss for the period	-	-	-	-	-	-	-	(628,159)	(628,159)	2,366	(625,793)
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	(633,996)	135,120	2,217	137,337
Dividend paid	-	-	-	-	-	-	-	(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	4,521,840	5,727,462	5,956	5,733,418

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	5,017,616	5,899,384	8,478	5,907,862
Profit for the period	-	-	-	-	-	-	-	549,040	549,040	1,782	550,822
Other comprehensive income (loss), net of tax	-	-	(446,246)	-	-	984	-	5,180	(440,082)	(18)	(440,100)
Total comprehensive income (loss)	-	-	(446,246)	-	-	984	-	554,220	108,958	1,764	110,722
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	5,505,836	5,942,342	10,242	5,952,584

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, 2017	110,629	273,735	230,389	6,989	(1,735)	(55)	7,346	4,757,785	5,385,083	6,702	5,391,785
Profit for the period	-	-	-	-	-	-	-	378,955	378,955	1,744	380,699
Other comprehensive income (loss), net of tax	-	-	255,572	-	-	(1,102)	-	(9,124)	245,346	32	245,378
Total comprehensive income (loss)	-	-	255,572	-	-	(1,102)	-	369,831	624,301	1,776	626,077
Dividend paid	-	-	-	-	-	-	-	(110,000)	(110,000)	-	(110,000)
Balance at December 31, 2017	110,629	273,735	485,961	6,989	(1,735)	(1,157)	7,346	5,017,616	5,899,384	8,478	5,907,862

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Sch.	Year ended December 31, 2019	2018	2017
		NIS in thousands		
CASH FLOWS FROM CURRENT ACTIVITIES	A	4,657,165	1,023,004	2,031,098
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Investment in affiliates		(990)	-	(4,531)
Proceeds from the realization of investment in affiliate and assets held for sale net of transaction costs		427,752	2,420	750
Cash derecognized due to realization of subsidiaries, net	E	-	-	(641)
Investment in fixed assets		(22,284)	(21,630)	(33,787)
Investment in intangible assets		(155,627)	(133,118)	(112,717)
Repayment of loans granted to affiliates		-	10,467	10,425
Repayment of loans granted to external parties		-	-	4,085
Dividend received from affiliates		9,172	5,439	2,169
Proceeds from sale of intangible assets		1,164	1,485	2,291
Proceeds from sale of fixed assets		125	88	5,531
Net cash from (used in) investment activities		259,312	(134,849)	(126,425)
CASH FLOWS FROM FINANCE ACTIVITIES				
Proceeds from issue of bonds		250,000	1,833,822	-
Less issue expenses		(306)	(17,369)	-
Repayment of loans from banks and others		-	-	(2,101)
Repayment of lease liability principal		(33,385)	-	-
Redemption of bonds		(517,860)	(331,475)	-
Change in short-term credit from banking institutions and others, net		(35,084)	19,959	1,706
Dividend to non-controlling interests		(6,503)	-	-
Dividend		(350,000)	(66,000)	(110,000)
Net cash from (used in) finance activities		(693,138)	1,438,937	(110,395)
Effect of exchange rate fluctuations on balances of cash and cash equivalents		(213,312)	164,044	(210,136)
Increase in cash and cash equivalents		4,010,027	2,491,136	1,584,142
Balance of cash and cash equivalents at beginning of period	B	13,288,438	10,797,302	9,213,160
Balance of cash and cash equivalents at end of period	C	17,298,465	13,288,438	10,797,302

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
SCHEDULE A - CASH FLOWS FROM CURRENT ACTIVITIES BEFORE TAXES ON INCOME (1)			
Profit (loss) for the period	(625,793)	550,822	380,699
Items not involving cash flows:			
Company's share in results of investees, net	(14,706)	(24,052)	(40,560)
Net losses (gains) from financial investments for yield dependent insurance and investment contracts	(11,926,432)	1,013,370	(7,184,246)
Net losses (gains) from other financial investments:			
Quoted debt assets	(444,611)	(329,549)	(168,832)
Unquoted debt assets	(1,244,204)	(1,417,460)	(1,172,257)
Shares	(138,028)	(153,324)	(27,589)
Other investments	(340,127)	178,496	(427,965)
Finance expenses in respect of financial and other liabilities	13,556	27,243	11,589
Loss (gain) from realization:			
Intangible assets	1,815	(1,213)	(1,792)
Fixed assets	154	(97)	(581)
Investees and assets held for sale	(84,048)	-	3,356
Change in fair value of investment property for yield dependent contracts	(306,611)	(90,872)	(181,931)
Change in fair value of other investment property	(17,581)	(7,225)	20
Depreciation and amortization:			
Fixed assets	95,205	54,033	55,040
Intangible assets	134,964	134,420	141,590
Impairment of intangible assets	-	22,736	12,175
Change in liabilities for yield dependent insurance and investment contracts	15,979,319	3,514,152	10,370,259
Change in liabilities for non-yield dependent insurance and investment contracts	2,954,787	717,115	1,154,485
Change in reinsurance assets	(38,438)	36,247	(8,978)
Change in deferred acquisition costs	(24,089)	(59,368)	(69,026)
Taxes on income (tax benefit)	(282,517)	225,838	197,506

(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.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
SCHEDULE A - CASH FLOWS FROM CURRENT ACTIVITIES BEFORE TAXES ON INCOME (1) (Cont.)			
Changes in other balance sheet items:			
Financial investments and investment property for yield dependent contracts			
Acquisition of investment property	(362,044)	(163,463)	(108,255)
Net acquisitions of financial investments	(3,667,214)	(3,813,984)	(4,289,739)
Other financial investments and investment property:			
Acquisition of investment property	(131,972)	(38,627)	(3,144)
Net acquisitions of financial investments	218,557	(2,113,290)	(1,521,799)
Outstanding premiums	21,840	29,429	(46,207)
Debtors and receivables	605,698	(1,182,631)	340,367
Creditors and payables	200,157	(90,139)	473,404
Liabilities for employee benefits, net	(27,451)	9,818	162
Assets held for sale	(5,312)	-	-
Total adjustments required for presenting cash flows used in current activities	1,170,667	(3,522,397)	(2,492,948)
Cash paid and received during the period:			
Interest paid	(163,330)	(151,684)	(122,031)
Interest received	2,946,485	2,880,579	2,794,150
Taxes paid, net	(114,180)	(390,049)	(9,371)
Dividend received from financial investments	1,443,316	1,655,733	1,480,599
Net cash from current activities	4,657,165	1,023,004	2,031,098

(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.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
SCHEDULE B - CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			
Cash and cash equivalents for yield dependent contracts	10,564,992	8,497,605	7,267,318
Other cash and cash equivalents	2,723,446	2,299,697	1,945,842
	13,288,438	10,797,302	9,213,160
SCHEDULE C – CASH AND CASH EQUIVALENTS AT END 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 D – CASH DERECOGNIZED DUE TO REALIZATION OF SUBSIDIARIES, NET			
Intangible assets	-	-	7,622
Fixed assets	-	-	603
Current tax assets	-	-	648
Deferred tax assets	-	-	422
Debtors and receivables	-	-	8,617
Financial investments	-	-	(4,085)
Liabilities for employee benefits, net	-	-	(805)
Deferred tax liabilities	-	-	(465)
Current tax liabilities	-	-	(981)
Creditors and payables	-	-	(8,550)
Financial liabilities	-	-	(311)
Capital loss	-	-	(3,356)
	-	-	(641)
SCHEDULE E – SIGNIFICANT ACTIVITIES NOT INVOLVING CASH FLOWS			
Acquisition of fixed assets, intangible assets and investment property against creditors	16,803	29,400	33,974
Proceeds not yet received in the sale of investees and insurance portfolios	-	987	11,068

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, 2019 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.
- In June 2017 Eliahu 1959 sold 0.73% of its holdings in the Company in an off-floor transaction.
- 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.

In the period subsequent to the date of the report up to the date of its issuance, the financial markets have declined sharply, which has had an adverse effect on the nostro portfolio of Migdal Insurance and on the investment portfolio of profit participating policies that have an effect on the financial margin and on the management fees Migdal is entitled to receive from its policyholders.

The decline in the marketable investment portfolio, which is not held against yield dependent liabilities, from the date of the financial statements until proximate to their date of approval, is estimated to amount to NIS 800 million before tax. Furthermore, the value of the nonmarketable portfolio is also expected to decline, and at this time the Company is unable to assess the extent of the decrease.

NOTE 1: - GENERAL (Cont.)

c. The coronavirus crisis: (cont.)

Proximate to the date of issuing the financial statements, the total amount of assets managed by the Group for savings as part of yield dependent policies, pension funds, provident funds and mutual funds decreased by an amount of NIS 33 billion, reflecting a decrease of 13% compared to the end of 2019. Accordingly, a significant decline is expected to occur in management fees from assets (other than management fees that vary as described hereunder).

In view of the negative real yield that was recorded in profit participating life assurance policies sold until 2004, Migdal Insurance did not record variable management fees since the beginning of 2020, rather only fixed management fees. Until such time as a positive real yield is obtained that covers the investment losses incurred by the policyholders, Migdal Insurance will not be able to collect variable management fees. Proximate to the date of issuing the financial statements, management fees in an estimated amount of NIS 1,300 million before tax will not be collected because of the negative real yield until such time as an accumulated positive yield is obtained.

Due to the sharp fluctuations in the financial markets and interest curve, the effects described above, all together and each one alone, may be significantly greater or lower according to developments on the capital market and in the risk-free interest curve.

It is emphasized that the aforesaid is based on information known to the Company proximate to the date of signing the financial statements and that this information is only partial and does not include other components of income (losses) from investments and the effect of the Group's other operations on equity, and the effects of the aforesaid on the Group's assets.

The Company currently assesses, based on the information it has proximate to the date of approval of the financial statements, that the current events and sharp downward trend in the markets in Israel and the world, should it continue, may have a material adverse effect on its short term business results.

It is further emphasized that since these events are not under its control, the Company is unable to estimate the overall aggregate extent of the medium and long term effect of these events on the Company (see also Note 7.c).

d. 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.

NOTE 1: - GENERAL (Cont.)

d. Definitions: (Cont.)

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.
Investees	- Subsidiaries and affiliates.
The parent company	- Eliahu Issues Ltd. ("Eliahu Issues").
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.

NOTE 1: - GENERAL (Cont.)

d. Definitions: (Cont.)

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
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, r and v below.

b. Basis of preparation of the financial statements:

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

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Basis of preparation of the financial statements: (Cont.)

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 judgments, estimates and assumptions used in the preparation of the financial statements:

The judgments

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 k(6) below.

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 others 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.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

2. Classification of insurance contracts and investment contracts: (Cont.)

Estimates and assumptions (Cont.)

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:

- 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 reserves, including supplementary reserve for annuity, see Note 37b(3)(b)(5) below.

  Regarding the reserve adequacy test see paragraph j.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.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

2. Classification of insurance contracts and investment contracts: (Cont.)

Estimates and assumptions (Cont.)

Critical estimates (Cont.)

- Contingent liabilities (Cont.)

  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 below.

- 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 below.

- 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.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

2. Classification of insurance contracts and investment contracts: (Cont.)

Estimates and assumptions (Cont.)

Critical estimates (Cont.)

- 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.

  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 below.

- 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.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Change in classification

Classifications were executed in the components of notes 5.b, 10.b, 12, 12.a, 21, 34 and 36.b.3.b)(5)(a).

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).

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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, including foreign operations that are subsidiaries, are recognized in the consolidated financial statements in profit or loss.

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. Changes in accounting policies:

Effective from January 1, 2019, the Group applies IFRS 16, see paragraph n below.

As from the financial statements for the third quarter of 2019 the Company adopted a revaluation model for measuring freehold land and office buildings, see paragraph l.(1) below.

h. 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 Company 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. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Consolidated financial statements, business combinations and goodwill: (Cont.)

1. Consolidated financial statements: (Cont.)

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.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Consolidated financial statements, business combinations and goodwill: (Cont.)

2. Business combinations and goodwill: (Cont.)

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 p 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.

3. Non-controlling interests:

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

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Consolidated financial statements, business combinations and goodwill: (Cont.)

3. Non-controlling interests: (Cont.)

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.

i. 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 an obligation or has made payments on behalf of the investee.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Investment in affiliates: (Cont.)

Loss of significant influence (Cont.)

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.

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 accounted for by the equity method 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.

j. 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 t 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Insurance contracts and asset management contracts: (Cont.)

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

b) Liabilities in respect of life assurance contracts: (Cont.)

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 reserves with respect to insurance policies 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.

(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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Insurance contracts and asset management contracts: (Cont.)

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

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.

The assumptions used in the abovementioned examinations include assumptions regarding cancellations, operating and commission expenses, return on assets, interest rates, illiquid premiums, mortality rates, rehab and illness realization rates 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 experts, 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Insurance contracts and asset management contracts: (Cont.)

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.

Investment income, change in liabilities and payments in respect of insurance contracts, 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 t 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) ("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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Insurance contracts and asset management contracts: (Cont.)

2. General insurance: (Cont.)

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

(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.)

j. 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. ("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 t 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 assurance 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Insurance contracts and asset management contracts: (Cont.)

3. Health insurance: (Cont.)

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 illness, interest rates and illiquid 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 see Note 36.b.3.b)(4) below.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Insurance contracts and asset management contracts: (Cont.)

3. Health insurance: (Cont.)

g) Deferred acquisition costs:

(2) (cont'd)

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.

k. 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, 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 comprise 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Financial instruments: (Cont.)

1. Non-derivative financial instruments: (Cont.)

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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Financial instruments: (Cont.)

1. Non-derivative financial instruments: (Cont.)

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 asset and liability are offset and the amounts are reported in their net value in the statement of financial position when the Group currently has the legal right to offset the amounts and intends to settle on a net basis or to realize the asset and to settle the liability simultaneously.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Financial instruments: (Cont.)

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

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: fair value is measured using quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: fair value is measured using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: fair value is measured using inputs that are not based on observable market data (unobservable inputs).

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.)

k. 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 instruments, from realization of investments that are calculated as the difference between the 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.

l. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Fixed assets: (Cont.)

1. Recognition and measurement: (Cont.)

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.

As from the third quarter of 2019, the Company has adopted a revaluation model for measuring freehold land and office buildings as allowed by IAS 16 – Property, Plant and Equipment. In the opinion of the Company this model provides the reader of the financial statements more relevant information that reflects the market value of those assets. Until the transition date, the Company measured this group of assets on a cost basis.

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.

Revaluation of the 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. 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. At the time of performing the revaluation, the depreciation that has accumulated at the date of the revaluation is reversed against the gross carrying amount of the asset, and the net amount is restated according to the revalued amount of the asset.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Fixed assets: (Cont.)

1. Recognition and measurement: (Cont.)

Presented hereunder are the main effects on the financial statements:
The balance of the revaluation reserve created as a result of adopting the model, as at September 30, 2019, has led to an increase in comprehensive income in the amount of NIS 486 million (NIS 375 million net of tax), whereas the effect on profit and loss of the increase in the insurance liabilities from the LAT calculation that is due to a change in the excess fair value of the assets over their carrying amount amounted to NIS 158 million (NIS 104 million net of tax). The total effect on comprehensive income amounted to NIS 328 million (NIS 270 million net of tax). For further information see Note 6.

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.

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	17-33
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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. 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.)

n. Leases:

As described in Note 2.X regarding the initial application of 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 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Leases: (Cont.)

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

  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 for all the leases in which the Group has a right to control identified assets for a specified period of time, other than 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 of 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.

  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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Leases: (Cont.)

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

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.

o. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Intangible assets: (Cont.)

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.

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 h.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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Intangible assets: (Cont.)

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. 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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Impairment: (Cont.)

1. Financial assets: (Cont.)

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Impairment: (Cont.)

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 in difficulty 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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Impairment: (Cont.)

4. Non-financial assets: (Cont.)

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 as a single asset 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Share capital:

Ordinary shares are classified as equity.

r. 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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Employee benefits: (Cont.)

2. Post-employment benefits: (Cont.)

b) Defined benefit plans: (Cont.)

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) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual periods. The discount rate is the yield at the reporting date of high quality 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.

Remeasurement 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). Remeasurement 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.)

r. Employee benefits: (Cont.)

3. Other long-term benefits:

The Group's net obligation in respect of long-term employee benefits other than 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 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Employee benefits: (Cont.)

5. Share-based payment transactions: (Cont.)

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 date 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.

s. 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 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.

For further information see Note 38.

Legal claims

A provision for claims is recognized if the Group has a present obligation (legal or constructive) as a 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. 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.

t. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Revenue recognition: (Cont.)

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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Revenue recognition: (Cont.)

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 k(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.

u. 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.

v. 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:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Taxes on income: (Cont.)

Deferred taxes (Cont.)

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 deriving 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 balance sheet date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Taxes on income: (Cont.)

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.

w. 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.

x. Initial application of new financial reporting standards and amendments to existing standards

Initial application of IFRS 16 - Leases

In January 2016 the IASB published International Financial Reporting Standard 16 – Leases (hereinafter – "the Standard"). The Standard replaces IAS 17 (hereinafter: "the previous standard"), IFRIC 4 of the IFRS Interpretations Committee and SIC-15 of the Standard Interpretations Committee. In accordance with the Standard, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The Standard is applied for the first time in these financial statements. As permitted by the Standard, the Group elected to adopt the Standard using the modified retrospective approach, with the balance of right-of-use assets equaling the balance of the lease liability.

This approach does not require the restatement of comparative data. The balance of the liability as at the initial application date of the Standard is calculated using the incremental borrowing rate of the Group at the initial application date of the Standard.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Initial application of new financial reporting standards and amendments to existing standards (Cont.)

Initial application of IFRS 16 – Leases (Cont.)

See Note 2.n for information regarding the accounting policy applied as from the initial date of adopting the Standard.

The main effect of the initial application of the Standard is with respect to existing lease contracts in which the Group is the lessee. According to the Standard, as mentioned in Note 2.n above, other than in exceptions, for each lease contract in which the Group is a lessee it recognizes a liability against a right-of-use asset as opposed to the policy that was applied according to the previous standard according to which for leases that did not transfer substantially all the risks and rewards incidental to ownership over the leased asset, the lease payments were recognized as an expense in profit or loss on a straight line basis over the term of the lease.

As a result of the Standard's application, the balances of assets and liabilities in the balance sheet as at January 1, 2019 increased by NIS 127 million. The effect on the statement of income is immaterial.

Presented hereunder are data relating to the initial application of the Standard as at January 1, 2019 in respect of lease contracts in effect as at the date of initial application:

1. The Group determined the nominal interest rates considered appropriate for discounting the lease contracts in accordance with the financing risk of the Group, according to the average duration of the lease contracts. In the calculation of the lease liability at the date of initial application, the Group used a weighted average incremental borrowing rate of between 1.17% and 3.5% to discount the future lease payments.

2. The expedients that were applied upon the initial application of the Standard:
   a) The Group chose to apply a single discount rate to leases with reasonably similar characteristics.
   b) With respect to part of the groups of underlying assets, the Group chose to not recognize a lease liability and right-of-use asset in respect of leases that end within 12 months from the date of initial application. These leases are accounted for as short-term leases.

y. 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).
   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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Disclosure of new IFRS in the period before their adoption: (Cont.)

1. IFRS 17, “Insurance Contracts” (Cont.)

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 for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted if IFRS 9 *Financial Instruments* has also been applied. In March 2020 the IASB decided to propose that the effective date of IFRS 17 be postponed to January 1, 2023.

In accordance with the draft of a letter that was sent to the heads of the insurance companies in February 2020, the Capital Market, Insurance and Savings Authority intends to set the date for initial application of the standard for interim and annual periods beginning on or after January 1, 2023.

The new standard shall be applied retrospectively. If retrospective application is impracticable, one of the following two approaches may be chosen:
a) Modified retrospective approach.
b) Fair value approach.

The Company approved a plan for preparing for the standard's application and is examining its effects on the financial statements.

2. IFRS 9, "Financial Instruments"

In July 2014 the IASB issued the full and final version of IFRS 9, “Financial Instruments”, which replaces IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 (hereinafter – the new standard) mainly changes the classification and measurement principles of financial assets, and it applies to all the financial assets in the scope of IAS 39.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Disclosure of new IFRS in the period before their adoption: (Cont.)

2. IFRS 9, "Financial Instruments" (Cont.)

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 three-step expected credit loss model for measuring impairment of financial debt instruments not measured at fair value through profit or loss. Each step specifies the method for measuring expected credit losses based on changes that occurred in the credit risk of the debt instrument. Furthermore, the model includes an expedient for financial assets having a short credit period, such as customers.

As to de-recognition and financial liabilities, the new standard includes the same requirements of IAS 39 concerning de-recognition and concerning financial liabilities for which the fair value alternative was not chosen.

As regards liabilities for which the fair value alternative was chosen, the amount of the change in the fair value of the liability, which is attributable to changes in the Company’s credit risk, will be recognized in other comprehensive income. All other changes in fair value will be recognized in profit or loss.

The new standard includes new hedge accounting requirements.

The standard will be adopted in annual periods beginning on January 1, 2018.

In September 2016 an amendment was issued to IFRS 4 that permits an entity that issues insurance contracts to adopt IFRS 9 with adjustments (“the overlay approach”) or to defer the adoption of IFRS 9 to January 1, 2021 (“the deferral approach” or "the temporary exemption").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Disclosure of new IFRS in the period before their adoption: (Cont.)

2. IFRS 9, "Financial Instruments" (Cont.)

In March 2020 a proposal to amend IFRS 4 was published that, inter alia, proposed that the temporary exemption from applying IFRS 9 for insurance companies that adopted the deferral approach be extended until January 1, 2023.

In order to apply the deferral approach the entity has to meet the following criteria:

a) The entity had not previously applied any version of IFRS 9.
b) The entity's operations are predominantly connected with insurance.

According to the standard, an entity's operations are predominantly connected with insurance when:

a) The carrying amount of its liabilities arising from insurance contracts, together with any unbundled embedded derivatives or deposit components, is significant compared to the total carrying amount of its liabilities; and

b) The ratio of the carrying amount of liabilities connected with insurance to the total carrying amount of its liabilities is:
   - greater than 90%; or
   - between 80% and 90%, and the insurer does not have any other significant activity unconnected with insurance.

The Company applies the temporary exemption from IFRS 9 as permitted by IFRS 4 since it meets the criteria described above as its operations are predominantly connected with insurance. As at December 31, 2015 the carrying amount of the Company's liabilities deriving from contracts in the scope of IFRS 4 constitute 94% of the total carrying amount of the Company's liabilities. Since that date there have been no changes in the Company's operations that require updating the assessment.

3. IFRIC 23, "Uncertainty Over Income Tax Treatments"

In June 2017 the IASB issued IFRIC 23, "Uncertainty Over Income Tax Treatments" (hereinafter – "the interpretation"). The interpretation clarifies application of recognition and measurement requirements of assets or liabilities in accordance with IAS 12, "Income Taxes", when there is uncertainty in income taxes. The interpretation refers to and provides guidance for examining groups of uncertainties in income taxes, examining the position of the tax authorities, measuring effects of the uncertainty over income taxes on the financial statements and for treating changes in facts and circumstances of the uncertainty.

The initial application of the interpretation did not have a material effect on the Company's financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

	Consumer Price Index		Representative exchange
	Index in respect of	Known index	rate of the USD
		%	
Year ended December 31, 2019	0.6	0.3	(7.8)
Year ended December 31, 2018	0.8	1.2	8.1
Year ended December 31, 2017	0.4	0.3	(9.8)

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 is 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 to derivatives with 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.

NOTE 3:- OPERATING SEGMENTS (Cont.)

a. General (Cont.)

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 will cause to a third party.

- Other liability branches

  The liability branches are intended for the coverage of the policyholders' liabilities for any damage that he will 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.

NOTE 3:- OPERATING SEGMENTS (Cont.)

a. General (Cont.)

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.

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, 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	25,390,540	1,877,528	1,587,085	-	-	-	(38,074)	28,817,079
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	25,308,409	1,783,803	1,367,904	-	-	-	(38,074)	28,422,042
Commissions, marketing expenses and other acquisition expenses	880,115	478,127	448,911	45,069	150,667	-	(1,549,982)	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	26,828,280	2,347,342	1,885,973	143,878	311,978	283,179	(232,034)	31,568,596
Share of the Company in the results, net, of affiliates	6,609	-	(633)	-	513	8,217	-	14,706
Income (loss) before taxes on income	(960,351)	(466,901)	260,629	20,903	59,556	173,503	4,351	(908,310)
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	(556,767)	(437,829)	403,817	20,299	58,145	676,897	4,351	168,913

*) 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 109,821 thousand, in health insurance in the amount of NIS 26,186 thousand, in general insurance in the amount of NIS 17,310 thousand and in financial services in the amount of NIS 934 thousand.

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	9,732,187	921,608	1,687,164	-	-	-	(39,094)	12,301,865
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	9,655,275	870,296	1,485,957	-	-	-	(39,094)	11,972,434
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	11,158,141	1,380,325	2,032,002	147,417	314,941	255,940	(226,713)	15,062,053
Share of the Company in the results, net, of affiliates	10,761	-	564	-	58	12,669	-	24,052
Income (loss) before taxes on income	553,974	62,615	135,809	11,762	63,046	(48,895)	(1,651)	776,660
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	279,462	28,562	(6,031)	12,438	63,732	(268,892)	(1,651)	107,620

*) 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 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.

NOTE 3:- OPERATING SEGMENTS (Cont.)

b. Reportable segments: (Cont.)

	Year ended December 31, 2017							
	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	8,915,630	1,325,697	2,380,841	-	-	-	-	12,622,168
Premiums earned by reinsurers	172,620	114,348	482,625	-	-	-	-	769,593
Premiums earned on retention	8,743,010	1,211,349	1,898,216	-	-	-	-	11,852,575
Net investment income and finance income	9,052,026	210,420	138,366	12,294	76	172,020	(26,446)	9,558,756
Income from management fees	1,872,811	-	-	153,343	-	-	(14)	2,026,140
Income from commissions	61,517	27,980	74,967	6,130	337,829	-	(* (172,501)	335,922
Other income	-	-	1,569	307	35,794	72,589	(49,507)	60,752
Total income	19,729,364	1,449,749	2,113,118	172,074	373,699	244,609	(248,468)	23,834,145
Payments and change in liabilities in respect of insurance and investment contracts, gross	17,936,044	1,019,380	1,826,649	-	-	-	(41,872)	20,740,201
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	78,884	78,004	254,131	-	-	-	-	411,019
Payments and change in liabilities in respect of insurance and investment contracts on retention	17,857,160	941,376	1,572,518	-	-	-	(41,872)	20,329,182
Commissions, marketing expenses and other acquisition expenses	842,961	385,485	464,199	56,537	132,328	-	(166,243)	1,715,267
General and administrative expenses	601,253	75,926	50,713	88,568	176,942	63,310	(18,818)	1,037,894
Other expenses	10,667	-	9,955	554	4,703	62,209	(2,411)	85,677
Finance expenses	13,641	327	(2,383)	400	557	131,307	(15,369)	128,480
Total expenses	19,325,682	1,403,114	2,095,002	146,059	314,530	256,826	(244,713)	23,296,500
Share of the Company in the results, net, of affiliates	18,284	-	882	-	198	21,196	-	40,560
Income before taxes on income	421,966	46,635	18,998	26,015	59,367	8,979	(3,755)	578,205
Other comprehensive income (loss) before taxes on income	132,623	10,552	88,113	(177)	660	138,222	-	369,993
Total comprehensive income for the period before taxes on income	554,589	57,187	107,111	25,838	60,027	147,201	(3,755)	948,198

*) 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 121,881 thousand, in health insurance in the amount of NIS 26,019 thousand, in general insurance in the amount of NIS 21,463 thousand and in financial services in the amount of NIS 3,138 thousand.

NOTE 3:- OPERATING SEGMENTS (Cont.)

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

	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	25,390,540	-	-	25,390,540
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	25,308,409	-	-	25,308,409
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	26,396,793	318,796	112,691	26,828,280
Group's share of earnings of investees accounted for at equity	6,609	-	-	6,609
Income (loss) before taxes on income	(1,004,408)	40,167	3,890	(960,351)
Other comprehensive income before taxes on income	393,593	7,766	2,225	403,584
Total comprehensive income (loss) for the period before taxes on income	(610,815)	47,933	6,115	(556,767)

NOTE 3:- OPERATING SEGMENTS (Cont.)

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

	Year ended December 31, 2018			
	Life assurance	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	9,732,187	-	-	9,732,187
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	9,655,275	-	-	9,655,275
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	10,724,719	301,658	131,764	11,158,141
Group's share of earnings of investees accounted for at equity	10,761	-	-	10,761
Income (loss) before taxes on income	520,205	51,591	(17,822)	553,974
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	251,389	47,043	(18,970)	279,462

NOTE 3:- OPERATING SEGMENTS (Cont.)

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

	Year ended December 31, 2017			
	Life assurance	Pension funds	Provident funds	Total
	NIS in thousands			
Gross premiums earned	8,915,630	-	-	8,915,630
Premiums earned by reinsurers	172,620	-	-	172,620
Premiums earned on retention	8,743,010	-	-	8,743,010
Net investment income and finance income	9,048,241	2,882	903	9,052,026
Income from management fees	1,411,357	347,024	114,430	1,872,811
Income from commissions	61,517	-	-	61,517
Total income	19,264,125	349,906	115,333	19,729,364
Payments and change in liabilities for insurance and investment contracts, gross	17,936,044	-	-	17,936,044
Reinsurers' share in payments and change in liabilities for insurance contracts	78,884	-	-	78,884
Payments and change in liabilities for insurance and investment contracts on retention	17,857,160	-	-	17,857,160
Commissions, marketing expenses and other acquisition expenses	642,817	154,284	45,860	842,961
General and administrative expenses	371,820	172,734	56,699	601,253
Other expenses	-	-	10,667	10,667
Finance expenses	13,641	-	-	13,641
Total expenses	18,885,438	327,018	113,226	19,325,682
Group's share of earnings of investees accounted for at equity	18,284	-	-	18,284
Income before taxes on income	396,971	22,888	2,107	421,966
Other comprehensive income before taxes on income	130,347	1,647	629	132,623
Total comprehensive income for the period before taxes on income	527,318	24,535	2,736	554,589

NOTE 3:- OPERATING SEGMENTS (Cont.)

d. Additional information regarding the general insurance segment:

	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	511,123	754,396	318,421	301,923	1,885,973
Share of losses of investees accounted for at equity	(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	59,651	186,934	160,311	72,199	479,095
General and administrative expenses	13,106	16,364	13,219	11,336	54,025
Other expenses	2,161	4,032	1,303	984	8,480
Finance expenses	774	199	2,920	552	4,445
Total expenses	571,821	840,187	313,412	306,582	2,032,002
Share of earnings of investees accounted for at equity	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.)

d. Additional information regarding the general insurance segment: (Cont.)

	Year ended December 31, 2017				
	Motor act	Motor casco	Property and other branches *)	Other liability branches *)	Total
	NIS in thousands				
Gross premiums	428,569	743,904	678,869	350,667	2,202,009
Reinsurance premiums	11,197	7,268	379,985	108,490	506,940
Premiums on retention	417,372	736,636	298,884	242,177	1,695,069
Change in unearned premium balance, on retention	84,290	143,300	(6,364)	(18,079)	203,147
Earned premiums on retention	501,662	879,936	292,520	224,098	1,898,216
Net investment income and finance income	67,495	18,316	4,133	48,422	138,366
Income from commissions	-	297	63,620	11,050	74,967
Other income	747	203	83	536	1,569
Total income	569,904	898,752	360,356	284,106	2,113,118
Payments and change in liabilities for insurance contracts, gross	573,158	671,636	303,358	278,497	1,826,649
Reinsurers' share in payments and in change in liabilities for insurance contracts	16,611	2,916	181,356	53,248	254,131
Payments and change in liabilities for insurance contracts on retention	556,547	668,720	122,002	225,249	1,572,518
Commissions, marketing expenses and other acquisition expenses	60,134	174,728	163,837	65,500	464,199
General and administrative expenses	12,817	13,604	13,219	11,073	50,713
Other expenses	2,539	4,275	1,736	1,405	9,955
Finance expenses (income)	508	145	(3,405)	369	(2,383)
Total expenses	632,545	861,472	297,389	303,596	2,095,002
Share of earnings of investees accounted for at equity	420	114	47	301	882
Income (loss) before taxes on income	(62,221)	37,394	63,014	(19,189)	18,998
Other comprehensive income before taxes on income	41,936	11,376	4,718	30,083	88,113
Total comprehensive income (loss) for the period before taxes on income	(20,285)	48,770	67,732	10,894	107,111
Liabilities in respect of gross insurance contracts at December 31, 2017	2,186,592	522,229	598,066	1,754,555	5,061,442
Liabilities in respect of insurance contracts on retention at December 31, 2017	1,998,504	519,145	228,875	1,435,461	4,181,985

*) 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, 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	1,677,228	(571,203)	2,681,946
Total assets	151,224,378	5,340,473	5,934,404	526,839	408,924	8,734,327	(761,453)	171,407,892
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	31,216,658	2,210,090	5,189,354	-	-	-	-	38,616,102
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	577,571	(513,031)	2,489,468
Total liabilities	149,615,960	4,762,089	5,934,404	134,531	408,924	5,525,770	(707,204)	165,674,474

NOTE 3:- OPERATING SEGMENTS (Cont.)

e. Details on segment assets and liabilities: (Cont.)

	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							
Assets								
Intangible assets	280,588	-	188,749	353,852	102,610	238,043	(1,417)	1,162,425
Deferred acquisition costs	1,368,935	538,488	190,534	-	-	-	(75,187)	2,022,770
Investments in affiliates	73,010	-	5,722	-	1,062	71,303	-	151,097
Investment property for yield dependent contracts	6,099,013	131,512	-	-	-	-	-	6,230,525
Investment property - other	489,497	23,800	122,192	-	-	13,394	-	648,883
Reinsurance assets	111,604	46,523	841,316	-	-	-	-	999,443
Outstanding premiums	273,771	42,902	419,205	-	-	-	-	735,878
Financial investments for yield dependent contracts	84,483,553	1,762,138	-	-	-	-	-	86,245,691
Other financial investments:								
Quoted debt assets	3,929,364	138,499	2,106,945	5,693	1,216	5,174,213	-	11,355,930
Unquoted debt assets	22,547,943	827,718	754,071	5,962	4,973	526,613	-	24,667,280
Shares	454,506	16,153	185,079	35,487	1	227,913	-	919,139
Other	1,577,877	56,214	516,219	27,237	681	611,872	-	2,790,100
Total other financial investments	28,509,690	1,038,584	3,562,314	74,379	6,871	6,540,611	-	39,732,449
Cash and cash equivalents for yield dependent contracts	10,341,990	223,002	-	-	-	-	-	10,564,992
Cash and cash equivalents – other	1,092,564	46,693	635,459	64,630	83,037	801,063	-	2,723,446
Other assets	2,229,665	260,241	269,883	56,069	125,589	1,295,671	(1,315,266)	2,921,852
Total assets	135,353,880	4,113,883	6,235,374	548,930	319,169	8,960,085	(1,391,870)	154,139,451
Total assets for yield dependent contracts	102,794,525	2,005,229	-	-	-	-	-	104,799,754
Liabilities								
Liability due to non-yield dependent insurance and investment contracts	29,196,689	1,299,590	5,165,036	-	-	-	-	35,661,315
Liability due to yield dependent insurance and investment contracts	101,224,791	2,182,812	-	-	-	-	-	103,407,603
Financial liabilities	1,259,669	39,655	35,473	58,614	1,381	5,171,062	8,458	6,574,312
Other liabilities	2,057,679	53,338	1,034,865	109,807	317,788	312,638	(1,342,478)	2,543,637
Total liabilities	133,738,828	3,575,395	6,235,374	168,421	319,169	5,483,700	(1,334,020)	148,186,867

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, 2018	1,068,928	739,605	214,593	7,559	1,415,672	81,115	23,016	3,550,488
Acquisitions and internal development (1)	-	2,018	-	-	134,617	-	1,642	138,277
Disposals during the year	-	(1,296)	-	-	(23,604)	-	-	(24,900)
Balance at December 31, 2018	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
Accumulated amortization and impairment losses								
Balance at January 1, 2018	201,245	728,041	183,444	7,559	1,178,397	52,356	17,173	2,368,215
Amortization recognized during the year	-	3,713	4,888	-	116,063	8,480	1,276	134,420
Impairment	22,736	-	-	-	-	-	-	22,736
Disposals during the year	-	(327)	-	-	(23,604)	-	-	(23,931)
Balance at December 31, 2018	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	67,483	20,025	2,621,773
Net carrying amount								
At December 31, 2019	844,947	5,772	21,993	-	285,245	13,272	4,794	1,176,023
At December 31, 2018	844,947	8,900	26,261	-	255,829	20,279	6,209	1,162,425

(1) In respect of computer software, an amount of about NIS 113 million and NIS 104 million was included in the years 2019 and 2018, 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, 2019, 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,	
	2019	2018
	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	72,104	72,104
	844,947	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.

The recoverable amount of the provident fund unit is determined on the basis of the estimated future cash flows deriving from the activities of the unit.

As at December 31, 2019, it was found that the recoverable amount of the unit of provident funds exceeds its carrying amount which mainly comprises goodwill, future management fees and deferred acquisition costs. Accordingly, no impairment loss was recognized (in 2018 an impairment loss of NIS 22,686 thousand was recognized).

NOTE 4:- INTANGIBLE ASSETS (Cont.)

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

The recoverable amount of the financial services unit, which mainly comprises the mutual funds activity, is based on its fair value less realization costs and is determined based on the estimated future cash flows derived from the overall activities of the unit. The unit’s recoverable amount exceeds its carrying amount.

The recoverable amount of the unit of general insurance is based on its value in use and determined on the basis of estimated future cash flows of the general insurance lines. The unit's recoverable amount 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, 2019 no impairment losses were recognized. As at December 31, 2018 impairment losses were recognized in an immaterial amount.

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.k.7 regarding determination of the fair value.

The key assumptions used for the calculation of the recoverable amount

The calculation of the recoverable amount of the unit of pension funds is based on the following main assumptions:
Future yield on the assets according to a weighting of designated bonds and a 4% yield on investments (in 2018 a future yield on the assets according to a weighting of designated bonds and a risk-free real interest rate plus 1%).
Post-tax discount interest rate of about 8%.

The calculation of the recoverable amount of the unit of provident funds is based on the following main assumptions:
Pre-tax real discount interest rate of about 11.6% and post-tax discount rate of about 8.2% (in the year 2018 the pre-tax real discount interest rate was about 13.6% and post-tax about 9.8%). This rate was determined using the WACC model, on the basis of parameters characteristic of this type of activity.

Real long-term growth rate – about 1% (in 2018 a real long term growth rate of about 1%). 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

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 (Cont.)

The calculation of the recoverable amount of the mutual funds operation is based on the following main assumptions:
Pre-tax real discount interest rate of about 11.6% and post-tax real discount rate of about 8.4% (in the year 2018 pre-tax real discount interest rate of about 14.1% and post-tax discount rate of about 10.2%). 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% (in the year 2018 real long-term growth rate of about 2%). The rate was determined on the basis of the average long-term growth rate for this type of activity.
Average management fee rates in long term mutual funds about 0.45% (in the year 2018 about 0.57%).
The cash flow forecast was built for 5 years.

The calculation of the recoverable amount of the general insurance unit is based on the following main assumptions:
Nominal pre-tax discount interest rate of about 13.37% and post-tax discount rate of about 8.8% (in the year 2018 nominal pre-tax discount rate of about 16.7% and post-tax about 11%). The cash flow forecast was built for five years, overall damage ratio in the various general insurance lines of 87.64%-103.4% (in the year 2018 89%-133%); premium growth rate in the motor act and property lines of about 2% and premium growth rate in the other lines of about 3% (in the year 2018, 2% in motor act and 3% in remaining lines), long-term nominal growth rate of net income from insurance of about 1.5% (in 2018 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:
Pre-tax discount interest rate of about 15.2% and post-tax discount rate of about 11.7% (in the year 2018 about 16.5% pre-tax and about 12.7% post-tax) and long-term growth rate mainly of about 0%-2% (in the year 2018 about 0%-2.5%).
These rates were determined on the basis of parameters characteristic for this type of activity.

NOTE 5:- DEFERRED ACQUISITION COSTS

a. Composition:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Life assurance and long-term savings:		
Life assurance	1,081,209	1,108,071
Pension and provident funds	204,114	201,485
	1,285,323	1,309,556
Health insurance	561,041	522,680
General insurance	200,495	190,534
	2,046,859	2,022,770

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

	Life assurance and long-term savings				
	Life assurance	Pension and provident funds	Total	Health insurance	Total
	NIS in thousands				
Balance at December 31, 2017	1,058,395	218,418	1,276,813	481,654	1,758,467
Additions:					
Acquisition commissions	181,347	24,419	205,766	128,085	333,851
Other acquisition expenses	94,926	12,073	106,999	59,416	166,415
Total additions	276,273	36,492	312,765	187,501	500,266
Current amortization	123,554	*) 53,425	176,979	95,019	271,998
Amortization due to cancellations	103,043	*) -	103,043	51,456	154,499
Balance at December 31, 2018	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

*) Reclassified, for further information see Note 2.d.
As from 2018 the cancellation rate in the pension and provident funds segment is estimated for the average duration of the amortization.

NOTE 6:- FIXED ASSETS

a. Composition and movement

2019

	Land and office buildings	Computers and software	Motor vehicles	Furniture and equipment	Leasehold improvements	Total
	NIS in thousands					
Cost						
Cost as at January 1, 2019	794,422	231,972	712	210,525	19,336	1,256,967
Effect of initial application IFRS 16	97,145	-	29,781	-	-	126,926
Additions during the year (*)	2,778	10,543	25,149	3,376	846	42,692
Adjustments of right-of-use assets from linkage to CPI	698	-	662	-	-	1,360
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 as at December 31,	1,125,048	233,551	51,635	212,391	20,126	1,642,751
Accumulated depreciation						
Accumulated depreciation as 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 as at December 31, 2019	64,225	205,139	17,206	161,502	15,197	463,269
Carrying amount as at December 31, 2019	1,060,823	28,412	34,429	50,889	4,929	1,179,482
(*) Including right-of-use asset						
Additions during the year	1,141		25,119			
Current year depreciation	13,912		20,735			
Balance as at December 31, 2019	117,159		34,056			

NOTE 6:- FIXED ASSETS (Cont.)

a. Composition and movement (Cont.)

2018

	Land and office buildings	Computers and software	Motor vehicles	Furniture and equipment	Leasehold improvements	Total
	NIS in thousands					
Cost						
Cost as at January 1, 2018	789,878	221,173	730	208,015	19,228	1,239,024
Additions during the year	4,601	19,758	38	3,385	585	28,367
Disposals during the year	(57)	(8,959)	(56)	(875)	(477)	(10,424)
Cost as at December 31,	794,422	231,972	712	210,525	19,336	1,256,967
Accumulated depreciation						
Accumulated depreciation as at January 1, 2018	243,888	190,706	218	146,053	13,760	594,625
Additions during the year	27,481	15,933	87	9,394	1,138	54,033
Disposals during the year	(7)	(8,951)	(33)	(765)	(477)	(10,233)
Accumulated depreciation as at December 31, 2018	271,362	197,688	272	154,682	14,421	638,425
Carrying amount as at December 31, 2018	523,060	34,284	440	55,843	4,915	618,542

NOTE 6:- FIXED ASSETS (Cont.)

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

	December 31, 2019	December 31, 2018
	NIS in thousands	
Freehold	943,664	490,928
Leased *)	117,159	32,132
	1,060,823	523,060

*) Assets under capitalized lease amount to NIS 19,858 thousand (2018 - NIS 20,606 thousand) with a remaining lease period of up to 16 years.

Assets under capitalized lease in the amount of NIS 10,940 thousand (2018 - NIS 11,526 thousand) with a remaining lease period of over 45 years.

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 September 2019.

As a result of applying the revaluation model, a revaluation reserve was created that as at December 31, 2019 has a balance of NIS 486,290 thousand.

For further details see Note 2.l.1.

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

	Year ended December 31, 2019 NIS in thousands
Cost	722,290
Accumulated depreciation and accumulated impairment losses	255,130
Carrying amount	467,160

The fair value of the land and buildings was measured using a discounted income method: the revaluation model is based on the present value of the estimated operating cash flows from rentals that derive from the property. Sometimes, the fair value is determined 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, and sometimes the method of comparing transactions in similar assets is combined with the discounted income method.

NOTE 6:- FIXED ASSETS (Cont.)

d. Additional information

The Group has fully depreciated assets which are still operating. The original cost of these assets as of December 31, 2019 is about NIS 300 million (December 31, 2018 - about NIS 269 million).

In the year 2019, the Group derecognized fully depreciated fixed assets that are not utilized by the Group with an original cost of about NIS 11 million (December 31, 2018 - about NIS 7 million).

e. Disclosures for lease transactions 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 3 and 15 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.

f. Disclosures for lease transactions in which the Company is a lessor

Information regarding lease transactions

	Year ended December 31, 2019
	NIS in thousands
Interest expenses on lease liabilities	(4,501)
Total negative cash flows for leases	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 operation	The Group's ownership interests in the subsidiary Year ended December 31, 2019	2018
		%	
Migdal Insurance Company Ltd.	Israel	100	100
Migdal Makefet Pension and Provident Funds Ltd.	Israel	100	100
Yozma Pension Fund For the Self Employed Ltd.	Israel	100	100
Migdal Holdings and Insurance Agency Management Ltd.	Israel	100	100
Mivtach Simon Insurance Agencies Ltd.	Israel	100	100
Sagi Yoav Insurance Agencies (1988) Ltd.	Israel	100	100
Shacham Insurance Agencies (1977) Ltd.	Israel	100	100
Peltours Insurance Agencies Ltd.	Israel	73.28	73.28
Ihud Insurance Agencies Network Ltd.	Israel	100	100
Orlan Insurance Agency (1994) Ltd.	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

b. Details of affiliates:

1. Composition of affiliates:

	December 31, 2019				
	Main place of operation	Company's equity and voting rights	Loans and capital notes provided by the Company to affiliates	Scope of investment in affiliates	Total
		%	NIS in thousands		
Affiliates			-	26,627	26,627

NOTE 7:- INVESTMENTS IN INVESTEES (Cont.)

b. Details of affiliates: (Cont.)

1. Composition of affiliates (Cont.)

	December 31, 2018				
	Main place of operation	Company's equity and voting rights	Loans and capital notes provided by the Company to affiliates	Scope of investment in affiliates	Total
		%	NIS in thousands		
Ramat Aviv Mall Ltd. (1)	Israel	26.60	-	330,201	330,201
Other affiliates			-	26,961	26,961
Total			-	357,162	357,162
Classified as asset held for sale (1)			-	(206,065)	(206,065)
Total affiliates			-	151,097	151,097

(1) The Law to Increase Competition and Reduce Concentration – 2013 ("the Concentration Law") was published in December 2013 which includes, inter alia, provisions regarding separation between significant non-financial entities and significant financial entities, including insurers and management companies, such as an insurer and/or management company being prohibited from holding 10% or more of the means of control (including voting rights) in a significant non-financial entity for more than six years from the date of publishing the Law.

In view of the aforesaid, and the fact that Ramat Aviv Mall Ltd. (hereinafter: "the Mall") is a significant non-financial entity, per the definition of this term in the Concentration Law, as at December 31, 2018 the Company classified an amount of NIS 206,065 thousand (a 16.6% interest in the Mall's equity) as an asset held for sale that from that date was measured at the lower of its carrying amount and fair value less selling costs. As from that date the Company did not record its share in the earnings of the Mall with respect to the part held for sale.

In 2019, Migdal Real Estate Holdings Ltd,, which held 26.6% of the shares of the Mall, entered into an agreement to sell its entire interest in the Mall to the other shareholder of the Mall, Melisron Ltd., for a consideration of NIS 425 million plus VAT as required by law. The Company recognized a pre-tax gain of NIS 84 million in respect of the sale.

NOTE 7:- INVESTMENTS IN INVESTEES (Cont.)

b. Details of affiliates: (Cont.)

2. Composition of investment in affiliates:

	December 31,	
	2019	**2018**
	NIS in thousands	
Cost of shares	24,303	142,715
The Company's share in profits and capital reserves accrued from the date of acquisition, less dividends	2,324	214,447
	26,627	357,162
Goodwill included in the investment	-	6,112

3. Group's share of operating results of affiliates:

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

	Year ended December 31,		
	2019	**2018**	**2017**
	NIS in thousands		
Group's share of net income *)	14,706	24,052	40,560
Group's share of other comprehensive income (loss)	(1,595)	1,493	(1,672)

*) Including amortization of original differences.

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").

a) 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. In addition, the current Solvency circular includes, inter alia, transitional provisions for meeting the capital requirements over an application period beginning on June 30, 2017 and ending on December 31, 2024 (hereinafter – "the application period") and a reduced capital requirement that will increase gradually over 7 years with respect to certain types of investments.

b) Update to regulatory capital framework

On March 19, 2020 the Commissioner sent to the insurance companies a letter concerning a draft framework for applying Solvency II in the European format. According to the letter, based on analyses that were performed by the Capital Market, Insurance and Savings Authority there is concern that the method of applying the economic solvency regime in Israel is not achieving all its objectives, because of, inter alia, the adjustments that were to it as compared to the Directive. It is also possible that applying the regime in that manner will cause distortions in the financial and business management of the insurance companies. In addition to the aforesaid, the solvency status of the insurance companies in Israel is not comparable to similar companies in Europe.

NOTE 7:- INVESTMENTS IN INVESTEES (Cont.)

c. Capital management and requirements in the Group companies: (Cont.)

3. Regulatory capital framework applicable to Migdal Insurance (Cont.)

b) Update to regulatory capital framework (Cont.)

In view of the aforesaid, the Commissioner intends to act to adjust the economic solvency regime in Israel according to the European directive and its updates.

In the aforesaid letter the Commissioner instructed to postpone the issuance date of the solvency ratio report with respect to December 31, 2019 to August 31, 2020 and exempted the companies from calculating and issuing a solvency ratio report with respect to June 30, 2020.

Concurrently with the aforesaid letter, the Commissioner issued a draft amendment to the consolidated circular regarding application of an economic solvency regime based on Solvency II (hereinafter – "draft regulatory capital framework"), which refers to the manner of calculating the economic solvency ratio and application of the transitional provisions. The Authority plans to act to make the adjustment in the provisions regarding an economic solvency regime effective as from July 2020 in the same format that was adopted by Europe after completing the necessary process with the finance committee as required by law. The draft regulatory capital framework included changes to the Solvency circular for the purpose of adapting it to the current European directive. In addition, the draft regulatory capital framework includes a framework for applying instructions regarding gradual application, until 2032, of the increase in insurance liabilities, which derived from the Solvency II regime coming into effect, pursuant to the instructions of the European directive on this matter.

4. Solvency ratio and capital policy of Migdal Insurance

a) On December 31, 2019 Migdal Insurance published an economic solvency ratio report with respect to June 30, 2019 (hereinafter – "the report"). According to the report, which is neither reviewed nor audited, the solvency ratio of Migdal Insurance as at December 31, 2019 is lower than 100% without taking into account the transitional provisions and lower than the solvency ratio as at December 31, 2018. When taking the transitional provisions into account, Migdal Insurance has a capital surplus as at June 30, 2019.

The decrease in the solvency ratio of Migdal Insurance as at June 30, 2019 compared with the solvency ratio as at December 31, 2018, was mainly due to a significant decrease in the interest curve and an adjustment to the mortality tables that was published in July 2019.

In the period between June 30, 2019 and December 31, 2019, the decrease in the interest curve became stronger which has a material adverse effect on the solvency ratio of Migdal Insurance.

Events that took place on the financial markets subsequent to balance sheet date may have an adverse effect on the solvency ratio according to the current regulatory capital framework of Migdal Insurance. Migdal Insurance is unable to assess the effect at this time.

NOTE 7:- INVESTMENTS IN INVESTEES (Cont.)

c. Capital management and requirements in the Group companies: (Cont.)

4. Solvency ratio and capital policy of Migdal Insurance (Cont.)

a) (Cont.)

Based on an initial assessment that was performed by Migdal Insurance, which is neither reviewed nor audited, application of the draft regulatory capital framework has a material positive effect on the solvency ratio of Migdal Insurance.

See Note 39.B for further details.

It is clarified that as at present, the most recent capital regime has not yet come into effect, and it is contingent upon, inter alia, completing the necessary process with the finance committee, according to law and the issuance of a binding circular.

b) Capital management policy of Migdal Insurance and threshold distribution rules

In November 2018 the board of directors of Migdal Insurance, on the basis of the existing solvency model, 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 existing solvency regime. This policy will be examined by Migdal Insurance after the expected adjustment in accordance with the new regulatory capital framework draft.

For further details see paragraph 3.3 of the board of directors' report and the economic solvency ratio reports of Migdal Insurance as at December 31, 2018 and June 30, 2019 that were published on the website of Migdal Insurance.

5. 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 the primary capital of NIS 10 million. As at the date of this report, these companies comply with the capital regulations.

NOTE 7:- INVESTMENTS IN INVESTEES (Cont.)

c. Capital management and requirements in the Group companies: (Cont.)

5. Capital requirements from management companies (Cont.)

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.

6. 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 draft circular regarding the regulatory capital framework does not include an update to the instructions of that letter.

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.

See paragraph 4.b above with respect to the capital management policy regarding dividend distributions in the application period.

On June 30, 2019 the board of directors of Migdal Insurance approved a dividend distribution in the amount of NIS 350 million on the basis of the solvency ratio report as at December 31, 2018 that was issued on the same day and after having examined the tests prescribed in the Companies Law for doing so and complying with the threshold levels that were determined as aforesaid. The dividend was distributed on July 7, 2019.

On December 31, 2019 the solvency ratio report as at June 30, 2019 was published which was neither reviewed nor audited. In accordance with that report, the Company has an economic solvency ratio that is lower than the solvency ratio required according to the aforesaid letter. The decrease in the solvency ratio was affected mainly by a significant decrease in the interest curve and an adjustment to the mortality tables that occurred after June 30, 2019, as described in Note 36.b.3).

NOTE 8:- INVESTMENT PROPERTY

a. Composition and movement:

	For yield dependent contracts					
	Leased for retail use		Leased for office and other use		Total	
	2019	2018	2019	2018	2019	2018
	NIS in thousands					
Balance at January 1	1,601,214	1,523,196	4,629,311	4,469,114	6,230,525	5,992,310
Additions during the year:						
Purchases	4,637	67,168	329,276	71,106	333,913	138,274
Capitalized costs and expenses	52	6,313	28,079	2,756	28,131	9,069
Total additions	4,689	73,481	357,355	73,862	362,044	147,343
Changes in fair value (unrealized)	78,236	4,537	228,375	86,335	306,611	90,872
Balance at December 31	1,684,139	1,601,214	5,215,041	4,629,311	6,899,180	6,230,525

	Investment property - other					
	Leased for retail use		Leased for office and other use		Total	
	2019	2018	2019	2018	2019	2018
	NIS in thousands					
Balance at January 1	185,886	155,784	462,997	449,254	648,883	605,038
Additions during the year:						
Purchases	1,200	29,826	121,189	4,647	122,389	34,473
Capitalized costs and expenses	23	2,144	8,560	3	8,583	2,147
Total additions	1,223	31,970	129,749	4,650	130,972	36,620
Transfer to fixed assets	-	-	(699)	-	(699)	-
Changes in fair value (unrealized)	5,937	(1,868)	11,644	9,093	17,581	7,225
Balance at December 31	193,046	185,886	603,691	462,997	796,737	648,883

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 measurements 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 (5.8% to 10 %, weighted average of 6.9% in 2019, and 6% to 10%, weighted average of 7.18% in 2018)	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:

NIS in thousands	Increase (decrease) in fair value at December 31		Increase (decrease) in profit and loss before tax	
	2019	2018	2019	2018
0.5% increase	(413,136)	(368,280)	(88,144)	(77,422)
0.5% decrease	477,404	419,477	102,927	88,333

e. Evaluation processes adopted 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 in which the Group serves as lessor that are classified as investment property, see Note 38.2.g.2) regarding leases.

NOTE 8:- INVESTMENT PROPERTY (Cont.)

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

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Rental income from investment property	489,765	459,280	440,297
Direct operating expenses *)	(65,692)	(49,191)	(52,733)
	424,073	410,089	387,564

*) 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,	
	2019	2018
	NIS in thousands	
Freehold	3,869,293	3,294,157
Capitalized leases	3,826,624	3,585,251
	7,695,917	6,879,408

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.

The remaining lease periods in years:

	December 31,	
	2019	2018
	NIS in thousands	
Up to 15 years	287,660	276,847
15-50 years	1,021,223	932,306
More than 50 years	2,517,741	2,376,098
Total	3,826,624	3,585,251

NOTE 9: - DEBTORS AND RECEIVABLES

a. Composition:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Government authorities and institutions	76,773	1,384
Income receivable	102,447	38,601
Prepaid expenses	33,070	29,508
Employees	33,636	31,521
Advances to suppliers	4,126	1,888
Receivables for securities *)	757,254	1,556,386
Advances on account of commissions to insurance agents	8,837	7,200
Insurance companies and insurance brokers	58,758	73,523
Other **)	153,468	99,654
Less - allowance for doubtful accounts	(569)	(851)
Total debtors and receivables	1,227,800	1,838,814

*) Includes mainly security in banks with respect to transactions in financial derivatives.

**) With respect to transactions with a controlling shareholder, see Note 37.e and 37.c, Transactions with Controlling Shareholder.

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

b. Allowance for doubtful accounts:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Balance at January 1	(851)	(689)
Change in provision during the period	282	(162)
Balance at December 31	(569)	(851)

NOTE 10: - OUTSTANDING PREMIUMS

a. Composition:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Outstanding premiums *)	724,884	749,534
Less - allowance for doubtful accounts	(10,846)	(13,656)
Total outstanding premiums	714,038	735,878
*) Including checks receivable and standing orders	186,019	186,934

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

NOTE 10: - OUTSTANDING PREMIUMS (Cont.)

b. Aging:

	December 31,	
	2019	2018
	NIS in thousands	
Unimpaired outstanding premiums:		
Without arrears	417,274	*) 444,664
In arrears **)		
Less than 90 days	83,024	*) 85,462
Between 90-180 days	58,402	53,354
Over 180 days	153,028	146,451
Total unimpaired outstanding premiums	711,728	729,931
Impaired outstanding premiums	2,310	5,947
Total outstanding premiums	714,038	735,878

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

**) Includes an amount of NIS 270,611 (as at December 31, 2018 – NIS 273,771 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:

	December 31,	
	2019	2018
	NIS in thousands	
Balance at January 1	(13,656)	(19,605)
Change in allowance in the period	2,810	5,949
Balance at December 31	(10,846)	(13,656)

NOTE 11:- ASSETS FOR YIELD DEPENDENT CONTRACTS

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

	December 31, 2019	December 31, 2018
	NIS in thousands	
Investment property	6,899,180	6,230,525
Financial investments:		
Quoted debt assets	37,664,983	33,872,015
Unquoted debt assets *)	14,570,459	14,778,188
Shares	19,175,654	15,388,859
Other financial investments	26,797,734	22,206,629
Total financial investments	98,208,830	86,245,691
Cash and cash equivalents	13,983,926	10,564,992
Other	1,124,534	1,758,546
Total assets for yield dependent contracts	120,216,470	104,799,754
*) Including debt assets measured at amortized cost	323,589	912,404
Fair value of debt assets measured at amortized cost	388,238	1,008,126

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, 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	19,770,487	301,649	6,725,598	26,797,734
Total financial investments	69,626,885	13,743,601	14,514,755	97,885,241
Unquoted debt assets for which disclosure of fair value is provided (11a above)	-	388,238	-	388,238

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Financial investments:				
Quoted debt assets	29,379,309	4,492,706	-	33,872,015
Unquoted debt assets	-	10,134,587	3,731,197	13,865,784
Shares	13,534,735	-	1,854,124	15,388,859
Other financial investments	17,556,264	121,425	4,528,940	22,206,629
Total financial investments	60,470,308	14,748,718	10,114,261	85,333,287
Unquoted debt assets for which disclosure of fair value is provided (11a above)	-	1,008,126	-	1,008,126

NOTE 11:- ASSETS FOR YIELD DEPENDENT CONTRACTS (Cont.)

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, 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)
Transfers to Level 3	-	-	-	-	-
Transfers from Level 3	-	-	-	-	-
Balance at December 31, 2019	-	5,425,156	2,364,001	6,725,598	14,514,755
*) Total gains in the period included in profit and loss for assets held at December 31, 2019	-	(61,936)	(129,555)	(470,154)	(661,645)

	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, 2018	-	2,634,313	2,072,516	2,758,254	7,465,083
Total gains (losses) recognized in profit and loss *)	-	88,766	106,935	(10,027)	185,674
Investments	-	1,498,752	429,160	2,306,201	4,234,113
Realizations	-	(14,872)	(156,168)	(525,488)	(696,528)
Surrenders	-	(475,762)	-	-	(475,762)
Transfers to Level 3	-	-	-	-	-
Transfers from Level 3	-	-	(598,319)	-	(598,319)
Balance at December 31, 2018	-	3,731,197	1,854,124	4,528,940	10,114,261
*) Total gains in the period included in profit and loss for assets held at December 31, 2018	-	67,437	105,184	(23,664)	148,957

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

NOTE 12:- DETAILS OF OTHER FINANCIAL INVESTMENTS

	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

	December 31, 2018			
	Presented in fair value through profit or loss	Available for sale	Loans and receivables	Total
	NIS in thousands			
Quoted debt assets (a) *)	337,806	11,018,124	-	11,355,930
Unquoted debt assets (b)	152	-	24,667,128	24,667,280
Shares (d)	35,487	883,652	-	919,139
Other (e)	363,963	2,426,137	-	2,790,100
Total	737,408	14,327,913	24,667,128	39,732,449

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

a. Quoted debt assets

Composition

	December 31	
	2019	2018
	NIS in thousands	
Government bonds:		
Presented at fair value through profit and loss - held for trade	1,534	5,240
Available for sale	7,834,126	6,897,328
Total government bonds	7,835,660	6,902,568
Other debt assets:		
Unconvertible:		
Presented at fair value through profit and loss - held for trade *)	789,327	332,566
Available for sale *)	3,233,042	4,120,796
Total other unconvertible debt assets	4,022,369	4,453,362
Total quoted debt assets	11,858,029	11,355,930
Impairment allocated to profit and loss (accumulated)	18,812	37,971

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

NOTE 12:- DETAILS OF OTHER FINANCIAL INVESTMENTS (Cont.)

b. Unquoted debt assets

Composition:

	December 31			
	Carrying amount		Fair value	
	2019	2018	2019	2018
	NIS in thousands			
Government bonds - designated bonds *)	22,614,668	21,247,399	30,415,558	27,357,173
Other unconvertible debt assets:				
Presented at fair value through profit and loss	186	152	186	152
Presented as loans and receivables, excluding bank deposits	2,412,884	2,400,643	2,636,490	2,519,471
Bank deposits	477,106	1,019,086	664,595	1,175,956
Total unconvertible debt assets	2,890,176	3,419,881	3,301,271	3,695,579
Total unquoted debt assets	25,504,844	24,667,280	33,716,829	31,052,752
Impairment allocated to profit and loss (accumulated)	48,082	53,939		

*) 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,	
	2019	2018
	%	
Quoted debt assets:		
Linkage basis:		
Linked to the CPI	0.0	0.8
In NIS	1.4	2.4
Linked to foreign currency	3.4	5.3
Unquoted debt assets:		
Linkage basis:		
Linked to the CPI	5.0	5.1
In NIS	3.1	1.8
Linked to foreign currency	4.6	5.1

NOTE 12:- DETAILS OF OTHER FINANCIAL INVESTMENTS (Cont.)

d. Shares:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Quoted:		
Available for sale	441,835	808,792
Total quoted shares	441,835	808,792
Unquoted:		
Presented at fair value through profit and loss	35,103	35,487
Available for sale	68,887	74,860
Total unquoted shares	103,990	110,347
Total shares	545,825	919,139
Impairment allocated to profit and loss (accumulated)	105,180	108,481

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, 2019	December 31, 2018
	NIS in thousands	
Quoted:		
Presented at fair value through profit and loss - held for trade	3,580	226,894
Available for sale	1,078,042	1,425,368
Derivative instruments (e1)	9,610	34,629
Total quoted financial investments	1,091,232	1,686,891
Unquoted:		
Presented at fair value through profit and loss – designated at initial recognition	76,483	47,031
Available for sale	1,389,423	1,000,769
Derivative instruments (e1)	55,470	55,409
Total unquoted financial investments	1,521,376	1,103,209
Total other financial investments	2,612,608	2,790,100
Impairment allocated to profit and loss (accumulated)	433,990	375,155

NOTE 12:- DETAILS OF OTHER FINANCIAL INVESTMENTS (Cont.)

e1. 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, 2019	December 31, 2018
	NIS in thousands	
Shares	(707,413)	381,799
Commodities	-	312,150
Foreign currency	(3,959,113)	(4,678,730)
Interest	-	6,357
Bonds	1,032,738	(262,769)

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 the 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, 2019	December 31, 2018
	%	
AA and above	(0.6)	0.4
A	1.5	2.2
BBB	3.9	5.4
Not rated	4.2	5.3

(*) 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).

NOTE 12:- DETAILS OF OTHER FINANCIAL INVESTMENTS (Cont.)

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, 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	1,091,232	18,894	1,502,482	2,612,608
Total	12,860,174	549,816	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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Quoted debt assets	9,920,321	1,435,609	-	11,355,930
Unquoted debt assets	-	-	152	152
Shares	808,792	-	110,347	919,139
Other	1,686,891	32,833	1,070,376	2,790,100
Total	12,416,004	1,468,442	1,180,875	15,065,321
Unquoted debt assets for which disclosure of fair value is provided (12.b above)	-	30,390,286	662,314	31,052,600

NOTE 12:- DETAILS OF OTHER FINANCIAL INVESTMENTS (Cont.)

g. 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, 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)

	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, 2018	-	1,386	119,110	672,122	792,618
Total gains (losses) recognized:					
In profit and loss *)	-	529	2,713	(59,361)	(56,119)
In other comprehensive income	-	-	9,153	(2,467)	6,686
Investments	-		1,775	597,306	599,081
Realizations	-	(1,763)	(22,404)	(137,224)	(161,391)
Balance at December 31, 2018	-	152	110,347	1,070,376	1,180,875
*) Including Total gains (losses) in the period included in profit and loss for assets held at December 31, 2018	-	43	(1,219)	(52,187)	(53,363)

NOTE 12:- DETAILS OF OTHER FINANCIAL INVESTMENTS (Cont.)

h. Aging of investments in unquoted debt assets:

	December 31, 2019	December 31, 2018
	NIS in thousands	
Government bonds - designated bonds	22,614,668	21,247,399
Unimpaired debt assets:		
Without arrears	2,878,477	3,404,988
In arrears *)		
Less than 90 days	2,613	1,758
Between 90 – 180 days	1,581	782
Over 180 days	6,044	8,265
Total unimpaired debt assets	2,888,715	3,415,793
Impaired assets		
Specifically impaired assets, gross	49,543	58,027
Impairment allocated to profit and loss (accumulated)	(48,082)	(53,939)
Total debt assets specifically impaired	1,461	4,088
Total unquoted debt assets	25,504,844	24,667,280

*) 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 IFRS 9

The table below presents the fair value of financial assets as at December 31, 2019 and 2018 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, 2019 Category A	December 31, 2019 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	-

NOTE 12:- DETAILS OF OTHER FINANCIAL INVESTMENTS (Cont.)

i. Disclosures required according to IFRS 9 (Cont.)

	December 31, 2018	
	Category A	Category B
	NIS in thousands	
Financial investments for yield dependent contracts	1,008,126	85,333,287
Other financial investments – shares	-	919,139
Other financial investments – other	-	2,790,100
Other financial investments – quoted debt assets	11,023,817	332,113
Other financial investments – unquoted debt assets *)	31,052,752	-
Cash and cash equivalents for yield dependent contracts	-	10,564,992
Cash and cash equivalents - other	2,723,446	-

*) Including designated bonds.

NOTE 13:- CASH AND CASH EQUIVALENTS FOR YIELD DEPENDENT CONTRACTS

	December 31,	
	2019	2018
	NIS in thousands	
Cash and deposits for immediate withdrawal	13,983,926	10,564,992
Cash and cash equivalents	13,983,926	10,564,992

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 0.33% (2018 - about 0.46%).

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

NOTE 13a:- CASH AND CASH EQUIVALENTS - OTHER

	December 31,	
	2019	2018
	NIS in thousands	
Cash and deposits for immediate withdrawal	3,314,539	2,723,446
Cash and cash equivalents	3,314,539	2,723,446

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 0.28% (2018 - about 0.33%).

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

NOTE 14:- EQUITY

a. Composition of share capital:

	December 31, 2019		December 31, 2018		December 31, 2017	
	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.

NOTE 14:- EQUITY (Cont.)

d. Distributed dividends:

The following dividends were distributed by the Company:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Total dividend	(*** 350,000	(* 66,000	(** 110,000

*) NIS 0.33 per share.
**) NIS 0.06 per share.
***) NIS 0.10 per share.

NOTE 15:- LIABILITIES IN RESPECT OF NON-YIELD DEPENDENT INSURANCE AND INVESTMENT CONTRACTS

	December 31,					
	2019	2018	2019	2018	2019	2018
	Gross		Reinsurance		On retention	
	NIS in thousands					
Life assurance and long-term savings:						
Insurance contracts	30,970,015	29,062,153	115,710	107,852	30,854,305	28,954,301
Investment contracts	280,007	191,510	-	-	280,007	191,510
	31,250,022	29,253,663	115,710	107,852	31,134,312	29,145,811
Less - amounts deposited in the Group under defined benefit plan for the Group's employees	33,364	56,974	-	-	33,364	56,974
Total life assurance and long-term savings	31,216,658	29,196,689	115,710	107,852	31,100,948	29,088,837
Insurance contracts included in the health insurance segment	2,210,090	1,299,590	55,609	44,190	2,154,481	1,255,400
Insurance contracts included in the general insurance segment	5,189,354	5,165,036	855,995	841,316	4,333,359	4,323,720
Total liabilities in respect of non-yield dependent insurance and investment contracts	38,616,102	35,661,315	1,027,314	993,358	37,588,788	34,667,957

NOTE 16:- LIABILITIES IN RESPECT OF YIELD DEPENDENT INSURANCE AND INVESTMENT CONTRACTS

	December 31,					
	2019	2018	2019	2018	2019	2018
	Gross		Reinsurance		On retention	
	NIS in thousands					
Life assurance and long-term savings:						
Insurance contracts	114,882,612	99,493,162	3,749	3,752	114,878,863	99,489,410
Investment contracts	2,170,743	1,880,536	-	-	2,170,743	1,880,536
	117,053,355	101,373,698	3,749	3,752	117,049,606	101,369,946
Less - amounts deposited in the Group under defined benefit plan for the Group's employees	142,260	148,907	-	-	142,260	148,907
Total life assurance and long-term savings	116,911,095	101,224,791	3,749	3,752	116,907,346	101,221,039
Insurance contracts included in the health insurance segment	2,475,827	2,182,812	6,818	2,333	2,469,009	2,180,479
Total liabilities in respect of yield dependent insurance and investment contracts	119,386,922	103,407,603	10,567	6,085	119,376,355	103,401,518

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,					
	2019	2018	2019	2018	2019	2018
	Gross		Reinsurance		On retention	
	NIS in thousands					
Motor act and liability branches						
Provision for unearned premium	384,562	363,545	67,108	65,119	317,454	298,426
Outstanding claims and provision for premium deficiency	3,718,824	3,699,525	440,355	452,168	3,278,469	3,247,357
Total motor act and liability branches (see b.1 below)	4,103,386	4,063,070	507,463	517,287	3,595,923	3,545,783
Of which: liabilities in respect of the motor act branch (see c.3 and c.4 below)	2,191,422	2,210,305	97,984	129,708	2,093,438	2,080,597
Property and other branches:						
Provision for unearned premium	579,161	602,622	163,574	162,784	415,587	439,838
Outstanding claims	506,807	499,344	184,958	161,245	321,849	338,099
Total property and other branches (see b.2 below)	1,085,968	1,101,966	348,532	324,029	737,436	777,937
Total liabilities in respect of insurance contracts included in the general insurance segment	5,189,354	5,165,036	855,995	841,316	4,333,359	4,323,720
Deferred acquisition costs:						
Motor act and liability branches	61,693	57,198	12,666	12,216	49,027	44,982
Property and other branches	138,802	133,336	35,076	33,185	103,726	100,151
Total deferred acquisition costs	200,495	190,534	47,742	45,401	152,753	145,133
Liabilities in respect of general insurance contracts less deferred acquisition costs:						
Motor act	2,169,511	2,190,663	97,984	129,708	2,071,527	2,060,955
Other liabilities branches	1,872,182	1,815,209	396,813	375,363	1,475,369	1,439,846
Property and other branches	947,166	968,630	313,456	290,844	633,710	677,786
Total liabilities in respect of general insurance contracts less deferred acquisition costs	4,988,859	4,974,502	808,253	795,915	4,180,606	4,178,587

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,					
	2019	2018	2019	2018	2019	2018
	Gross		Reinsurance		On retention	
	NIS in thousands					
Actuarial valuations:						
Total actuarial valuations by the appointed general insurance actuary Ms. Ronnie Ginor	3,942,230	3,911,446	371,767	353,283	3,570,463	3,558,163
Provisions on the basis of other valuations:						
Claims department valuation in respect of known outstanding claims	277,063	280,528	249,478	255,586	27,585	24,942
Addition to outstanding claims due to claims incurred but not yet reported (IBNR)	6,338	6,895	4,068	4,544	2,270	2,351
Provision for unearned premium	963,723	966,167	230,682	227,903	733,041	738,264
Total insurance liabilities in respect of insurance contracts included in the general insurance segment	5,189,354	5,165,036	855,995	841,316	4,333,359	4,323,720

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:

1. Motor act and liability branches:

	December 31,					
	2019	2018	2019	2018	2019	2018
	Gross		Reinsurance		On retention	
	NIS in thousands					
Balance at the beginning of the year (1)	4,005,872	3,878,908	505,071	499,215	3,500,801	3,379,693
Estimate of the cumulative cost of claims in respect of the current underwriting year (2)	841,876	831,217	76,595	72,910	765,281	758,307
Change in balances at the beginning of the year as a result of linkage to the index	11,095	42,437	1,404	5,442	9,691	36,995
Change in the estimate of the cumulative cost of claims in respect of previous underwriting years (3)	(108,401)	(73,600)	(3,176)	16,226	(105,225)	(89,826)
Total change in cumulative cost of claims	744,570	800,054	74,823	94,578	669,747	705,476
Payments for settlement of claims during the year (4)						
In respect of current underwriting year	9,477	9,402	274	35	9,203	9,367
In respect of previous underwriting years	699,272	663,688	84,823	88,687	614,449	575,001
Total payments for the period	708,749	673,090	85,097	88,722	623,652	584,368
Balance at the end of the year	4,041,693	4,005,872	494,797	505,071	3,546,896	3,500,801

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 decrease in the estimate of the cumulative cost of claims in respect of underwriting years before 2019 stems mainly from the motor act and third party branches, largely following a ruling of the Supreme Court regarding the interest rate used for discounting insurance benefits for bodily injuries, and from the professional liability and product warranty branches following a positive development in claims experience.

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

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.)

2. Other property branches:

	December 31,					
	2019	2018	2019	2018	2019	2018
	Gross		Reinsurance		On retention	
	NIS in thousands					
Balance at the beginning of the year (1)	968,630	977,599	290,844	337,827	677,786	639,772
Estimate of the cumulative cost of claims in respect of events during the reporting year (2)	954,747	948,157	157,828	114,875	796,919	833,282
Change in the estimate of the cumulative cost of claims in respect of events prior to the reporting year (3)	(95,710)	(66,131)	(11,931)	(1,166)	(83,779)	(64,965)
Payment to settle claims during the year (4)						
In respect of events during the reporting year	606,753	610,285	61,490	50,649	545,263	559,636
In respect of events prior to the reporting year	244,821	294,603	60,694	105,804	184,127	188,799
Total payments	851,574	904,888	122,184	156,453	729,390	748,435
Change in provision for unearned premium, net of deferred acquisition costs (6)	(28,927)	13,893	(1,101)	(4,239)	(27,826)	18,132
Balance at the end of the year (1)	947,166	968,630	313,456	290,844	633,710	677,786

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.
In 2019 there was a decrease in the gross cost of claims in the motor casco branch that was offset by an increase in the business branches. The increase in reinsurance is due to claims that for the most part are covered by reinsurance. The decrease in retention is due to a decrease in the cost of claims in the motor casco branch.

(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) There is no provision for premium deficiency in 2018 and 2019.

(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, 2019										
	Underwriting year										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	NIS in thousands adjusted to the CPI of November 2019										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	6,656	5,935	5,032	6,751	6,776	7,101	8,267	6,807	9,487	9,491	
After two years	32,575	29,204	29,524	43,332	58,784	63,992	85,220	70,993	87,669		
After three years	79,250	69,616	78,005	146,762	165,108	192,985	237,848	196,723			
After four years	138,298	134,436	143,313	247,922	281,078	302,297	376,379				
After five years	187,633	216,673	195,717	333,369	353,678	391,925					
After six years	245,907	280,206	267,327	390,429	423,316						
After seven years	295,445	344,164	311,485	446,368							
After eight years	336,441	377,999	347,983								
After nine years	360,005	392,854									
After ten years	374,865										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	485,228	471,334	445,879	720,508	748,188	734,875	919,719	779,315	833,796	841,890	
After two years	502,968	486,766	461,628	768,860	750,336	778,248	910,547	777,813	826,594		
After three years	513,958	506,138	479,704	716,567	736,017	773,634	920,694	780,787			
After four years	437,126	464,927	414,584	702,217	773,232	798,070	933,817				
After five years	446,131	471,599	430,646	723,632	772,086	794,286					
After six years	425,272	472,698	454,979	678,515	745,269						
After seven years	443,556	471,107	448,574	657,139							
After eight years	436,322	476,588	431,748								
After nine years	431,940	454,678									
After ten years	421,796										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	15,330	10,249	(17,164)	59,428	5,067	(59,411)	(14,098)	(1,472)	7,202		5,131
The rate of deviation in relation to the first year that does not include accumulation, in percentage	3.51%	2.20%	(4.14%)	8.29%	0.68%	(8.08%)	(1.53%)	(0.19%)	0.86%		0.08%
Accumulated claims cost as at December 31, 2019	421,796	454,678	431,748	657,139	745,269	794,286	933,817	780,787	826,594	841,890	6,888,004
Accumulated payments up to December 31, 2019	374,865	392,854	347,983	446,368	423,316	391,925	376,379	196,723	87,669	9,491	3,047,573
Outstanding claims balance	46,931	61,824	83,765	210,771	321,953	402,361	557,438	584,064	738,925	832,399	3,840,431
Outstanding claims in respect of the years up to and including the underwriting year 2010 (3)											127,045
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (4)											74,217
Total liability in respect of insurance contracts in the motor act and liability branches net of deferred acquisition costs at December 31, 2019											4,041,693

(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 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, 2019										
	Underwriting year										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	NIS in thousands adjusted to the CPI of November 2019										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	6,158	5,786	4,915	6,495	6,588	6,990	8,149	6,575	9,452	9,217	
After two years	31,153	27,593	28,090	42,123	58,214	62,650	84,076	69,021	85,364		
After three years	75,450	66,327	75,497	145,307	163,857	190,797	235,496	189,326			
After four years	131,710	120,263	140,377	243,278	277,873	299,155	371,615				
After five years	179,181	187,225	190,735	327,964	349,493	379,755					
After six years	230,425	244,758	252,701	383,644	408,643						
After seven years	275,842	298,285	294,747	435,550							
After eight years	311,532	326,063	328,182								
After nine years	330,869	338,049									
After ten years	343,736										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	399,187	395,107	393,426	657,534	681,183	705,749	869,608	701,964	760,664	765,295	
After two years	400,930	393,567	398,360	693,360	719,850	734,456	862,925	682,620	752,691		
After three years	408,876	409,513	414,066	686,658	691,487	736,333	873,667	675,749			
After four years	394,055	398,668	397,164	672,045	723,343	757,116	888,637				
After five years	404,204	410,315	402,983	693,463	713,723	756,434					
After six years	405,787	409,446	427,946	650,119	696,149						
After seven years	410,013	408,159	419,566	627,415							
After eight years	399,656	410,423	405,981								
After nine years	391,857	390,870									
After ten years	382,299										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	11,756	7,798	(8,817)	59,243	23,701	(50,685)	(19,029)	26,215	7,973		58,155
The rate of deviation in relation to the first year that does not include accumulation, in percentage	2.98%	1.96%	(2.22%)	8.63%	3.29%	(7.18%)	(2.19%)	3.73%	1.05%		1.02%
Accumulated claims cost as at December 31, 2019	382,299	390,870	405,981	627,415	696,149	756,434	888.637	675,749	752,691	765,295	6,341,520
Accumulated payments up to December 31, 2019	343,736	338,049	328,182	435,550	408,643	379,755	371,615	189,326	85,364	9,217	2,889,437
Outstanding claims balance	38,563	52,821	77,799	191,865	287,506	376,679	517,022	486,423	667,327	756,078	3,452,083
Outstanding claims in respect of the years up to and including the underwriting year 2010 (3)											94,296
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (4)											517
Total liability in respect of insurance contracts in the motor act and liability branches net of deferred acquisition costs at December 31, 2019											3,546,896

(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.)

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, 2019										
	Underwriting year										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	NIS in thousands adjusted to the CPI of November 2019										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	3,864	3,793	2,959	3,654	3,580	5,186	5,472	4,892	7,029	6,898	
After two years	16,168	13,644	15,720	26,908	42,533	46,477	66,462	53,218	73,987		
After three years	41,899	36,081	44,954	105,824	126,487	149,988	186,065	146,984			
After four years	71,825	61,128	84,945	178,825	206,774	227,331	285,357				
After five years	98,348	102,038	113,716	237,852	253,586	285,670					
After six years	135,137	135,364	155,861	274,826	292,410						
After seven years	163,189	172,952	186,973	308,484							
After eight years	179,150	186,386	209,224								
After nine years	187,950	191,758									
After ten years	192,598										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	255,521	245,366	245,054	488,701	481,514	453,337	571,915	420,593	508,131	491,572	
After two years	251,556	243,980	248,516	505,184	464,467	476,858	568,630	400,509	504,926		
After three years	256,302	250,340	255,110	454,327	437,866	469,408	581,542	390,801			
After four years	234,504	223,685	212,578	441,932	473,151	505,770	591,634				
After five years	226,868	207,060	223,381	466,627	469,248	505,645					
After six years	206,059	216,686	248,516	443,080	473,300						
After seven years	218,778	217,261	248,698	423,586							
After eight years	212,162	218,353	244,191								
After nine years	207,569	209,483									
After ten years	203,773										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	30,731	14,202	(31,613)	30,741	(8,833)	(52,308)	(19,719)	29,792	3,205		(3,802)
The rate of deviation in relation to the first year that does not include accumulation, in percentage	13.10%	6.35%	(14.87%)	6.77%	(1.90%)	(11.54%)	(3.45%)	7.08%	0.63%		(0.10%)
Accumulated claims cost as at December 31, 2019	203,773	209,483	244,191	423,586	473,300	505,645	591,634	390,801	504,926	491,572	4,038,911
Accumulated payments up to December 31, 2019	192,598	191,758	209,224	308,484	292,410	285,670	285,357	146,984	73,987	6,898	1,993,370
Outstanding claims balance	11,175	17,725	34,967	115,102	180,890	219,975	306,277	243,817	430,939	484,674	2,045,541
Outstanding claims in respect of the years up to and including the underwriting year 2010 (3)											57,011
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (4)											66,959
Total liability in respect of insurance contracts in the motor act and liability branches net of deferred acquisition costs at December 31, 2019											2,169,511

(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.)

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, 2019										
	Underwriting year										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	NIS in thousands adjusted to the CPI of November 2019										
Claims paid (accumulated) at the end of the year: (1)											
After the first year	3,864	3,793	2,959	3,654	3,580	5,186	5,472	4,833	7,029	6,898	
After two years	16,168	13,644	15,720	26,908	42,533	46,477	66,462	53,158	73,987		
After three years	41,899	36,081	44,954	105,824	126,487	149,988	186,065	146,924			
After four years	71,825	61,128	84,945	178,824	206,774	227,331	285,357				
After five years	98,348	102,038	113,716	237,851	253,586	283,207					
After six years	133,037	135,365	155,861	274,826	292,410						
After seven years	160,133	172,953	186,973	308,484							
After eight years	176,089	186,387	208,223								
After nine years	184,889	191,658									
After ten years	189,484										
Estimate of accumulated claims (including payments) at the end of the year:											
After the first year	249,622	240,255	240,685	482,001	473,533	448,841	568,752	417,884	505,415	488,602	
After two years	245,746	238,297	242,609	494,203	461,847	473,696	564,452	397,733	500,748		
After three years	250,318	244,484	249,027	450,806	434,703	466,758	577,468	387,770			
After four years	230,788	222,083	210,864	438,450	470,501	503,053	587,953				
After five years	225,261	205,441	221,981	462,975	466,530	502,061					
After six years	203,959	218,275	246,543	439,527	471,855						
After seven years	216,662	217,861	245,981	421,155							
After eight years	209,547	218,354	241,910								
After nine years	204,508	209,383									
After ten years	200,659										
Excess (deficiency) in relation to the first year that does not include accumulation (2)	30,129	12,700	(31,046)	29,651	(10,008)	(53,220)	(19,201)	30,114	4,667		(6,214)
The rate of deviation in relation to the first year that does not include accumulation, in percentage	13.05%	5.72%	(14.72%)	6.58%	(2.17%)	(11.86%)	(3.38%)	7.21%	0.92%		(0.17%)
Accumulated claims cost as at December 31, 2019	200,659	209,383	241,910	421,155	471,855	502,061	587,953	387,770	500,748	488,602	4,012,096
Accumulated payments up to December 31, 2019	189,484	191,658	208,223	308,484	292,410	283,207	285,357	146,924	73,987	6,898	1,986,632
Outstanding claims balance	11,175	17,725	33,687	112,671	179,445	218,854	302,596	240,846	426,761	481,704	2,025,464
Outstanding claims in respect of the years up to and including the underwriting year 2010 (3)											45,675
Balance of outstanding claims in respect of acquisition of run-off general insurance claims portfolio (4)											388
Total liability in respect of insurance contracts in the motor act and liability branches net of deferred acquisition costs at December 31, 2019											2,071,527

(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						
	2019	2018	2017	2016	2015	2014	2013
	NIS in thousands						
Year ended December 31, 2019:							
Gross premiums	490,055	515,084	415,489	565,452	508,761	528,210	547,155
Cumulative comprehensive income (loss) on retention in respect of the underwriting year *)	(39,604)	(21,042)	(10,690)	(48,647)	(17,196)	46,885	134,045
*) Including excess of income over expenses on retention that were recognized in 2015 directly to retained earnings of	-	-	-	-	889	12,514	52,222
Cumulative effect of investment income on cumulative comprehensive income on retention in respect of the underwriting year	20,427	36,432	34,012	65,326	62,833	73,142	98,669

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

	Underwriting year						
	2019	2018	2017	2016	2015	2014	2013
	NIS in thousands						
Year ended December 31, 2019:							
Gross premiums	359,084	340,519	352,142	340,305	305,729	307,604	283,514
Cumulative comprehensive income (loss) on retention in respect of the underwriting year *)	(76,845)	(69,300)	(86,924)	(77,395)	(37,237)	(2,101)	1,740
*) Including excess of income over expenses on retention that were recognized in 2015 directly to retained earnings of	-	-	-	-	2,210	4,831	6,638
Cumulative effect of investment income on cumulative comprehensive income on retention in respect of the underwriting year	9,011	19,234	25,241	38,322	38,225	43,402	46,597

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			
Year ended December 31:				
2019	(36,004)	156,993	(39,604)	163,012
2018	(45,410)	(14,308)	(50,561)	(18,994)
2017	(34,183)	8,484	(38,778)	18,493

c8. Composition of comprehensive income (loss) on retention in the other liability 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			
Year ended December 31:				
2019	(64,639)	182,535	(76,845)	158,073
2018	(72,540)	14,401	(88,510)	26,610
2017	(81,389)	125,737	(94,241)	105,135

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

	Data for December 31, 2019						
	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 *)	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 guaranteed coefficients	-	-	-	4,454,557	-	-	4,454,557
Annuity with guaranteed coefficients:							
Up to May 2001	20,032,665	50,437,732	-	-	-	-	70,470,397
From June 2001	-	11,361,767	46,782	35,229,795	-	-	46,638,344
Annuity in payment	6,775,069	5,024,355	272,931	1,637,605	-	-	13,709,960
Lump sum (without annuity option)	1,029,281	1,145,425	-	14,355	-	-	2,189,061
Supplementary annuity reserve **)	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	31,287,370	70,960,954	319,713	42,559,865	579,597	145,128	145,852,627
Liabilities in respect of investment contracts	-	785	279,222	2,170,743	-	-	2,450,750
Total	31,287,370	70,961,739	598,935	44,730,608	579,597	145,128	148,303,377
(b) According to financial exposure:							
Non yield dependent	29,148,201	310,616	598,935	773,326	390,832	28,112	31,250,022
Yield dependent	2,139,169	70,651,123	-	43,957,282	188,765	117,016	117,053,355
Total	31,287,370	70,961,739	598,935	44,730,608	579,597	145,128	148,303,377

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

**) 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.)

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

	Data for December 31, 2018						
	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 *)	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 guaranteed coefficients	-	-	-	3,654,553	-	-	3,654,553
Annuity with guaranteed coefficients:							
Up to May 2001	19,263,251	45,815,094	-	-	-	-	65,078,345
From June 2001	-	10,382,588	62,133	29,284,453	-	-	39,729,174
Annuity in payment	5,839,092	3,872,431	256,423	1,187,493	-	-	11,155,439
Lump sum (without annuity option)	1,137,444	1,147,024	-	14,247	-	-	2,298,715
Supplementary annuity reserve **)	2,758,592	1,032,328	-	1,694	-	-	3,792,614
Other risk components	177,362	869,094	-	1,078,281	563,916	157,822	2,846,475
Total in respect of insurance contracts	29,175,741	63,118,559	318,556	35,220,721	563,916	157,822	128,555,315
Liabilities in respect of investment contracts	-	692	190,818	1,880,536	-	-	2,072,046
Total	29,175,741	63,119,251	509,374	37,101,257	563,916	157,822	130,627,361
(b) According to financial exposure:							
Non yield dependent	27,355,426	395,039	509,374	569,286	388,890	35,648	29,253,663
Yield dependent	1,820,315	62,724,212	-	36,531,971	175,026	122,174	101,373,698
Total	29,175,741	63,119,251	509,374	37,101,257	563,916	157,822	130,627,361

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

**) 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 3,114 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.)

b. Details of results according to types of policies:

	Data for the year ended December 31, 2019						
	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	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	
	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	3,192,703	11,174,416	25,615	10,593,112	245,730	33,830	25,265,406
Payments and change in liabilities in respect of investment contracts	-	93	25,298	99,743	-	-	125,134
Income (loss) from life assurance business	(1,076,980)	(78,466)	(5,334)	(47,471)	198,059	5,784	(1,004,408)
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	(774,388)	(66,289)	35,627	(24,359)	211,483	7,111	(610,815)
Profit from pension and provident funds							44,057
Other comprehensive income from pension and provident funds							9,991
Total comprehensive loss from life assurance and long term savings							(556,767)
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 of insurance and investment contracts	-	-	-	783,630	-	-	783,630
Transfers from the Company of insurance and investment contracts	39,978	604,964	-	1,039,795	-	-	1,684,737

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.)

b. Details of results according to types of policies: (Cont.)

	Data for the year ended December 31, 2018						
	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	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	
	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	1,380,180	2,606,541	12,459	5,499,852	257,029	24,061	9,780,122
Payments and change in liabilities in respect of investment contracts	-	13	(7,623)	(40,325)	-	-	(47,935)
Income (loss) from life assurance business	376,340	28,376	10,199	(89,408)	182,945	11,753	520,205
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	165,849	18,050	(13,286)	(103,030)	173,444	10,362	251,389
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							279,462
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

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.

*) Restated, annualized premium net of discounts.

NOTE 18:- ADDITIONAL INFORMATION REGARDING THE LIFE ASSURANCE SEGMENT AND LONG TERM SAVINGS (Cont.)

b. Details of results according to types of policies: (Cont.)

	Data for the year ended December 31, 2017						
	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	Up to 2003	Non yield dependent	Yield dependent	Individual	Group	
	NIS in thousands						
Gross premiums:							
Traditional/endowment	32,721	25,398	-	-	-	-	58,119
Savings component	295,603	2,224,855	-	4,909,008	-	-	7,429,466
Other	51,264	258,121	-	545,399	521,125	52,289	1,428,198
Total	379,588	2,508,374	-	5,454,407	521,125	52,289	8,915,783
Financial margin including management fees	425,463	1,043,776	7,293	366,467	-	-	1,842,999
Payments and change in liabilities in respect of gross insurance contracts	1,940,999	8,053,650	10,011	7,483,039	293,287	52,119	17,833,105
Payments and change in liabilities in respect of investment contracts	-	47	11,930	90,962	-	-	102,939
Income (loss) from life assurance business	(36,845)	366,910	(4,259)	(59,672)	116,467	14,370	396,971
Other comprehensive income from life assurance business	104,841	4,618	10,418	5,464	4,074	932	130,347
Total comprehensive income (loss) from life assurance business	67,996	371,528	6,159	(54,208)	120,541	15,302	527,318
Profit from pension and provident funds							24,995
Other comprehensive income from pension and provident funds							2,276
Total comprehensive income from life assurance and long term savings							554,589
Receipts in respect of investment contracts allocated directly to insurance reserves	-	-	32,799	418,108	-	-	450,907
Annualized premium in respect of insurance contracts – new business *)	-	-	-	572,423	108,729	-	681,152
One time premium in respect of insurance contracts	41	-	-	1,481,333	-	-	1,481,374
Annualized premium in respect of investment contracts – new business	-	-	-	23,122	-	-	23,122
One time premium in respect of investment contracts	-	-	32,799	272,027	-	-	304,826
Transfers to the Company of insurance and investment contracts	-	-	-	629,742	-	-	629,742
Transfers from the Company of insurance and investment contracts	15,623	406,211	-	528,883	-	-	950,717

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.

*) Restated, annualized premium net of discounts.

NOTE 19:- DETAILS OF THE INSURANCE LIABILITIES FOR INSURANCE CONTRACTS INCLUDED IN THE HEALTH INSURANCE SEGMENT

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

	Data as at 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.

	Data as at December 31, 2018				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Yield dependent	2,050,188	-	132,624	-	2,182,812
Other	512,774	23,777	749,870	13,169	1,299,590
Total	2,562,962	23,777	882,494	13,169	3,482,402

*) 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 SEGMENT (Cont.)

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

	Data as at 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.

	Data as at December 31, 2018				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Annuity being paid	180,404	17,935	15,168	-	213,507
Other risk components	2,382,558	5,842	867,326	13,169	3,268,895
Total	2,562,962	23,777	882,494	13,169	3,482,402

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

b. Details of the results according to policy type:

	Data 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 SEGMENT (Cont.)

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

	Data 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.

	Data for the year ended December 31, 2017				
	Long term care		Other *)		
	Individual	Group	Long-term	Short-term	Total
	NIS in thousands				
Gross premiums	344,875	14,936	930,211	36,366	1,326,388
Payments and change in liabilities in respect of insurance contracts, gross	388,387	17,583	587,829	25,581	1,019,380
Profit (loss) from health insurance business	(603)	(1,651)	52,470	(3,581)	46,635
Other comprehensive income from health insurance business	3,942	330	6,235	45	10,552
Total comprehensive income (loss) from health insurance business	3,339	(1,321)	58,705	(3,536)	57,187
Annualized premium - new **)	50,901	-	128,160	-	179,061

*) 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 800,967 thousand and group premiums in the amount of NIS 165,610 thousand.

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

NOTE 20:- MOVEMENT IN LIABILITIES IN REPSECT 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, 2018	124,857,437	1,946,227	126,803,664	3,179,906
Interest, linkage differences and investment income (1)	818,005	(35,507)	782,498	38,113
Increase in respect of premiums and deposits allocated to liabilities (2)	7,965,438	593,847	8,559,285	260,439
Decline in respect of management fees from accrued savings	(784,690)	(16,519)	(801,209)	-
Decrease in respect of claims, surrenders and maturities	(3,703,830)	(403,574)	(4,107,404)	(31,527)
Other changes (3)	(597,045)	(12,428)	(609,473)	35,471
Balance as at December 31, 2018	128,555,315	2,072,046	130,627,361	3,482,402
Interest, linkage differences and investment income (1)	12,496,658	105,931	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)	2,822,923	19,203	2,842,126	741,950
Balance as at December 31, 2019	145,852,627	2,450,750	148,303,377	4,685,917

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 2019 there was an increase in provisions recorded following a study of the adequacy of the life assurance reserves including the supplementary reserve for annuity in an amount of approximately NIS 2,281 million and of the health insurance reserves in an amount of approximately NIS 667 million. In 2018 a decrease was recorded in the aforesaid provisions in the amount of approximately NIS 601 million (see Note 36.b.3.(b)(5)(a) and (b) 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 increase in the provisions, an increase was recorded in the item in the reporting year that is due to the investment income included in the reserves as aforesaid being higher 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 Assurance 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 2016 tax year. 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.

NOTE 21:- TAXES ON INCOME (Cont.)

b. Tax arrangements that are unique to the insurance industry:

The sector agreements relate, among others, to the following matters: (Cont.)

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 branch 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.

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. In the opinion of Migdal Insurance, the withdrawal does not have material effects on the tax items in the Company’s financial statements.

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.

NOTE 21:- TAXES ON INCOME (Cont.)

c. The tax rates: (Cont.)

2. In December 2016 the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016 was approved, which lowered the corporate tax rate from 25% to 24% as from January 2017 and to 23% as from January 2018. According to the aforesaid amendment the overall tax rate applicable to financial institutions, will be 35.04% in 2017 and 34.19% as from January 2018.

3. Hereunder are the statutory tax rates applicable to Group's companies, including financial institutions following the changes:

Year	Corporate tax rate	Profit tax rate	Overall effective tax rate in financial institutions
		%	
2017	24.00	17.00	35.04
2018 and thereafter	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.

NOTE 21:- TAXES ON INCOME (Cont.)

d. Tax assessments (cont'd)

3. A subsidiary has 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 years 2014 and 2013.

e. Carryforward losses for tax purposes and other temporary differences:

The Group's has carryforward business losses for tax purposes in the amount of approximately NIS 1,254 million as of December 31, 2019 (December 31, 2018 - about NIS 180 million) in respect of which deferred tax assets of about NIS 381 million (December 31, 2018 - about NIS 41 million) were recognized in the financial statements.

Furthermore, deferred tax assets relating to carryforward business losses of about NIS 86 million and capital losses for tax purposes of about NIS 113 million (December 31, 2018 - about NIS 87 million and NIS 114 million, respectively) were not recognized because their utilization in the foreseeable future is not probable.

f. Taxes on income included in the statements of income:

	Year ended December 31		
	2019	**2018**	**2017**
	NIS in thousands		
Current taxes	88,091	280,847	179,886
Deferred taxes relating to the creation and reversal of temporary differences *)	(369,611)	(42,384)	(33,630)
Taxes in respect of previous years	(997)	(12,625)	51,250
Taxes on income (tax benefit)	(282,517)	225,838	197,506

*) See also paragraph g hereunder.

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, 2018	(206,670)	(231,485)	(56,681)	16,859	(163,411)	44,572	70,693	(526,123)
Changes recognized in profit and loss	43,495	13,619	(5,962)	(7,597)	4,231	(3,196)	(2,206)	42,384
Changes recognized in other comprehensive income	-	231,802	-	(509)	-	-	(2,353)	228,940
Balance of deferred tax asset (liability) as at December 31, 2018	(163,175)	13,936	(62,643)	8,753	(159,180)	41,376	66,134	(254,799)
Changes recognized in profit and loss	29,963	28,910	(9,064)	(8,727)	(12,573)	339,489	1,613	369,611
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	70,244	(199,281)

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, 2019	December 31, 2018
	NIS in thousands	
Deferred tax assets	33,370	5,457
Liabilities in respect of deferred taxes	(232,651)	(260,256)
	(199,281)	(254,799)

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:

	Year ended December 31, 2019	2018	2017
	NIS in thousands		
Income (loss) before taxes on income	(908,310)	776,660	578,205
Overall statutory tax rate applicable to financial institutions (see c above)	34.19%	34.19%	35.04%
Tax computed at the overall statutory tax rate	(310,551)	265,540	202,603
Deduction in respect of companies that are not financial institutions	(25,192)	(15,666)	(13,594)
Increase (decrease) in taxes on income resulting from the following factors:			
Non-deductible expenses	2,686	2,105	5,295
Exempt income, mainly from dividends	(12,636)	(20,466)	(15,263)
Group's share of earnings of affiliates	(5,284)	(7,898)	(13,691)
Increase (decrease) 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	30,408	3,472	2,422
Taxes on income that was not included in the income statement	37,768	-	-
Taxes in respect of previous years	(997)	(5,028)	23,933
Differences in measurement basis and others	1,281	3,779	5,801
Taxes on income (tax benefit)	(282,517)	225,838	197,506
Effective tax rate	31.10%	29.08%	34.16%

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.r.

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:

<u>Defined contribution plans</u>

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 2019, 2018 and 2017 the expenses in respect of the defined contribution plans amounted to NIS 67,954 thousand, NIS 64,220 thousand and NIS 57,126 thousand, respectively, and were included under general and administrative expenses.

<u>Defined benefit plans</u>

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.

NOTE 22:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

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,	
	2019	2018
	NIS in thousands	
Liabilities in respect of defined benefit plan which is not financed	15,152	12,885
Liability in respect of financed defined benefit plan	418,876	413,262
Total liability in respect of defined benefit plan – see b.1	434,028	426,147
Less - fair value of the plan's assets – see b.1 and d below	194,120	169,662
Total net liability in respect of defined benefit plans	239,908	256,485
Other short term benefits – provision for vacation	59,065	57,750
Other long term benefits – see c below	12,791	16,497
Total liabilities for employee benefits, net	311,764	330,732

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, 2019	Past service cost	Interest expenses, net	Current service cost	Total	Payments from the plan	Yield on plan assets **)	Changes in demographical 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.)

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, 2018	Interest expenses, net	Current service cost	Total	Payments from the plan	Yield on plan assets **)	Changes in demographical assumptions	Changes in financial assumptions	Other actuarial loss (gain)	Total	Employer contributions to plan	Balance at December 31, 2018
Defined benefit liabilities	414,103	12,169	43,565	55,734	(32,519)	-	-	(15,255)	4,084	(11,171)	-	426,147
Fair value of plan assets	(155,519)	(4,975)	-	(4,975)	13,681	3,656	-	-	-	3,656	(26,505)	(169,662)
Net liability (asset) from defined benefit	258,584	7,194	43,565	50,759	(18,838)	3,656	-	(15,255)	4,084	(7,515)	(26,505)	256,485

*) 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		
	2019	2018	2017
		%	
Discount rate on December 31*)	2.33	3.64	3.06
Anticipated real salary increase	3.54	3.96	3.94

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, 2019		December 31, 2018	
	+1%	-1%	+1%	-1%
	NIS in thousands			
Future increase in salary costs	32,485	(22,033)	20,368	(12,656)
Discount rate	(26,227)	34,992	(17,029)	28,297

3. Actual yield:

	Year ended December 31,		
	2019	2018	2017
		%	
Actual yield on plan assets	9.93	0.54	6.95

4. Impact of the plan on future cash flows of the Group:

- The Group estimates the expected deposits in plan assets in 2019 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. Other long-term benefits:

	December 31,	
	2019	2018
	NIS in thousands	
Liability for sick pay	2,858	2,958
Jubilee grant	9,933	13,539
	12,791	16,497

NOTE 22:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

d. Composition of plan assets

	December 31, 2019	December 31, 2018
	NIS in thousands	
Central severance pay fund	6.3	5.4
Executive insurance	21.4	23.3
Provident funds and pension funds	72.3	71.3
	100	100

NOTE 23:- CREDITORS AND PAYABLES

	December 31, 2019	December 31, 2018
	NIS in thousands	
Payables from securities	137,760	62,244
Employees and other salary-related liabilities	99,720	89,852
Expenses payable	173,940	155,516
Suppliers and service providers	115,403	117,110
Government authorities and institutions	22,941	31,129
Deferred acquisition costs in respect of reinsurance	47,758	45,420
Insurance companies and brokers		
Deposits by reinsurers	119,152	159,899
Other accounts	193,463	180,213
Total insurance companies and brokers	312,615	340,112
Insurance agents	405,163	453,341
Policyholders and members	400,304	413,136
Provision for profit participation of policyholders	5,242	8,094
Prepaid premium	107,969	115,181
Others	77,829	44,339
Total creditors and payables	1,906,644	1,875,474

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(1) below.

a.1. Details of financial liabilities:

		December 31,			
		Carrying amount		Fair value	
		2019	2018	2019	2018
		NIS in thousands			
1.	Financial liabilities at amortized cost:				
	Loans from banking institutions	2,792	34,703	2,792	34,703
	Loans from non-banking institutions	4,640	7,740	4,636	7,545
	Subordinated liability certificates (hereinafter: “bonds”) *)	4,922,013	5,186,331	5,355,909	5,206,631
	Total financial liabilities reported at amortized cost	4,929,445	5,228,774	5,363,337	5,248,879
2.	Financial liabilities at fair value through profit or loss:				
	Derivatives for yield dependent contracts	145,301	1,208,777	145,301	1,208,777
	Derivatives for non-yield dependent contracts	50,914	182,952	50,914	182,952
	Short sales	-	19,911	-	19,911
	Total financial liabilities reported at fair value through profit and loss	196,215	1,411,640	196,215	1,411,640
	Total	5,125,660	6,640,414	5,559,552	6,660,519
	Lease liabilities	121,222	-		
	Less accrued interest on subordinated liability certificate presented in the balance sheet under the creditors item	64,900	66,102		
	Total financial liabilities	5,181,982	6,574,312		

*) The fair value of the unquoted bonds is provided for disclosure purposes only based on the data of Fair Spread, see Note 12.f above.
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.)

a.2. Movement in liabilities deriving from financing activities

	December 31, 2019				
	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
Movement in liabilities deriving from financing activities					
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

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

a.2. Movement in liabilities deriving from financing activities

	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
Movement in liabilities deriving from financing activities				
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

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

a.2. Movement in liabilities deriving from financing activities (Cont.)

	December 31, 2017			
	Bank loans	Non-bank loans	Subordinated liability certificates	Total
	NIS in thousands			
Balance at January 1, 2017	6,085	14,388	3,677,789	3,698,262
Movement in liabilities deriving from financing activities				
Changes deriving from cash flows from financing activities				
Additions	6,311	10,706	-	17,017
Maturities	(12,421)	(905)	-	(13,326)
Interest payments	(96)	-	(121,935)	(122,031)
Total net cash from financing activities	(6,206)	9,801	(121,935)	(118,340)
Changes due to obtaining or losing control over subsidiaries or other businesses	(13)	(3,366)	-	(3,379)
Effect of changes in foreign currency exchange rates	-	(1,036)	-	(1,036)
Other changes	134	601	128,696	129,431
Balance at December 31, 2017	-	20,388	3,684,550	3,704,938

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

b. Financial liabilities at amortized cost:

1. Details of interest and linkage:

	Effective interest December 31, 2019	Effective interest December 31, 2018
	%	
Linkage basis		
The Consumer Price Index	1.4	3.6
In NIS	3.5	3.5
Foreign currency	0.5	2.1

2. Maturity dates:

	December 31, 2019	December 31, 2018
	NIS in thousands	
First year	99,699	625,064
Second year	23,528	-
Third year	14,330	-
Fourth year	1,902,874	-
Fifth year and thereafter	33,010,236	4,603,710
Total	5,050,667	5,228,774

See details of maturity dates of non-discounted financial liabilities in Note 36.b.2.

3. Lease liability:

Information regarding a finance lease liability (including the interest component) according to payment dates:

	December 31, 2019 Future minimum lease payments	December 31, 2019 Present value of minimum lease payments
	NIS in thousands	
Less than one year	30,145	28,789
One to five years	62,655	51,417
More than five years	46,732	41,016
	139,532	121,222

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

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 approximates their fair value.

	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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Derivatives	455,922	883,360	52,447	1,391,729
Short sales	19,911		-	19,911
Total financial liabilities	475,833	883,360	52,447	1,411,640
Financial liabilities whose fair value is disclosed (Note 24.a above)	4,688,731	560,148	-	5,248,879

d. Interest rates used in determining fair value:

	December 31,	
	2019	2018
	%	
Loans	2.5	2.2
Bonds constituting hybrid tier 2 capital and tier 2 equity instruments	1.5	3.4
Bonds constituting hybrid tier 3 capital	1.2	2.4

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

e. Bonds

e.1 Issues and redemptions

1. Full early redemption of bonds (Series A and Series B)

In December 2018 Migdal Capital Raising Ltd., a subsidiary of Migdal Insurance (hereinafter – "Migdal Capital Raising"), issued NIS 706 million bonds (Series G) which their issue proceeds were used for the full early redemption of bonds (Series A) and bonds (Series B), pursuant to their terms. The full early redemption of bonds (Series B) was executed on December 31, 2018 and the full early redemption of bonds (Series A) was executed on January 3, 2019.

According to the instructions of the trust deed of the Series B bonds the amount that was paid to the holders of the bonds in the full early redemption is equal to the par value of the bonds in the amount of NIS 325 million plus interest and linkage differences until the date of payment, so that the holders of the bonds were paid an amount of NIS 335 million.

According to the instructions of the trust deed of the Series A bonds the amount that was paid to the holders of the bonds in the full early redemption is equal to the par value of the bonds in the amount of NIS 500 million plus interest and linkage differences until the date of payment, so that the holders of the bonds were paid an amount of NIS 518 million.

2. Private placement by way of expansion of series of bonds (Series F)

On March 31, 2019 Migdal Capital Raising executed a private placement of bonds (Series F) by way of expanding the series ("the private placement").

As part of the private placement, NIS 258,531,541 par value of outstanding registered bonds (Series F) of NIS 1 par value each were allotted ("the additional bonds (Series F)").

The additional bonds (Series F) were issued at a price of NIS 96.7 per each NIS 100 par value of bonds (Series F), and for total proceeds of NIS 250,000,000. According to the adjusted value of the bonds (Series F) outstanding before the issue, which was NIS 100.65 per each NIS 100 par value of bonds (Series F), the additional bonds (Series F) were issued at a discount of 3.92%.

The additional bonds (Series F) were issued at the same terms as the outstanding bonds (Series F), and were rated Aa3.il (hyb) by Midroog Ltd. on the same day.

The terms of the additional bonds (Series F) are identical to the terms of the outstanding bonds (Series F).

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%	Unlinked	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%	Unlinked	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%	Unlinked	June 2029	Annual	Aa3.il (hyb)	June 30, 2024	Quoted	One annual payment, on June 30 of each of the years 2017-2029

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

e. Bonds (Cont.)

e.2 Information and composition of bonds constituting tier 2 capital in Migdal Insurance: (Cont.)

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 F	Tier 2 equity instrument	Jan. 2018	1,379,149	1,359,852	Fixed	2.63%	2.86%	Unlinked	Dec. 2030	Annual	Aa3.il (hyb)	Dec. 31, 2025	Quoted	One annual payment, on December 31 of each of the years 2018-2030
Series G	Tier 2 equity instrument	Dec. 2018	713,205	706,294	Fixed	4.10%	4.24%	Unlinked	Dec. 2031	Annual	Aa3.il (hyb)	Dec. 31, 2026	Quoted	One annual payment, on December 31 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.

See paragraph e.1.1 above for details on the full early redemption of bonds (Series A) and bonds (Series B) on January 3, 2019 and December 31, 2018, respectively.

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

e. Bonds (Cont.)

e.2 Information and composition of bonds constituting tier 2 capital in Migdal Insurance: (Cont.)

	December 31, 2019			December 31, 2018			Balance of deferred issue expenses December 31	
Bonds	**Carrying amount**	**Accrued interest**	**Fair value *)**	**Carrying amount**	**Accrued interest**	**Fair value *)**	**2019**	**2018**
Series A	-	-	-	517,860	-	517,900	-	3
Series C	1,185,898	31,994	1,315,043	1,184,315	31,994	1,268,452	5,696	7,279
Series D	708,165	18,083	779,492	707,313	18,083	757,302	3,050	3,902
Series E	894,374	14,823	987,712	893,048	14,823	916,614	6,741	8,067
Series F	1,361,614	-	1,457,898	1,111,394	-	1,036,795	17,535	9,223
Series G	707,065	-	815,764	706,299	1,202	709,568	6,140	6,906

*) The fair value of Series A which is unquoted was determined according to price quotes and interest rates and are determined by a company that won a tender that was issued by the Ministry of Finance to set up and operate a database of price quotes and interest rates for institutional bodies. 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 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.

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

e. Bonds (Cont.)

e.3 The status of the bonds (Cont.)

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:
    1) The shareholders' equity of Migdal Insurance is lower that 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 conditional terms, 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.

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

e. Bonds (Cont.)

e.3 The status of the bonds (Cont.)

2. Deferral of principal and/or interest payment dates (Cont.)

The terms "shareholders' equity" and "equity required for conditional terms" 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 conditional terms, 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 Insurance 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.

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

e. Bonds (Cont.)

e.3 The status of the bonds (Cont.)

3. Early redemption (Cont.)

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.

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.

On September 16, 2019 Midroog Ltd. announced that it is not making any change in the following ratings:
A rating of Aa1.il for financial stability (IFSR) for Migdal Insurance, a rating of Aa3.il for tier 2 subordinated liability certificates (Series A, B, 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 equity instruments (Series D) that were issued by Migdal Insurance by means of Migdal Capital Raising. The rating outlook is stable.

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.

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

e. Bonds (Cont.)

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.

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	Aa2.il (hyb)	Stable	16.09.19 Aa3.il (hyb)
			12.09.16	Aa3.il (hyb)		
			28.09.17	Aa3.il (hyb)		
			25.09.18	Aa3.il (hyb)		
Bonds (Series D)	Midroog Ltd.	Aa1.il (hyb) (awarded on 15.11.15)	15.11.15	Aa1.il (hyb)	Stable	16.09.19 Aa2.il (hyb)
			12.09.16	Aa2.il (hyb)		
			28.09.17	Aa2.il (hyb)		
			25.09.18	Aa2.il (hyb)		
Bonds (Series E)	Midroog Ltd.	Aa3.il (hyb) (awarded on 15.09.16)	15.09.16	Aa3.il (hyb)	Stable	16.09.19 Aa3.il (hyb)
			28.09.17	Aa3.il (hyb)		
			25.09.18	Aa3.il (hyb)		
Bonds (Series F)	Midroog Ltd.	Aa3.il (hyb) (awarded on 18.12.17)	25.09.18	Aa3.il (hyb)	Stable	16.09.19 Aa3.il (hyb)
				Aa3.il (hyb)		
Bonds (Series G)	Midroog Ltd.	Aa3.il (hyb) (awarded on 27.11.18)	27.11.18	Aa3.il (hyb)	Stable	16.11.19 Aa3.il (hyb)

NOTE 24:- FINANCIAL LIABILITIES (Cont.)

e. Bonds (Cont.)

e.6 To the best of the Company’s knowledge, during 2019 and as of December 31, 2019 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, 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

	Year ended December 31, 2017		
	Gross	Reinsurance	On retention
	NIS in thousands		
Premiums in life assurance	8,915,783	172,620	8,743,163
Premiums in health insurance	1,326,388	114,360	1,212,028
Premiums in general insurance	2,202,009	506,940	1,695,069
Total premiums	12,444,180	793,920	11,650,260
Less - change in the unearned premium balance *)	177,988	(24,327)	202,315
Total premiums earned	12,622,168	769,593	11,852,575

*) Mainly in general insurance, see Note 17.
The change in the unearned premium between 2017 and 2018 is mainly due to a transaction that was signed at the end of 2016 with a large group insurance.

NOTE 26:- INVESTMENT INCOME (LOSS), NET AND FINANCE INCOME

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Profits (losses) from assets held against yield dependent liabilities			
Investment property	698,580	466,678	537,005
Financial investments			
Quoted debt assets	2,553,618	170,127	1,046,982
Unquoted debt assets	1,026,113	262,667	606,817
Shares	2,923,281	291,460	2,058,544
Other financial investments	5,598,687	(1,887,627)	3,661,598
Cash and cash equivalents	(174,223)	242,920	(184,485)
Total profits from assets held against yield dependent liabilities, net	12,626,056	(453,775)	7,726,461
Profits (losses) from assets held against non-yield dependent liabilities, capital and others			
Income from investment property			
Revaluation of investment property	17,581	7,225	(20)
Current income in respect of investment property	32,572	34,283	32,487
Total income from investment property	50,153	41,508	32,467
Profits (losses) from financial investments, except for interest, linkage differences, rate differences and dividend			
Available for sale assets (a)	424,763	216,582	103,912
Assets reported at fair value through profit and loss (b)	204,839	(441,888)	233,677
Assets reported as loans and debtors (c)	4,370	(5,520)	(9,882)
Interest income *) and linkage differences from financial assets not at fair value through profit and loss	1,505,961	1,654,186	1,412,002
Interest income and linkage differences from financial assets at fair value through profit and loss	56,304	(7)	204
Profits (losses) from exchange rate differences in respect of investments not measured at fair value through profit and loss and other assets **)	(160,391)	141,810	(161,727)
Income from dividend	166,457	189,288	221,642
Total profits (losses) from net investments and finance income	14,878,512	1,342,184	9,558,756
*) The above income includes interest in respect of financial assets not reported at fair value through profit and losses whose value was impaired	9,237	9,471	9,377

**) 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,		
	2019	2018	2017
	NIS in thousands		
Net gains from realized securities	551,229	349,839	281,367
Net impairment recognized in profit and loss	(126,466)	(133,257)	(177,455)
Total gains from investments in respect of available for sale assets	424,763	216,582	103,912

b. Gains (losses) from investments in respect of assets presented at fair value through profit and loss:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Net changes in fair value, including realization profit:			
In respect of assets designated upon initial recognition	-	-	(205)
In respect of assets held for trade	204,839	(441,888)	233,882
Total gains(losses) from investments in respect of assets reported at fair value through profit and loss	204,839	(441,888)	233,677

c. Gains (losses) from investments in respect of assets presented as loans and debtors:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Net gains (losses) from the realization of assets reported as loans and debtors	-	(3,281)	240
Net increase (decrease) in value recognized in profit and loss	4,370	(2,239)	(10,122)
Total gains (losses) from investments in respect of assets reported as loans and debtors	4,370	(5,520)	(9,882)

NOTE 27:- INCOME FROM MANAGEMENT FEES

Composition:

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Management fees in the pension and provident branches	468,039	458,826	461,454
Variable management fees in respect of life assurance contracts	855,894	-	679,457
Fixed management fees in respect of life assurance contracts	849,178	784,690	716,190
Management fees in respect of investment contracts	18,276	16,519	15,710
Total income from management fees from members and policyholders	2,191,387	1,260,035	1,872,811
Other management fees	156,183	153,055	153,329
Total income from management fees	2,347,570	1,413,090	2,026,140

NOTE 28:- INCOME FROM COMMISSIONS

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Insurance agencies' commissions	182,582	183,234	165,328
Reinsurance commissions, net of change in deferred acquisition costs in respect of reinsurance	147,538	176,964	164,464
Other commissions	3,042	4,048	6,130
Total income from commissions	333,162	364,246	335,922

NOTE 29:- OTHER INCOME

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Income from other non-insurance activities	41,478	39,067	58,602
Income from acquired run-off general insurance portfolio *)	727	1,770	1,569
Capital gain on sale of fixed assets, net	-	97	581
Other capital gains, net	89,686	6,217	-
Total other income	131,891	47,151	60,752

*) For more information see Note 37.e.2.

NOTE 30:- PAYMENTS AND CHANGE IN LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND INVESTMENT CONTRACTS ON RETENTION

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
In respect of life assurance contracts:			
Claims paid and outstanding for death, disability and others	1,086,516	1,132,236	1,114,935
Less reinsurance	78,772	75,978	77,708
	1,007,744	1,056,258	1,037,227
Surrenders	2,675,475	2,266,668	2,168,649
Maturities	2,054,370	1,418,589	1,869,185
Annuities	969,394	819,698	672,379
Total claims	6,706,983	5,561,213	5,747,440
Increase in liabilities in respect of life assurance contracts (except for change in outstanding) on retention	18,476,292	4,141,997	12,006,781
Increase in liabilities in respect of investment contracts for yield component	125,134	(47,935)	102,939
Total payments and change in liabilities in respect of insurance contracts and investments contracts on retention, in respect of life assurance contracts	25,308,409	9,655,275	17,857,160
Total payments and change in liabilities in respect of general insurance contracts:			
Gross	1,585,885	1,685,964	1,825,449
Reinsurance	219,181	201,207	254,131
On retention	1,366,704	1,484,757	1,571,318
Total payments and change in liabilities in respect of health insurance contracts:			
Gross	1,840,654	883,714	978,708
Reinsurance	93,725	51,312	78,004
On retention	1,746,929	832,402	900,704
Total payments and change in liabilities in respect of insurance contracts and investment contracts on retention	28,422,042	11,972,434	20,329,182

NOTE 31:- COMMISSIONS, MARKETING EXPENSES AND OTHER ACQUISTION EXPENSES

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Acquisition commissions	562,896	602,193	547,992
Other acquisition expenses	588,401	573,450	565,708
Change in deferred acquisition costs	(24,089)	(59,368)	(69,026)
Total acquisition expenses	1,127,208	1,116,275	1,044,674
Other current commissions	697,286	695,221	656,975
Other marketing expenses	23,414	12,616	13,618
Total commissions, marketing expenses and other acquisition expenses	1,847,907	1,824,112	1,715,267

NOTE 32:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Salaries and related expenses	1,226,141	1,165,832	1,154,463
Depreciation and amortization	213,513	170,096	175,921
Maintenance of office premises and communications	111,672	130,424	131,583
Marketing and advertising	62,828	56,466	62,846
Professional and legal counseling	63,402	57,390	70,521
Others	192,904	185,501	183,878
Total *)	1,870,460	1,765,709	1,779,212
Less:			
Amounts classified under change in liabilities and payments in respect of insurance contract	(180,880)	(162,510)	(161,992)
Amounts classified in commissions, marketing expenses and other acquisition expenses	(611,815)	(586,066)	(579,326)
General and administrative expenses	1,077,765	1,017,133	1,037,894
*) General and administrative expenses include expenses in respect of IT	328,022	310,144	319,590

NOTE 32:- GENERAL AND ADMINISTRATIVE EXPENSES (Cont.)

On May 16, 2019 Migdal Insurance, Migdal Makefet Pension and Provident Funds Ltd. (hereinafter – "Migdal Makefet"), the New General Federation of Labor (hereinafter – "the Federation") and the workers committee of Migdal signed a special collective agreement for the period from April 1, 2019 to December 31, 2021 ("the new collective agreement"). The new collective agreement replaces the previous agreements, which by law were in effect until the signing of the new collective agreement, and from that date on only the new collective agreement has effect.

The main changes in the new collective agreement include the following understandings:

1. As from April 1, 2019 the minimum wage for a full-time employee will be NIS 5,800 gross per month for a new employee, and NIS 31 per hour for an hourly employee. The new collective agreement specifies a minimum wage for 4 levels of seniority higher than: one year of employment, 10 years of employment, 20 years of employment and up to 30 years of employment.

2. In each of the years 2019-2021, Migdal Insurance will raise the salary of the permanent employees to whom the collective agreement applies and who are employed by Migdal Insurance at the date of payment, and of employees in a trial period who completed 18 months of work at that time, by a cumulative rate of 9%, for the years 2019-2021, of which 4.8% is a fixed component and 4.2% is at the manager's discretion.

3. The employer's contributions for pension retirement savings will increase gradually to 7.5% over the years 2019-2020.

4. The new collective agreement includes arrangements regarding various welfare benefits that include, inter alia, summer camp for the employees' children, increasing the participation in the cost of meals, paying a full salary from the first day of sick leave for employees with 18 months of seniority in Migdal Insurance and increasing the welfare budget for employee recreation.

5. Annual bonus – An annual bonus will be paid to the employees included in the collective agreement, who are employed at the time of its payment, subject to a decision of the board of directors each year to award the bonus out of select and defined objectives of the Company that are included in the Company's compensation policy and the extent of their achievement on a calendar basis. The bonus for each year will be paid the following year. In respect of each year of the collective agreement for 2019-2021, insofar as the employees are not paid a bonus as aforesaid, they will be entitled to a special bonus in the amount of 25% of the monthly salary (being the base salary plus payment for global overtime insofar as paid to the employee) provided that the Company's overall annual profit after tax and after paying the annual bonus is no less than NIS 100 million.

6. Soon after the signing of the collective agreement the employees who began working in Migdal Insurance before April 1, 2018 were paid a one-time signing bonus in the amount of 25% of the employee's monthly salary.

NOTE 32:- GENERAL AND ADMINISTRATIVE EXPENSES (Cont.)

7. The new collective agreement includes provisions regarding streamlining in the period of the collective agreement. The streamlining process includes terminating the employment of 210 employees in various units of Migdal Insurance, in addition to the streamlining process of 240 employees according to the collective agreement from 2015 that was not yet realized. The streamlining plan includes a voluntary retirement process that was fully completed (as at the reporting date) and termination of employment at preferential terms. The cost of the benefits to the retirees is estimated to be in the range of NIS 43-53 million.

   In the framework of implementing the voluntary retirement process, voluntary retirement was offered to employees aged 58 and higher who worked for the company 5 years and longer, and in it they were given the possibility, subject to the approval of Migdal Insurance, to terminate their employment. In addition, Migdal Insurance will be able to terminate the employment of additional employees, at preferential terms, until the quotas are filled as aforesaid.

8. The estimated average increase in the total cost of the fixed manpower expenses of Migdal Insurance in each year of the agreement compared to the relevant prior year is NIS 25 million. It is clarified that the aforesaid estimate does not include the bonus to the employees as described in paragraph 5 above, insofar as granted, and does not include effects of the streamlining plan as described in paragraph 7 above, insofar as there are any.

NOTE 33:- OTHER EXPENSES

	Year ended December 31,		
	2019	**2018**	**2017**
	NIS in thousands		
Amortization of intangible assets (except for computer software) *)	15,979	18,357	20,709
Impairment	-	22,736	12,175
Expenses from other non-insurance activities	32,478	34,339	51,123
Capital loss from sale of fixed assets, net	154	-	-
Other capital losses, net	1,788	-	1,670
Total other expenses	50,399	75,432	85,677

*) For additional details see Note 4.a.

NOTE 34:- FINANCE EXPENSES

	Year ended December 31,		
	2019	2018	2017
	NIS in thousands		
Interest expenses and linkage differences from:			
Liabilities to banks and affiliate	(169)	431	523
Finance expenses in respect of bonds	167,182	168,487	128,695
Interest expenses to reinsurers	691	659	614
Exchange rate differences, net in respect of liabilities *) **)	(2,321)	2,384	(3,898)
Finance expenses in respect of leases	3,005	-	-
Commissions and other finance expenses **)	2,095	981	2,546
Total finance expenses	170,483	172,942	128,480

*) 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,		
	2019	2018	2017
	NIS in thousands		
Basic and diluted earnings (loss) per share attributable to the Company's shareholders (in NIS)	(0.60)	0.52	0.36

a. Basic earnings (loss) per share

The calculation of the basic loss per share for 2019 was based on the net loss attributable to holders of ordinary shares in the amount of NIS (628,159) thousand (2018 and 2017 - net income of NIS 549,040 thousand and NIS 378,955 thousand, respectively), 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 for share because of the expiry of the Group’s option plans.

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 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 when 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

1. The principal risks: (Cont.)

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 though out the financial statements.

Following the outbreak of the coronavirus (COVID-19) in China in December 2019, and it reaching many other countries as well, there was a decrease in economic activity in many areas around the world including Israel, and travel and work restrictions were declared by the government of Israel and other governments around the world. See Note 39 for further information regarding the effect of the coronavirus crisis and how the Company is dealing with it.

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:

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

2. Legal requirements: (Cont.)

In the insurance and long-term savings activity (Cont.)

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, to determine the ceilings of exposure to risks as far as is possibly determinable, to determine the overall level of exposure to risks, taking into consideration the correlation between the various risks, to approve tools and control 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

2. Legal requirements: (Cont.)

Risk management (Cont.)

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 the 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 the 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 the 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.

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 also engages in assessing economic capital solvency under the Solvency 2 regime and on combining economic capital considerations in the business decision making processes.
  The unit works together with the headquarter units that are responsible for insurance activity, reinsurance activity, investment activity and finance.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (Cont.)

a) The overall risk management array (Cont.)

In the insurance and long-term savings activity (Cont.)

- The Group frequently holds professional forums and a forum on risk management headed by the CEO to discuss professional issues and the risks that are involved.

The Company has appointed a risk 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.

These departments report 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (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:

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.

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 "first 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (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.)

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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (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.)

Market and liquidity risks (Cont.)

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 paragraph c and d hereunder.

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 exposure to interest risk is measured in the Nostro portfolios by examining the difference between the average duration of assets and liabilities (ALM), the effect of changes in interest curves on their fair value and compliance with the required exposure limit.

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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (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.)

Market and liquidity risk (Cont.)

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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (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.)

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) 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.

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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (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.)

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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (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.)

Reinsurers' credit risks – managed by the head of the reinsurance field 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.

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 area 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (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.)

Operating risks (Cont.)

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.

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 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. 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

a. General: (Cont.)

3. Description of procedures and methods of risk management: (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.)

Operating risks (Cont.)

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.

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 began 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 against which the relevant reserve is held.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

1. Market risks: (Cont.)

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 for yield dependent contracts as aforesaid.

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, 2019 is about NIS 71 billion (about NIS 64 billion last year), will affect the management fees by an amount of about NIS 106 million (about NIS 96 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 positive real yield that covers the accumulated negative yield. Since as at December 31, 2018 there was an accumulated net negative real yield for the policy holders of 1.32%, management fees in the amount of NIS 155 million (before tax) have not been collected until such time as a positive yield is obtained. In the first quarter of 2019, a positive real yield was obtained that covered the investment losses that accumulated for the policyholders and the Company began collecting variable management fees.

Subsequent to balance sheet date up to the date of issuing this report, the financial markets have declined sharply and there is considerable volatility. For further information regarding the effect of the sharp declines in the financial markets on the financial results of the Company, see Note 39.

The effect of the aforesaid change on policies issued as from 2004 is immaterial.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

1. Market risks: (Cont.)

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, 2019, the designated bonds covered about 66% of all the insurance liabilities in life assurance in these programs (about 67% 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.

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.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

1. Market risks: (Cont.)

a) Sensitivity tests relating to market risks: (Cont.)

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.

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)	1,333,585	(1,660,972)	(48,729)	52,393	(32,343)	32,343	(183,567)	183,567
Comprehensive income (loss) (4)	741,103	(953,553)	152,291	(148,627)	(32,343)	32,343	12,461	(12,461)

December 31, 2018

	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)	781,049	(1,459,914)	61,183	(40,008)	(32,417)	32,417	(175,344)	173,401
Comprehensive income (loss) (4)	295,817	(898,478)	283,821	(263,181)	(32,417)	32,417	31,133	(33,077)

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

1. Market risks: (Cont.)

a) Sensitivity tests relating to market risks: (Cont.)

(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 2019 account for about 23% 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 1,753 million after tax (last year – NIS 1,416 million after tax). The effect of a 1% increase in the interest rate is estimated at a profit of NIS 1,406 million after tax (last year – NIS 740 million after tax). See paragraph b.1 above.
In general insurance, the Company discounts its insurance liabilities in the third party and employer's 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 40 million after tax in profit and comprehensive income (like last year). An increase of 1% in the risk-free interest rate will result in an increase in profit and comprehensive income in the amount of NIS 37 million after tax (like last year) by reducing the liabilities.

(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 2.7 billion.

*) Including amounts that were presented in words last year in respect of the direct exposure of yield dependent liabilities.

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.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

1. Market risks: (Cont.)

b) Direct interest risk: (Cont.)

Hereunder are details of assets and liabilities according to exposure to interest risks:

	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 *)	9,373,637	53,985,096	63,358,733
Total assets	51,191,422	120,216,470	171,407,892
Liabilities with direct interest risk:			
Financial liabilities	5,071,965	-	5,071,965
Liabilities in respect of insurance contracts and investment contracts	38,616,102	119,386,922	158,003,024
Others	169,504	142,260	311,764
Total liabilities with direct interest risk	43,857,571	119,529,182	163,386,753
Liabilities without direct interest risk **)	1,993,150	294,571	2,287,721
Total liabilities	45,850,721	119,823,753	165,674,474
Total assets net of liabilities	5,340,701	392,717	5,733,418
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.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

1. Market risks: (Cont.)

b) Direct interest risk: (Cont.)

	December 31, 2018		
	Non-yield dependent	**Yield dependent**	**Total**
	NIS in thousands		
Assets with direct interest risk:			
Quoted debt assets	11,355,930	33,872,015	45,227,945
Unquoted debt assets:			
"Hetz" bonds	21,247,399	841,184	22,088,583
Other	3,419,881	13,937,004	17,356,885
Other financial investments	278,378	237,856	516,234
Cash and cash equivalents	2,723,446	10,564,992	13,288,438
Reinsurance assets	993,358	6,085	999,443
Total assets with direct interest risk	40,018,392	59,459,136	99,477,528
Assets without direct interest risk *)	9,321,305	45,340,618	54,661,923
Total assets	49,339,697	104,799,754	154,139,451
Liabilities with direct interest risk:			
Financial liabilities	5,284,008	1,112	5,285,120
Liabilities in respect of insurance contracts and investment contracts	35,661,315	103,407,603	139,068,918
Others	181,825	148,907	330,732
Total liabilities with direct interest risk	41,127,148	103,557,622	144,684,770
Liabilities without direct interest risk **)	2,222,908	1,279,189	3,502,097
Total liabilities	43,350,056	104,836,811	148,186,867
Total assets net of liabilities	5,989,641	(37,057)	5,952,584
Off balance sheet risk (liabilities to grant credit)	200,783	1,150,344	1,351,127

*) 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.)

c) Details of the exposure to economic branches for investments in shares *):

	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
Total	285,640	27,138	42,066	190,981	545,825	100.0

	December 31, 2018					
	Listed in Tel-Aviv 125 Index	Listed in Yeter index	Not listed in Israel	Abroad	Total	% of total
	NIS in thousands					
Sector:						
Industry	181,526	432	-	78,380	260,338	28.4
Construction and real estate	49,285	-	2,763	12,886	64,934	7.1
Electricity and water	40,066	1,340	-	-	41,406	4.5
Commercial	9,114	5,076	365	31,789	46,344	5.0
Communication and computer services	26,191	2,625	-	95,022	123,838	13.5
Banks	121,839	2,331	-	42,596	166,766	18.1
Financial services	-	-	35,487	30,391	65,878	7.2
Other business services	39,591	-	3,965	12,925	56,481	6.1
Holding companies	38,273	-	-	54,881	93,154	10.1
Total	505,885	11,804	42,580	358,870	919,139	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 34 billion, which account for about 22% of the insurance and other liabilities in life assurance at December 31, 2019 (previous year, about NIS 32 billion and 23%, 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, 2019, these assets constitute about 10% of the Group's total assets (about NIS 17 billion) (last year about 11% of the Group's total assets, an amount of about NIS 17 billion).

Of said asset balance as of December 31, 2019, about NIS 10 billion (about NIS 9 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 their sale 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

2. Liquidity risks:

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 the 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 opposing party 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 liability.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

2. Liquidity risks:

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, 2019	7,256,712	10,015,488	10,920,268	5,287,127	2,560,795	3,075,662	39,116,052
December 31, 2018	6,779,303	9,615,356	10,605,526	5,996,497	2,359,018	(** 2,105,726	37,461,426

*) Does not include liabilities in respect of yield dependent contracts.
**) Restated

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
	NIS in thousands				
December 31, 2019	2,775,902	940,536	1,258,749	1,558	4,976,745
December 31, 2018	2,831,118	923,082	1,234,787	2,920	4,991,907

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

2. Liquidity risks:

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, 2019:							
Financial liabilities (2)	394,392	3,449,322	2,205,234	17,163	11,442	-	6,077,553
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)	2,170,743	-	-	-	-	-	2,170,743
December 31, 2018:							
Financial liabilities (2) *)	2,128,559	622,316	4,770,225	-	-	-	7,521,100
Liabilities in respect of non-yield dependent investment contracts	35,080	119,197	51,707	10,956	129	-	217,069
Liabilities in respect of yield dependent investment contracts (3)	1,880,536	-	-	-	-	-	1,880,536

(1) Financial liabilities up to one year include an amount of NIS 3 million for settlement upon demand (in 2018 – NIS 35 million).

(2) Including financial liabilities in respect of yield-dependent policies in the amount of about NIS 145 million at December 31, 2019 (2018 - about NIS 1,209 million).

(3) Liabilities in respect of yield-dependent investment contracts are for up to a year, since they are payable on demand.

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 anticipated future claims payment in relation to the assumptions relating to the mortality/longevity rates, morbidity/disability rates, expenses and cancellation (including surrenders).

General insurance risks

Pricing risk – the risk of using incorrect pricing as a result of deficiencies in the underwriting process and form 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

3. Insurance risks: (Cont.)

a) General: (Cont.)

The Company's exposure is comprised 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 6,000 million, gross, of which about NIS 200 million on 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 2017 the coverage in this type of reinsurance agreement is USD 80 million after a deductible of USD 20 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 assurance 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

3. Insurance risks: (Cont.)

b) Insurance risk in life assurance and health 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 Company experience together with data published by the Commissioner.

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: (Cont.)

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 using the K discount factor. This factor has a ceiling and cannot exceed the rate of future anticipated income from management fees or financial margin from investments held against insurance liabilities in respect of policies or from premium payments less expenses related to the policies. The K factor is calculated such that it brings to a gradual accumulation of reserves until the expected retirement date.

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 duration of the anticipated payment, and it is discounted according to the tariff interest rate of the product and of the anticipated future duration of the claim consistent with the claimant's age and claim duration, based on the Company's experience.

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 Company's experience, with a conservative margin, as generally accepted for the calculation of reserves.

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: (Cont.)

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.

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, IBNR reserve (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 for death cases and loss of working capacity.

(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. On this matter see also paragraph b.3.b)(4) hereunder.

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.)

(a) The discount rate: (Cont.)

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.j.1.g). For details on the financial effect, see b.3.b)(5)(a) and (b) 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 monthly compensation for occupational disability or long term care) 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 the Company published 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.

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.)

(b) Mortality and morbidity rates: (Cont.)

(2) (Cont.)

As a result, in its financial statements for June 2019 the Company increased the provision for the supplementary reserve for annuities and the LAT and reduced comprehensive income by the amount of NIS 125 million before tax and NIS 82 million after tax. In addition, an amount of NIS 25 million before tax and NIS 16 million after tax will be recognized gradually in the income statement until the expected retirement age by using the K discount factor (the K factor will bring to an adequate gradual accrual of the reserve up to the expected retirement age). The aforesaid amounts refer to money accrued in policies until June 20, 2019 and do not include future supplementation for amounts accrued in the future.

See paragraph b.3.b)(7) hereunder for a sensitivity analysis.

(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 or reinsurers' research.

Insofar as morbidity rates and severity increase, so too the insurance liability may increase in respect of dread disease morbidity, 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 part of the contracts the policyholder is entitled to choose the track at the time of retirement. Since the amount of the insurance liability is different in each of these two tracks, the Company 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.

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.)

(c) Annuity assumptions: (Cont.)

Each year the Company 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, migration, etc.).

For details on the financial effect, see paragraph b.3.b)(5)(a) below.

(d) K discount factor:

Gradual provision is made for the supplementary annuity reserve using the K factor, as mentioned in paragraph b.3.b)(2) above.

The K factor is determined so as to create an adequate gradual accrual of the reserve up to the expected retirement age. The Company's actuary 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 the Company for profit participating policies is 0.69% (as of December 31, 2018 – 0.86%). The K value used by the Company for guaranteed yield policies is 0.00% (as of December 31, 2019 – 0.02%), and therefore the supplementary annuity reserve in respect of guaranteed yield policies is at its full amount.

The decrease in 2019 in the K value of profit participating policies and guaranteed yield policies is mainly due to a decrease in the profit forecast that derives from a decrease in the risk-free interest rates.

For details on the financial effect, see paragraph b.3.b)(5)(a) 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.)

(3) Main assumptions used in the calculation of the insurance liabilities: (Cont.)

(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. The cancellation of insurance contracts can be due to the cancellation of policies initiated by the Company 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 Company's experience and they 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, the Company 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):

The Company 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.

In 2015 the Commissioner issued a circular regarding the performance of a liability adequacy test (LAT) on the reserves in the financial statements of insurance companies ("the circular"). The purpose of the circular is to achieve uniformity and improvement in several actuarial assumptions used in the LAT calculation. The assumptions relate, inter alia, to the manner of determination of the illiquidity premium used in discounting insurance liabilities and the manner of determining the actuarial assumptions underlying the LAT calculation.

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.)

In March 2020 the Commissioner published an amendment to the provisions of the circular regarding measurement of liabilities – interest rate assumption. The purpose of the circular is to clarify the interest rate assumption that should be used when implementing the provisions of the circular's chapter on measurement of liabilities and also to provide binding instructions on how to calculate the aforesaid interest rate assumption.

The amendment provided, inter alia, that: (1) up to the 25^{th} year (inclusive), the risk-free interest curve will be based on the risk-free interest curves that are published by the company that wins a tender of the Commissioner for price quotations; (2) as from the 26^{th} year the interest curves will be determined by extrapolation according to the Smith-Wilson method up to the ultimate forward rate (hereinafter – "UFR") that will be determined on 60 years.

From that time on the UFR will be constant. According to the position of the Commissioner, this method will result in higher stability of the interest rate for very long ranges.

The amendment shall apply as from the financial statements as at December 31, 2019. With respect to the aforesaid, the amendment establishes transitional provisions by which the provisions of the circular will be referred to in the financial statements for 2019 as a change in an accounting estimate according to IAS 8. The circular was applied as partof the calculations of the reserves.

In March 2020 the Commissioner published a draft amendment to the provisions of the consolidated circular regarding measurement of liabilities – liability adequacy test (hereinafter in this paragraph: "the draft"). The purpose of the draft is to update the method of splitting the various insurance products between the insurance portfolios for the purpose of the LAT measurement, as explained in the draft, in order to bring to a better economic reflection of an insurance company's equity in the financial statements, along with a reduction in excess volatility, which makes it difficult to analyze their results. The change proposed in the draft is mainly that the LAT be calculated while aggregating life assurance products into a single life assurance portfolio instead of calculating LAT for each separate life assurance product. In this respect it is noted that long-term care products will continue to be separate from the said life assurance portfolio. It is proposed that the provisions of the draft, insofar as it becomes a binding circular, be applied on a retrospective basis as from the financial statements as of March 31, 2020 as a change in accounting policy.

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.)

The Company is studying the provisions of the draft circular, while in the opinion of the Company insofar as the draft becomes a binding circular, the insurance liabilities in life assurance are expected to significantly decrease by an amount of NIS 0.9 billion.

Following adoption of the revaluation model for freehold land and office buildings, as mentioned in Note 6, the excess fair value of assets over their carrying amount that was used to calculate the LAT decreased by an amount of NIS 158 million before tax.

For details on the financial effect, see paragraph b.3.b)(5)(a) below.

The carrying amount of the provision for LAT in life assurance guaranteed yield policies amounts to NIS 930 million and NIS 165 million as of December 31, 2019 and 2018, respectively. As a result of the decline in the interest curve in 2019 a provision for LAT was recorded for the first time also in long-term care insurance, and its balance on the Company's books as of December 31, 2019 is NIS 667 million.

The change in the provision for LAT reflects the changes that occurred during the year in all the operational, demographic and financial factors underlying the assessment of the actuarial liabilities, including changes that were made in the supplementary annuity reserve.

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 life assurance and health provision

(a) Effect of changes on the supplementary annuity reserve and on the LAT:

	December 31	
	2019	2018
	NIS in millions	
Change in discount rate in calculating the supplementary annuity reserve	884	(369)
Increase (decrease) in annuity reserves due to a change in expected future income derived from the change in the discount rate (K)	580	*) (106)
Total increase (decrease) in annuity provisions due to the change in the interest rate	1,464	*) (475)
Change in annuity assumptions	(46)	*) 71
Adjustment of life expectancy rates	96	-
Total effect on supplementary annuity reserve	1,514	(404)
Increase (decrease) following the LAT	)** 767	(197)
Total before tax	2,281	(601)
Total after tax	1,501	(396)

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

**) About NIS 29 million in respect of the adjustment in life expectancy rates and about NIS 158 million in respect of adopting a revaluation policy for freehold land and buildings (see Note 6).

(b) As a result of the LAT, the reserve for long-term care was increased by an amount of NIS 667 million in the reporting period. The increase was affected mainly by the following reasons: 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 (see also paragraph b.3.b)(4) above), as well as an adjustment following a study on claim duration of about NIS 273 million.

(c) In the reporting period the Company 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.)

(6) Balance of supplementary reserve for annuity

The supplementary reserve for annuity included in the Company's books approximates NIS 7,722 million and NIS 5,480 million as of December 31, 2019 and 2018, 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 NIS 2,950 million as of December 31, 2019 (previous year – NIS 3,114 million).

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.

* Of which about NIS 5,435 million is in respect of a deferred annuity (in 2018 about NIS 3,793 million in respect of a deferred annuity).

(7) Sensitivity test:

	December 31, 2019							
	Morbidity rate		Rate of cancellations ***)		Mortality rates		Annuity take-up rate **)	
	NIS in thousands							
	+10%	-10%	+10%	-10%	+10%	(* -10%	+5%	-5%
Profit (loss)	(314,216)	342,206	28,886	(25,138)	518,742	(984,415)	(238,030)	184,588

	December 31, 2018							
	Morbidity rate		Rate of cancellations ***)		Mortality rates		Annuity take-up rate **)	
	NIS in thousands							
	+10%	-10%	+10%	-10%	+10%	(* -10%	+5%	-5%
Profit (loss)	(3,583)	2,762	5,488	(5,131)	192,587	(1,099,731)	(317,725)	99,823

*) 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.

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.).

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

3. Insurance risks: (Cont.)

c) General insurance contract insurance risks: (Cont.)

(1) Condensed description of the main insurance branches in which the Group operates: (Cont.)

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.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

3. Insurance risks: (Cont.)

c) General insurance contract insurance risks: (Cont.)

(1) Condensed description of the main insurance branches in which the Group operates: (Cont.)

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.

(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.

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.)

(a) Liabilities in respect of general insurance contracts include the following main components: (Cont.)

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. Subrogations 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 subrogations and deductibles.

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.)

(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.

(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 that will be 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 resulting during the reported year will be included in the general insurance business statement.

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.)

(i) In the employers’ liability and third party branches the Company found that a supplement is required based on best practice principles, and accordingly as from December 31, 2015 the Company discounts future claim payments in these branches. The discounting is according to the risk-free interest rate 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. In 2019 there was an increase of NIS 22 million in the insurance liabilities in these branches, compared with an increase of NIS 12 million in 2018, because of changes in the discount rates and differences between the fair value and carrying amount of the unquoted assets.

(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.

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:

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).

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:

(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.

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.)

(b) Motor casco: (Cont.)

Specific assessments of the claims departments are taken into consideration in cases of long-standing claims. Subrogations 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.

(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.

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.)

(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 health funds, 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) 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.

  (d) Determination of the amount of insurance liability for policies sold in proximity to the reporting date and for unexpired risks.

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 March 2016 the recommendations of an inter-ministerial committee headed by the late judge Dr. Eliahu Vinograd were published which adjusted the life expectancy and interest rate for discounting the annual annuity of the National Insurance Institute, and set the discount rate at 2% instead of 3%, and established a mechanism for adjusting the discount rate in the future. The amendment came into effect in October 2017 and it applies to the National Insurance Institute claims.

  In February 2018, as part of a hearing on this matter at the Supreme Court, after it was argued in the hearing that the discount rate on damages to an injured party should be reduced to 1%, the position of the Attorney General on those regulations was presented to the Court, in which it was stated, inter alia, that the considerations taken into account in the amendment to the regulations are not necessarily all the considerations that should be taken into account with respect to the discount rate in compensation for damages but are wider. Furthermore, the Attorney General noted that it was decided to form an inter-ministerial committee that will examine the matter ("Kaminitz committee"). Accordingly, the Supreme Court postponed its ruling on the matter to a later date.

  In August 2019 the Supreme Court ruled on the matter that the discount rate for compensation for bodily damages in tort will continue to be 3%, unless the need to change it is proven in accordance with a mechanism proposed by the committee.

  In the ruling the Court called to amend National Insurance Institute regulations according to the rate decided in the ruling and recommended in the committee's report.

  Accordingly 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. As at December 31, 2019 the balance of the provision is NIS 65 million on retention before tax as a result of subrogation claims of the National Insurance Institute against the Company.

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.)

The provision is based on various assumptions and many elements of judgement, some of which are difficult to assess in view of the fact that they are not statistical and therefore will not necessarily be realized. The assumptions used in the actuarial forecast affect the final result, and the actual cost of the claims may be higher or lower than the actuarial estimate.

Insofar as the Court's recommendation to set a discount rate of 3% on claims of the National Insurance Institute is accepted, it is possible that additional amounts will be released.

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 quotable 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, 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

	December 31, 2018		
	Quoted *)	Unquoted	Total
	NIS in thousands		
In Israel	9,920,321	24,222,717	34,143,038
Abroad	1,435,609	444,563	1,880,172
Total debt assets	11,355,930	24,667,280	36,023,210

*) 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, 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

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

*) 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:

(a) Debt assets: (Cont.)

	Local rating *)				
	December 31, 2018				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets in Israel					
Quoted debt assets:					
Government bonds	6,896,957	-	-	-	6,896,957
Corporate bonds	2,532,694	483,703	3,163	3,804	3,023,364
Total quoted debt assets in Israel	9,429,651	483,703	3,163	3,804	9,920,321
Unquoted debt assets:					
Government bonds	21,247,399	-	-	-	21,247,399
Corporate bonds	398,270	245,664	-	7,748	651,682
Deposits in banks and financial institutions	1,019,086	-	-	-	1,019,086
Other debt assets according to security:					
Mortgages	-	-	-	223,316	223,316
Loans on policies	-	-	-	43,783	43,783
Loans against real estate charges	26,793	24,465	-	-	51,258
Loans against charges on shares conferring control	-	19,334	-	-	19,334
Other security	415,353	362,954	-	103,454	881,761
Not secured	-	-	-	85,098	85,098
Total unquoted debt assets in Israel	23,106,901	652,417	-	463,399	24,222,717
Total debt assets in Israel	32,536,552	1,136,120	3,163	467,203	34,143,038
Of which debt assets according to internal rating	296,931	155,095	-	-	452,026
Includes debt assets in internal rating whose rating was reduced by Migdal Insurance	75,205	11,362	-	-	86,567

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, 2018				
	A and above	BBB	Lower than BBB	Unrated	Total
	NIS in thousands				
Debt assets abroad					
Quoted debt assets:					
Government bonds	5,611	-	-	-	5,611
Corporate bonds	17,523	945,191	467,284	-	1,429,998
Total quoted debt assets abroad	23,134	945,191	467,284	-	1,435,609
Unquoted debt assets:					
Corporate bonds	-	19,331	-	6,016	25,347
Other debt assets	36,722	62,355	-	320,139	419,216
Total unquoted debt assets abroad	36,722	81,686	-	326,155	444,563
Total debt assets abroad	59,856	1,026,877	467,284	326,155	1,880,172

*) 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.)

(b) Credit risks in respect of other assets (In Israel):

Additional information

	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	33,370	-	-	-	33,370
Other financial investments	-	-	-	314,938	314,938
Cash and cash equivalents	3,107,106	25,470	-	-	3,132,576

	Local rating *) December 31, 2018				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Debtors and receivables, excluding balances of reinsurers	30,329	18,861	-	198,550	247,740
Deferred tax assets	5,457	-	-	-	5,457
Other financial investments	-	-	-	530,906	530,906
Cash and cash equivalents	2,595,911	21,530	-	-	2,617,441

*) 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.)

(c) Credit risks in respect of off-balance sheet instruments (in Israel):

	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

	Local rating *)				
	December 31, 2018				
	AA and above	BBB to A	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	23,153	90,063	-	10,048	123,264

*) 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, 2019				
	A and above	BBB	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.)

(d) Credit risks in respect of other assets (abroad): (Cont.)

	International rating *)				
	December 31, 2018				
	A and above	BBB	Lower than BBB	Unrated	Total
	NIS in thousands				
Loans to affiliates**)	-	-	-	23,037	23,037
Debtors and receivables, excluding balances of reinsurers	101,345	-	-	843	102,188
Other financial investments	-	-	-	2,259,194	2,259,194
Cash and cash equivalents	106,005	-	-	-	106,005

*) Each rating includes all the ranges, for example: A includes A-up to A+.
**) See Note 37.f

(e) Credit risks in respect of off balance sheet instruments (abroad):

	International rating *)				
	December 31, 2019				
	A and above	BBB	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	-	-	-	134,883	134,883

	International rating *)				
	December 31, 2018				
	A and above	BBB	Lower than BBB	Unrated	Total
	NIS in thousands				
Unutilized credit facilities	-	1,762	-	75,757	77,519

*) 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.)

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) A 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 scale 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. in 2009, 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 affect the amount of employer payment liabilities since the employers might not make deposits in pension funds in respect of 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 714,038 thousand (2018 – NIS 735,878 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, 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.)

(6) Details of exposure of market branches to investments in quoted and unquoted financial debt assets: (Cont.)

	December 31, 2018		
	Balance sheet credit risk		Off-balance sheet risk
	Amount	%	
	NIS in thousands	of the total	NIS in thousands
Economic sector:			
Industry	760,679	2.1	-
Construction and real estate	1,497,434	4.2	44,622
Electricity and water	1,068,037	3.0	130,052
Commerce	7,866	-	-
Transportation and storage	219,872	0.6	-
Communication and computer services	340,896	0.9	10,048
Banks	3,046,690	8.5	-
Financial services	205,076	0.6	-
Other business services	186,912	0.5	16,061
Holding companies	84,130	0.2	-
Private individuals	455,651	1.3	-
Government bonds	28,149,967	78.1	-
Total	36,023,210	100.0	200,783

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, 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

Details of countries/regions the exposure to which exceeds 1% of the investment:

	December 31, 2018									
	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	28,146,226	4,018,491	602,307	45,074	27,001	648,883	5,824,029	39,312,011	20,846	39,332,857
US	3,741	215,466	164,514	352,327	32,373	-	583,875	1,352,296	(152,724)	1,199,572
Switzerland	-	66,715	-	-	-	-	337,820	404,535	-	404,535
Other	-	829,719	152,318	217,976	777,618	-	1,205,962	3,183,593	563,058	3,746,651
Total amount	28,149,967	5,130,391	919,139	615,377	836,992	648,883	7,951,686	44,252,435	431,180	44,683,615

*) 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, 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)	199,136	(40,049)	11,425	16,792	46,282	112,998	49,255	-	98,193	-	-
Hannover Reinsurance Co	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) As from 2018 the rating is mainly determined by S&P (in 2017 by AMBest). 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+. The change in the rating agency as aforesaid did not cause a material change in the rating of the reinsurers.
   (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 assurance reinsurance.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

4.1 Reinsurers' credit risks: (Cont.)

	December 31, 2018										
			Reinsurance assets							Debts in arrears (b)	
Rating group (d)	Total reinsurance premiums for 2018	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)	194,566	(24,462)	10,894	15,777	44,896	148,269	96,207	-	99,167	-	-
Others	249,343	(62,635)	98,493	28,465	75,712	84,516	22,798	6,432	195,321	-	-
	443,909	(87,097)	109,387	44,242	120,608	232,785	119,005	6,432	294,488	-	-
A											
Assicurazioni Generali SpA (f)	44,087	(12,552)	679	1,246	60,548	115,711	40	806	164,786	-	-
Others	250,475	(45,295)	1,538	1,035	141,401	166,728	40,853	334	224,220	1,814	-
	294,562	(57,847)	2,217	2,281	201,949	282,439	40,893	1,140	389,006	1,814	-
BBB	848	19	-	-	884	5	-	-	908	-	-
Lower than BBB – or unrated (g)	826	(4,223)	-	-	588	2,058	1	-	(1,578)	221	57
Total	740,145	(149,148)	111,604	46,523	324,029	517,287	159,899	7,572	682,824	2,035	57

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 2,073 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 2,073 thousand which constitutes about 0.3% of the exposure at December 31, 2018.
   (d) As from 2018 the rating is mainly determined by S&P (in 2017 by AMBest). 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+. The change in the rating agency as aforesaid did not cause a material change in the rating of the reinsurers.
   (e) Includes balances deriving from a reinsurance agreement as part of the acquisition of a run-off general insurance portfolio. For details see Note 38.e.3.
   (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 265 thousand.
2. The total exposure of the reinsurers for an earthquake event in general insurance is about NIS 5,509 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 37.b.3.a). The most significant reinsurer is Swiss Re, whose share in this exposure is about NIS 983 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 2018. There is also an exposure of about NIS 93 million to an Israeli insurance company with respect to life assurance 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. In 2019 the economic data showed a moderate rate of growth like in 2018. The unemployment rate continued to be low. At the end of 2019 the coronavirus broke out in China and in the first quarter of 2020 it began spreading throughout the world. See Note 39 for details on the effect of the coronavirus 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. Changes in the law and in regulatory guidelines affect the substance of the activities of the companies and the profitability of the sale of various products sold by them and also on the financial reporting of the companies. 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 expense levels of the companies. 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 possibility of the transfer of savings between products. Furthermore, changes in the law and in regulation may affect the Company with respect to products sold in the past, though retroactive implementation and by way of 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

5. General risks: (Cont.)

b) Changes in regulation and compliance: (Cont.)

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 default pension funds and default arrangements, restrictions on selling loss of working capacity insurance (a restriction of 35% from the total amount of deposits for the retirement savings component), consolidation, accounts and migration of accounts, encouraging competition to the large management companies and to plan managers and greater involvement of the regulator in approving plans and tariffs. 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 fees 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 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.

The Company keeps abreast of court rulings and new regulations in its areas of activity or in areas that could affect it, in order to identify basic principles and general directions the courts, the lawmaker or the regulator are endeavoring to establish, so that the plans made by the Company 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.

NOTE 36:- RISK MANAGEMENT (Cont.)

b. Details of the risks: (Cont.)

5. General risks: (Cont.)

c) Increase in competition:

The increase in competition in the sectors in which the Group operates, may hurt Group 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 createa 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 wherea 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 39.1.f.9) 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.

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.)

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.

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 examiningw 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, 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	-	-	-	33,370	-	33,370
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	8,445,284	120,216,470	171,407,892

*) 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					
Total equity	-	-	-	5,733,418	-	5,733,418
Liabilities						
Liabilities in respect of non-yield dependent insurance and investment contracts	693,142	37,889,295	33,665	-	-	38,616,102
Liabilities in respect of yield dependent insurance and investment contracts	-	-	-	-	119,386,922	119,386,922
Deferred tax liabilities	-	-	-	232,651	-	232,651
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	38,507,476	303,054	449,876	119,823,753	165,674,474
Total equity and liabilities	6,590,315	38,507,476	303,054	6,183,294	119,823,753	171,407,892
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.

NOTE 36:- RISK MANAGEMENT (Cont.)

c. Details of assets and liabilities distributed into linkage basis:

	December 31, 2018					
	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	-	-	-	1,162,425	-	1,162,425
Deferred tax assets	-	-	-	5,457	-	5,457
Deferred acquisition costs	-	-	-	2,022,737	33	2,022,770
Fixed assets	-	-	-	618,542	-	618,542
Investments in affiliates	-	-	-	151,097	-	151,097
Investment property for yield dependent contracts	-	-	-	-	6,230,525	6,230,525
Other investment property	-	-	-	648,883	-	648,883
Reinsurance assets	162,797	820,609	9,952	-	6,085	999,443
Current tax assets	-	216,465	12,458	-	24,051	252,974
Debtors and receivables	183,906	865	182,086	29,508	1,442,449	1,838,814
Outstanding premiums	63,886	323,855	62,209	-	285,928	735,878
Financial investments for yield dependent contracts	-	-	-	-	86,245,691	86,245,691
Other financial investments:						
Quoted debt assets	4,058,942	5,737,301	1,559,687	-	-	11,355,930
Unquoted debt assets	1,044,157	23,064,002	559,121	-	-	24,667,280
Shares	-	-	-	919,139	-	919,139
Others	3,198	-	38,162	2,748,740	-	2,790,100
Total other financial investments	5,106,297	28,801,303	2,156,970	3,667,879	-	39,732,449
Cash and cash equivalents for yield dependent contracts	-	-	-	-	10,564,992	10,564,992
Other cash and cash equivalents	2,452,621	-	270,825	-	-	2,723,446
Total assets	7,969,507	30,163,097	2,694,500	8,306,528	104,799,754	153,933,386

*) 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, 2018					
	In unlinked NIS	In NIS linked to the CPI	In foreign currency *)	Non-monetary and others	Yield dependent	Total
	NIS in thousands					
Total equity	-	-	-	5,952,584	-	5,952,584
Liabilities						
Liabilities in respect of non-yield dependent insurance and investment contracts	734,777	34,886,465	40,073	-	-	35,661,315
Liabilities in respect of yield dependent insurance and investment contracts	-	-	-	-	103,407,603	103,407,603
Deferred tax liabilities	-	-	-	260,256	-	260,256
Liabilities for employee benefits, net	87,132	-	-	94,693	148,907	330,732
Liabilities in respect of current taxes	-	77,175	-	-	-	77,175
Creditors and payables	930,333	517,309	237,517	118,791	71,524	1,875,474
Financial liabilities	4,624,901	519,201	186,306	35,127	1,208,777	6,574,312
Total liabilities	6,377,143	36,000,150	463,896	508,867	104,836,811	148,186,867
Total equity and liabilities	6,377,143	36,000,150	463,896	6,461,451	104,836,811	154,139,451
Total balance sheet exposure	1,592,364	(5,837,053)	2,230,604	2,051,142	(37,057)	-
Exposure to underlying assets through derivative instruments in delta terms	4,543,186	-	(5,256,420)	713,234	-	-
Total exposure	6,135,550	(5,837,053)	(3,025,816)	2,764,376	(37,057)	-

*) 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.)

d. Information regarding financial investments for yield dependent contracts:

1. Composition of investments according to linkage basis:

	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	36,582,140	74,247,123
Unquoted assets	3,196,681	7,104,357	5,695,577	15,988,806	31,985,421
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	-

	December 31, 2018				
	In unlinked NIS	In NIS linked to the CPI	In foreign currency	Non-monetary and others	Total
	NIS in thousands				
Cash and cash equivalents	8,044,167	-	2,520,825	-	10,564,992
Quoted assets	12,169,033	16,824,007	4,878,975	31,090,999	64,963,014
Unquoted assets	3,822,653	7,816,145	5,019,328	12,613,622	29,271,748
Total assets	24,035,853	24,640,152	12,419,128	43,704,621	104,799,754
Exposure to the underlying asset through derivative instruments in delta terms	14,022,468	-	(27,017,028)	12,994,560	-

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, 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

	Local rating *)				
	December 31, 2018				
	AA and above	BBB to A	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Debt assets in Israel:					
Government bonds	15,354,761	-	-	-	15,354,761
Other debt assets - quoted	11,994,416	2,013,015	17,117	-	14,024,548
Other debt assets - unquoted	6,851,995	3,346,017	2,505	2,010,365	12,210,882
Total debt assets in Israel	34,201,172	5,359,032	19,622	2,010,365	41,590,191
Of which debt assets at internal rating	1,620,239	1,110,955	-	-	2,731,194
Includes debt assets at internal rating whose rating was reduced by the Company	393,803	244,738	-	-	638,541

*) 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, 2019				
	A and above	BBB	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	-	-	-	-	-

	International rating *)				
	December 31, 2018				
	A and above	BBB	Lower than BBB	Not rated	Total **)
	NIS in thousands				
Total debt assets abroad	616,698	3,026,293	1,444,955	1,972,066	7,060,012
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.

NOTE 36:- RISK MANAGEMENT (Cont.)

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, 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

	Local rating *)				
	December 31, 2018				
	AA and above	BBB to A	Lower than BBB	Not rated	Total
	NIS in thousands				
Cash and cash equivalents - others	2,595,911	21,530	-	-	2,617,441
Financial investments for yield-dependent contracts	588,367	324,037	-	-	912,404
Other financial investments – quoted debt assets	9,236,159	418,819	3,163	3,804	9,661,945
Other financial investments – unquoted debt assets	23,106,901	652,417	-	463,399	24,222,717

	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.)

	International rating *)				
	December 31, 2018				
	A and above	BBB	Lower than BBB	Not rated	Total
	NIS in thousands				
Cash and cash equivalents - others	106,005	-	-	-	106,005
Financial investments for yield-dependent contracts	-	-	-	-	-
Other financial investments – quoted debt assets	23,134	911,286	427,452	-	1,361,872
Other financial investments – unquoted debt assets	36,722	81,686	-	321,195	439,603

*) Each rating includes all the ranges, for example: A includes A- through A+.

The table hereunder presents a comparison between the fair value and 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, 2019	
	Carrying amount	Fair value
	NIS in thousands	
Other financial investments – unquoted debt assets	49,930	6,746

	December 31, 2018	
	Carrying amount	Fair value
	NIS in thousands	
Other financial investments – unquoted debt assets	50,389	9,733

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 it or of third party transactions in which the controlling shareholder has a personal interest ("controlling shareholder transactions") in c-e below.

2. As of the reporting date, Mr. Shlomo Eliahu directly and indirectly holds 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).

   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.

   As of the financial statement date, the directive is only applicable to Union Bank.

   See details and data of transactions with Union Bank ("other related party") in paragraphs c and d below.

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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.)

a. General (Cont.)

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 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.

NOTE 37:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

b. The Company's policy on immaterial transactions (Cont.)

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).

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 assurance 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.

NOTE 37:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

b. The Company's policy on immaterial transactions (Cont.)

4. (Cont.)

2) (Cont.)

c) Other engagements – (Cont.)

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 transactions 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 assurance 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.
Asset 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.
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 three last 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.

NOTE 37:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

b. The Company's policy on immaterial transactions (Cont.)

4. (Cont.)

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. So 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.

NOTE 37:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

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.

Composition:

	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.

	December 31, 2018		
	Eliahu Group	Union Bank and other related parties *)	Affiliates
	NIS in thousands		
Debtors and receivables	2,526	-	963
Debt assets **)	-	75,984	23,037
Shares	-	2,331	-
Creditors and payables ***)	-	(602)	-
Financial liabilities ***)	-	(6,246)	(2,798)

*) The highest balance of debt assets of an interested party during the year amounted to NIS 94,359 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.

***) In December 2018, pursuant to an issue of bonds (Series G) of Migdal Capital Raising, a subsidiary of Migdal Insurance, Union Bank purchased a par value of about NIS 5 million.

NOTE 37:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

d. Transactions with interested and related parties

	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.)

d. Transactions with interested and related parties (Cont.)

	Year ended December 31, 2017		
	Eliahu Group	Union Bank and other related parties	Affiliates
	NIS in thousands		
Premiums received	408	975	-
Commissions and profit participating in group insurances	-	112	-
Claims paid	229	33	-
Distribution and operating agreements	-	1,053	-
Agent commission and other commissions	-	626	671
Revenue from leasing fees/usage fees	-	38	-
Revenue from management fees	-	-	917
Transaction costs	1,042	-	-
Other	(2)	(8,715)	429

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:

<table>
<tr><th colspan="4">Extraordinary controlling shareholder transactions</th></tr>
<tr><th>#</th><th>Party to the transaction with the Company</th><th>Date of approval/ approving entity[2]</th><th>Nature and description of the transaction</th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Mr. Eliahu Eliahu</td><td>April 5, 2016 and February 4, 2019 - approval of the Company's general meeting</td><td>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 2019 amounted to NIS 847 thousand and in 2018 approximated NIS 870 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 expected 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.</td></tr>
<tr><td>December 30, 2016 - approval of the Company's general meeting</td><td>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). Mr. Eliahu Eliahu did not receive an annual bonus in respect of 2018-2019, and in 2017 received a bonus in the amount of NIS 164 thousand.</td></tr>
</table>

[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.)		According to those conditions, the bank guarantee has to be valid up to the year 2020 at least, with its amount being adjusted annually, based on the assessed amount of the claims in the insurance portfolio, as reported in Migdal Insurance's financial statements. 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, 2019 there is no such balance (compared with a provision of about NIS 2.5 million as at December 31, 2018). See Note 37.c. 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 meeting	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).

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.)	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.
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 in 2019 amounted to about NIS 221 thousand (including VAT). The overall remuneration paid to Mr. Israel Eliahu for his service in the Company and in Migdal Insurance in 2018 amounted to about NIS 245 thousand (including VAT).
3	Israel Eliahu		For more details see the Company's immediate report of March

Extraordinary controlling shareholder transactions			
#	Party to the transaction with the Company	Date of approval/ approving entity[2]	Nature and description of the transaction
	(Cont.)		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	Terms of service - 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. See details of the terms of employment of Mr. Ofer Eliahu in these capacities in h.4.g) below.

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 entity1	Nature and description of the transaction
5	The controlling shareholder and his relatives serving as officers in the Company	December 31, 2019 - approval of the Company's Board to the insurance of officers	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.j) 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 report 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.

NOTE 37:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

f. Affiliates

1. Regarding investments in affiliates see Note 7 above on investment in investees.

2. a) In September 2016 Migdal Real Estate Holdings, a subsidiary of Migdal Insurance, granted a loan in the amount of NIS 23 million to Ramat Aviv Mall Ltd. ("Ramat Aviv"). The loan was granted to Ramat Aviv by its shareholders according to their holding rate. The loan bore annual interest of 4% and was repaid out of Ramat Aviv’s cash surpluses, as they were from time to time. As at December 31, 2018 the loan has been paid in full.

   b) In respect of the loan granted to Ramat Aviv, finance expenses were recorded in 2018 and 2017 totaling about NIS 127 thousand and NIS 588 thousand, respectively.

3. Migdal Insurance pays commissions on the marketing of insurance products and pension products to other affiliates in immaterial amounts.

4. 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, 2019 is NIS 17,860 thousand and as of December 31, 2018 is NIS 23,037 thousand. Finance income was recorded in respect of these loans in 2019, 2018 and 2017 in the amount of approximately NIS 753 thousand, NIS 4,502 thousand and NIS 93 thousand, respectively. These loans are presented as unquoted debt assets under other financial assets.

5. 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,					
	2019		2018		2017	
	Number of persons	Amount	Number of persons	Amount	Number of persons	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
Short-term benefits	10	15,564	8	12,003	7	13,465
Post-employment benefits	10	2,554	8	1,095	7	1,638
Other long-term benefits	9	4	6	1	6	(30)
		18,122		13,099		15,073

NOTE 37:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

h. Data of the remuneration and benefits to key management personnel (Cont.)

2. Benefits to directors not employed by the Company

	Year ended December 31,					
	2019		2018		2017	
	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	12	6,524	9	5,729	11	3,662
		6,524		5,729		3,662

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.

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.)

a) Remuneration policy of institutional entities for 2017 through 2019 (Cont.)

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.

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:

- 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
- 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.

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.)

d) The remuneration policy of the Company and the institutional entities for 2020-2022 (Cont.)

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 party - Chairman of the Board/CEO of the Company and of Migdal Insurance

a) Mr. Shlomo Eliahu, the Company's Chairman of the Board

Mr. Shlomo Eliahu serves as a director in the Company and in Migdal Insurance from October 29, 2012 and as a Chairman of the Company's Board from October 1, 2013 through February 18, 2015. 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.

b) Mr. Nir Gilad, the Company's CEO and chairman of the board of Migdal Insurance

Mr. Nir Gilad serves 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.

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 party - Chairman of the Board/CEO of the Company and of Migdal Insurance (Cont.)

b) Mr. Nir Gilad, the Company's CEO and chairman of the board of Migdal Insurance (Cont.)

Mr. Gilad is entitled to a monthly salary in the amount of NIS 190 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. Gilad according to the overall cost of all the remuneration components for the year, in accordance with generally accepted accounting principles, will amount to 90% of the maximum remuneration according to the remuneration law or an amount of NIS 2.25 million, whichever is higher ("the remuneration restriction"), and in any event no more than NIS 3.5 million. The monthly salary of Mr. Gilad, as at the reporting date, and after adjustment is NIS 207 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. Gilad is entitled to social and accompanying benefits such as: advanced education fund, paid vacation, recreation days and a cellphone. In 2019 the Company bore the tax cost deriving from the "disallowed expense" according to the remuneration law in the amount of NIS 73 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"). The agreement will be automatically renewed for an indefinite period at the end of the finite period according to the same terms. Each party may terminate it at any time and for any reason at an advance notice of six months. 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.

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.

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 party - Chairman of the Board/CEO of the Company and of Migdal Insurance (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 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. In 2019 the Company bore the tax cost deriving from the "disallowed expense" according to the remuneration law in the amount of NIS 91 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 monthly salary of Mr. Sapir was NIS 196.5 thousand and it was adjusted at the beginning of each calendar year of the employment period in accordance with the provisions of the remuneration law, such that the annual expected expense for the Company in respect of the overall compensation to Mr. Sapir according to the overall cost per year of all the compensation components, in accordance with generally accepted accounting principles, did not exceed the maximum amount allowed according to the remuneration law or NIS 2.5 million, whichever is higher ("the remuneration restriction"), and in no event exceeded NIS 3.5 million.

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 party - Chairman of the Board/CEO of the Company and of Migdal Insurance (Cont.)

d) Mr. Doron Sapir, CEO of the Company and CEO of Migdal Insurance (Cont.)

The monthly salary of Mr. Sapir after adjustment amounted to NIS 201 thousand in 2019. According to the terms of employment, in any case that the payment of an amount is expected to 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. Sapir was entitled to social and related benefits such as: an advanced education fund, paid vacation, recreation days, a cell phone and a grossed up car or car maintenance. In 2019 the Company bore the tax cost deriving from the "disallowed expense" according to the remuneration law in the amount of NIS 269 thousand and in 2018 in the amount of NIS 131 thousand. 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. As of present, in view of the restriction provided in Section 2 of the remuneration law, no payment has been made in respect of the breach of the commitment for employment in the finite period, according to this paragraph, until the matter is fully resolved.

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.

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 party - Chairman of the Board/CEO of the Company and of Migdal Insurance (Cont.)

e) Mr. Oded Sarig, Chairman of the Board of Migdal Insurance (Cont.)

The employment terms of Mr. Sarig included a monthly salary in the amount of NIS 187 thousand linked to the CPI (accordingly his salary amounted to NIS 189 thousand in 2019) as well as social and related benefits, such as: paid vacation, recreation days and a cell phone. In 2019 the monthly salary of Mr. Sarig amounted to NIS 189 thousand. In 2019 the Company bore the tax cost deriving from the "disallowed expense" according to the remuneration law in the amount of NIS 25 thousand and in 2018 in the amount of NIS 56 thousand.

Mr. Sarig was employed by Migdal Insurance for an indefinite period of time, with each of the parties to the agreement being permitted to terminate the agreement at any time and for any reason by providing an advance notice of six months

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.

Mr. Danino was entitled to monthly management fees in the total amount of NIS 215 thousand, linked to the CPI and subject to an overall salary ceiling of NIS 2,583 thousand or 90% of the cost of the remuneration to the CEO of Migdal Insurance, whichever lower. The amounts that were paid in connection with Mr. Danino's employment were subject to the remuneration law, and therefore in any case of a deviation from the maximum amount that can be paid according to the remuneration law, the excess amount was not paid and Migdal Insurance was exempt from paying it.

In 2018 the Company bore the tax cost deriving from the "disallowed expense" according to the remuneration law in the amount of NIS 36 thousand and in 2017 in the amount of NIS 54 thousand.

Mr. Danino undertook to provide his services for an indefinite period of time, with each of the parties to the agreement being permitted to terminate the agreement at any time and for any reason by providing an advance notice of six months. Accordingly, Migdal Insurance paid Mr. Danino for the advance notice period.

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 party - Chairman of the Board/CEO of the Company and of Migdal Insurance (Cont.)

f) Mr. Yohanan Danino, Chairman of the Board of the Company and Migdal Insurance (Cont.)

For further details regarding the terms of service of Mr. Yohanan Danino, see the immediate report that was issued by the Company on December 22, 2016, regarding the convening of a general meeting (complementary report) having on its agenda, inter alia, approval of the new terms of employment of Mr. Yohanan Danino 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.

g) Mr. Ofer Eliahu, CEO of Migdal Insurance

Mr. Ofer Eliahu served as the CEO of Migdal Insurance from February 11, 2014 to May 30, 2018. Mr. Ofer Eliahu is the son of the Company’s controlling shareholder Mr. Shlomo Eliahu.

On December 30, 2016 the Company’s general meeting approved a change in the terms of service of Mr. Ofer Eliahu effective as from October 12, 2016, as follows: The maximum annual cost of Mr. Ofer Eliahu’s remuneration shall not exceed NIS 2,865 thousand linked once a year to the Consumer Price Index (“the agreed ceiling”). Mr. Ofer Eliahu will be permitted to convert the benefits and other terms included in the previous agreement with him, other than benefits that were excluded from the conversion, into a payment component of the monthly salary. After Mr. Ofer Eliahu had elected to convert the benefits according to the existing agreement, as was his right as aforesaid, and his salary was adjusted to the agreed ceiling, the monthly salary of Mr. Ofer Eliahu amounted to NIS 205 thousand. Mr. Ofer Eliahu will be permitted to reduce the employer’s pension contributions up to the amount of the tax ceiling and to receive the difference in cash with this amount not being added to the monthly salary and not being entitled to social and other benefits. In 2018 the Company bore the tax cost deriving from the “disallowed expense” according to the remuneration law in the amount of NIS 109 thousand and in 2017 in the amount of NIS 250 thousand. The overall remuneration of Mr. Ofer Eliahu in 2018 amounted to NIS 1,229 thousand (the employer’s cost before the effect of payroll tax).

For further details regarding the new terms of service of Mr. Ofer Eliahu, see the immediate report that was issued by the Company on December 22, 2016, regarding the convening of a general meeting (completion report) having on its agenda, inter alia, approval of the new terms of employment of Mr. Ofer Eliahu, 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.

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 party - Chairman of the Board/CEO of the Company and of Migdal Insurance (Cont.)

h) 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.

On December 30, 2016 the Company’s general meeting approved a change in the terms of service of Mr. Eran Czerninski effective as from November 1, 2016. Mr. Eran Czerninski was employed for an indefinite term. Each of the parties was permitted to terminate the employment agreement at any time for whatever reason by providing an advance notice of 60 days.

According to the decision of the general meeting, as from November 1, 2016 the monthly salary of Mr. Czerninski was NIS 125 thousand, linked to the Consumer Price Index (linkage adjustment once a year). Mr. Czerninski was approved a normative bonus that depends on targets, according to the remuneration policy, in the amount of six monthly salaries per year. In addition, Mr. Czerninski was approved a personal annual guaranteed bonus for 2017 in the amount of two salaries which, according to the provisions of the remuneration policy was deducted from the annual bonus. Such a bonus was approved for Mr. Czerninski also for 2018, pursuant to the authority awarded by the general meeting to the compensation committee and board of directors to approve this bonus. A provision for an advanced study fund up to the amount exempt from tax was also included. It was provided that the maximum annual cost of Mr. Czerninski’s remuneration would not exceed NIS 2.5 million linked to the CPI of October 2016 (including severance pay and retirement benefits) (“agreed ceiling”) and therefore, before the payment of any variable amount to Mr. Czerninski, an examination was made to check whether there may be a deviation from the agreed ceiling, and if yes the Company reduced any payment of a variable amount in order to meet the agreed ceiling.

In reality, Mr. Czerninski was not paid the annual bonus besides the personal guaranteed bonus in the amount of NIS 250 thousand that he was paid, so as not to deviate from the agreed ceiling. Mr. Czerninski was not entitled to an annual bonus for 2018.

In addition, Mr. Czerninski's employment terms included social and related benefits, occupational disability insurance, paid vacation, recreation days, reimbursement of subsistence expenses, a vehicle (90% grossed-up), medical insurance, etc.

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 party - Chairman of the Board/CEO of the Company and of Migdal Insurance (Cont.)

h) Mr. Eran Czerninski, CEO of the Company and CFO (Cont.)

Upon termination of the agreement, Mr. Czerninski was entitled to an adjustment bonus in the amount of nine times his monthly salary according to the remuneration policy. Half of the adjustment bonus will be paid in three equal annual installments, and their payment is contingent upon various conditions one of which is that the last two installments (in a total amount of three salaries) are contingent upon not commencing work with a different employer. Accordingly, on the last date of his employment Mr. Czerninski was paid half of the bonus in the amount of NIS 562 thousand and after a year was paid an additional amount of NIS 187 thousand. Mr. Czerninski will not be entitled to the last two installments of the adjustment bonus.

The overall remuneration to Mr. Czerninski in 2018 stood at NIS 1,421 thousand (employer's cost before payroll tax).

For further details regarding the terms of service of Mr. Czerninski, see the immediate report that was issued by the Company on December 22, 2016, regarding the convening of a general meeting (completion report) having on its agenda, inter alia, approval of the new terms of employment of Mr. Eran Czerninski, 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.

Under the 2010 remuneration plan, Mr. Czerninski was allocated 69,616 shares in accordance with the terms of the 2010 plan.

i) Officers' liability insurance policy, including for officers who are the controlling 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 January 1, 2020 until January 14, 2021. The new policy's liability limit is US$ 120 million per event and for the period with an annual premium that does not exceed US$ 680 thousand. The Company's deductible will be no higher than $ 200 thousand per claim. This insurance coverage was approved in accordance with Regulation 1b to the Reliefs Regulations. For details see the Company’s immediate report of December 30, 2019, reference no. 2019-01-116205.

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 party - Chairman of the Board/CEO of the Company and of Migdal Insurance (Cont.)

i) Officers' liability insurance policy, including for officers who are the controlling 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.

See more details of the Company's and the Capital Markets Group's approval for entering into the previous insurance policies in immediate reports of November 28, 2018 (reference no. 2018-01-114783) and January 27, 2015 and February 24, 2015 (references no.: 2015-01-020140 and 2015-01-037816, respectively).

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 (f) (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 and paragraph (f) 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.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

1. Contingent Liabilities (Cont.)

a. Legal and other proceedings – general (Cont.)

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.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

1. Contingent Liabilities (Cont.)

a. Legal and other proceedings – general (Cont.)

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 others on legal opinions it received, the foregoing does not apply, as well as legal proceedings (or class action certification motions) 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, based among others on 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]	Class3	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 coverage in the policy and in an amount that exceeds the permitted amount. The remedies sought include an order for reimbursement of the amounts 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.	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 motions 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 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. 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	

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 Parties Court[1]	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
1.	Cont.			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.	

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	About NIS 225 million (for a period of ten years).

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
					an examiner, and also refers to future conduct.	

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.	Cont.				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. Upon completing the examination process, the examiner will submit to the Court his position regarding the settlement agreement and its execution.	

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%.	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.				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.	

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 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. 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.	

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.				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.	

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.				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 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.	

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.				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.	

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.				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. 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. The case is scheduled for filing affidavits of evidence-in-chief.	

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. 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,	About NIS 503 million, of which about NIS 120 million 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.				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. The proceeding is currently at the stage of the court hearing the class action for its merits and is scheduled for filing summations. It is noted that another class action has 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. On this matter see claim no. 33 hereunder in this note. Furthermore, as regards the payment of interest and linkage differences pursuant to a court ruling see also claim no. 21 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 4, 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. See also claims 10 and 12 hereunder in this section.	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.	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.	Anyone who purchased a life insurance policy from Migdal Insurance entitling them to payment of their share of the policy's profits in cash on reaching the age of 65.	The proceeding is in the stage of clarification of the class action certification motion. On June 25, 2017 the Court ordered replacement of the lead plaintiff following his passing. At the recommendation of the Court, the parties entered a mediation process that failed. Summations have been filed on the certification motion and the parties are waiting for a decision on the matter. On July 15, 2019 another hearing was held before ruling on the certification motion and in it the Court recommended to the parties to again try to end the proceeding with a settlement. The parties held talks on a compromise that were unsuccessful and accordingly they requested from the Court to issue a judgement.	NIS 600 million
7.	9/2015 Central District Court	Long-term care insurance policyholder v. Migdal Insurance and other insurance	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	Any long-term care insurance policyholder who upon the occurrence of the insured event was not awarded	The proceeding is in the stage of clarification of the class action certification motion. At the recommendation of the Court, the parties entered a mediation process that failed. A hearing has been scheduled for filing summations on the certification motion. Summations were filed and the parties are waiting for a ruling on the certification motion.	Tens and even hundreds of millions of shekels

companies

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.	Cont.		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.	the appropriate number of points for incontinence due to the said interpretation.		
8.	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.	NIS 2 billion probably 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]
8.	Cont.				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.	
9.	9/2015 Central District Court	Members of Migdal Insurance and Migdal Makefet v. Migdal Insurance and Migdal Makefet	Damage 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 damage 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. The proceeding is in the stage of clarification of the class action certification motion, after the failure of a mediation proceeding on the matter. 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 proceedings which is presently underway.	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]
10.	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.	Anyone who was a member of Migdal Makefet and the membership fees collected from him were increased without notice, during the seven years preceding the date of filing of the action and up to the issuance of a final judgment therein.	The proceeding is in the stage of clarification of the class action certification motion. The case was transferred to the Tel Aviv regional labor court. 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. It is noted that these amendments do not change the overall amount of the damages specified by the parties in the agreement. Accordingly, on July 29, 2019 a revised motion to approve a settlement agreement was filed and on August 28, 2019 the Court ordered, after deciding against dismissal in limine of the motion, that the settlement agreement be published and transferred to the Attorney General and the Commissioner. On January 20, 2020 the Attorney General submitted his position that objected to certain aspects concerning the manner of implementing the settlement agreement. The parties provided their arguments as regards the position of the Attorney General.	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]
10.	Cont.				On March 17, 2020 the Court provided its ruling, by which it accepted the position of the Attorney General for the most part, and ordered that a revised settlement agreement be submitted and that an expert be appointed on behalf of the Court. See also claims 5 and 12 in this section.	
11.	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 v. Clal Insurance ("the Granit case").	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	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.	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]
11.	Cont.		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 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,	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 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.	

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.		based on the preferable annuity – to order the defendant to reimburse to said policyholders the difference between the annuity they were entitled to based on the preferable factor, and the annuity actually received by them.			
12.	1/2016 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	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	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. See also claims 5 and 10 above in this section.	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

	the pension	defendants' new pension funds,

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 Parties Court[1]	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
12.	Cont.	fund of the entire amount of the management fees that were and/or will be collected from the annuitants unlawfully, for making a fair and equitable distribution thereof; 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.	and who was harmed as a result of the collection of management fees on disability and survivor annuities.		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]
13.	5/2016 Central District Court	Policyholders v. Migdal Insurance	Allegations that Migdal Insurance distributes the premiums its 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 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;	(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 according to the agreement and distribution	The proceeding is in the stage of clarification of the class action certification motion. At the recommendation of the Court, the parties agreed 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 Parties Court[1]	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
13.	Cont.	(d) to declare that Migdal Insurance had unlawfully collected amounts and that it should act to change the current situation; (e) to issue a mandatory injunction on changing work processes and systems and regarding the phrasing of policies.	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		

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

No.	Date and Court[1]	Parties	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
13.				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 additional compensation upon occurrence of the insurance event.		

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.	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").	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]
14.	Cont.				The applicants in that same 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. In view of the certification ruling and motion for leave to appeal that was submitted in respect thereto, Migdal Makefet filed a motion to suspend proceedings until a ruling is provided on the motion for leave to appeal. The motion to suspend the proceedings was denied by the Court on the basis that the proceeding in question is different from the facts of the proceeding regarding which the certification ruling was made. See also claims 16 and 18 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]
15.	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)	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.	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]
15.	Cont.			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 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".	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? Accordingly 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. Accordingly, the tax authority and the capital market authority are required to submit their position on the matter.	

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

1. Contingent Liabilities (Cont.)

b. Class actions – 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.	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"). The applicants in that same 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.	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]
16.	Cont.				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 a hearing has been scheduled for completing oral arguments. See also claim 14 above, including the position of the Commissioner that was submitted in that case as well as claim 18 below in this section.	
17.	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.	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]
17.	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.		
18.	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 Parties Court[1]	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
18.	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 applicants in that same 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 the case was scheduled for summations after the parties waived holding inquiries. See also claims 14 and 16 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]
19.	2/2017 Tel Aviv District Court	Person insured under a life insurance policy of Migdal Insurance 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). The reliefs requested in the class action certification motion are: (a) to fully return the amounts Migdal Insurance had collected from its customers contrary to the law; and (b) declaratory orders stating that Migdal Insurance had acted unlawfully and that any person who was charged the unlawful amounts is entitled to a refund of all the excess amounts they paid.	All the customers of Migdal Insurance who took a loan and were charged handling fees or any other payment for opening the loan or as handling fees in the last 7 years.	The proceeding is in the stage of clarification of the class action certification motion. On December 23, 2017 the Commissioner issued a decision that includes instructions to return the handling fees that were charged on loans in the 7-year period preceding September 30, 2017. This decision stated that it does not apply to cases where the charged handling fees are returned to the members' portfolio as was done in Migdal Insurance. At the recommendation of the Court the parties entered into a mediation proceeding, 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 February 18, 2020 the Court decided that there is no place for dismissal in limine of the settlement agreement and ordered that it be published and sent to the Attorney General.	About NIS 2 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]
20.	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), 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	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.	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 Parties Court[1]	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
20.	Cont.	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.		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.	

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.	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	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	The proceeding is in the stage of clarification of the class action certification motion. At the recommendation of the Court the respondents in the case are holding a mediation proceeding other than Migdal Insurance and Eliahu 1959 who at this time have not yet agreed to join the mediation.	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]
21.	Cont.		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. 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. 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, 2018 regarding the general insurance run off transaction in Eliahu.	interest being added to the awarded amount.		

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.	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. The principal reliefs: (a) Compensation and/or return of the excess amounts paid in respect of the service contracts sold as part of a comprehensive and/or third party insurance plan if Migdal Insurance had complied with its obligations according to law during the marketing and sale process:	Anyone who purchased from Migdal Insurance service contracts as part of the motor vehicle property, third party or comprehensive, insurance policy, and Migdal Insurance violated the provisions of the law regarding the marketing and selling process of the service contracts; this during a period beginning 7 years before the filing of the class action certification motion until the date of a final	The proceeding is in the stage of clarification of the class action certification motion. At the recommendation of the Court the parties held talks for concluding the proceeding with a settlement agreement. The talks were successful and 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 October 6, 2019 the Court ordered that a copy of the settlement agreement be transferred to the Attorney General and the Commissioner.	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]
22.	Cont.		the cost of the service contracts that would not have even been purchased by the policyholders; the difference between the cost of the service contracts that was paid to Migdal Insurance by the policyholders in the framework of the comprehensive or third party insurance policy and the cost they would have paid if they had been purchased from third parties and/or Migdal Insurance at a lower price and/or at preferable terms and after conducting a market survey, (b) An order nisi instructing Migdal Insurance to present to its policyholders during the process of marketing motor vehicle insurance plans (and all other insurance plans) the price of the service contract separately from the insurance policy; to not stipulate the purchase of an insurance plan on the purchase of a service contract; to order Migdal Insurance to permit its policyholders to not purchase the service contracts and/or part of them in the framework of the insurance plan while deducting their cost from the cost of the insurance plan so that the cost of the insurance plan will be accordingly lower.	judgment on the 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]
23.	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 members, to establish clear work procedures regarding	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 in as part of a mediation. Accordingly the parties are in the process of negotiating. 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 respondents ("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.	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]
23.	Cont.		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 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.			

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.	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 wherethe 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 members, to include in the insurance	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	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, see paragraph c.1 below. 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 proceeding is in the stage of clarification of the class action certification motion in evidentiary hearings.	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

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.	Cont.		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.	including the VAT component on the cost of the repair. 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).		which is when the ruling was issued on Civil Appeal 1772/99 Zlochin v. Diur Leoleh 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]
25.	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	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.	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]
25.	Cont.		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.			
26.	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 defendants should be required to transfer the amounts to the Administrator General.	The class the plaintiff wishes to represent is anyone who meets one or more of the following conditions: (1) The defendants' policyholders, whose eligibility to insurance benefits or a refund of premiums was recognized by the defendants and checks were sent to their registered address that were not cashed by the	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.	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.

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]
26.	Cont.			policyholders for any reason whatsoever. (2) The defendants' policyholders, who on the date of sending such checks or proximate to it the defendants had their bank account information or charge card information that with their use and/or from them the defendants collected the premium, or the defendants were able to obtain such information (hereinafter: "the class members").		

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.	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	Migdal Insurance has filed its reply to the class action certification motion. The proceeding is in the stage of clarification of the class action certification motion. The applicant withdrew her allegation of being personally misled, and accordingly it was decided to forgo inquiries. Summations have been submitted on the certification motion and the parties are waiting for a ruling on the motion.	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]
27.	Cont.			rehabilitation hospital and/or mental health institution and/or convalescent home and/or sanitarium and/or long-term care facility.		
28.	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.	The class the plaintiffs wish to represent is anyone who received from the defendants a relative refund of insurance premiums according to the insurance contracts and the Control of Insurance Business Regulations (Terms of Private Motor Vehicle Insurance Contract) – 1986, Control of Financial Services (Insurance)	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.	NIS 4 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.			Regulations (Terms of Motor Vehicle Insurance Contract) – 2010 and Control of Insurance Business (Terms of Property Insurance Contracts) Regulations – 1986 (hereinafter: "the Regulations"), more than 14 days after cancelling the policy; another class the plaintiffs wish to represent is the policyholders of Migdal and another defendant that according to the plaintiffs unlawfully received a refund of insurance premiums with insufficient linkage (hereinafter: "the class members").		

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.	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 from 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	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.	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]
29.	Cont.			commissions and their determining salary for annual vacation, as from March 2016, did not include this component.		
30.	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 fee for returning the comprehensive motor vehicle insurance coverage to its previous amount, after insurance benefits were paid in an insurance event that the motor vehicle was not a total loss ("reinstatement fee"). Alternatively the plaintiff alleges that the formula Migdal uses to calculate the reinstatement fee 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.	NIS 346 million or alternatively NIS 312 million or alternatively to the alternative NIS 176 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.	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.	NIS 692 million
32.	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.	Anyone who entered into an insurance contract with Migdal Insurance that includes coverage for loss of working	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.	NIS 566 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]
32.	Cont.			capacity, by which a disease constitutes an insurance event, but the respondent refused to recognize its obligation to them even though the surgery is medically required, on the grounds that there is no real need to execute it and/or on the grounds that the loss of working capacity is the result of the surgery itself, which is preventive, when there 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]
32.	Cont.			no disease and/or for any other reason.		
33.	6/2019	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 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 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. A pretrial meeting has been scheduled for hearing the motion to suspend and the case. For information regarding the first claim, 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]
34.	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 from 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	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.	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]
34.	Cont.			and deducted interest from the return, as from 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 rate that would be deducted, and providing that the words "by which the amount of the monthly compensation was calculated" do not appear.		

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.	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	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.	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]
35.	Cont.			value of the unrepaired parts without providing an appraiser opinion as aforesaid, in the 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.		
36.	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	All the customers of Migdal Insurance that have executive	No reply to the certification motion has as yet been filed.	Was not estimated by the applicant

	consent

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 Parties Court[1]	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
36.	Cont.	to doing 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.	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 finance ministry (or any other agreed relevant authority) and/or contrary to the Insurance Contract Law (or the provisions of any other relevant law).		

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.	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. 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	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 an annuity that part and/or all of it is calculated according to a factor that is higher than that specified in the rider (including	No reply to the certification motion has as yet been filed.	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 Parties Court[1]	Main Arguments, Causes and Reliefs[2]	Class[3]	Details	Claim Amount[4]
37.	Cont.	to withdraw and the Court deciding to strike the claim and certification motion. In this respect see claim no. 9 hereunder in section c of this note.	derivatives of the factor specified in the rider).		

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.	8/2017	Policyholder v. Migdal Insurance	The refusal of Migdal Insurance to file a debt claim with the National Insurance Institute in respect of differences in contributions for pension savings in the case of an employer in liquidation. The principal reliefs requested: (a) Declaratory relief by which in the case of liquidation of the employer Migdal Insurance is obliged to file a debt claim until the company's liquidation (after which a debt claim can no longer be filed), it will compensate the employee at the amount of the payments according to the debt claim, (b) A mandatory injunction ordering Migdal Insurance to change its procedures and file debt claims in respect of unpaid pension benefits, insofar as the companies have not yet been liquidated, and to issue a procedure that establishes the obligation to file a debt claim according to the material law in the situation of an employer under liquidation, (c) A mandatory injunction ordering Migdal Insurance to contact its policyholders when a company enters into liquidation proceedings according to information of the Official Receiver so that it will be possible to examine the contributions and whether they are full and (d) Monetary relief – compensation for all the class members whose employers were liquidated at the amount of the pension contributions that were not claimed by means of proof of debt.	Was not estimated	On July 10, 2018 the Court approved the plaintiffs' withdrawal from the claim, and reduced the legal fee and award the parties had agreed to. In respect of this reduction the applicant filed an appeal with the National Labor Court. On March 4, 2019 the National Labor Court ruled to strike the appeal at the request of the appellant, and the consent of Migdal Insurance, without an award of costs.

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.	11/2017 Central District Court	WIZO, the Women's International Zionist Organization v. Migdal Insurance and other insurance companies	Collection of an insurance premium that includes a "risk increment" deriving from the nature of the policyholders' work even though the policyholders are not even working at the time of purchasing the insurance coverage and even when the policyholders stopped working in a job that justified charging a higher premium.	Cannot be estimated	On February 17, 2019 the Court approved the plaintiff's withdrawal from the motion and dismissed the claim without an award of costs.
3.	9/1999 Central District Court	Life insurance policyholder v. Migdal Insurance	Use of an outdated mortality table to determine the life insurance premium, which is not adjusted to life expectancy. The remedies sought include a declaration that the applicant is entitled to cancel the insurance agreements and/or to receive remedies due to breach of contract.	Was not estimated	A hearing on the appeal was held at the Supreme Court on June 17, 2019. According to the Court's recommendation the applicant withdrew the appeal and accordingly a ruling was provided that denied the appeal. Thus the claim and certification motion came to their conclusion.
4.	5/2017 Central District Court	Persons insured under a motor vehicle insurance policy for civil servants v. Migdal Insurance	Allegation by which the defendants charged persons insured under a motor vehicle insurance policy for civil servants, an insurance premium that reflects a higher risk that is not relevant to the plaintiffs and the class members, this in violation of the provisions of Sections 55 and 58 of the Control Law (Prohibition on Misleading Description and Prohibition on Impairment), violation of a statutory duty, violation of provisions of the Contracts Law including violation of	About NIS 155 million from all the defendants together.	On May 26, 2019 the parties submitted to the Court an agreed notice by which they accept its recommendation to end the proceedings in withdrawal and leave to the Court's discretion the amount of the compensation and legal fees to be awarded to the applicants. On July 7, 2019 the Court ruled and accepted the withdrawal, struck the certification motion and denied the personal claim of the applicants.

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
4.	Cont.	and other insurance companies	the duty of good faith at the stage of negotiations and the stage of the contract as well as unjust enrichment. The principal reliefs requested: To issue an order instructing the defendants to answer questionnaires and/or disclose to the plaintiffs all the information they have regarding the size of the class and the extent of the damage caused to it; to permit the plaintiffs to amend the claim statement by adjusting the relevant numerical data and the amounts as will be disclosed by the defendants; to award to the class members the amount of the claim that is an estimate of the amount of damage that was caused to the class members; and to issue an order requiring the defendants to change their conduct.		
5.	1/2016 Central District Court	Pension fund member v. Migdal Makefet and other management companies	Argument regarding the holding of bonds with a low credit rating in excess of the permitted percentage according to the investment restrictions applying to such bonds under Section 41D2 of the Income Tax Regulations (Rules for the Approval and Management of Provident Funds) ("the Provident Funds Regulations") at the times relevant to the claim, and collection of management fees on these excess amounts contrary to the provisions of the Provident Funds Regulations, The reliefs sued for are among others: reimbursement	Was not estimated by the plaintiff	On September 26, 2019 the applicant notified the Court that she accepts its recommendation to end the proceeding by way of withdrawal, so that the certification motion will be struck and her personal claim will be denied. The motion to withdraw was approved by the Court on September 26, 2019 and was awarded judicial force.

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.	Cont.		of the management fees that were collected by the respondents in violation of the Provident Funds Regulations, as in effect at that time, compensation for the damage caused to the class members due to the alleged violation of the Provident Funds Regulations, and any other relief for the benefit of all or a part of the class or for the benefit of the public, as the court deems rights and equitable in the circumstances of the case.		
6.	2/2018 Tel Aviv-Jaffa District Court	Members of institutional bodies including Migdal Makefet v. the institutional bodies	Allegation that the institutional bodies charge members taking loans from the management companies a handling fee/collection fee/operating fee/commission/early payment fee in connection with provision of the loans and/or preparation of the loan documents and/or collection of loan repayments and/or management of the loans. The relief requested is to return all the fees that were collected by the institutional bodies in the seven years preceding the filing of the claim and to issue an order nisi or declaratory judgment stating that the defendants may not take for themselves the fees specified in the claim.	NIS 10 million	The parties agreed to enter the mediation proceeding that is being held with respect to claim no. 20 above in this section. On September 13, 2019 the applicant filed a motion to withdraw from the certification motion and deny the personal claim. The motion was filed at the consent of Migdal Makefet and on September 18, 2019 it was awarded judicial force.

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
7.	5/2018 Central District Court	Policyholder v. Migdal Insurance	Allegation that when the defendant settles insurance claims for loss or theft of baggage in travel insurance, the defendant acts unlawfully in that it denies the coverage because of the lack of confirmation that a report had been made to the police in respect of the loss/theft. The reliefs requested include paying all the claims that were denied because of the lack of confirmation of a police report, a declaration that the defendant had violated the provisions of the law and the provisions of the policy, a mandatory injunction ordering the defendant to act according to the law and the policy, a full reimbursement of all the amounts that were claimed pursuant to the insurance policies and were unlawfully denied and pecuniary and nonpecuniary damages pursuant to tort law, the Consumer Protection Law, the Insurance Contract Law, the Contracts Law and the Contracts Law (Remedies for Breach of Contract).	Not precisely known. Estimated at NIS 3 million.	Negotiations were held with the applicant before filing a reply to the certification motion following which a settlement agreement was reached regarding the compensation to the class members subject to the conditions specified in the settlement. The settlement was submitted to the Court on November 29, 2018 for its approval and after it was amended according to the Court's instructions in a hearing that was held on the matter and after the Attorney General and the Commissioner advised that they do not object to the settlement agreement, it was approved on October 29, 2019 and awarded judicial force.
8.	4/2008 Jerusalem Regional Labor Court	Female life insurance policyholders v. Migdal Insurance	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	Hundreds of millions of NIS	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 defendant companies filed with the National Labor Court an application for leave to appeal the ruling, which was accepted.

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.	Cont.	and other insurance companies	insurance is identical to that collected from men and despite the fact that women's mortality rates are lower. The remedies sought include 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.		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.
9.	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	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.

and/or

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
9.	Cont.		those derived from those specified in the rider, compensation in the amount of the difference between the annuity they were 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.		

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

1. Contingent Liabilities (Cont.)

d. Legal proceedings and other material actions

Following are details of other material actions. The claim amounts are stated as of the date of filing of the claims.

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	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	Defense statements were filed in the proceeding: IAI filed a reply. Marsh filed a third party notice against the insurers and Peltours in which it requests that any one of them be charged if it should be found liable of the payment to IAI (hereinafter: "third party notice"). Defense statements were filed with respect to the third party notice. Marsh filed a reply. On September 26, 2019, as part of negotiations held by the parties in an attempt to end the proceeding in a settlement, 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.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

1. Contingent Liabilities (Cont.)

d. Legal proceedings and other material actions

Following are details of other material actions. The claim amounts are stated as of the date of filing of the claims. (Cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
1.	Cont.		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 total loss of the satellite was not considered a material increase in risk that justified paying an additional 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.	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.	

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

1. Contingent Liabilities (Cont.)

d. Legal proceedings and other material actions

Following are details of other material actions. The claim amounts are stated as of the date of filing of the claims. (Cont.)

No.	Date and Court	Parties	Substance of the Claim	Amount	Details
2.	10/2018 Central 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.

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)	5	1,693,532
Stated amount attributed to the Group	3	1,468,532
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)	35	8,698,933
Stated amount attributed to the Group (4)	19	5,066,933
The claim relates to a number of companies and no specific amount was attributed to the Group	4	3,632,000
The claim amount was not stated	12	-
Other material claims	2	1,102,900
Stated amount attributed to the Group	2	1,102,900

(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. 19 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 149 million (as of December 31, 2018 – approximately NIS 125 million).

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

1. Contingent Liabilities (Cont.)

e. Summary of legal claims (Cont.)

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 approximatelyNIS 178 million (as of December 31, 2018 – approximately NIS 203 million).

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) In July 2017 Migdal Insurance received a notice from a management company not owned by the Company (hereinafter: "the defendant"), regarding a claim that was filed in October 2016 against the defendant with the Tel Aviv District Court, class action 35371-10-16 by the sons of a deceased who are beneficiaries of the deceased in a provident fund managed by the defendant (hereinafter: "the plaintiffs"). A motion to certify the claim as a class action according to the Class Actions Law was filed against the defendant together with the claim. In the aforesaid notice the defendant noted that the claim involves group life insurance that the defendant (and its predecessors) had purchased for its members. The defendant also stated in the aforesaid notice that in the motion to certify a class action the plaintiffs are alleging, inter alia, that the defendant (and its predecessors) had breached its duties by law, and had refrained from sending notices to the beneficiaries or heirs of a deceased member regarding the existence of a life insurance policy and their right to receive benefits according to that policy, so that eventually the period of limitation of the insurance claim passes. In addition, the defendant states that the plaintiffs are alleging in the certification motion that the defendant should have taken active action to receive the life insurance benefits, to alert the beneficiaries or heirs that there is a short period of limitation by law for filing an insurance claim, and even to file a claim so as to receive the insurance benefits for those beneficiaries/heirs, which will be held in the member's account. In addition, the defendant stated in the aforesaid notice that it has no profit from the existence of a group life insurance policy for its members, and that the premiums paid by the members are fully transferred to the insurance company; and therefore the only party that became enriched, in its opinion, from not paying the insurance benefits of the life insurance policy to the beneficiaries or heirs of the member (insofar as there were any such cases) is the insuring company (including Migdal Insurance). The defendant also stated in its notice that it is reserving its allegations and rights toward Migdal Insurance insofar as the claim is accepted (hereinafter: "the notice").

Throughout the years in which Migdal Insurance insured the members of the defendant's provident fund, Migdal Insurance paid the insurance benefits directly to the defendant for all the policyholders who passed away and the defendant had filed a claim in their respect. Since the defendant was the owner of the policy the Company is unable to assess whether there are more policyholders that may have been entitled to receive insurance benefits before the period of limitation ended. Until the date of issuing these financial statements no payment demand has been submitted against Migdal Insurance with respect to that stated in the notice.

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.)

2) Regarding tax assessments for 2011 and 2012 regarding the capital gains tax on a dividend from investee companies that was concatenated to Migdal Insurance during the quarter, the District Court's ruling adopted the position of the tax authority. The Company 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 127 million is in respect of claims that were filed (as of December 31, 2018 – NIS 168 million) in addition to the general exposures described in this note including in paragraph f.4 and f.5 of this note.

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.

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) (Cont.)

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 that it is implementing according to the plan.

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.)

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.

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.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments

a. For details regarding the acquisition of a run-off business, see Note 38.e.2.

b. Commitments for investments and granting of credit:

1) The balance of Migdal Insurance's commitments for additional investments in investment funds as of December 31, 2019 amounts to approximately NIS 8,637 million, of which approximately NIS 7,151 million is in respect of yield-dependent contracts (in 2018 – approximatelyNIS 8,371 million, of which approximately NIS 7,035 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, 2019 amounts to approximately NIS 12 million, of which approximatelyNIS 12 million is in respect of yield dependent contracts (in 2018 – approximately NIS 4 million, of which approximately NIS 4 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, 2019 amounts to approximately NIS 2,043 million, of which approximately NIS 1,781 million is in respect of yield-dependent contracts (in 2018 – approximately NIS 1,353 million, of which approximately NIS 1,151 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, 2019 amounts to approximately NIS 319 million, of which approximately NIS 235 million is in respect of yield-dependent contracts (in 2018 – approximately NIS 66 million, of which approximately NIS 54 million is in respect of yield-dependent contracts). Some of the above amounts are based on the accounting mechanism prescribed in the agreement.

d. Letters 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.

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.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments (Cont.)

d. Letters of indemnity and waiver to officers: (Cont.)

1) Letters of indemnity granted up to 2006: (Cont.)

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.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments (Cont.)

d. Letters of indemnity and waiver to officers: (Cont.)

2) Letters of release and indemnity granted in 2006: (Cont.)

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.

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.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments (Cont.)

d. Letters of indemnity and waiver to officers: (Cont.)

4) Updated letters of indemnity granted in 2012:

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.

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 grant of updated letters of indemnity to officers of the Company, where the controlling shareholder of the Company 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"). 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 attached wording. The provisions of the updated letters of indemnity to be granted to certain officers will apply, subject to the provisions of any law, also with respect to actions done prior to their amendment.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments (Cont.)

d. Letters of indemnity and waiver to officers: (Cont.)

4) Updated letters of indemnity granted in 2012: (Cont.)

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).

6) Officers’ insurance

a) On November 28, 2019, after having been approved by the Company’s Audit Committee on November 21, 2019, the Board of Directors of the Company approved the renewal of the Group's directors and officers liability insurance policy, which was supposed to end on November 30, 2019, for an additional 45 days until January 14, 2020 with no change in the terms of the policy.

b) On December 31, 2019, after having been approved by the Company’s Audit Committee on December 17, 2019, 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 will be renewed for a period of twelve (12) months from January 15, 2020, with insurance coverage of $ 120 million. See details in the Company’s immediate report dated December 31, 2019, reference no. 2019-01-116205.

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").

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments (Cont.)

e. Other commitments (Cont.)

1) (Cont.)

Migdal Mutual Funds Ltd., a wholly owned subsidiary of Migdal Stock Exchange Services, is not part of the merger, and a condition precedent to the merger is the distribution of this company and/or its transfer in another manner to the shareholders of Migdal Stock Exchange Services ("the leveraged transaction").

On September 24, 2015 the entire issued and paid-up share capital of Migdal Mutual Funds Ltd., which was a wholly owned subsidiary of Migdal Stock Exchange Services, was transferred through its distribution as a dividend in kind to Migdal Capital Markets, so that as of the reporting date Migdal Stock Exchange Services had no holding in Migdal Mutual Funds Ltd.

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 merger value ratios were calculated based on the equity which each of the merged companies undertook to provide as of September 30, 2015, such that the equity of Migdal Stock Exchange Services will stand at NIS 52 million, with NIS 5 million subtracted from this amount for the purpose of calculating the merger value ratios, while the equity of IBI Brokerage as of the effective date will stand at about NIS 184 million, as it was on the merger date.

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.

On the merger date, a shareholders agreement of the merging company, signed between Migdal Capital Markets and IBI Holdings, came into effect ("the shareholders agreement").

The shareholders agreement includes, inter alia, provisions relating to the restructuring of the stock exchange and the allocation of its shares among the stock exchange members. Under the shareholders agreement, should the merging company receive shares of the stock exchange as part of the change in the stock exchange ownership, Migdal Capital Markets will be entitled to the proportion of the stock exchange shares arising from the entitlement of Migdal Stock Exchange Services. It was agreed that the value of the shares would be excluded from any parameter relevant to the calculation of the parties' rights under the merger agreement, the shareholders agreement and any other agreement associated with the merger transaction, including for the purpose of calculating the merging company's equity, net profit after tax and price per share.

As regards the aforesaid restructuring (which includes the leveraged transaction and the merger transaction) an agreed tax ruling was provided by which the restructuring, including all its stages, shall not be subject to tax, subject to meeting the conditions and restrictions provided in the law and in the tax ruling. The tax ruling also prescribed rules for calculating the tax when the shares of the merged company and/or Migdal Mutual Funds Ltd. are sold.

On April 6, 2017 Securities Law (Amendment No. 63) – 2017 was issued, which includes, inter alia, provisions regarding a change in the stock exchange's incorporation structure.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments (Cont.)

e. Other commitments (Cont.)

1) (Cont.)

On September 13, 2017, after all the necessary proceedings were completed according to Securities Law (Amendment No. 63) – 2017, and the Court gave its approval according to Section 350 of the Companies Law, shares were allocated to the stock exchange members, and in this framework IBI was allocated 8,550,416 shares, of which 4,480,416 shares derive from the share of Migdal Stock Exchange Services, constituting 4.77% of the stock exchange's share capital (4.48% on a fully diluted basis).

The merger agreement provided that for as long as the stock exchange shares deriving from the share of Migdal Stock Exchange Services are not transferred to Migdal Capital Markets (and if from a practical or legal point of view they cannot be transferred – for as long as no other alternative compensation is granted for them at an amount agreed between the parties or as decided by an economic adjudicator in the absence of agreement), the shares will be considered to be held by IBI in trust for Migdal Capital Markets.

According to the merger agreement, Migdal Capital Markets will bear the tax liability and any expense deriving from receiving the aforesaid shares and transferring them to Migdal Capital Markets or holding them in trust for it. The stock exchange and the Securities Authority approved the transfer of the aforesaid shares from IBI to Migdal Capital Markets. According to the approval of the Securities Authority the transfer of the shares and their holding by Migdal Capital Markets does not require a holding permit.

Accordingly, and further to a tax ruling of the tax authority from June 16, 2016, the parties applied to the assessing officer, requesting that the transfer of the aforesaid shares be considered a transfer from trustee to beneficiary, which is not considered a tax event. In addition, the parties requested from the stock exchange the approvals required for transferring the aforesaid shares from IBI to Migdal Capital Markets.

According to the law on the restructuring of the stock exchange, when shares are sold for a consideration that is higher than the holding rate multiplied by the equity of the stock exchange at December 31, 2015, which is NIS 508 million, the difference will be transferred to the stock exchange by the seller. Furthermore, a capital gain accrued for Migdal Capital Markets as a result of the said allocation will not be subject to tax until the date of sale.

Migdal Capital Markets treated the change in rights by way of derecognizing the previous right and revaluing the new asset in the statement of profit and loss, based on a valuation that was received from an external valuer. As a result of the aforesaid, a gain in the amount of NIS 13 million for the year ended December 31, 2017 was recorded in respect of revaluation of the shares of the stock exchange. As at December 31, 2017 the balance of the investment is NIS 18 million.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments (Cont.)

e. Other commitments (Cont.)

1) Cont.

At the beginning of January 2018 the stock exchange sent a notice to the members of the stock exchange, including Migdal Capital Markets, which at the time held about 4.77% of the shares of the stock exchange (about 4.48% on a fully diluted basis) through IBI Stock Exchange Services, requesting to receive from them offers to sell their holdings in the stock exchange according to a value of NIS 500 million for the stock exchange.

Further to the aforesaid, in April 2018 Migdal Capital Markets received a notice, through IBI Stock Exchange Services, of acceptance of the offer to sell all the shares of the stock exchange held by IBI Stock Exchange Services, which includes also the portion of the shares that is held by it in trust for Migdal Capital Markets, this after Migdal Capital Markets offered to sell all its holdings and/or rights in the shares of the stock exchange at a price of no less than NIS 22.1 million.

Upon completing the sale of Migdal Capital Markets' holdings and/or rights in shares of the stock exchange, in August 2018 IBI Stock Exchange Services transferred to Migdal Capital Markets an amount of NIS 22.4 million, constituting the consideration to Migdal Capital Markets from completing the transaction to sell the stock exchange shares. Upon completing the aforesaid transaction, Migdal Capital Markets and/or IBI Stock Exchange Services on its behalf, do not have any more shares of the stock exchange.

2) Migdal Insurance signed agreements with Femi Premium Ltd. ("Femi") which provides it with assistance services for policyholders based on service letters / riders / policy extensions sold mainly in nonlife insurance (motor property, home and mortgage insurance) as well as for services in the health line of business.

The agreement regarding services in nonlife insurance ended on March 31, 2017. The agreement for service letters for collectives in the health line of business will be in effect up to the date of termination or renewal of each collective.

The scope of purchases from Femi in 2019 totaled approximately NIS 7 million (compared with NIS 11 million in 2018 and approximatelyNIS 27 million in 2017).

On December 1, 2012 Migdal Insurance entered into an agreement with Infomed Medical Sites ("Infomed"), which was a consolidated subsidiary of Migdal Health and Quality of Life Ltd. ("Migdal Health"), a subsidiary of the Company, and was sold by Migdal Health on October 1, 2017, for the provision of services in connection with service letters of Infomed.

In December 2014 an agreement was signed between Migdal Insurance and Infomed, to which also B-Well Quality of Life Solutions Ltd., a wholly owned subsidiary of Infomed ("B-Well"), was added. This agreement constituted a framework agreement between Migdal and Infomed and B-Well, covering existing and future service letters, subject to the terms of the agreement ("2014 framework agreement"). Upon the sale of Infomed on October 1, 2017 Migdal Health acquired all the shares of B-Well.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments (Cont.)

e. Other commitments (Cont.)

2) (Cont.)

In respect of the service letters that were transferred to B-Well from Femi, the rates agreed upon between Migdal Insurance and B-Well Quality of Life Solutions Ltd., a consolidated subsidiary of Infomed ("B-Well"), are lower than the rates Migdal Insurance paid to Femi for the same services and the total amount to be paid to B-Well depends on the scope and mix of the services purchased by Migdal Insurance.

In connection with the transfer of the services in the field of service letters to B-Well, in November 2014, B-Well and Femi signed a cooperation and service agreement, whereby B-Well is to purchase services from Femi in respect of the service letters of Migdal the handling of which was transferred from Femi to B-Well, and regulating the terms of cooperation between B-Well and Femi ("the service agreement").

The term of the service agreement after its extension is until March 31, 2022, although B-Well may terminate the service agreement at an earlier date in accordance with its conditions. In case the agreement is cancelled before the aforesaid date, B-Well is to pay Femi agreed compensation equal to the number of months until that date multiplied by NIS 30 thousand.

In 2019, 2018 and 2017 B-Well paid Femi, for the purchased services, a total of NIS 3,476 thousand, NIS 4,931 thousand and NIS 5,441 thousand, respectively

In July 2016 a new framework agreement was signed (“2016 framework agreement”) between Migdal Insurance, Infomed and B-Well which superseded and cancelled the previous agreements between the parties. Additional service letters (relating to both individuals and groups) that were transferred from Femi were added to the scope of the 2016 framework agreement. The 2016 framework agreement separated between the various service letters into several types, according to the date on which the services began being provided and/or their type, and for each such type 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 2019, 2018 and 2017 Migdal Insurance paid B-Well or Infomed, as the case may be, a total of NIS 36,290 thousand, NIS 37,894 thousand and NIS 40,695 thousand, respectively.

NOTE 38:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. Commitments (Cont.)

e. Other commitments (Cont.)

2) (Cont.)

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 36 billion as of December 31, 2019 (December 31, 2018 – NIS 32 billion).

g. Leases

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, 2019 NIS in thousands
First year	449,909
Second year	412,730
Third year	344,178
Fourth year	255,184
Fifth year	168,176
More than six years	1,054,652
	2,684,829

During the year ended December 31, 2019, the Group recognized the sum of NIS 2,178 thousand as income in the statement of income in respect of contingent leasing fees (in 2018 and 2017 – NIS 1,923 thousand and NIS 2,021 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. 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.

In the period subsequent to the date of the report up to the date of its issuance, the financial markets have declined sharply, which had an adverse effect on the nostro portfolio of Migdal Insurance and on the investment portfolio of profit participating policies that have an effect on the financial margin and on the management fees Migdal Insurance is entitled to receive from its policyholders.

The decline in the marketable investment portfolio, which is not held against yield dependent liabilities, from the date of the financial statements until proximate to their date of approval, is estimated to amount to NIS 800 million before tax. Furthermore, the value of the nonmarketable portfolio is also expected to decline, and at this time the Company is unable to assess the extent.

Proximate to the date of issuing the financial statements, the total amount of assets managed by the Group for savings as part of yield dependent policies, pension funds, provident funds and mutual funds decreased by an amount of NIS 33 billion, reflecting a decrease of 13% compared to the end of 2019. Accordingly, a significant decline is expected to occur in management fees from assets (other than management fees that vary as described hereunder).

In view of the negative real yield that was recorded in profit participating life assurance policies sold until 2004, Migdal Insurance did not record variable management fees since the beginning of 2020, rather only fixed management fees. Until such time as a positive real yield is obtained that covers the investment losses incurred by the policyholders, Migdal Insurance will not be able to collect variable management fees. Proximate to the date of issuing the financial statements, management fees in an estimated amount of NIS 1,300 million before tax will not be collected because of the negative real yield until such time as an accumulated positive yield is obtained.

Due to the sharp fluctuations in the financial markets and interest curve, the effects described above, each one alone and all together, may be significantly lower or greater according to developments on the capital market and in the risk-free interest curve.

It is emphasized that the aforesaid is based on information known to the Company proximate to the date of signing the financial statements and that this information is only partial and does not include other components of income (losses) from investments and the effect of the Group's other operations on equity, and the effects of the aforesaid on the Group's assets.

The Company currently assesses, based on the information it has proximate to the date of approval of the financial statements, that the current events and sharp downward trend in the markets in Israel and the world, should it continue, may have a material adverse effect on its short term business results.

It is further emphasized that since these events are not under its control, the Company is unable to estimate the overall aggregate extent of the medium and long term effect of these events on the Company (see also Note 7.c).

NOTE 39:- MATERIAL EVENTS AFTER THE REPORTING PERIOD (Cont.)

b. In March 2020, the Commissioner issued a draft amendment to the consolidated circular regarding application of an economic solvency regime based on Solvency II in insurance companies ("Solvency circular"). On this backdrop, the Commissioner plans to act to adjust the transitional provisions in the Solvency circular according to the provisions of the European directive, and to increase the application period for reserves for long-term insurance products that were sold in the past.

   Based on an initial assessment that was performed by Migdal Insurance, which is neither reviewed nor audited, application of the draft regulatory capital framework has a positive effect on the solvency ratio of Migdal Insurance, since if the solvency ratio of Migdal Insurance had been recalculated at June 30, 2019 on the basis of spreading the liabilities until 2032, it would have considerably higher than 120%.

   It is clarified that as at the date of this report, the most recent capital framework has not yet come into effect, and it is contingent upon, inter alia, completing the necessary process with the finance committee, according to law and the issuance of a binding circular.

   For more information see Note 7.c.

c. In March 2020 the Commissioner published a draft amendment to the provisions of the consolidated circular regarding measurement of liabilities – liability adequacy test (hereinafter in this paragraph: "the draft"). Migdal Insurance is studying the provisions of the draft circular, and in its opinion insofar as the draft becomes a binding circular, the insurance liabilities in life assurance are expected to significantly decrease by an amount of NIS 0.9 billion. The said decrease in insurance liabilities will be accounted for retrospectively in the financial statements for the first quarter of 2020 as a change in accounting policy. Conversely, the amendment itself is expected to have a material adverse effect on the solvency ratio of Migdal Insurance under the existing solvency regime. Nonetheless, pursuant to the new regulatory capital framework and on the basis of spreading the liabilities until 2032, the effect is not expected to be material. See Note 36.b.3.b)(4) for more information.

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	
	2019	2018	2019	2018
	NIS in thousands			
Government bonds – available- for-sale	7,828,188	6,892,312	7,529,985	7,004,946
Other debt assets				
Non-convertible – available-for-sale *)	3,233,042	4,120,796	3,070,414	4,185,598
Non-convertible – presented at fair value through profit or loss *)	789,327	332,113	770,589	343,462
Convertible and designated on initial recognition at fair value through profit or loss	-	-	-	-
Total quoted debt assets	11,850,557	11,345,221	11,370,988	11,534,006
Impairment recognized in profit or loss (on a cumulative basis)	18,812	37,971		

*) Reclassified, for more information see Note 2.d.

b. Shares

	December 31			
	Carrying amount		Cost *)	
	2019	2018	2019	2018
	NIS in thousands			
Quoted				
Designated on initial recognition at fair value through profit or loss	-	-	-	-
Held-for-trade	-	-	-	-
Available-for-sale	441,835	808,792	366,879	714,356
Total quoted shares	441,835	808,792	366,879	714,356
Unquoted				
Designated on initial recognition at fair value through profit or loss	-	-	-	-
Available-for-sale	68,887	74,860	37,266	38,181
Total unquoted shares	68,887	74,860	37,266	38,181
Total shares	510,722	883,652	404,145	752,537
Impairment recognized in profit or loss (on a cumulative basis)	105,180	108,481		

*) Net of provisions for impairment.

APPENDIX - DETAILS OF ASSETS OF OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE COMMISSIONER OF INSURANCE

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 *)	
	2019	2018	2019	2018
	NIS in thousands			
Quoted				
Presented at fair value through profit or loss	-	199,893	-	193,912
Available-for-sale	1,078,042	1,425,368	1,020,638	1,412,017
Derivative instruments	9,486	34,393	13,541	12,048
Total quoted financial investments	1,087,528	1,659,654	1,034,179	1,617,977
Unquoted				
Presented at fair value through profit or loss	76,483	47,031	75,379	49,468
Available-for-sale	1,389,423	1,000,769	1,350,668	896,426
Derivative instruments	55,470	55,359	18,328	19,466
Total unquoted financial investments	1,521,376	1,103,159	1,444,375	965,360
Total other financial investments	2,608,904	2,762,813	2,478,554	2,583,337
Impairment recognized in profit or loss (on a cumulative basis)	433,990	375,155		

*) Net of provisions for impairment.

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