Clal Insurance Enterprises Holdings Ltd.

As of September 30, 2017

This report is an unofficial translation from the Hebrew language and is intended for convenience purposes only.

**The binding version of the report is in the Hebrew language
only.**

Board of Directors’ Report

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The Board of Directors' Report on the state of the corporation's affairs for the period ended September 30, 2017 (hereinafter: the "**Board of Directors' Report**") reviews the principal changes which occurred in the operations of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") during the first nine months of 2017 (hereinafter: the "**Reporting Period**" and/or the "**Interim Reports**" and/or the "**Financial Statements**").

The Board of Directors' Report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, and is based on the assumption that the reader is also in possession of the Company's complete periodic report for the year ended December 31, 2016 (hereinafter: the "**Periodic Report**" and/or the "**Annual Financial Statements**"). The Board of Directors' Report with respect to insurance business operations was prepared in accordance with the Control of Insurance Business Regulations (Particulars of Report), 1998, and in accordance with the circular issued by the Commissioner of Capital Markets, Insurance and Savings (hereinafter: the **"Commissioner"**).

1. Description of the Company

1.1. Organizational structure

Presented below are details regarding the main shareholders in the Company, whose shares are listed for trade on the stock exchange, and regarding their approximate rates of holding:

	As of September 30, 2017		Proximate to the publication date of the report	
	Holding of voting rights In Clal Holdings	Holding of voting rights In Clal Holdings At full dilution 1)	Holding of voting rights In Clal Holdings	Holding of voting rights In Clal Holdings At full dilution 1)
Shareholder	%			
IDB Development Corporation Ltd. 2)	44.90	43.94	44.81	44.15
Bank Hapoalim	9.50	9.29	9.48	9.34

1) The holding rate at full dilution was prepared based on the theoretical assumption of the exercise of all warrants from the 2007 plan (as of the reporting date - 25,000 warrants) for an identical number of Clal Holdings shares, and according to a maximum theoretical assumption of the exercise of all warrants allocated on behalf of employees in accordance with the 2013 plan, including warrants which were allocated to the Company's CEO (as of the publication date of the report: 992,668 warrants), and all warrants allocated on behalf of employees according to the 2015 plan (as of the publication date of the report - 313,333 warrants) when the price of the Clal Holdings shares on the stock exchange reaches a price at which, according to the terms of the warrants plan, an automatic exercise is implemented, and subject to adjustments, as specified in the 2013 plan, the 2015 plan, and the agreements regarding allocation to offerees. For additional details, see Note 39(a) to the annual financial statements.

2) It is noted that, on March 22, 2017, IDB Development Corporation Ltd. ("**IDB Development**") pledged approximately 4.99% (approximately 4.86% at full dilution, which constitute, as of the present date, approximately 4.98% and approximately 4.91% at full dilution) of the shares of Clal Holdings in favor of the holders of the bonds (Series K) that were issued by IDB Development.

   Additionally, On August 21, 2013, in accordance with the Commissioner's demand, 51% of Clal Holdings' issued share capital and voting rights, which are held by IDB Development (hereinafter: the "**Means of Control**"), were transferred to the trust account in the name of Mr. Moshe Terry (hereinafter: "**Mr. Terry**"), and Mr. Terry was also given an irrevocable power of attorney with respect to the aforementioned shares, for the purpose of exercising the authorities conferred by virtue of those shares, in accordance with the provisions of the deed of trust which was signed between IDB Development and Mr. Terry. On February 20, 2017, the trustee transferred to IDB Development 556,482 shares, which constitute approximately 1% (which were pledged, as stated above).

   On May 3, 2017 and August 31, 2017, after approval for the foregoing was received from the Court, IDB Development sold shares which constitute approximately 10%, which were held by the trustee, in over the counter swap transactions, to a third party. As of the reporting date, the trustee holds 39.8% of the means of control only.

For additional details regarding IDB Development's holdings in the Company, and IDB Development's obligation to sell shares of Clal Holdings, see Note 1 to the financial statements.

2. Description of the Business Environment

2.1. Material developments and changes in the macroeconomic environment during the reporting year

The group's operations and results are significantly affected by the capital markets, and by the economic, political and security situation in Israel and around the world, which affect its income from investments, sales in various branches, the scope of insurance claims and the various costs associated with its operations. Developments with respect to employment and salary mainly have an effect on operations in the long-term savings segment. Presented below are details regarding the major developments in the macro-economic environment which impact the group's operations.

The total impact of the market developments specified below on the group's results during the reporting period was reflected both in increases, both in the value of financial assets held against capital and insurance liabilities, primarily due to the increase in the stock and bond markets, and the increase in the value of insurance liabilities, due to the decrease in the interest rates which were used to calculate the insurance liabilities. For additional details, see Note 8(a) to the financial statements.

2.1.1. Economic developments in Israel

2.1.1.1 Developments in the Israeli economy and employment

Growth rates and work force participation rates, as well as the employment rate and salary levels, have an effect on the scope of premiums, mainly in the long-term savings segment, and may also have an effect on the scope of claims.

Growth

In the third quarter of 2017, GDP grew by 4.1% (in annual terms), following an increase of 2.5% in the second quarter, and an increase of 0.9% in the first quarter. The increase of GDP in the third quarter reflects increases in private consumption expenses (7.8%) and in investments in fixed assets (8.1%), as well as an increase in imports of goods and services excluding security imports and ships, and excluding startup companies (10.5%), in exports of goods and services excluding diamonds and startup companies (0.4%), and a decrease in public consumption expenses (1.6%).

It is noted that the estimates are after deducting seasonality, and are based on partial data, and are expected to be updated in the future.

Employment data

According to the data of the workforce survey by the Central Bureau of Statistics, the unemployment rate in the market among those aged 15 or older in the third quarter of 2017 amounted to 4.1%, similarly to 4.4% in the second quarter. The workforce participation rate amounted to 63.9% in the third quarter of 2017, as compared with 64.1% in the second quarter.

2.1.1.2 Data regarding inflation, exchange rates, interest rates and rates of return in Israel

Inflation

Presented below are data regarding changes in the consumer price index during the reporting period and in all of 2016:

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
In percent	**2017**	**2016**	**2017**	**2016**	**2016**
Index in lieu	0.3	-	0.3	-	(0.2)
Known index	0.2	-	(0.5)	0.4	(0.3)

The consumer price index (known index) decreased by 0.2% in the first quarter of 2017, increased by 0.9% in the second quarter, and decreased by 0.5% in the third quarter. Inflation in the last 12 months amounted to a negative rate of minus 0.1%.

2. Description of the Business Environment (Cont.)

2.1 Material developments and changes in the macroeconomic environment during the reporting year (Cont.)

2.1.1. Economic developments in Israel (Cont.)

2.1.1.2 Data regarding inflation, exchange rates, interest rates and yield rates in Israel (Cont.)

After the balance sheet date, the index for October was published, which presented an increase of 0.3%.

The inflation rate may affect the Company's business results, primarily due to its impact on income from investments with respect to CPI-linked assets in the nostro portfolio, the adjustment of CPI-linked insurance liabilities and financial liabilities, the change in the Company's financing expenses, and the total variable management fees which will be charged in profit-sharing policies which were issued until 2004, due to the impact of the real returns which will be recorded in these policies.

Exchange rates

During the reporting period, the NIS weakened vs. the EUR and GBP, and gained vs. the USD. In the third quarter, the NIS weakened vs. those currencies.

Presented below is information regarding the developments in the exchange rate of the NIS relative to various currencies:

	Representative EUR exchange rate	**Representative USD exchange rate**	**Representative GBP exchange rate**
	%	**%**	**%**
For the period of nine months ended			
September 30, 2017	**2.8**	**(8.2)**	**0.2**
September 30, 2016	(1.0)	(3.7)	(15.8)
For the period of three months ended			
September 30, 2017	**4.3**	**0.9**	**4.3**
September 30, 2016	(1.9)	(2.3)	(5.8)
For the year ended December 31, 2016	(4.8)	(1.5)	(18.3)

	Representative EUR exchange rate	**Representative USD exchange rate**	**Representative GBP exchange rate**
As of September 30, 2017	**4.157**	**3.529**	**4.736**
As of September 30, 2016	4.203	3.758	4.872
As of December 31, 2016	4.044	3.845	4.725

Developments in the interest rate and in yields

The Bank of Israel left the interest rate unchanged, at 0.1%.

Bond yields in the NIS curve decreased in all ranges during the third quarter, where 10 year bond yields decreased to 1.8%, from 2.1% at the end of the second quarter, and from 2.2% since the beginning of the year.

Yields in the long term CPI-linked curves (average of 7 years or longer) decreased, on average, by 0.3%.

Long term inflation forecasts in the bond market remained unchanged (around 1.28% for 10 years) in the third quarter, while on the other hand, short term inflation forecasts decreased.

For details regarding the linked risk-free interest rate in Israel (according to CPI-linked government bonds) for different periods, see section 3.1 below.

2. Description of the Business Environment (Cont.)

2.1 Material developments and changes in the macroeconomic environment during the reporting year (Cont.)

2.1.1. Economic developments in Israel (Cont.)

2.1.1.2 Data regarding inflation, exchange rates, interest rates and yield rates in Israel (Cont.)

A decrease in the interest rate curve and changes in the curve's steepness could result, under certain conditions, in an increase to the Company's insurance liabilities following an adjustment of the discount rate which is used to calculate certain reserves, and following the liability adequacy test in life insurance and nursing insurance. On the other hand, a decrease of this kind may result in capital gains on the assets side. On the other hand, an increase in the interest rate curve and changes in its steepness may lead to the opposite. The combined impact is dependent upon the structure of the assets and liabilities, and on the characteristics of the change in the curve.

The low interest rate in the market may impose difficulties on achieving guaranteed rates of return in guaranteed-return products in life and health insurance, on achieving the discount interest rate in the compulsory, liabilities and personal accidents branches in non-life insurance, and on achieving returns which will be used to price other insurance products, and may also result in a renewed evaluation of the actuarial estimates regarding the group's insurance liabilities. For additional details, see Note 8(j) to the financial statements. See also Note 40(c)(2) to the annual financial statements regarding sensitivity tests to changes in the interest rate, and Note 40(e)(e1)(d)(1) to the annual financial statements regarding the impact of the low interest rate environment.

2.1.1.3 Developments in the Israeli capital market

Returns in the capital market have an impact on the group's profitability, both directly and in light of the fact that income from management fees in insurance funds, pension funds and provident funds is dependent, inter alia, on, real returns achieved in the fund and/or on the balance of accrued assets.

Since the beginning of the year, the Tel Aviv 125 Index increased by approximately 0.8%, while the Tel Aviv 90 Index increased by approximately 15.9%, and the Tel Aviv 35 Index decreased by 3.4%. This trend was similar in the third quarter, where the Tel Aviv 125 Index increased slightly in the third quarter of 2017, with its composition again presenting variability between the first line stock index (Tel Aviv 35), which decreased by 0.9%, and the Tel Aviv 90 Index, which increased by 2.7%.

The following are data regarding changes in major stock and bond indices in Israel:

	Stock indices				
	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
In percent	2017	2016	2017	2016	2016
Tel Aviv 35 *)	(3.4)	((5.8	((0.9	3.0	(3.8)
Tel Aviv 90 *)	15.9	10.8	2.7	9.4	17.3
Tel Aviv 125 *)	0.8	(4.1)	0.3	4.2	(2.5)
Tel Aviv Growth *)	8.4	(2.3)	18.4	18.5	17.7
General stocks	((5.6	(9.0)	((6.1	2.3	(11.1)

*) Within the framework of the index reform which was performed by the stock exchange, names and compositions of indices were updated in the first quarter of 2017.

2. Description of the Business Environment (Cont.)

2.1 Material developments and changes in the macroeconomic environment during the reporting year (Cont.)

2.1.1. Economic developments in Israel (Cont.)

2.1.1.3 Developments in the Israeli capital market (Cont.)

Bond indices

In percent	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	2016	2017	2016	2016
General	3.3	2.6	1.5	(0.1)	2.1
Telbond CPI-linked	3.9	2.1	1.2	((0.1	2.4
Telbond NIS-linked	5.9	1.9	2.4	0.3	2.4
Government CPI-linked	1.9	2.5	1.7	(0.9)	0.7
Government NIS-linked	2.8	2.1	1.5	((0.1	1.2

Presented below are the scopes of bond raisings by companies listed on the Tel Aviv Stock Exchange, relative to last year:

NIS in billions	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	2016	2017	2016	2016
	56.4	56.8	19.9	25.4	64.1

2.1.2. Global economic developments

USA - Since the beginning of the year, the Federal Reserve raised the interest rate twice, by 0.25% each time, in light of positive data in the labor market, the moderate increase in the inflation rate, and the distancing from the risk of deflation in the American economy, primarily at the start of the year. As of September 2017, the unemployment rate was at its lowest rate in the last 17 years, in parallel with the increased workforce participation rate.

The growth of the American economy in the first three quarters of 2017 amounted to 2%, 2.3% and 2.2%, respectively (in annual terms), while the inflation rate amounted to 2.2% in the last 12 months. The GDP Now index of the Federal Reserve in Atlanta, which constitutes an indicator of economic activity, predicts renewed acceleration of the rate of economic growth in the fourth quarter to approximately 3.3%.

Europe - The momentum of improvement in the European economy continues, and growth encompasses all countries and industries. However, Mario Draghi, Chairman of the European Central Bank, repeated his assertion that the rise of inflation and the stabilization of growth depend on the continuation of a highly expansive monetary policy.
The trend of improvement in the labor market continues, with the unemployment rate falling to 9%.

Japan - Haruhiko Kuroda, Governor of the Central Bank, clarified that the bank will continue its highly expansive monetary policy, due to the fact that, despite the improvement in growth, the inflation rate remains very low vs. the target. The foregoing is also demonstrated by the Tankan survey, which indicated that the Japanese companies estimate that inflation will be, in the coming years, at a significantly lower rate than the Central Bank's target. Preparations for the coming year amount to approximately 0.7%.

2. Description of the Business Environment (Cont.)

2.1 Material developments and changes in the macroeconomic environment during the reporting year (Cont.)

2.1.2. Global economic developments (Cont.)

China - The Chinese economy grew during the first three quarters of 2017 by approximately 6.9% in annual terms.
The growth rate in government investments declined recently; however, in parallel, the investment rate in the private sector accelerated, with a large part being directed towards the real estate sector, in spite of the government's attempts to cool down the real estate market.

The Beige Book, which evaluates economic developments through a survey which is conducted among 3,000 Chinese companies, indicated deceleration of growth in the third quarter.

2.1.2.1. Global growth

Presented below are forecasts regarding global growth rates according to the International Monetary Fund [1)]:

In percent	Outlook for 2017	Estimate for 2016
Global	3.6	3.2
United States	2.2	1.6
Euro Bloc	2.1	1.8
Asia (excluding Japan)	6.5	6.4
Japan	1.5	1.0
China	6.8	6.7

1) As of October 2017.

2.1.2.2. Global stock markets

	In local currency					In NIS				
	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
In percent	2017	2016	2017	2016	2016	2017	2016	2017	2016	2016
Dow Jones	13.4	5.1	4.9	2.1	13.4	4.1	1.2	5.9	(0.2)	11.8
NASDAQ	20.7	6.1	5.8	9.7	7.5	10.8	2.2	6.8	7.2	5.9
Nikkei Tokyo	6.5	((13.6	1.6	5.6	0.4	1.5	(0.8)	1.9	5.0	1.8
CAC - Paris	9.6	(4.1)	4.1	5.0	4.9	12.7	((5.1	8.5	3.0	(0.2)
FTSE - London	3.2	10.5	0.8	6.1	14.4	3.4	((6.9	5.1	((0.1	(6.5)
DAX - Frankfurt	11.7	(2.2)	4.1	8.6	6.9	14.9	(3.2)	8.6	6.5	1.8
MSCI WORLD	14.2	3.8	4.4	4.4	5.3	4.8	0.0	5.4	2.0	3.8

The world's leading stock indices continued on a positive trend. In the third quarter of 2017, the NASDAQ 100 Index stood out positively, breaking its all-time record.

Capital market returns and returns on other assets (including real estate, investment funds and non-marketable debt assets) have an effect on the group's profitability, both directly and in light of the fact that income from management fees in investment-linked policies, pension funds and provident funds are dependent, inter alia, on real returns achieved in the fund and/or on the balance of accrued assets.

2. Description of the Business Environment (Cont.)

2.2. Developments in the Israeli insurance market

2.2.1. Total scope of premiums in the Israeli insurance market

Presented below are data regarding gross premiums earned, in accordance with publications issued by the Commissioner of Insurance.

	For the period of six months ended June 30						For the year ended December 31		
	2017			2016			2016		
NIS in millions	**Company**	**Market**	**Company % of the market**	**Company**	**Market**	**Company % of the market**	**Company**	**Market**	**Company % of the market**
Life insurance	**2,860**	**14,618**	**19.6%**	2,408	12,461	19.3%	4,999	26,248	19.0%
Non-life insurance*)	**1,119**	**9,943**	**11.3%**	1,176	9,772	12.0%	2,315	19,160	12.1%
Health insurance **)	**912**	**5,462**	**16.7%**	856	4,995	17.1%	1,799	10,394	17.3%
Total gross premiums earned in the insurance market in Israel *)**	**4,890**	**30,022**	**16.3%**	4,439	27,227	16.3%	9,111	55,801	16.3%

	For the period of three months ended June 30					
	2017			2016		
NIS in millions	**Company**	**Market**	**Company % of the market**	**Company**	**Market**	**Company % of the market**
Life insurance	**1,417**	**7,249**	**19.5%**	1,191	6,343	18.8%
Non-life insurance*)	**564**	**5,226**	**10.8%**	583	5,080	11.5%
Health insurance **)	**465**	**2,774**	**16.8%**	437	2,538	17.2%
Total gross premiums earned in the insurance market in Israel *)**	**2,445**	**15,249**	**16.0%**	2,211	13,961	15.8%

*) As specified in section 3.1.2. below, the decrease in premiums with respect to non-life insurance was mainly due to the non-renewal of losing business operations, including students personal accident insurance, collective business operations in compulsory motor and property branches, and against the focus on individual business operations, as part of the Company's strategy

**) The decrease in the Company's share of premiums out of the total health insurance market was primarily due to the optimization of collective business operations and a focus on individual business operations, as part of the Company's strategy.

***) After adjustments and offsets.

2. Description of the Business Environment (Cont.)

2.2. Developments in the Israeli insurance market (Cont.)

2.2.1. Total scope of premiums in the Israeli insurance market (Cont.)

2.2.1.1. Total contributions in pension funds and provident funds on the Israeli market

Presented below are data regarding contributions, in accordance with publications issued by the Insurance Commissioner:

	For the period of nine months ended September 30						For the year ended December 31		
	2017			2016			2016		
NIS in millions	Company	Market	Company % of the market	Company	Market	Company % of the market	Company	Market	Company % of the market
New pension funds	**4,237**	**25,950**	**16.3%**	3,956	23,236	17.0%	5,395	32,373	16.7%
Benefits and personal severance pay funds	**338**	**8,049**	**4.2%**	380	6,822	5.6%	507	9,759	5.2%
Study funds	**792**	**16,382**	**4.8%**	760	14,859	5.1%	1,100	21,214	5.2%
Severance pay funds	**1**	**73**	**1.4%**	-	68	-	-	91	-
Provident fund for investment **)	**58**	**1,579**	**3.7%**	-	-	-	-	464	-
Provident fund for investment - savings for each child ***)	-	**2,375**	-	-	-	-	-	-	-
Total provident funds *	**1,189**	**28,458**	**4.2%**	1,140	21,749	5.2%	1,607	31,528	5.1%
Total contributions	**5,426**	**54,408**	**10.0%**	5,096	44,985	11.3%	7,002	63,901	11.0%

	For the period of three months ended September 30					
	2017			2016		
NIS in millions	Company	Market	Company % of the market	Company	Market	Company % of the market
New pension funds	**1,474**	**9,232**	**16.0%**	1,389	8,296	16.7%
Benefits and personal severance pay funds	**90**	**2,630**	**3.4%**	167	2,609	6.4%
Study funds	**264**	**5,649**	**4.7%**	265	5,057	5.2%
Severance pay funds	-	**26**	-	-	27	-
Provident fund for investment **)	**24**	**567**	**4.3%**	-	-	-
Provident fund for investment - savings for each child ***)	-	**442**	-	-	-	-
Total provident funds *	**378**	**9,314**	**4.0%**	432	7,693	5.6%
Total contributions	**1,852**	**18,546**	**10.0%**	1,821	15,989	11.4%

*) Excluding provident funds for other purposes.

**) The Company has marketed the provident funds for investment since January 2017.

***) The Company chose not to market provident funds for investment as part of the government plan "savings for each child".

2. Description of the Business Environment (Cont.)

2.2. Developments in the Israeli insurance market (Cont.)

2.2.2. Assets in long term savings

Presented below are data regarding the assets of profit sharing life insurance, individual provident funds, severance pay funds, study funds and central severance pay funds on the long-term savings market, in accordance with publications issued by the Ministry of Finance:

	As of September 30, 2017			As of September 30, 2016			As of December 31, 2016		
NIS in millions	Company	Market	Company % of the market	Company	Market	Company % of the market	Company	Market	Company % of the market
Life insurance market									
Profit sharing life insurance - policies until December 31, 2003	**37,973**	**164,466**	**23.1%**	35,660	154,568	23.1%	36,347	157,775	23.0%
Profit sharing life insurance - policies beginning from January 1, 2004	**20,331**	**122,617**	**16.6%**	18,202	101,411	17.9%	18,578	105,297	17.6%
Total profit sharing life insurance assets	**58,304**	**287,083**	**20.3%**	53,862	255,979	21.0%	54,925	263,072	20.9%
New pension assets	**49,604**	**288,796**	**17.2%**	42,706	243,720	17.5%	44,618	254,633	17.5%
Benefits and personal severance pay funds	**22,938**	**211,900**	**10.8%**	23,665	197,519	12.0%	23,634	200,671	11.8%
Study funds	**7,264**	**198,731**	**3.7%**	7,083	178,395	4.0%	7,227	183,576	3.9%
Central severance pay funds	**2,933**	**16,275**	**18.0%**	3,409	17,297	19.7%	3,264	16,761	19.5%
Provident fund for investment **)	**58**	**2,068**	**2.8%**	-	-	-	-	483	-
Provident fund for investment - savings for each child ***)	**-**	**2,416**	**-**	-	-	-	-	-	-
Total provident fund assets *)	**33,193**	**431,391**	**7.7%**	34,157	393,212	8.7%	34,124	401,491	8.5%
Total profit sharing life insurance, new pension, provident* and life insurance assets	**141,101**	**1,007,270**	**14.0%**	130,725	892,911	14.6%	133,667	919,196	14.5%

*) Excluding provident funds for other purposes. For details regarding the impairment of goodwill with respect to the provident fund management activity, see Note 8(J).

**) The Company has marketed the provident funds for investment since January 2017.

***) The Company chose not to market provident funds for investment as part of the government plan “savings for each child”.

3. Board of Directors' Remarks Regarding the Corporation's Business Position

3.1 <u>Financial information by operating segments</u>

The group is engaged in the following operating segments: Long-term savings, non-life insurance and health insurance. The group also has additional areas of operation which are not included in the operating segments. For details regarding the group's operating segments, see Note 4 to the financial statements.

Description of the development of comprehensive income:

<u>The reporting period</u>

Gross premiums earned in the reporting period amounted to a total of approximately NIS 7,306 million, as compared with a total of approximately NIS 6,791 million in the corresponding period last year. In life insurance, an increase of approximately NIS 502 million was recorded, primarily due to the increase in new sales of individual products, and the increase of deposits, in accordance with the extension order regarding the increase of the pension provision rates, as specified in section 6.2.1.3 to the report regarding the description of the corporation's business affairs for 2016. Additionally, in health insurance, an increase of approximately NIS 63 million was recorded, primarily due to the increase in individual product sales, while on the other hand, in non-life insurance, a decrease was recorded in the amount of approximately NIS 50 million, primarily due to the non-renewal of a students personal accident insurance transaction.

Comprehensive income after tax attributable to the Company's shareholders in the reporting period amounted to a total of approximately NIS 182 million, as compared with comprehensive loss of approximately NIS 356 million in the corresponding period last year. The transition to income during the reporting period was primarily due to the special effects specified below.

After neutralization of the aforementioned special effects, comprehensive income during the reporting period amounted to a total of approximately NIS 467 million, as compared with comprehensive income of approximately NIS 228 million in the corresponding period last year. The increase in income, after neutralization of the effects, was primarily due to the increase in investment income and the collection of variable management fees, as compared with the corresponding period last year.

During the reporting period, gross real returns in profit sharing policies amounted to a rate of 5.65%, as compared with a rate of return of 0.89% in the corresponding period last year. Due to the foregoing, during the reporting period, variable management fees were collected in life insurance in the amount of approximately NIS 240 million, as compared with collection of approximately NIS 20 million in the corresponding quarter last year.

The total financial margin in life insurance amounted to a total of approximately NIS 703 million, as compared with a total of approximately NIS 423 million in the corresponding period last year.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1. Financial information by operating segments (Cont.)

Description of the development of comprehensive income: (Cont.)

The reporting period (Cont.)

Additionally, the following special effects were included during the reporting period:

NIS in millions	Item	For the period of nine months ended September 30 2017	For the period of nine months ended September 30 2016	For the period of three months ended September 30 2017	For the period of three months ended September 30 2016	For the year ended December 31 2016
		Unaudited				Audited
Comprehensive income (loss), as published in the report		**182**	(356)	**(23)**	186	122
After neutralization of special provisions						
Impact of the low interest rate environment						
Life insurance - total impact of the low interest rate environment before tax	A	**(250)**	(504)	**(335)**	101	(194)
Non-life insurance						
Initial application of best practices	A	-	(2)	-	-	-
Impact of recommendations of the Winograd committee	B	**(96)**	(126)	**(67)**	(4)	(141)
Long-term care insurance in the health segment	A	-	(180)	-	52	-
Total income (loss) before tax with respect to the low interest rate environment		**(346)**	(812)	**(402)**	149	(335)
Additional special provisions in long term savings	C	**(61)**	(103)	**(41)**	-	(101)
Amortization of goodwill - provident funds	D	**(81)**	-	-	-	(25)
Update to the discount rate used to calculate liabilities for paid pensions	E	**88**	-	-	-	-
Update of provisions with respect to claims which were filed against the Company in the provident segment		**(15)**	-	-	-	-
Voluntary retirement program	F	**(23)**	-	**(23)**	-	-
Cost of exchange of deferred liability notes		-	(17)	-	-	(24)
Total profit (loss) before tax with respect to special provisions		**(438)**	(932)	**(466)**	149	(485)
Total profit (loss) after tax with respect to special provisions		**(285)**	(597)	**(303)**	96	(311)
Impact of the update to tax rates		-	13	-	13	37
Comprehensive income after tax, after neutralization of the impact of special provisions		**467**	228	**280**	77	396

A. Impact of the interest rate environment

During the reporting period, the actuary of Clal Insurance updated the interest rates on free assets which are used to discount the liabilities to supplement annuity and paid pension reserves (2.3%-2.79% as of September 30, as compared with 2.6%-3.28% as of June 30, and as compared with 2.4%-3.28% as of December 31, 2016), updated the K factor for profit-sharing policies (0.92% as compared with 0.96% as of June 30, 2017 and December 31, 2016), and updated the results of the liability adequacy test (LAT). In light of the update to the discount rate and K factor, and in light of the update to the results of the liability adequacy test (LAT), reserves with respect to life insurance contracts increased by approximately NIS 250 million (a total of approximately NIS 162 million after tax), as compared with the increase of reserves in life insurance, long-term care insurance in the health segment and in non-life insurance, in the amount of approximately NIS 686 million (a total of approximately NIS 440 million after tax) in the corresponding period last year.

It is noted that Clal Insurance's balance of the provision for the liability adequacy test (LAT) as of September 30, 2017 amounted to NIS 313 million.

For details regarding the risk-free interest rate curve subsequent to the reporting date, see the section below regarding developments subsequent to the reporting period.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1. Financial information by operating segments (Cont.)

Description of the development of comprehensive income: (Cont.)

The reporting period (Cont.)

B. Recommendations of the Winograd committee

As specified in Note 40(e)(e2)(4)(g) to the annual financial statements, within the framework of the amendment to the interest rate which is used to discount annual annuities, in accordance with the Winograd committee's recommendations, the Company estimated the total possible effect due to the recommendations of the Winograd committee, which entered into effect on October 1, 2017, including amounts which Clal Insurance may be required to pay in other disability and death claims, while taking into account the uncertainty with respect to its actual impact and the manner of its occurrence, if any, and accordingly, increased the insurance liabilities as of September 30, 2017 in the compulsory motor and liabilities branches by approximately NIS 96 million, on retention and before tax (a total of approximately NIS 62 million after tax), as compared with an increase of the insurance liabilities with respect to the recommendations of the Winograd committee in the amount of approximately NIS 126 million on retention before tax in the corresponding period last year (a total of approximately NIS 81 million after tax). The increase during the reporting period was primarily due to the decrease in the returns from investment instruments which were used to calculate the estimate. For additional details, see Note 40(e)(e2)(4)(g) to the annual financial statements. It is noted that the total provision with respect to the Winograd committee's recommendations, from the date of their publication until the reporting date, amounts to approximately NIS 237 million.

C. Additional special provisions in long term savings

During the reporting period, the group updated the insurance liabilities with respect to the optimization of members' rights in the amount of approximately NIS 61 million (approximately NIS 40 million after tax) in life insurance, as compared with the update in the amount of approximately NIS 63 million before tax in life insurance (approximately NIS 40 million after tax) in the corresponding period last year, and in the amount of approximately NIS 7 million before tax (approximately NIS 5 million after tax) in pension and provident funds in the corresponding period last year.

- Additionally, the Company performed, in the corresponding period last year, a provision with respect to the cancellation of arrears in premium charges with respect to life insurance policies in the amount of approximately NIS 33 million before tax (approximately NIS 22 million after tax).

D. Impairment of goodwill - provident segment

As stated in Note 8(j) to the financial statements, the rate of management fees in the provident fund segment has been subject to an ongoing decline, as a result of the competitive conditions in the segment, in a manner which makes it difficult to cover the managing company's expenses. Additionally, during the reporting period, the Company recorded negative net transfers. Accordingly, during the second quarter, the Company evaluated the need to record a provision for impairment of the goodwill attributed to the provident fund management operation, through a valuation prepared by an external valuer. In accordance with the valuation, the book value of the provident fund operation as of June 30, 2016 was higher than the value in use by approximately NIS 81 million (approximately NIS 53 million after tax), and therefore, the Company recognized impairment loss of goodwill, with no effect in the corresponding period last year.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1. Financial information by operating segments (Cont.)

Description of the development of comprehensive income: (Cont.)

The reporting period (Cont.)

E. Discount rate used to calculate liabilities for paid pensions

The allocation of designated bonds bearing guaranteed interest, which are issued by the State of Israel, with respect to the liabilities of Clal Insurance to policyholders with guaranteed-return life insurance policies (the "policyholders"), is performed based on the Company's reports, which are prepared based on the calculation of the aforementioned liabilities. During the reporting period, Clal Insurance found that a correction was required in order to associate its liabilities to pension receiving policyholders, to various HETZ bond funds bearing guaranteed returns, and accordingly, contacted the Capital Market Authority to perform an effective allocation of HETZ bonds of the relevant series, in accordance with the aforementioned amendment. The allocation of bonds in accordance with the aforementioned re-attribution, which, according to the Company's estimate, is expected to take place, is expected to confer upon Clal Insurance, in the future, the right to receive a higher interest rate with respect to the liabilities to pension receiving policyholders. As a result, in accordance with the provisions of Note 40(e)(e1)(b)(1)(c) to the annual financial statements, during the reporting period, Clal Insurance updated the discount rate which is used to discount liabilities with respect to paid pensions, in consideration of the estimated rate of return on the mix of assets which is expected in the future (which is subject to the actual allocation of HETZ bonds). As a result, during the reporting period, the insurance reserves decreased and pre-tax profit increased in the amount of approximately NIS 88 million (of which, approximately NIS 22 million with respect to the decrease of the reserve for the liability adequacy test (LAT)), and accordingly, post-tax profit increased in the amount of approximately NIS 57 million.

F. Voluntary retirement program

Within the framework of the collective agreement which was signed between the Company and the employee committee, the Company offered a voluntary retirement program to employees. In accordance with the acceptance of the retirement program, the Company recorded, during the reporting period, a non-recurring expense in the amount of approximately NIS 23 million (a total of approximately NIS 15 million after tax). For additional details, see Note 8(f)(5) to the financial statements.

Three month period ended on the reporting date

Gross premiums earned in the three month period ended on the reporting date amounted to a total of approximately NIS 2,417 million, as compared with a total of approximately NIS 2,352 million in the corresponding period last year. In life insurance, an increase of approximately NIS 50 million was recorded, primarily due to the increase in new sales of individual and managers' insurance products, and the increase in deposits, as stated above. Additionally, an increase of approximately NIS 8 million was recorded in health insurance, primarily due to the increase in individual product sales, and an increase in the amount of approximately NIS 6 million was recorded in non-life insurance.

Comprehensive loss after tax attributable to the Company's shareholders in the three month period ended on the reporting date amounted to a total of approximately NIS 23 million, as compared with comprehensive income of approximately NIS 186 million in the corresponding period last year. The transition to loss in the three month period ended on the reporting date was primarily due to the special effects specified below.

After neutralization of the aforementioned effects, comprehensive income during the reporting period amounted to a total of approximately NIS 280 million, as compared with comprehensive income of approximately NIS 77 million in the corresponding period last year. The increase in income, after neutralization of the effects, was primarily due to the increase in investment income as compared with the corresponding period last year.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1. Financial information by operating segments (Cont.)

Description of the development of comprehensive income: (Cont.)

Three month period ended on the reporting date (Cont.)

In the three month period ended on the reporting date, gross real returns in profit sharing policies amounted to a positive rate of 2.82%, as compared with a rate of return of 1.32% in the corresponding period last year. Due to the foregoing, during the reporting period, variable management fees were collected in life insurance in the amount of approximately NIS 127 million, as compared with collection in the amount of approximately NIS 20 million in the corresponding quarter last year.

The total financial margin in life insurance[1] amounted to a total of approximately NIS 332 million, as compared with a total of approximately NIS 126 million in the corresponding period last year.

As stated above, during the three month period ended on the reporting date. the following special effects were included:

A. Impact of the interest rate environment

During the three month period ended on the reporting date, in light of the update to the discount rate used to calculate the paid pension liability and the annuity reserve payment liability, the increase in pension reserves due to the reduced future revenue forecast (K factor) for profit sharing annuity policies, and due to the update to the additional reserve in light of the liability adequacy test (LAT), the reserves with respect to life insurance contracts increased in the amount of approximately NIS 335 million (a total of approximately NIS 218 million after tax), as compared with the release of reserves in life insurance and long-term care insurance in the health segment , in the amount of approximately NIS 153 million (a total of approximately NIS 98 million after tax) in the corresponding period last year.

It is noted that Clal Insurance has a balance of the provision with respect to the liability adequacy test (LAT) as of September 30, 2017 in the amount of NIS 313 million.

For details regarding the risk-free interest rate curve subsequent to the reporting date, see the section below regarding developments subsequent to the reporting period.

B. Recommendations of the Winograd committee

The Company estimated the total possible effect due to the recommendations of the Winograd committee, including amounts which Clal Insurance may be required to pay in other disability and death claims, while taking into account the uncertainty with respect to its actual impact and the manner of its occurrence, if any, and accordingly, increased the insurance liabilities as of September 30, 2017 in the compulsory motor and liabilities branches by approximately NIS 67 million, on retention and before tax (a total of approximately NIS 44 million after tax), as compared with an increase of the insurance liabilities with respect to the recommendations of the Winograd committee in the amount of approximately NIS 4 million on retention before tax in the corresponding period last year (a total of approximately NIS 3 million after tax).The increase during the reporting period was primarily due to the decrease in returns from investment instruments which were used to calculate the estimate, as stated above. For additional details, see Note 40(e)(e2)(4)(g) to the annual financial statements.

[1] The financial margin includes gains (losses) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses. The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds. Financial margin in investment-linked contracts is the total of fixed and variable management fees based on a reduction in the charging to savings in the Company's systems.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1. Financial information by operating segments (Cont.)

Description of the development of comprehensive income: (Cont.)

Three month period ended on the reporting date (Cont.)

C. Additional special provisions in long term savings

In the three month period ended on the reporting date, the group updated the insurance liabilities with respect to the optimization of members' rights in the amount of approximately NIS 41 million (approximately NIS 27 million after tax), with no effect in the corresponding period last year.

D. Voluntary retirement program

Within the framework of the collective agreement which was signed between the Company and the employee committee, the Company offered a voluntary retirement program to employees. In accordance with the acceptance of the retirement program, the Company recorded, in the three month period ended on the reporting date, a non-recurring expense in the amount of approximately NIS 23 million (a total of approximately NIS 15 million after tax). For additional details, see Note 8(f)(5) to the financial statements.

Presented below are the main parameters for the reporting period:

	As of September 30, 2017	As of June 30, 2017	As of March 31, 2017	As of December 31, 2016	As of September 30, 2016
Spot risk-free interest rate					
5 years	**0.0**	0.1	0.1	0.0	0.0
10 years	**0.5**	0.8	0.8	0.6	0.5
20 years	**1.2**	1.5	1.4	1.3	1.0
25 years	**1.4**	1.7	1.6	1.5	1.2
Discount rates used in the calculation of the reserve for postponed and paid annuities	**2.30%-2.79%**	2.60%-3.28%	2.60%-3.28%	2.40%-3.28%	2.20%-3.28%
K factor values [2]- Profit-sharing	**0.92%**	0.96%	0.96%	0.96%	0.88%
K factor values [3] Guaranteed-return	**0.00%**	0.00%	0.00%	0.00%	0.00%

[2] For details regarding the use of the K factor in the calculation of the insurance liabilities, see Note 37(e)(e1)(a)(4) to the annual financial statements.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1. Financial information by operating segments (Cont.)

Description of the development of comprehensive income: (Cont.)

Economic solvency regime and assessment of the economic solvency ratio as of December 31, 2016

In June 2017, a circular was published on the subject of "Provisions regarding the implementation of a Solvency II-based economic solvency regime for insurance companies" (hereinafter: the "**Solvency Circular**"), in which provisions were set forth regarding the calculation of equity, and regarding the economic solvency capital requirement. The solvency circular includes several changes to the provisions regarding calculation which were set forth in previous provisions regarding the performance of IQIS. As specified in section 3.1 of the Board of Directors' Report for 2016, the Company performed an estimate regarding the implementation of the main changes in the solvency circular on the solvency ratio as reflected by the results of IQIS5, and updated that the solvency ratio as of December 31, 2015, according to a full calculation, was in the range of 107%-111%.

The solvency circular specified an adoption date of June 30, 2017 and a distribution period during which the solvency capital requirement will increase gradually, from a rate of 60% of the solvency capital requirement according to the circular, up to full compliance with the calculation based on the data for December 31, 2024. This distribution period is in addition to the transitional provisions which were determined regarding the capital requirement with respect to the stock risk sub-component, according to which the capital requirement will increase gradually, with respect to this sub-component, over a period of seven years.

In July 2017, a circular was published on the subject of "reporting to the Commissioner regarding results of the calculation of the economic solvency ratio" (hereinafter: the "**Reporting Circular**"), which determined that insurance companies are required to calculate the economic solvency ratio as of December 31, 2016 in accordance with the provisions of the solvency circular, and to submit their results to the Commissioner proximate to the publication date of the financial statements for the second quarter of 2017. The Company calculated the economic solvency ratio in accordance with the provisions of the reporting circular, and the calculation results were submitted to the Commissioner in August 2017.

	As of December 31 2016
NIS in thousands	Unaudited and unreviewed
Equity for the purpose of the solvency capital requirement (SCR)	8,865,919
Solvency capital requirement (SCR)	7,968,943
Surplus (deficit)	896,977
Solvency ratio, according to full calculation	111%
Fulfillment of milestones in consideration of the distribution provisions:	
Equity for the purpose of the solvency capital requirement, in consideration of the distribution provisions	7,887,315
Solvency capital requirement in consideration of the distribution provisions	4,417,944
Surplus (deficit) in consideration of the distribution provisions	3,469,370

3. Board of Directors’ Remarks Regarding the Corporation’s Business Position (Cont.)

3.1. Financial information by operating segments (Cont.)

Description of the development of comprehensive income: (Cont.)

Minimum capital requirement (MCR)

	As of December 31 2016
NIS in thousands	Unaudited and unreviewed
Equity for the purpose of MCR	6,009,396
MCR	1,655,266

According to the calculation which was performed by the Company as of December 31, 2016, the Company has a capital surplus, both in consideration of the transitional provisions during the distribution period, and without the transitional provisions. For additional details, see section 3.3.3 below.

The data presented above have not been audited or reviewed by the auditors as part of the review of the financial reports.

It is noted that the calculation of the economic solvency ratio is based on data and models which may differ from those used by the Company in the financial reports, and which are based, inter alia, on forecasts and assumptions which rely, for the most part, on past experience. In particular, the calculation of the economic solvency ratio is significantly based on the embeDEd value calculation model (whose results as of December 31, 2016 were included in the embeDEd value report which was published on May 29, 2017, reference number 2017-01-073390).

The embeDEd value report is based, inter alia, on internal studies conducted by the Company, and is subject to the reservations and limitations specified therein. The calculation of the capital requirement is performed in accordance with the provisions of the solvency circular, by simulating the effect of various scenarios on the calculated economic equity, and these calculations involve a significant degree of complexity. Accordingly, control thereof is also complex. The Company has prepared, in infrastructural terms, for the calculations, and is continuing with the preparations towards establishing the required calculation processes, including increasing the effectiveness of the control thereof. It is noted that, in accordance with the reporting circular, by December 31, 2017, the preparation of the auditors’ special report will be completed, which will address processes and controls which are intended to ensure the quality and completeness of the data which were used in the calculation, the scope and quality of documentation, and the gaps regarding compliance with a full audit.

It is emphasized that the results of the models which are used to calculate the solvency ratio are highly sensitive to the forecasts and assumptions which are included therein, and to the manner in which the instructions are implemented. Additionally, actual results may differ from the forecasts and assumptions which were used to calculate the economic solvency ratio.

It is further noted that the Company was informed by the Capital Market, Insurance and Savings Authority (hereinafter: the “Authority”) that it will work to appoint an “implementation staff” to discuss certain issues pertaining to the solvency circular, and the need for its adjustment. At this stage, the Company is unable to estimate whether, following the activities of the implementation team, the Authority will work to implement changes to the solvency circular, nor the impact that such changes will have on the Company’s solvency ratio, if and when they are accepted.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1. Financial information by operating segments (Cont.)

Further to that stated in Note 16(e)(4) to the annual financial statements, in October 2017, a letter was sent by the Commissioner to the managers of the insurance companies, stating that an insurance company is entitled to distribute dividends if, after the performance of the distribution, the insurer has a ratio of recognized equity to required equity (hereinafter: "**Solvency Ratio**") as follows:

A. At a rate of at least 115% pursuant to the current Capital Regulations, or any provisions which may come in their place, until the date of receipt of the Commissioner's approval for the performance of an audit by an auditor, regarding the implementation of the provisions of the solvency circular;
B. Minimum rate of 100% according to the solvency circular, calculated without the provisions during the distribution period, and without the share scenario adjustment period, and subject to the solvency ratio target which was determined by the Company's Board of Directors.

Additionally, the insurance company is required to submit to the Commissioner, within twenty business days after the distribution date, the Company's annual profit forecast for the two years subsequent to the date of the dividend distribution; An updated debt service plan of the Company, which has been approved by the Company's Board of Directors, and an updated debt service plan of the holding company which holds the Company, which has been approved by the Board of Directors of the holding company; A capital management plan which was approved by the Company's Board of Directors; Minutes of the discussion in the Company's Board of Directors, in which the dividend distribution was approved, including attachment of the background material for the discussion.

The Board of Directors of Clal Insurance has not yet determined the solvency ratio target based on the solvency circular, as stated above, which affects the dividend distribution policy under this regime.

Developments subsequent to the reporting period

During the period from the reporting date until the publication date of the report, an additional decline occurred in the risk-free interest rate curve. Further to that stated in Note 40(e)(e1) and (e2) to the annual financial statements, a decrease in the interest rates is expected result in an increase in insurance liabilities in non-life insurance, in the compulsory, liabilities and personal accidents branches, in the liability to supplement annuity reserves, in paid pension liabilities in life insurance, and also as part of the liability adequacy test (LAT).

At this stage, it is not possible to estimate the implications of the decline in the risk-free interest rate curve during this period on the results for 2017, inter alia, due to the uncertainty regarding the effect that the aforementioned developments will have on the estimated insurance liabilities of Clal Insurance, regarding the impact of the decreased interest rate curve on the fair value of debt assets, and regarding the continuing developments in financial markets until the end of 2017, and the above does not constitute any estimate regarding the Company's expected financial results for 2017.

For details regarding sensitivity tests to market risks, see Note 40(c)(2) to the annual financial statements.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1. Financial information by operating segments (Cont.)

Presented below are details regarding the main components included in comprehensive income:

	For the period of nine months ended September 30		Rate of change in percent	For the period of three months ended September 30		Rate of change in percent	For the year ended December 31
	2017	2016		2017	2016		2016
NIS in millions	Unaudited			Unaudited			Audited
Long term savings							
Gross earned life insurance premiums	**4,188**	3,686	14	**1,328**	1,278	4	4,999
Income from life insurance management fees	**541**	303	79	**229**	116	97	485
Impact of the decrease of interest rate on reserves in life insurance	**(250)**	(504)	(50)	**(335)**	101	#	(194)
Update to the discount rate used to calculate liabilities for paid pensions	**88**	-	#	**-**	-	#	-
Special provisions in life insurance	**(61)**	(103)	(81)	**(41)**	-	#	(94)
Financial margin including management fees	**703**	423	66	**332**	126	144	686
Income (loss) before tax in life insurance	**154**	(580)	#	**(180)**	139	#	(132)
Total comprehensive income (loss) before tax in life insurance	**147**	(589)	#	**(145)**	115	#	(113)
Income from pension management fees	**208**	205	1	**70**	71	(1)	277
Income before tax in pension funds	**4**	31	(87)	**1**	14	(93)	43
Total comprehensive income before tax in pension operations	**6**	31	(81)	**1**	13	(92)	43
Income from provident fund management fees	**138**	147	(6)	**49**	49	-	194
Income before tax in provident funds	**(74)**	30	#	**9**	12	(25)	8
Total comprehensive income before tax in provident fund operations	**(74)**	30	#	**9**	12	(25)	8
Total income (loss) before tax in the long term savings division	**84**	(519)	#	**(170)**	164	#	(80)
Total comprehensive income (loss) before tax in the long term savings division	**80**	(528)	#	**(134)**	140	#	(61)
Non-life insurance segments							
Gross premiums earned	**1,705**	1,755	(3)	**585**	579	1	2,315
Premiums earned on retention	**1,151**	1,253	(8)	**388**	416	(7)	1,653
Impact of the decrease of interest rate on reserves in non-life insurance	**-**	(2)	#	**-**	-	#	-
Provision with respect to the Winograd committee	**(96)**	(126)	(24)	**(67)**	(4)	1,575	(141)
Income (loss) before tax in the non-life insurance division	**(21)**	34	#	**(22)**	31	#	16
Comprehensive income (loss) before tax in the non-life insurance division	**10**	19	(47)	**6**	(3)	#	(13)
Health insurance							
Gross premiums earned	**1,415**	1,352	5	**504**	496	2	1,799
Premiums earned on retention	**1,226**	1,198	2	**433**	437	(1)	1,586
Impact of the decrease of interest rate on reserves in health insurance	**-**	(180)	#	**-**	52	#	-
Income (loss) before tax in the health insurance division	**71**	(50)	#	**29**	135	(79)	203
Comprehensive income (loss) before tax in the health insurance division	**104**	(39)	#	**64**	130	(51)	216
Total income (loss) before tax from insurance segments	**134**	(535)	#	**(163)**	330	#	139
Total comprehensive income (loss) before tax from insurance segments	**194**	(548)	#	**(64)**	267	#	142
Financing expenses	**94**	115	(18)	**25**	36	(31)	151
Total comprehensive income before tax and items not included in the insurance branches	**164**	81	102	**49**	44	11	114
Total income (loss) before tax	**129**	(568)	#	**(225)**	350	#	88
Total comprehensive income (loss) before tax	**264**	(582)	#	**(40)**	276	#	105
Taxes (tax benefit) on comprehensive income	**77**	(227)	#	**(19)**	88	#	(20)
Total comprehensive income (loss) for the period, net of tax	**187**	(354)	#	(21)	188	#	125
Total comprehensive income (loss) for the year attributable to company shareholders	**182**	(356)	#	**(23)**	186	#	122
Comprehensive income for the year attributable to non-controlling interests	**4**	3	33	**1**	1	-	3
Return on equity in annual terms (in percent) *)	**5.2**	(10.4)	#	**(1.9)**	18.6	#	2.7

***)** Return on equity is calculated by dividing the profit for the period attributable to the Company's shareholders, by the equity as of the beginning of the period attributable to the Company's shareholders.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.1. Long term savings

3.1.1.1. Life insurance operations

The reporting period

Gross premiums earned during the reporting period amounted to a total of approximately NIS 4,188 million, as compared with a total of approximately NIS 3,686 million last year. The increase was primarily due to the increase in new sales of individual products and managers, and the increase in deposits, in accordance with the extension order for increase in the rates of pension deposits, as specified in section 6.2.1.3 of the report regarding the description of the corporation's business for 2016.

Comprehensive income amounted to a total of approximately NIS 147 million, as compared with comprehensive loss of approximately NIS 589 million in the corresponding period last year.

During the reporting period, the actuary of Clal Insurance updated the interest rates on free assets which are used to discount the reserves to supplement annuity reserves and paid pension reserves (2.3%-2.79% as of September 30, as compared with 2.4%-3.28% as of December 31, 2016), updated the K factor for profit-sharing policies (0.92% as compared with 0.96% as of December 31, 2016), and updated the results of the liability adequacy test (LAT). In light of the update to the discount rate and the K factor, and in light of the update to the results of the liability adequacy test (LAT), the reserves with respect to life insurance contracts increased in the amount of approximately NIS 250 million, as compared with an increase of the reserves in life insurance, in long-term care insurance and in the health and non-life insurance segment, in the amount of approximately NIS 504 million in the corresponding period last year. For additional details, see Note 8(a) to the financial statements.

Additionally, during the reporting period, the group updated the insurance liabilities with respect to the optimization of members' rights in the amount of approximately NIS 61 million (approximately NIS 40 million after tax), as compared with an update to approximately NIS 63 million before tax (approximately NIS 40 million after tax) in the corresponding period last year.

On the other hand, as stated above during the reporting period, Clal Insurance implemented during the reporting period a correction to the attribution of its investments, with respect to its liabilities to pension receiving policyholders, to various HETZ bonds bearing guaranteed returns. As a result, the insurance reserves decreased in the amount of approximately NIS 88 million, and accordingly, post-tax profit increased in the amount of approximately NIS 57 million.

After neutralization of the aforementioned effects, comprehensive income before tax amounted to a total of approximately NIS 370 million, as compared with comprehensive loss of approximately NIS 22 million in the corresponding period last year.

The transition to income during the reporting period, as compared with the corresponding period, after neutralization of the aforementioned provisions, was due to the increase in investment income, as compared with investment income in the corresponding period last year. During the reporting period, gross real returns in profit sharing policies amounted to a rate of 5.65%, as compared with a negative return rate of 0.89% in the corresponding period last year. Due to the foregoing, during the reporting period, variable management fees were collected in life insurance in the amount of approximately NIS 240 million, as compared with collection in the amount of approximately NIS 20 million in the corresponding quarter last year.

The total financial margin in life insurance amounted to a total of approximately NIS 703 million, as compared with a total of approximately NIS 423 million in the corresponding period last year.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.1. Long-term savings (Cont.)

3.1.1.1. Life insurance operations (Cont.)

The reporting period (Cont.)

During the reporting period, redemption rates of life insurance policies from the average reserve for the period, in annual terms, amounted to approximately 2.9%, as compared with at a rate of approximately 2.7% in the corresponding period last year.

Three month period ended on the reporting date

Gross premiums earned amounted to a total of approximately NIS 1,328 million, as compared with a total of approximately NIS 1,278 million in the corresponding period last year. The increase was primarily due to the increase in new sales of individual and managers' insurance products and the increase in deposits in accordance with the aforementioned extension order.

Comprehensive loss amounted to a total of approximately NIS 145 million, as compared with comprehensive income of approximately NIS 115 million in the corresponding period last year.

In the three month period ended on the reporting date, the actuary of Clal Insurance updated the interest rates on free assets which are used to discount the reserves to supplement annuity reserves and paid pension reserves (2.3%-2.79% as of September 30, as compared with 2.6%-3.28% as of June 30), updated the K factor for profit-sharing policies (0.92% as compared with 0.96% as of June 30, 2017), and updated the results of the liability adequacy test (LAT). In light of the update to the discount rate and the K factor, and in light of the update to the results of the liability adequacy test (LAT), the reserves with respect to life insurance contracts increased in the amount of approximately NIS 335 million, as compared with the release of reserves in the amount of approximately NIS 101 million in the corresponding period last year.

Additionally, in the three month period ended on the reporting date, the group updated the insurance liabilities with respect to members' rights in the amount of approximately NIS 41 million (approximately NIS 27 million after tax), with no impact in the corresponding period last year.

After neutralization of the aforementioned effects, comprehensive income before tax amounted to a total of approximately NIS 231 million, as compared with comprehensive income of approximately NIS 14 million in the corresponding period last year.

The increase in income during the three month period ended on the reporting date, as compared with the corresponding period last year, after neutralization of the aforementioned provisions, was due to the increase in investment income, as compared with investment income in the corresponding period last year. During the reporting period, gross real returns in profit sharing policies amounted to a rate of 2.82%, as compared with a rate of return of 1.32% in the corresponding period last year. Due to the foregoing, during the reporting period, variable management fees were collected in life insurance in the amount of approximately NIS 127 million, as compared with collection of approximately NIS 20 million in the corresponding quarter last year.

The total financial margin in life insurance amounted to a total of approximately NIS 332 million, as compared with a total of approximately NIS 126 million in the corresponding period last year.

The redemption rate of life insurance policies from the average reserve for the period, in annual terms, amounted to approximately 3.2%, as compared with at a rate of approximately 2.8% in the corresponding period last year.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.1. Long-term savings (Cont.)

3.1.1.2 Composition of management fees and financial margin:

	For the period of nine months ended September 30					For the period of three months ended September 30					For the year ended December 31	
NIS in millions	2017	% of total	2016	% of total	% Change	2017	% of total	2016	% of total	% Change	2016	% of total
Variable management fees	240	**44**	20	7	1,090	127	**54**	20	17	525	106	22
Fixed management fees	301	**56**	283	93	7	103	**46**	95	83	10	379	78
Total management fees	**541**	**100**	303	100	79	**229**	**100**	115	100	100	485	100
Total financial margin and management fees	**703**		423			**332**		126			686	

3.1.1.3 Composition of gross premiums earned in the long-term savings segment (life insurance)

	For the period of nine months ended September 30					For the period of three months ended September 30					For the year ended December 31	
NIS in millions	2017	% of total	2016	% of total	% Change	2017	% of total	2016	% of total	% Change	2016	% of total
Current premiums	3,944	**94**	3,565	97	11	**1,235**	**93**	1,237	97	-	4,817	96
Non-recurring premiums	244	**6**	121	3	102	**92**	**7**	43	3	117	182	4
Total gross premiums earned	**4,188**	**100**	**3,686**	100	14	**1,328**	**100**	1,279	100	4	4,999	100

3.1.1.4 Composition of premiums applied directly to reserves with respect to pure savings (investment contracts)

	For the period of nine months ended September 30					For the period of three months ended September 30					For the year ended December 31	
NIS in millions	2017	% of total	2016	% of total	% Change	2017	% of total	2016	% of total	% Change	2016	% of total
Current premiums	65	30	86	23	(25)	20	36	28	23	(28)	111	24
Non-recurring premiums	149	**70**	292	77	(48)	35	**64**	95	77	(62)	358	76
Total gross premiums earned	**214**	**100**	378	100	(43)	**55**	**100**	122	100	(54)	469	100

3.1.1.5 Composition of gross earned premiums in the long term savings segment (life insurance including investment contracts)

	For the period of nine months ended September 30					For the period of three months ended September 30					For the year ended December 31	
NIS in millions	2017	% of total	2016	% of total	% Change	2017	% of total	2016	% of total	% Change	2016	% of total
Current premiums	4,009	91	3,652	90	10	1,255	91	1,264	90	(1)	4,928	90
Non-recurring premiums	393	**9**	412	10	(4)	127	**9**	137	10	(6)	540	10
Total gross premiums earned	**4,402**	**100**	**4,064**	100	8	**1,383**	**100**	1,401	100	(1)	5,468	100

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.1. Long-term savings (Cont.)

3.1.1.6. Additional data regarding life insurance operations

Details regarding the rates of return in profit-sharing policies

Policies issued during the years 1992 to 2003 (Fund J)

In percent	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	2016	2017	2016	2016
Real return before payment of management fees	**5.65**	0.89	**2.82**	1.32	2.95
Real return after payment of management fees	**4.43**	0.38	**2.29**	1.1	2.01
Nominal return before payment of management fees	**5.86**	0.89	**2.31**	1.73	2.64
Nominal return after payment of management fees	**4.64**	0.38	**1.78**	1.51	1.70

Policies issued beginning in 2004 (New J Fund)

In percent	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	2016	2017	2016	2016
Real return before payment of management fees *)	**5.32**	0.74	**2.77**	1.12	2.46
Real return after payment of management fees *)	**4.44**	(0.1)	**2.47**	0.84	1.32
Nominal return before payment of management fees	**5.53**	0.74	**2.26**	1.53	2.15
Nominal return after payment of management fees	**4.65**	(0.1)	**1.96**	1.25	1.01

*) For details regarding the change in the consumer price index, see section 2.1.1.2 above.

Details regarding income from investments applied to policyholders in profit-sharing policies and management fees *)

NIS in millions	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	2016	2017	2016	2016
Nominal investment income applied to policyholders after management fees	**2,162**	215	**911**	555	680
Management fees	**541**	302	**229**	116	485

*) With respect to the savings component in profit sharing and personal profile policies.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.1. Long-term savings (Cont.)

3.1.1.7 Provident fund operations

The reporting period

Income from management fees during the reporting period amounted to a total of approximately NIS 138 million, as compared with a total of approximately NIS 147 million last year.

Comprehensive loss in the reporting period ended amounted to a total of approximately NIS 74 million, as compared with comprehensive income in the amount of approximately NIS 30 million in the corresponding period last year. The transition from income to loss was primarily due to the impairment of goodwill which was recorded during the second quarter in the amount of approximately NIS 81 million, with no effect in the corresponding period last year, and an update to the provisions with respect to claims which were filed against the Company, in the amount of approximately NIS 15 million.

After neutralization of the aforementioned provisions, comprehensive income during the reporting period before tax amounted to a total of approximately NIS 22 million, as compared with income of approximately NIS 30 million in the corresponding period last year. The decrease in income, after neutralizing provisions, was due to the ongoing decrease in income from management fees, as a result of the competitive conditions in the segment and the increase in expenses.

As of September 30, 2017, no indicators were present showing a need to perform an impairment test of the goodwill.

In November 2016, the Company received approval with respect to the provident fund for investment, and the activity commenced in January 2017. For additional details, see Note 44(h) to the annual financial statements.

Three month period ended on the reporting date

Income from management fees amounted to a total of approximately NIS 49 million, similarly to the corresponding period last year.

Comprehensive income in the three month period ended on the reporting date amounted to a total of approximately NIS 9 million, as compared with comprehensive income in the amount of approximately NIS 12 million in the corresponding period last year. The decrease in income during the three month period ended on the reporting date was due to the increase in expenses.

As of September 30, 2017, no indicators were present showing a need to perform an impairment test of the goodwill.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.1. Long-term savings (Cont.)

3.1.1.8 Pension operations

The reporting period

Income from management fees during the reporting period amounted to a total of approximately NIS 208 million, as compared with a total of approximately NIS 205 million last year.

Comprehensive income in the reporting period ended amounted to a total of approximately NIS 6 million, as compared with comprehensive income in the amount of approximately NIS 31 million in the corresponding period last year. The decrease in income during the reporting period was due to the increase in expenses, primarily in automation expenses, including depreciation, for the purpose of complying with the ongoing regulatory requirements, and the increase in expenses in light of the updates to the group's general and administrative costs allocation model, as specified in Note 44(g) to the annual financial statements.

Three month period ended on the reporting date

Income from management fees during the reporting period amounted to a total of approximately NIS 70 million, as compared with a total of approximately NIS 71 million last year.

Comprehensive income in the three month period ended on the reporting date amounted to a total of approximately NIS 1 million, as compared with income in the amount of approximately NIS 13 million in the corresponding period last year. The decrease in income during the three month period ended on the reporting date was due to the increase in expenses, primarily in automation expenses, including depreciation, for the purpose of complying with the ongoing regulatory requirements, and the increase in expenses in light of the updates to the group's general and administrative costs allocation model, as specified in Note 44(g) to the annual financial statements.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.2. Non-life insurance

Presented below is the distribution of premiums and comprehensive income in non-life insurance: *)

	For the period of nine months ended September 30				For the period of three months ended September 30				For the year ended December 31	
	2017	% of total	2016	% of total	2017	% of total	2016	% of total	2016	% of total
NIS in millions	Unaudited								Audited	
Motor property insurance										
Gross premiums	572	32	491	29	171	31	146	29	635	28
Premiums on retention	570	50	489	39	170	50	145	39	632	40
Income (loss) before tax	21	28	11	7	9	20	17	49	18	11
Comprehensive income (loss) before tax	23	22	10	7	11	15	14	1,400	16	13
Loss ratio, gross	69%		71%		66%		64%		70%	
Loss ratio, on retention	69%		71%		66%		64%		70%	
Combined ratio, gross	97%		99%		95%		93%		98%	
Combined ratio, on retention	97%		100%		95%		93%		99%	
Compulsory motor insurance										
Gross premiums	377	21	346	20	111	20	108	21	438	20
Premiums on retention	201	18	334	27	60	18	104	28	423	27
Income before tax before the estimated impact of the Winograd committee's recommendations	10	13	159	99	31	70	18	51	169	107
Comprehensive income before tax before the estimated impact of the Winograd committee's recommendations	24	23	151	105	44	60	2	200	154	120
The pool's effect on results of operations	(11)		(27)		(12)		(9)		(30)	
Loss ratio, gross	97%		50%		58%		95%		59%	
Loss ratio, on retention	92%		48%		48%		92%		56%	
Combined ratio, gross	115%		68%		78%		115%		78%	
Combined ratio, on retention	109%		67%		67%		112%		77%	
Provision in the compulsory motor branch, including the estimated impact of the Winograd committee	(59)		(76)		(43)		(1)		(81)	
Income before tax including the estimated impact of the Winograd committee's recommendations	(49)		83		(11)		17		88	
Comprehensive income before tax including the estimated impact of the Winograd committee's recommendations	(35)		75		2		1		73	
Property branches										
Gross premiums	502	28	559	33	164	30	163	32	743	33
Premiums on retention	154	14	211	17	46	14	62	17	265	17
Income before tax	23	31	(6)	12	3	7	16	46	(47)	#
Comprehensive income before tax	26	25	(8)	12	6	8	12	1,200	(50)	#
Loss ratio, gross	63%		33%		71%		33%		42%	
Loss ratio, on retention	41%		60%		40%		41%		71%	
Combined ratio, gross	96%		65%		107%		66%		74%	
Combined ratio, on retention	93%		107%		99%		90%		118%	
Credit insurance										
Gross premiums	83	5	80	5	27	5	27	5	107	5
Premiums on retention	42	4	40	3	14	4	13	4	54	3
Income before tax	26	35	22	14	8	18	7	20	24	15
Comprehensive income before tax	28	26	23	16	10	14	5	500	24	19
Loss ratio, gross	28%		46%		31%		37%		45%	
Loss ratio, on retention	26%		39%		21%		51%		46%	
Combined ratio, gross	50%		68%		54%		59%		67%	
Combined ratio, on retention	44%		51%		41%		65%		59%	

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.2. Non-life insurance (Cont.)

Presented below is the distribution of premiums and comprehensive income in non-life insurance: (Cont.) *)

	For the period of nine months ended September 30				For the period of three months ended September 30				For the year ended December 31	
	2017	% of total	2016	% of total	2017	% of total	2016	% of total	2016	% of total
NIS in millions	Unaudited								Audited	
Liability branches										
Gross premiums	**262**	**15**	241	14	**71**	**13**	66	13	310	14
Premiums on retention	**169**	**15**	165	13	**50**	**15**	48	13	213	13
Income before tax before the estimated impact of the Winograd committee's recommendations	**(4)**	#	(25)	#	**(7)**	**#**	(22)	#	(7)	#
Comprehensive income before tax before the estimated impact of the Winograd committee's recommendations	**5**	5	(30)	#	**1**	**1**	(32)	#	(16)	#
Loss ratio, gross	**111%**		107%		**73%**		93%		106%	
Loss ratio, on retention	**75%**		94%		**73%**		130%		80%	
Combined ratio, gross	**144%**		139%		**109%**		128%		138%	
Combined ratio, on retention	**117%**		137%		**120%**		176%		123%	
Provision in the liabilities branches, including the estimated impact of the Winograd committee	**(37)**		(50)		**(24)**		(3)		(61)	
Income before tax including the estimated impact of the Winograd committee's recommendations	**(41)**		(75)		**(32)**		(25)		(68)	
Comprehensive income before tax including the estimated impact of the Winograd committee's recommendations	**(31)**		(80)		**(23)**		(35)		(77)	
Total for non-life insurance segments										
Gross premiums	**1,797**	**100**	1,717	100	**544**	**100**	509	100	2,233	100
Premiums on retention	**1,136**	**100**	1,239	100	**340**	**100**	374	100	1,587	100
Income before tax before the estimated impact of the Winograd committee's recommendations	**75**	**100**	160	100	**44**	**100**	35	100	158	100
Comprehensive income before tax before the estimated impact of the Winograd committee's recommendations	**106**	**100**	145	100	**73**	**100**	1	100	128	100
Loss ratio, gross	**77%**		57%		**65%**		62%		62%	
Loss ratio, on retention	**70%**		65%		**58%**		74%		67%	
Combined ratio, gross	**105%**		85%		**95%**		91%		90%	
Combined ratio, on retention	**100%**		96%		**91%**		107%		99%	
Total for non-life insurance segments, including the impact of the Winograd committee's recommendations										
Total provision in non-life insurance segments with respect to the estimate regarding the implications of the Winograd committee recommendations	**(96)**		(126)		**(67)**		**(4)**		(141)	
Income before tax	**(21)**		35		**(23)**		**31**		17	
Comprehensive income before tax	**10**		19		**6**		(3)		(13)	
Loss ratio, gross	**84%**		66%		**80%**		62%		70%	
Loss ratio, on retention	**78%**		75%		**75%**		74%		76%	
Combined ratio, gross	**112%**		94%		**110%**		91%		98%	
Combined ratio, on retention	**109%**		106%		**108%**		107%		107%	
Total in non-life insurance segments, excluding compulsory motor and excluding the impact of Winograd										
Total provision in non-life insurance segments including the estimated implications of the Winograd committee's recommendations	**(96)**		(126)		**(67)**		**(4)**		(141)	
Income before tax	**65**		1		**13**		17		(11)	
Comprehensive income before tax	**82**		(7)		**29**		(1)		(26)	
Loss ratio, gross	**68%**		61%		**71%**		63%		65%	
Loss ratio, on retention	**63%**		70%		**61%**		68%		71%	
Combined ratio, gross	**97%**		93%		**105%**		99%		97%	
Combined ratio, on retention	**98%**		106%		**98%**		105%		107%	

*) Loss Ratio (LR) = $\frac{\text{Payments and changes in liabilities with respect to insurance contracts and investment contracts (gross / on retention)}}{\text{Premiums earned (gross / retention)}}$

Combined Ratio (CR) = $\frac{\text{Payments and changes in liabilities with respect to insurance contracts and investment contracts (gross / on retention) + commissions (gross / retention) + general and administrative expenses + amortization of insurance portfolios}}{\text{Premiums earned (gross/retention)}}$

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.2. Non-life insurance (Cont.)

The reporting period

Gross premiums amounted to a total of approximately NIS 1,797 million, as compared with a total of approximately NIS 1,717 million in the corresponding period last year.

After implementing a business optimization process which resulted in a reduction of premiums in recent years, during the reporting period, an increase was recorded in gross premiums in the amount of approximately NIS 80 million, primarily due to the increase in individual business operations in the compulsory motor and property branches, as part of the Company's strategy.

During the reporting period, the Company signed a new proportional reinsurance treaty for the compulsory motor branch with respect to the 2017 underwriting year, with no impact on old underwriting years. The implementation of the aforementioned agreement did not have a significant impact.

Comprehensive income before tax amounted to approximately NIS 10 million, as compared with income of approximately NIS 19 million in the corresponding period last year. During the reporting period, a provision was recorded with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee, in the amount of approximately NIS 96 million, as compared with a total of approximately NIS 126 million during corresponding period last year, as specified in section 3.1(b) above[3].

After neutralization of the provision in light of the recommendation of the Winograd committee, as stated above, comprehensive income before tax in the reporting period amounted to approximately NIS 106 million, as compared with income of approximately NIS 145 million in the corresponding period last year.

The decrease in income, after neutralization of the aforementioned provision, was primarily due to the results of the compulsory motor branch. The decrease in income in the compulsory motor branch was due to the predicted deterioration in the average claim, which was reflected in the actuarial model, as compared with the improvement in the actuarial model and the corresponding release of reserves last year. This deterioration was partially offset by the improvement in underwriting results in the fire and property branches and in the motor property and liabilities branch as compared with the corresponding period last year, due to the underwriting improvement in individual business operations, and the students personal accident insurance branch, for which loss was recorded in the corresponding period last year.

Additionally, during the reporting period, an increase occurred in surplus investment income over the income required to cover the increase in insurance liabilities, relative to the corresponding period last year.

After neutralizing the provision in light of the aforementioned recommendation of the Winograd committee, the loss ratio on retention during the reporting period increased to 70%, from 65% in the corresponding period last year. The combined ratio on retention increased in the reporting period to 100%, from 96%. The increase was primarily due to the deterioration in the average claim in the compulsory motor branch, as specified above, and neutralized by the provision in light of the Winograd committee's recommendations.

After neutralizing the provision in light of the aforementioned recommendation of the Winograd committee, and excluding the compulsory motor branch, as stated above, the loss ratio on retention during the reporting period decreased to 63%, from 70% in the corresponding period last year. The combined ratio on retention decreased during the reporting period to 98%, from 106%.

[3] For details regarding the balance of liabilities with respect to insurance contracts in the compulsory motor and liabilities branches, see Note 4(e) to the financial statements.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.2. Non-life insurance (Cont.)

Three month period ended on the reporting date

Gross premiums amounted to a total of approximately NIS 544 million, as compared with a total of approximately NIS 509 million in the corresponding period last year.

Comprehensive income before tax amounted to a total of approximately NIS 6 million, as compared with loss in the amount of approximately NIS 3 million in the corresponding period last year. During the three month period ended on the reporting date, an update was recorded to the provision with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee, in the amount of approximately NIS 67 million, as compared with a total of approximately NIS 4 million last year.

After neutralization of the aforementioned provisions, in the three month period ended on the reporting date, income was recorded in the amount of approximately NIS 73 million, as compared with income of approximately NIS 1 million in the corresponding period last year.

The increase in income, neutralized by the aforementioned provision, was due to the improvement in the results of the compulsory motor and liabilities branch, as compared with the corresponding period last year.

Additionally, during the three month period ended on the reporting date, an increase occurred in surplus investment income over the income required to cover the increase in insurance liabilities, relative to the corresponding period last year.

After neutralization of the aforementioned provisions, the loss ratio on retention decreased to a rate of 58%, from a rate of 74% (the combined ratio on retention decreased during this period to a rate of 91%, from a rate of 107%).

After neutralizing the provision in light of the aforementioned recommendation of the Winograd committee, and excluding the compulsory motor branch, as stated above, the loss ratio on retention during the reporting period decreased to 61%, from 68% in the corresponding period last year. The combined ratio on retention decreased during the reporting period to 98%, from 105%.

3.1.2.1 Motor property

The reporting period

Gross premiums amounted to a total of approximately NIS 572 million, as compared with a total of approximately NIS 491 million in the corresponding period last year. The increase in gross premiums was primarily due to the increase in individual business operations, as part of the Company's strategy.

Comprehensive income amounted to a total of approximately NIS 23 million, as compared with income of approximately NIS 10 million in the corresponding period last year. The increase in income was primarily due to the improvement in underwriting results in individual business operations, and due to business optimization and the discontinuation of losing business operations, as part of the Company's strategy in recent years.

The loss ratio on retention decreased in the reporting period to 69%, from 71% in the corresponding period last year (the combined ratio on retention decreased to a rate of 97%, from 100%).

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.2.1 Motor property (Cont.)

Three month period ended on the reporting date

Gross premiums amounted to a total of approximately NIS 171 million, as compared with a total of approximately NIS 146 million in the corresponding period last year. The increase in gross premiums in the reporting period, in the amount of approximately NIS 25 million, was primarily due to the increase in individual business operations, as part of the Company's strategy in recent years.

Comprehensive income amounted to a total of approximately NIS 11 million, as compared with comprehensive income of approximately NIS 14 million in the corresponding period last year.

The loss ratio on retention increased to a rate of 66%, from a rate of 64% (the combined ratio on retention increased during this period to a rate of 95%, from a rate of 93%).

3.1.2.2 Compulsory motor

The reporting period

Gross premiums amounted to a total of approximately NIS 377 million, as compared with a total of approximately NIS 346 million in the corresponding period last year. The increase in gross premiums was primarily due to the increase in individual business operations, as part of the Company's strategy.

Comprehensive loss amounted to a total of approximately NIS 35 million, as compared with income of approximately NIS 75 million in the corresponding period last year. During the reporting period, a provision was recorded with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee, in the amount of approximately NIS 76 million, as compared with a total of approximately NIS 59 million during the reporting period.

After neutralization of the aforementioned provisions, comprehensive income before tax amounted to a total of approximately NIS 24 million, as compared with income of approximately NIS 151 million in the corresponding period last year.

The decrease in income, after neutralizing the provisions, as stated above, was due to the predicted deterioration in the average claim, which was reflected in the actuarial model, as compared with the improvement in the actuarial model and the release of reserves accordingly last year.

After neutralization of the aforementioned provisions, the loss ratio on retention increased to 92%, from 48% in the corresponding period last year (the combined ratio on retention increased during the reporting period to 109% from 67%).

Three month period ended on the reporting date

Gross premiums amounted to a total of approximately NIS 111 million, as compared with a total of approximately NIS 108 million in the corresponding period last year.

Comprehensive income amounted to a total of approximately NIS 2 million, as compared with income in the amount of approximately NIS 1 million in the corresponding period last year. During the three month period ended on the reporting date, a provision was recorded with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee, in the amount of approximately NIS 43 million, as compared with a total of approximately NIS 1 million last year.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 <u>Financial information by operating segments</u> (Cont.)

3.1.2. <u>Non-life insurance</u> (Cont.)

3.1.2.2 <u>Compulsory motor</u> (Cont.)

<u>Three month period ended on the reporting date</u> (Cont.)

After neutralization of the aforementioned provisions, in the three month period ended on the reporting date, income was recorded in the amount of approximately NIS 44 million, as compared with income of approximately NIS 2 million in the corresponding period last year.

The increase in income, after neutralization of the aforementioned provisions, was to the improvement in underwriting results relative to last year, and the increase in investment income relative to the corresponding period last year.

The loss ratio on retention decreased to a rate of 48%, from a rate of 92% (the combined ratio on retention decreased during this period to a rate of 67%, from a rate of 112%).

3.1.2.3 <u>Property and others branches</u>

<u>The reporting period</u>

Gross premiums amounted to a total of approximately NIS 502 million, as compared with a total of approximately NIS 559 million in the corresponding period last year. The decrease in gross premiums, in the amount of approximately NIS 57 million, was primarily due to timing differences with respect to long term policies, and the decrease in premiums, due to the non-renewal of a transaction in the students personal accident insurance branch.

Comprehensive income amounted to a total of approximately NIS 26 million, as compared with comprehensive loss of approximately NIS 8 million in the corresponding period last year. The transition from loss to income during the reporting period was primarily due to the improvement in underwriting profitability in the fire and property branches, as a result of business optimization and discontinuation of losing business operations which were performed in previous years, and also due to the students personal accident insurance branch, in which loss was recorded in the corresponding period last year.

The loss ratio on retention decreased in the reporting period to 41%, from 60% in the corresponding period last year (the combined ratio on retention decreased to a rate of 93%, from 107%).

<u>Three month period ended on the reporting date</u>

Gross premiums amounted to a total of approximately NIS 164 million, as compared with a total of approximately NIS 163 million in the corresponding period last year.

Comprehensive income in the three month period ended on the reporting date amounted to a total of approximately NIS 6 million, as compared with comprehensive income of approximately NIS 12 million in the corresponding period last year. The decrease in income was primarily due to the negative development in claims relative to the corresponding period last year.

The loss ratio on retention decreased to 40%, from 41% (the combined ratio on retention decreased during this period to 99%, from 90%).

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.2. Non-life insurance (Cont.)

3.1.2.4 Credit insurance

The reporting period

Gross premiums in the reporting period amounted to a total of approximately NIS 83 million, as compared with a total of approximately NIS 80 million in the corresponding period last year.

Comprehensive income in the reporting period amounted to a total of approximately NIS 28 million, as compared with a total of approximately NIS 23 million in the corresponding period last year. The increase in income during the reporting period was primarily due to the decrease in the rate of claims during the reporting period, relative to the corresponding period last year.

The loss ratio on retention decreased in the reporting period to 26%, from 39% in the corresponding period last year (the combined ratio on retention decreased to a rate of 44%, from 51%).

Three month period ended on the reporting date

Gross premiums earned amounted to a total of approximately NIS 27 million, both during the reporting period and in the corresponding period last year.

Comprehensive income in the three month period ended on the reporting date amounted to a total of approximately NIS 10 million, as compared with approximately NIS 5 million in the corresponding period last year. The increase in income during the reporting period was primarily due to the aforementioned decrease in the rate of claims.

The loss ratio on retention decreased to 21%, from 51% (the combined ratio on retention decreased to 41%, from 65%).

3.1.2.5 Other liability branches

The reporting period

Gross premiums amounted to a total of approximately NIS 262 million, as compared with a total of approximately NIS 241 million in the corresponding period last year.

Comprehensive loss in the reporting period amounted to a total of approximately NIS 31 million, as compared with income of approximately NIS 80 million in the corresponding period last year. During the reporting period, a provision was recorded with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee, in the amount of approximately NIS 37 million, as compared with a total of approximately NIS 50 million in the corresponding period last year.

After neutralization of the provision with respect to the Winograd committee, as stated above, income was recorded in the amount of approximately NIS 5 million, as compared with loss of approximately NIS 30 million in the corresponding period last year. The increase in income during the reporting period was due to the deterioration in underwriting, which was reflected in the actuarial model last year in the third party and employers' liability insurance branches, and due to the increase in investment income.

After the neutralization of the provision with respect to the Winograd committee, as stated above, the loss ratio on retention decreased during the reporting period to a rate of approximately 75%, from a rate of approximately 94% in the corresponding period last year (the combined ratio on retention decreased during the reporting period to a rate of 117%, from a rate of 137%).

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.2.5 Other liability branches (Cont.)

Three month period ended on the reporting date

Gross premiums in the reporting period amounted to a total of approximately NIS 71 million, as compared with a total of approximately NIS 66 million in the corresponding period last year.

Comprehensive loss in the three month period ended on the reporting date amounted to a total of approximately NIS 23 million, as compared with loss of approximately NIS 35 million in the corresponding period last year. During the three month period ended on the reporting date, a provision was recorded with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee, in the amount of approximately NIS 24 million, as compared with a total of approximately NIS 3 million last year.

After neutralization of the aforementioned provisions, during the three month period ended on the reporting date, income was recorded in the amount of approximately NIS 1 million, as compared with loss in the amount of approximately NIS 32 million in the corresponding period last year. The transition to income was due to the increase in income during the reporting period, due to the negative development in claims, which was reflected in the actuarial model last year in the employers' liability insurance branch, and to the increase in investment income.

The loss ratio on retention decreased to a rate of 73%, from a rate of 130% (the combined ratio on retention decreased during this period to a rate of 120%, from a rate of 176%).

3.1.3 Health insurance

The reporting period

Gross premiums in the reporting period amounted to a total of approximately NIS 1,415 million, as compared with a total of approximately NIS 1,352 million in the corresponding period last year. The increase in premiums was primarily due to the increase in the Company's individual business operations.

Comprehensive income before tax in the reporting period amounted to a total of approximately NIS 104 million, as compared with loss in the amount of approximately NIS 39 million in the corresponding period last year.

The transition to income during the reporting period was mostly due to the liability adequacy test (LAT) which resulted, in the corresponding period last year, in an increase in the reserve in the amount of approximately NIS 180 million (with respect to non-investment-linked contracts in the amount of approximately NIS 81 million, and with respect to investment-linked long-term care policies in the amount of approximately NIS 99 million), with no impact during the reporting period.

After neutralization of the effect, as stated above, comprehensive income before tax amounted to a total of approximately NIS 104 million during the reporting period, as compared with comprehensive income of approximately NIS 141 million in the corresponding period last year.

The decrease in income, after neutralization of the effect during the reporting period, as compared with the corresponding period last year was primarily due to the negative development in claims in the long-term care branch in the first quarter, and the increase in the reserve due to the update to estimates, primarily with respect to the changes in the cancellation and morbidity rates, relative to the corresponding period last year.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.3. Health insurance (Cont.)

Three month period ended on the reporting date

Gross premiums earned in the three month period ended on the reporting date amounted to a total of approximately NIS 504 million, as compared with a total of approximately NIS 496 million in the corresponding period last year. The increase in premiums was primarily due to the increase in the Company's individual business operations.

Comprehensive income before tax in the reporting period amounted to a total of approximately NIS 64 million, as compared with income in the amount of approximately NIS 130 million in the corresponding period last year.

The decrease in income during the reporting period was due to the liability adequacy test (LAT) which resulted, in the corresponding period last year, in a release of the reserve in the amount of approximately NIS 52 million (with respect to non-investment-linked long-term care policies in the amount of approximately NIS 43 million and with respect to investment-linked long-term care policies in the amount of approximately NIS 9 million), with no impact during the reporting period.

After neutralization of the aforementioned effect, comprehensive income before tax amounted to a total of approximately NIS 64 million during the three month period ended on the reporting date, as compared with comprehensive income of approximately NIS 78 million in the corresponding period last year.

Details regarding investment gains which were applied to policyholders in health insurance policies of the profit sharing nursing type:

	Profit sharing long-term care policies of the individual and collective types				
	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
NIS in millions	2017	2016	2017	2016	2016
Investment gains which were applied to policyholders	181	16	81	51	63

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.4. Other and items not included in the insurance branches

	For the period of nine months ended September 30		Rate of change in percent	For the period of three months ended September 30		Rate of change in percent	For the year ended December 31
	2017	2016		2017	2016		2016
NIS in millions	Unaudited			Unaudited			Audited
Income from investments, net, and financing income	137	103	33	(8)	57	#	136
General and administrative expenses	58	43	35	29	14	107	60
Other expenses (income), net	4	(1)	#	3	(3)	#	5
Income (loss) before tax from continuing operations from adjustments and offset operations	(1)	5	#	(1)	3	#	5
Income before tax from continuing operations in other segments (excluding Clal Finance)	15	16	(6)	5	7	(29)	24
Other income (loss) before tax and items which are not included in the insurance branches	89	82	9	(36)	56	#	100
Other comprehensive income before tax and items not included in the insurance branches	164	81	102	49	44	11	114

During the reporting period

Comprehensive income from items not included in the insurance branches amounted to a total of approximately NIS 164 million in the reporting period, as compared with comprehensive income of approximately NIS 81 million in the corresponding period last year. The increase in income was primarily due to investment income, including in other comprehensive income, in the amount of approximately NIS 212 million in the reporting period, as compared with investment income in the amount of approximately NIS 102 million in the corresponding period last year. On the other hand, during the reporting period, expenses were recorded, inter alia, with respect to the new collective agreement, as compared with the corresponding period last year. For additional details, see Note 8(f) to the financial statements.

During the three month period ended on the reporting date

Comprehensive income from items not included in the insurance branches in the three month period ended on the reporting date amounted to a total of approximately NIS 49 million, as compared with comprehensive income of approximately NIS 44 million in the corresponding period last year. During the reporting period, investment income, including in other comprehensive income, was recorded in the amount of approximately NIS 77 million in the three month period ended on the reporting date, as compared with investment income in the amount of approximately NIS 45 million in the corresponding period last year. On the other hand, during the reporting period, an increase in expenses was recorded, inter alia, with respect to the new collective agreement, as stated above.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.1 Financial information by operating segments (Cont.)

3.1.5. General and administrative expenses

During the reporting period

Other general and administrative expenses during the reporting period amounted to a total of approximately NIS 629 million, as compared with a total of approximately NIS 570 million last year. The increase during the reporting period was due to the increase in automation expenses, inter alia, due to the improvements and expansions which the Company is continuously implementing to the automation system in the long term savings segment, as specified in Note 44(c) to the annual financial statements, to the increase in expenses, inter alia, with respect to the aforementioned new collective agreement, and to the increase in payroll expenses relative to the corresponding period last year.

During the three month period ended on the reporting date

Other general and administrative expenses in the three month period ended on the reporting date amounted to a total of approximately NIS 223 million, as compared with a total of approximately NIS 189 million last year. The increase during the reporting period was due to the increase in automation expenses, inter alia, due to the improvements and expansions which were implemented after the launch of the new pension automation system, as specified in Note 44(c) to the annual financial statements, to the increase in expenses, inter alia, with respect to the aforementioned new collective agreement, and to the increase in payroll expenses relative to the corresponding period last year.

3.1.6. Financing expenses

The group's financing expenses are affected primarily by the change in the known consumer price index, see section 2.1.1.2 above, by the cost of exchange of deferred liability notes, as specified below, and by raisings and repayments of debt in Clal Holdings and in Clal Insurance.

Financing expenses in operations which are not allocated to segments

During the reporting period

Financing expenses in the reporting period amounted to a total of approximately NIS 94 million, as compared with approximately NIS 115 million in the corresponding period last year. The decrease in financing expenses was primarily due to the cost of replacement of deferred liability notes in the amount of approximately NIS 17 million in the corresponding period last year, with no effect in the current period.

During the three month period ended on the reporting date

Financing expenses for the three month period ended on the reporting date amounted to a total of approximately NIS 25 million, as compared with a total of approximately NIS 36 million in the corresponding period last year. The decrease in financing expenses was due to the decrease of 0.5% in the consumer price index, as compared with an increase of 0.4% in the corresponding period last year.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.2 Additional financial data

	Primary movements in equity				
	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
NIS in millions	2017	2016	2017	2016	2016
Income (loss) for the period [1)]	**101**	(349)	**(143)**	236	100
Other comprehensive income (loss) for the period [2)]	**85**	(4)	**122**	(50)	26
Comprehensive income (loss)	**186**	(353)	**(22)**	187	125
Comprehensive income (loss) to Company shareholders	**182**	(356)	**(23)**	186	122
Comprehensive income attributable to non-controlling interests	**4**	3	**1**	1	3
Comprehensive income (loss)	**186**	(353)	**(22)**	187	125

1. The decrease in loss and the transition to income during the reporting period, relative to the corresponding period last year, was primarily due to the increase in the risk-free interest rate curve during the reporting period, as compared with the low interest rate environment in the corresponding period last year, and the lower provisions during the reporting period in the compulsory motor and liabilities branches, as compared with the corresponding period last year, following the recommendations of the Winograd committee.

2. Other comprehensive income is primarily affected by income (loss) from the increase (decrease) in the fair value of financial assets (marketable debt assets and non-marketable capital assets) which are not included in the investment portfolios, against profit-sharing (nostro) policies, from foreign currency translation differences with respect to foreign operations, and from actuarial income (loss) with respect to employee benefits.

3.3 Principal data from the consolidated statements of financial position

3.3.1. Assets

NIS in millions	As of September 30 2017	As of September 30 2016	Rate of change %	As of December 31 2016	Rate of change since December %
Total assets	**103,499**	96,492	7	98,291	5
Main assets:					
Total assets with respect to investment-linked contracts in consolidated insurance companies	**62,428**	57,140	9	58,396	7
Other financial investments [1)]	**31,250**	30,346	3	30,340	3
Assets managed for others (non-nostro) in the group (NIS in millions):					
For investment-linked insurance contracts and investment contracts	**62,428**	57,140	9	58,396	7
For provident fund members [1)]	**33,193**	34,157	(3)	34,133	(3)
For pension fund members *)	**59,440**	52,057	14	53,948	10
Total assets managed for others	**155,061**	143,354	8	146,477	6
*) Out of this amount, total assets managed by Atudot Havatika	**9,838**	9,351	5	9,330	5

1. The consolidated financial statements do not include the assets managed in provident funds (except for a provident fund regarding which Clal Insurance accepted upon itself an undertaking to deliver minimum guaranteed annual returns) and pension funds. For additional details, see Note 3(a)(2) to the annual financial statements.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.3 Principal data from the consolidated statements of financial position (Cont.)

3.3.2. Liabilities

During the reporting period, the group continued implementing its strategy of reducing the group's debt balances which are not for capital purposes in the insurance companies, and performed, during the reporting period, an initiated early repayment of the balance of a loan from an interested party bank, which was due for repayment in installments by the end of 2019. In light of the above, as of the balance sheet date, the group has no debit balances which are not for capital purposes in insurance companies.

NIS in millions	As of September 30 2017	As of September 30 2016	Rate of change %	As of December 31 2016	Rate of change since December %
Total liabilities	**98,598**	92,257	7	93,578	5
From liabilities:					
Liabilities in respect of non-investment-linked insurance contracts and investment contracts	**30,324**	30,110	1	29,769	2
Liabilities with respect to investment-linked insurance contracts and investment contracts	**61,437**	56,469	9	57,276	7
Total liabilities with respect to insurance contracts and investment contracts	**91,761**	86,579	6	87,045	5
Financial liabilities:					
Deferred liability notes	**3,240**	3,108	4	3,315	(2)
Liabilities to banking corporations and others					
Company	-	70	#	70	#
Clal Credit and Finance	-	6	#	3	#
Liabilities with respect to derivative financial instruments and short sales	**378**	112	238	247	53
Total liabilities to banking corporations and others	**378**	188	101	320	18
Total financial liabilities	**3,618**	3,296	10	3,635	-

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.3 Principal data from the consolidated statements of financial position (Cont.)

3.3.3. Capital and capital requirements

For additional details regarding the capital requirements which apply to the group's member companies, and regarding restrictions on dividends, see Note 6 to the financial statements:

Capital requirements pursuant to the Capital Regulations

NIS in millions	As of September 30 2017	As of December 31 2016	Rate of change %
Company			
Total capital attributable to Company shareholders	**4,858**	4,674	4
Total capital required of the Company [1)]	**2,854**	2,845	
Surplus	**2,004**	1,829	10
Rate of surplus over required capital	**70.2%**	64.3%	9
Clal Insurance			
Total capital and required capital surplus	**4,839**	4,793	1
Total Tier 1 capital	**4,688**	4,513	4
Total Tier 2 and Tier 3 capital [2)]	**3,125**	3,009	4
Total recognized capital	**7,813**	7,522	4
Surplus	**2,974**	2,729	9
Rate of surplus over capital and required capital surplus	**61.5%**	56.9%	8
Rate of Tier 2 and Tier 3 capital out of total recognized capital	**40.0%**	40.0%	-

1. For details regarding the capital requirements in accordance with the permit for control of an insurer, and the Commissioner's announcement dated May 8, 2014, regarding the cancellation of the permit, see Note 6(b)(2) to the financial statements.

2. The bonds are recognized as Tier 2 hybrid capital in Clal Insurance, subject to restrictions on the maximum rate of Tier 2 capital and Tier 3 capital, as specified in Note 16(e) to the annual statements, and accordingly, a total of approximately NIS 43 million was not recognized as capital as of September 30, 2017. The amount will be recognized against future repayments and against the recording of income, if any, which will be aDEd to Tier 1 capital.

Capital requirements according to the solvency regime

For details regarding the solvency ratio of Clal Insurance as of December 31, 2016, in accordance with the solvency circular, see section 3.1 above and Note 6 to the financial statements.

3. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

3.4. Cash flows

Primary data from the cash flow report

NIS in millions	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	**2016**	**2017**	**2016**	**2016**
Net cash from (used in) operating activities *)	**685**	(745)	**(1,016)**	(1,548)	(501)
Net cash flows used in investing activities	**(114)**	(185)	**(73)**	(20)	(278)
Net cash flows used in financing activities	**(259)**	(254)	**(71)**	(48)	(63)
Impact of exchange rate fluctuations on cash balances	**(69)**	(18)	**(10)**	(11)	(21)
Total increase (decrease) in cash balances	**242**	(1,201)	**(1,170)**	(1,627)	(863)

*) The change in cash was primarily due to the change in the mix of investments.

3.5. Financing sources

The Company considers it highly important to maintain and hold sufficient cash balances, in a manner that will allow it to repay its financial liabilities, guarantees and letters of indemnity which it provided for the liabilities of wholly owned investee companies (see Note 27(c) to the annual financial statements), and also to support, insofar as required, the capital needs of Clal Insurance and the liquidity needs with respect to the operations of other investee companies in the group. Additional financing sources include, inter alia, dividend distributions from investee companies and the option to dispose investments in investee companies, debt raisings from the banking system and/or from the public, and capital raisings.

3.5.1. Liquid resources and credit facilities *)

The following are data regarding the principal liquid resources of the Company:

NIS in millions	Balance as of September 30, 2017	Proximate to the publication date of the report
Liquid resources of the Company (solo)	43	43

*) As of the reporting period, the Company has no credit facilities.

3.5.2. Financing characteristics

A. The Company, due to its status as a holding company, evaluates, within the context of financing and liquidity, the value of its assets against its liabilities, as well as the existence of liquid resources available to it, and also evaluates the reasonable accessibility of those resources, as required to continue its operations and to repay its debts.

B. The Company's operations (debt repayments, investments, general and administrative expenses and dividend distributions) are generally financed by dividends received from investee companies, by loans from banking corporations, and by considerations received from the sale of assets.

C. For details regarding financial covenants with respect to loans from banking corporations taken by the Company and/or by subsidiaries guaranteed by the Company, see Notes 27(b) and 27(c) to the annual financial statements. During the reporting period, the Company performed an initiated early repayment of its loans, such that, as of the reporting date, the Company has no loans from banking corporations.

D. For details regarding the main financial movements in the Company (solo), see the interim cash flow data attributed to the Company itself (solo), which are included in the interim report.

E. For details regarding the Company's distributable earnings, which are adjusted to the Company's capital requirements, and regarding capital and capital requirements in the consolidated institutional entities and other companies in the group, see section 3.3.3 above and Note 6(b)(2) to the financial statements.

F. During the reporting period, the Company performed an initiated repayment of the entire balance of its liabilities to banks.

4. Developments subsequent to the publication of the periodic report

4.1 Additional events during and after the reporting period

4.1.1 Distributable profits - for details regarding distributable profits as of the reporting date, in accordance with the Companies Law, regarding the capital requirements stipulated in the permit for control of institutional entities which is held by the Company, and regarding the Commissioner's letter from August 2016 regarding a dividend distribution, see Note 6(b)(2) to the financial statements.

4.1.2 Changes in actuarial estimates - for details, see Note 8(a) to the financial statements.

4.1.3 Change in the corporate tax rate - for details, see Note 8(b) to the financial statements.

4.1.4 Replacement of the operator with respect to provident funds which are managed by the Company - for details, see Note 8(c) to the financial statements.

4.1.5 Shelf prospectus of the Company and Clalbit Finance - for details, see Note 8(d) to the financial statements.

4.1.6 Structural changes - for additional details, see Note 8(e) to the financial statements.

4.1.7 New collective agreement in Clal Group - for details, see Note 8(f) to the financial statements.

4.1.8 Representative employee committee in HaClal HaRishon - for details, see Note 8(g) to the financial statements.

4.1.9 CEO employment agreement - for details, see Note 8(h) to the financial statements.

4.1.10 General and administrative costs - for details, see Note 8(i) to the financial statements.

4.1.11 Provident fund management activity - for details, see Note 8(j) to the financial statements.

4.1.12 the Company's rating - for details, see Note 8(k) to the financial statements.

4.1.13 Automation system in the life insurance segment - for details, see Note 8(l) to the financial statements.

4.1.14 Developments subsequent to the reporting date - for details regarding developments subsequent to the reporting date, including the decrease of the discount rate, see Note 8(m) to the financial statements.

4.2 Legal proceedings

For details regarding developments in the status of class actions and pending claims against the group's member companies (which are not in the ordinary course of business), see Note 7 to the financial statements.

4.3. Restrictions and supervision of the corporation's business

This chapter includes a review of highly significant laws, regulations, circulars, and position papers, or drafts of highly significant laws, regulations, circulars, and position papers, which were published by the Knesset, the Government, or the Commissioner of Insurance, as applicable, subsequent to the approval date of the annual financial statements.

4.3.1. General

4.3.1.1 <u>The Insurance Contract Law</u>

Further to the amendment to the Insurance Contract Law, 1981, which was approved in November 2016, in which the special interest rate was increased which a competent court must rule if an insurance company has not paid the insurance benefits which were not under dispute, in good faith, up to 20 times the interest rate prescribed in the Adjudication of Interest and Linkage Law, as compared with 3 times the aforementioned interest rate, prior to the amendment ("**Special Interest**"); Additionally, the types of insurance policies regarding which the Court must order special interest were expanded, in such cases, also for illness and hospitalization insurance (including long-term care insurance) and compulsory motor insurance -

In April 2017, an additional amendment to the Insurance Contract Law was approved, whereby the special interest with respect to long-term care insurance will be at a rate of no less than 10 times, unless the court has determined a lower rate, for reasons which will be specified.
The aforementioned amendments to the Insurance Contract Law may result in an increase in claim settlement costs.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.1 General (Cont.)

4.3.1.1 The Insurance Contract Law (Cont.)

The information presented on all matters associated with the possible implications of the aforementioned amendments to the Insurance Contract Law constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, inter alia, in light of the uncertainty regarding the manner of implementation of the amendment by the courts.

4.3.1.2 Investment by institutional entities in credit companies

In April 2017, a draft amendment was published to the circular regarding rules for investment which apply to institutional entities, which includes provisions with respect to providing the possibility for an institutional entity to invest in a credit company which is under the control of the controlling shareholder of an institutional entity (the "**Credit Company**"), in accordance with the conditions which were determined in the draft, including restrictions according to which the funds which members and policyholders may provide for financing to the credit company at a rate of up to 49%, the institutional entity, or the controlling shareholder thereof, will provide financing to the credit company at a rate of no less than 20% of the total financing to the credit company, and a requirement that the credit company provide securities in favor of the institutional investor, to secure the repayment of the loans, as specified in the draft amendment.

Further to the foregoing, in April 2017, the Ministry of Finance published a call for bids and a draft document of principles for public comments, with respect to the provision of government assistance to increase competition in the retail credit market. According to the document, the controlling shareholder of an institutional entity may create a credit company, which will be able to provide loans to small businesses and to households, in accordance with the conditions which were specified in the draft.

The Company is evaluating the implications of the proposed arrangements, both from the business perspective and from the operational perspective, and at this preliminary stage, it is unable to estimate their implications and feasibility.

4.3.1.3 Provisions regarding the implementation of a Solvency II-based solvency regime

For details regarding the final instructions for the implementation of the Solvency II-based economic solvency regime for insurance companies, see Note 6 to the financial statements and section 3.1 above.

Further to the draft which was published in July 2017, in September 2017, a second draft was published of the circular on the subject of "Structure of required disclosure in periodic reports and on websites of insurance companies regarding the Solvency II-based economic solvency regime - second draft". The draft sets forth the structure, method and dates of the disclosure regarding the results of the economic solvency ratio calculation. The draft also established, inter alia, provisions according to which, beginning with the calculation on the data for December 2017, the calculation results will be audited or reviewed, as applicable, and the timetable for the calculation was shortened such that, beginning with the calculation on the data for December 2018, disclosure will be given regarding the results in the periodic report as of that date.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.1 General (Cont.)

4.3.1.3 Provisions regarding the implementation of a Solvency II-based solvency regime (Cont.)

In parallel, in October 2017, a draft amendment was published to the provisions of the consolidated circular regarding reporting to the Commissioner - EV (embeDEd value) file report, which primarily included a provision regarding the cancellation of the obligation which applies to insurers, to publish an embeDEd value report with respect to long term policies in life insurance, and the requirement to report to the Commissioner the embeDEd value of new pension funds, which will be calculated on the data as of December 31 of each year.

4.3.1.4 Equity requirements and dividend distributions

For details regarding the Draft Control of Financial Services Regulations (Insurance) (Minimum Equity Required to Receive Insurer License), 2017, and a draft circular entitled "required equity for solvency purposes", see section 3.3.3 of the Board of Directors' Report regarding the state of the corporation's affairs.

For details about a letter regarding dividend distributions by an insurance company, see Note 6 to the financial statements.

4.3.2 Long term savings

4.3.2.1 Amendment to the circular regarding management fees

In September 2017, an amendment was published to the circular regarding management fees in pension savings instruments (the "**Amendment To The Management Fees Circular**"), which regulated the method for provision of discounts on management fees in pension savings products.

Within the framework of the amendment to the circular regarding management fees, the ability of an institutional entity to raise the cost of management fees for members was reduced, inter alia, by extending the minimum period for the provision of a discount on management fees, from two years to five years (the "Minimum Period"); and the exceptions which allow an institutional entity to raise the management fees for members during the minimum period were reduced.

Additionally, the reporting obligations of institutional entities regarding the rate of management fees were expanded.

In general, the provisions of the amendment will apply to discounts on management fees which will be given starting April 2018.

The entry into effect of the amendment to the circular regarding management fees may affect the provision of discounts on management fees in the provident funds and pension funds, and as a result, the rate of management fees which are collected, and the addition and retention of customers.

The information presented on all matters associated with the possible implications of the amendment to the circular regarding management fees constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, inter alia, in light of the uncertainty regarding its impact on the Company's decisions, which are dependent, inter alia, on the conduct of competing entities, distributing entities and customers.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.2 Draft circular containing provisions regarding mortgage term insurance plans

In April 2017, a draft circular was published on the subject of provisions regarding mortgage term insurance plans (hereinafter: the "**Draft Circular Regarding Mortgage Term Insurance**"), which is intended to determine conditions which will be included in designated mortgage term life insurance policies (hereinafter: "**Mortgage Term Life Insurance Policy**"). The provisions of the draft circular regarding mortgage term insurance were intended to ensure, inter alia, the routine updating of the insurance amount in a mortgage term life insurance policy, in a manner whereby it will be adjusted to the balance of the mortgage loan for which the policy was purchased as a security, throughout the loan period, and through the interface for computerized reporting which will be created between the insurance companies and each of the mortgage banks.

The draft circular regarding mortgage term insurance determines that an update to the insurance amount, as a result of an increase to the loan amount, or an extension of the loan period, will be subject to the consent of the insurance company, and that the insurance company is obligated to inform the policyholder regarding the aforementioned difference. The draft sets forth conditions for the appointment of a bank as an irrevocable beneficiary in a non-designated mortgage term life insurance policy.

The draft circular regarding mortgage term insurance, insofar as in writing be become a binding circular, will enter into effect with respect to policies which will be marketed beginning on July 1, 2017, and is expected to have extensive automational and operational implications with respect to the sale and management of mortgage term life insurance policies.

For details regarding a notice regarding the withdrawal of a class action which was filed against the Company on the subject of the adjustment of the insurance amounts in mortgage term life insurance policies, to the balance of the mortgage loan, see Note 7(a)(a3)(4) to the financial statements.

The information presented on all matters associated with the possible implications of the draft circular regarding mortgage term insurance constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, inter alia, due to the final wording of the draft, the complexity of operational preparations and the arrangements which will be reached vis-à-vis the banks and vis-à-vis the distributing entities.

4.3.2.3 Guidelines regarding loss of working capacity

In September 2016, a circular was published on the subject of "guidelines regarding loss of working capacity insurance plan" (hereinafter: the "**Guidelines Circular**"), which determined a standard and modular structure for loss of working capacity insurance plans. According to the guidelines circular, the plan structure includes basic loss of working capacity coverage (hereinafter: the "**Basic Coverage**"), to which riders can be aDEd which allow expansion of the basic coverage, as chosen by the policyholder. The guidelines circular specifies conditions which may and may not be included in the basic coverage, as well as terms which can be aDEd to the annexes.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.3 Guidelines regarding loss of working capacity (Cont.)

The guidelines circular included expansion of the insurance coverage and reduction of the exceptions which can be included under the basic coverage, relative to the current situation, and also establishes additional provisions which can be included under the basic coverage which pertain, inter alia, to the definition of the insurance event, the basic scope of coverage, insurance benefits, and offsetting of funds obtained from payment sources other than insurance benefits. The circular will apply to all loss of working capacity insurance plans, both individual and collective, which will be marketed by the insurance companies, and also to the renewal of collective loss of working capacity insurance policies. In accordance with the amendment from May 2017, the guidelines circular entered into effect beginning in August 2017.

In September 2017, an additional amendment was published to the guidelines circular, in which an extension was permitted to the insurance period in collective loss of working capacity insurance policies which were marketed before the circular's application date, until December 1, 2017, and the marketing of individual loss of working capacity policies was permitted to policyholders entitled to continuity (who were previously insured under a collective policy).

During the period from August 2017 to November 2017, the Company did not market loss of working capacity insurance plans, in accordance with the guidelines circular. In November 2017, the Company began marketing loss of working capacity insurance plans, as stated above. During the period when the marketing of loss of working capacity policies, under the previous framework, was prohibited, the marketing of life insurance plans (savings and risk of death) decreased significantly, due to the fact that the loss of working capacity product constitutes a supplementary product thereto.

According to the Company's estimate, at this stage, it is not yet possible to estimate the implications of the changes to the loss of working capacity product, in connection with the extensive scope of coverage, relative to the previous product and the substitute pension product, its pricing, and in accordance with the impact of the aforementioned changes on the number of members joining the product, and its profitability; The aforementioned implications depend, inter alia, on the reinsurance treaties which will be signed, if any, in connection with the product; and the long term effect of the combination of these factors, including the conduct of competitors, reinsurers, distributing entities and the long term choices of customers and employers.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.4 Crediting of returns in new comprehensive pension funds

In March 2017, the Control of Financial Services Regulations (Provident Funds) (Crediting of Returns in New Comprehensive Pension Fund), 2016, were published (hereinafter: the "**Designated Bond Return Regulations**"). The aforementioned regulations include provisions regarding the method used to credit returns to members and retirees in a new comprehensive pension fund (the "**Designated Bonds Returns**"). As opposed to the status quo, according to which the crediting of designated bond returns is done in a uniform manner for fund members, the regulations determine that a managing company will credit designated bond returns to members of a new comprehensive pension fund which it manages, in the manner specified below:

(A) Annuity recipients - the crediting of designated bond returns to annuity recipients will be done according to the ratio between 60% of the total assets of the annuity recipient and the total fund assets which were invested in designated bonds.

(B) Members aged 50 or older - the crediting of designated bond returns will be done according to the ratio of between 30% of the total accrued balances in the fund to members of this group, and the total fund assets which were invested in designated bonds.

(C) Other members - the crediting of designated bond returns will be done according to the balance of returns in the fund which are due to the investment in designated bonds, after the crediting of returns to the two aforementioned groups.

The Designated Bond Return Regulations established a transitional provision according to which, until the end of 2023, the crediting of designated bond returns, both to members aged 50 or older, and to other members, will be as specified in section (c) above, in other words, after first crediting the designated bond returns, as stated above, to the group of annuity recipients. It was further determined that the Commissioner will be entitled to increase the rate of crediting designated bond returns to annuity recipients in the fund, if he has found that the rate of crediting designated bond returns to members aged 50 or older, and to other members, exceeds half a percent relative to another fund, and that the aforementioned difference may disrupt the actuarial balance in the fund. The Special Bond Returns Regulations will enter into effect in July 2017.

It is noted that the Designated Bond Return Regulations do not change the rate of bonds which a managing company of a new comprehensive pension fund is entitled to acquire, which will remain as 30% of the total fund assets. [4]

The change in the crediting of designated bond returns, as stated above, created, on the calculation date of the actuarial balance for the first time since its application (at the end of the third quarter of 2017), positive returns for pension fund members, which will be attributed to the members' accounts after the publication of the pension funds' financial statements for this quarter.

[4] Likewise, no changes will be made to the rate of designated bonds relative to members in the new pension funds which, prior to January 1, 2004, were already eligible for a pension, and which amounts to 70% of total assets.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.4 Crediting of returns in new comprehensive pension funds (Cont.)

In November 2017, a transitional provision was published regarding the calculation of returns for members whose funds were transferred from inactive accounts, due to their joining of a different pension fund (on this matter, see the provisions regarding the consolidation of inactive pension funds, in section 4.3.2.10 below), during the period from October 1, 2017 until the date of update to the rights with respect to the balance, in a manner which will ensure that those members will be entitled to returns which is a result of the aforementioned actuarial balance (which includes balances in addition to the balance with respect to the change in the crediting of designated bond returns).

Further to the above, in June 2017, a circular was published regarding rules for increasing the rate of crediting returns to annuity recipients in new pension funds, which primarily include the determination of rules regarding the method by which the Commissioner evaluate and update the rate of crediting returns in designated bonds for annuity recipients in the funds, in circumstances where the rate of crediting guaranteed bond returns to members aged 50 and higher, and to other members, exceeds one half of a percent, relative to other funds.

In May 2016, a motion from the Israel Insurance Association to join as a petitioner to the Supreme Court was accepted, which was filed by the Forum of Pension Savers in Israel, and by the Association of Investment Houses (jointly: the "**Petitioners**"), against the Minister of Finance and others (hereinafter: the "**Motion to Join**"). According to the appellants, the issuance of designated bonds for the new pension funds only constitutes unlawful discrimination against the provident fund members, as compared with the savers in the new pension funds. In the new member application, it was claimed that there is no justification for the significant preference of savers in new pension funds, also with respect to the holders of managers insurance. The proceedings are currently pending.

The allocation of designated bonds in accordance with age groups, in accordance with the Designated Bond Return Regulations, may create variability in the allocation method of designated bonds between members who belong to the same age group in the various pension funds, may maintain the preference for the pension products over other pension products, particularly in the older ages, and may also create selective preference for joining or transferring to certain pension funds, in accordance with the mix of ages of fund members. This trend may increase, particularly towards retirement age, and in light of the combined impact of these provisions together with the provisions regarding assumed returns in pension conversion factors for new pension funds, as specified in section 4.3.2.5 below.

The Company's estimate in connection with the Crediting of Returns in New Comprehensive Pension Funds Regulations constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the decision of the Supreme Court, on the reciprocal effects between the Designated Bond Return Regulations and other regulatory provisions, including regarding the consolidation of inactive accounts in pension funds, the establishment of default funds and the draft mobility regulations (insofar as it will be approved), regarding the possibility of transferring old age annuity recipients, and the conduct of competing entities, distributing entities and the choices of members and policyholders.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.5 Assumed returns in annuity conversion factors in the new pension funds and in life insurance policies and amendment to the circular regarding provisions for the management of new funds

Further to the Commissioner's letter from August 2013, to the managers of the institutional entities, regarding assumed returns in conversion factors for annuities in new pension funds, and in life insurance policies, which was intended, with respect to the pension funds, to deal with cross-subsidization and with the erosion of savings of all members, which is caused upon the member's retirement, and which is due to the fact that the assumed returns on the fee investments, which is reflected in the calculation of the pension conversion factors, is currently based on a real interest rate of 4%, while the actual interest rate used to calculate the actuarial balance of the fund is lower, in May 2017, amendments were published to the circular regarding provisions for the management of new funds, to the circular regarding provisions for the management of new general funds, and to the circular regarding provisions with respect to financial reporting for new pension funds. Within the framework of the aforementioned amendments, inter alia, a change was implemented to the mechanism for calculation and update of the annuities which are paid from a new pension fund, such that the annuities will be updated, inter alia, in accordance with the deviations between the actual return on the free investments and a rate of 3.36%, in a manner which will effectively reduce the deficit which was created proximate to the date of the member's retirement, as a result of the currently existing differences between the assumed returns which the fund is expected achieve on the funds which are held against liabilities for retirees, and the interest rates which are effectively used to calculate the value of the liabilities for retirees in the actuarial balance sheet.

According to the Company's estimate, the aforementioned amendments may result in an increase in the addition of new members towards retirement. As a result, the aforementioned amendments may result in increased competition in the market and in a reduction of management fees, also with respect to members who are close to the retirement stage, which will be reflected in transfers between the pension funds, and may also result in increased transfers of funds to pension funds from other pension products, including to the pension fund managed by Clal Pension and Provident Funds. Additionally, the implementation of the proposed mechanism to update the annuities may also have operational and automation-related implications.

The information presented on all matters associated with the possible implications of the Commissioner's letter and the aforementioned circulars constitutes forward looking information, which is based on estimates and assumptions of Clal Pension and Provident Funds, and the actual results may differ significantly from the forecast, in light of, inter alia, the actual returns achieved by Clal Pension and Provident Funds and by the competing entities, the conduct of competing entities and the preferences and choices of members.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.6 Prohibition on money laundering

In May 2017, the Prohibition on Money Laundering Order (Obligation to Identify, Report and Maintain Records of Insurers, Insurance Agents and Managing Companies in Order to Prevent Money Laundering and the Financing of Terrorism), 2017, was published (hereinafter: the "**Prohibition on Money Laundering Order**"). The order consolidates and combines, under a single framework regarding institutional entities, The Prohibition on Money Laundering Order (Obligation to Identify, Report and Maintain Records of Insurers and Insurance Agents), 2001 and The Prohibition on Money Laundering Order (Obligation to Identify, Report and Maintain Records of Provident Funds and Managing Companies of Provident Funds), 2001. The main changes in the order, relative to the current orders, include the expansion of the application of the order to a new general fund, provident fund for investment and provident fund for savings, and with respect to an annuity paying provident fund in certain cases, and regarding the reduction of the limit of accruals, deposits and withdrawals which require the performance of actions in accordance with the order. Additionally, an obligation was established to perform a "know your customer" process upon engagement in a life insurance contract or upon the opening of a provident fund.

In November 2017, a draft circular was published regarding the management of money laundering and terrorism financing risks in institutional entities, which primarily included the establishment of provisions with respect to the performance orderly processes to identify and assess money laundering and terrorism financing risks, and the adoption of measures to manage and mitigate them, in accordance with their relative intensity, including provisions with respect to the adoption of a policy regarding the management of money laundering and terrorism financing risks, which will be approved by the Board of Directors; The formulation of a risk assessment document, to include the identification and assessment of money laundering and terrorism financing risks in the institutional entity; The implementation of means to mitigate the risk of money laundering and terrorism financing; And the roles of the individual responsible for fulfilling obligations regarding the prohibition of money laundering and the prevention of terrorism in the institutional entity.

According to the Company's estimate, the Prohibition on Money Laundering Order may have certain implications on the sale process of insurance products, both within the framework of the direct sale channels, and through agents, inter alia, in light of the requirements of the order and their impact on the sale processes, both in light of the need to implement a process of learning about the customer prior to the sale process, and in light of the interpretation which will be given for the aforementioned obligations, with respect to the insurance companies, the insurance agents and the reciprocal relationship between them.

The information presented on all matters associated with the Prohibition on Money Laundering Order constitutes forward looking information, which is based on assumptions and estimates made by the group as of the publication date of the report. Actual implementation may differ significantly from the forecast, and is dependent, inter alia, on the operational preparations towards the implementation of the provisions of the order, and the interpretation which will be given for the provisions which apply thereunder in the future by the authorized entities, and on the conduct of customers, insurance agents and competing companies.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 <u>Restrictions and supervision of the corporation's business</u> (Cont.)

4.3.2. <u>Long term savings</u> (Cont.)

4.3.2.7 <u>Default pension fund</u>

In July 2016, following the Supreme Court's decision regarding the petition which was filed by the Israel Insurance Association against the Commissioner, asserting that, inter alia, that the Commissioner does not have the authority to create a new arrangement involving the creation of a national default fund by way of the publication of a circular, an amendment was published to the circular regarding "provisions regarding the selection of provident funds", which was intended to determine provisions regarding the selection of provident funds for employees who have not chosen a provident fund, despite having been given the opportunity to do so, and regarding the required conditions for such provident funds (hereinafter: the "**Default Fund Circular**"). In the circular, it was determined that managing companies of provident funds may not allow the depositing of an employer's payments with respect to an employee who has not filled out a joining form, and will not allow the addition of such employees to a provident fund, unless one of the following two conditions has been fulfilled:

(1)The provident fund is one of two pension funds, each of which will constitute a chosen default fund as chosen by the Commissioner (hereinafter: "**Chosen Default Fund**"), according to the terms and criteria which will be determined by her, including in connection with the maximum management fees which will be collected therein, and this rate will be effective for at least 10 years after the date of the member's addition to the fund. The selection of the default pension funds will be performed through a competitive process which will be conducted once every three years (however, in accordance with the aforementioned decision of the Supreme Court, the first period for the determination of the chosen default fund will be two years), in which preference will be given to pension funds whose market share is less than 5%.

(2) A provident fund is a default annuity paying provident fund or a study fund which will be chosen through a competitive process conducted by the employer (hereinafter: "**Employer's Default Fund**"), in which each managing company will be given an equal opportunity to participate in the process, whose criteria include the service level, returns and management fees. The default fund will be chosen for a period which will not exceed 5 years. Additionally, a managing company which is, or whose related party is, a provider of monetary clearing services for the employer and/or services involving the monitoring of monetary deposits and/or marketers to the employer's employees of supplementary insurance coverages, will be entitled to serve as the manager of a default fund only if it has offered the lowest rate of management fees (hereinafter: "**Related Party Restrictions**"). A managing company which provides, or whose related party provides, benefits to the employer will not be entitled to serve as the manager of the default fund. In the default fund circular, it was determined that the default agreement which is in effect as of the publication date of the circular will remain in effect until the end of the agreement period, or until March 31, 2019, whichever is earlier (hereinafter: the "**Transitional Provisions**"). The Company is holding discussions with the Authority in connection with a letter which was received in May 2017 regarding default agreements with employers, in which, inter alia, it was instructed that a managing company must transfer to the Authority default agreements, or documents and references which confirm their existence, as a condition for their continued inclusion within the framework of the transitional provision, and as part of the above, the Company is working to discontinue the acceptance of new members from whom management fees are collected at the maximum rate, when it does not have the default agreements (hereinafter: the "**Authority's Instruction**").

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.7 Default pension fund (Cont.)

In August 2016, the results of the select default funds selection process were published, in which two competing pension funds were selected to serve as select default funds, and additionally, the management fees which will be collected in those funds were published. The management fees which will be collected by the default funds are at a rate of 1.31% of the deposits and 0.01% of the accrual in one fund, and at a rate of 1.49% of the deposits and 0.001% of the accrual in the other fund.
In February 2017, a draft amendment to the circular regarding default funds was published, in which it was determined that the transitional provisions will only apply with respect to the default agreement which was in effect until the publication date of the circular, only if the rate of management fees which were determined therein is not the maximum rate of management fees prescribed in law (hereinafter: the "**Draft Amendment to the Circular Regarding Default Funds**").

The creation of the default funds, and the competitive advantages which are available to a select default fund, are expected to have a significant sector-wide impact on the pension fund market. The provisions of the default fund circular, including in connection with the determination of management fees as a central criterion, may result in a decrease in the average management fees collected in the annuity-paying provident funds and in the study funds on the market, in a change in the business model of business model, in harm to their profitability, and accordingly, may result in changes in the market shares of the current competitors, and will also affect Clal Pension and Provident Funds. The provisions of the circular may also affect the activities of insurance agents and their involvement in the relevant market, in a manner which could impose difficulties on the pension principles of pension advice to members and the provision of service to them, and may have a corresponding effect on the managing companies. The related party restriction which is set forth in the circular, according to which a managing company which provides, or whose related party provides, monetary clearing services to the employer and/or provider of services involving the monitoring of fund deposits to the employer and/or marketer of supplementary insurance coverages to the employer's employees, may serve as a manager of a default fund only if it has offered the lowest management fee rate, may affect the competitive conditions of Clal Pension and Provident Funds within the framework of the business tenders. The selection of funds whose market share is less than 5% as default funds is expected to result in changes to the market shares of the pension funds.

The provisions of the draft amendment to the default fund circular, insofar as they will become binding, and the Authority's position and instruction regarding the application of the transitional provision, as stated above, are expected to result in the cancellation of the transition period with respect to many default arrangements of current employers in Clal Pension and Provident Funds, and accordingly, to significantly promote and accelerate the aforementioned implications, on all matters associated with some of the employers who have engaged in default arrangements, and may affect business activities.

The information presented on all matters associated with the possible implications of the provisions of the default fund circular and the process of establishing chosen default funds constitutes forward looking information which is based on the group's estimates and assumptions, as of the publication date of the report, and in light of the fact that the arrangements are in the early stages, actual implementation may differ significantly from the forecast. The implications of the aforementioned provisions of the law are significantly dependent upon the following factors: the manner of implementation and the long term effect of the aforementioned arrangements, and the steps which will be taken by member companies in the group, including with respect to dealing with the various provisions; The conduct of competing institutional entities and the preferences of members and policyholders with respect to their products; The conduct of employers and operating entities on their behalf; And the implications of other reforms in the segment, and their impact together with the provisions regarding increased competition.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 <u>Restrictions and supervision of the corporation's business</u> (Cont.)

4.3.2. <u>Long term savings</u> (Cont.)

4.3.2.8 <u>Restrictions on the management of central provident funds</u>

In June 2017, the Tax Authority published an income tax circular on the subject of "accrued balances in central severance pay funds", which replaced a circular from December 2016 on the same matter, on the subject of provisions regarding the calculation of "surplus in the central fund", the use thereof, and the transfer thereof to the employer, for the purpose of financing regular deposits to the severance pay component in personal provident funds of all of the employer's employees.

The circular also determines provisions regarding the taxation of employers with central funds which do not have employees, and provisions regarding the regulation of ownership in central severance pay funds, in cases where there is a difference between the owner of the central fund and the employer of the employees for whom the amounts are deposited.

In October 2017, the Commissioner published an amendment to the circular regarding the transfer of funds between provident funds, as well as a circular regarding the transfer of funds from a central provident fund for severance pay, which determine supplementary provisions that are intended to allow the transfer of such funds, from central severance pay funds to the severance pay component in personal provident funds of the employees of the employer with the central fund.

Since 2012, it is no longer possible to deposit monies in central provident funds, and according to the Company's estimate, the provisions of the circular regarding balances in central funds are expected to result in significant withdrawals from central severance pay funds. For details regarding the scope of managed assets in central provident funds which are managed by the group, see section 3.3.1 above.

The Company's estimate in connection with the implications of the circular regarding balances in central funds constitutes forward looking information based on information available to the group on the date of the report. Actual results may differ from the estimated results, due, inter alia, the uncertainty regarding the conduct of employers in the economy.

4.3.2.9 <u>Acquisition and sale of securities</u>

In July 2017, the Knesset Finance Committee passed an amendment to the Control of Financial Services Regulations (Provident Funds) (Purchase and Sale of Securities), which includes several amendments with respect to the principles and the methods used to conduct the competitive process which is required for implementation once every three years, between the brokers used by the institutional entities to purchase and sell securities on behalf of members' funds. Additionally, it was determined in the amendment that it is necessary to conduct competitive process, once every five years, among at least four participants, for the receipt of securities holding services (except through a global custodian), and additionally, a prohibition was established against the determination of a custodian commission for a single action involving clearing securities as a rate of the scope of the action.
According to the group's estimate, the aforementioned amendment is not expected to have a significant impact.

The Company's estimate in connection with the implications of the amendment constitutes forward looking information, which is based on the information that is available to the Company as of the reporting date. Actual results may differ from the estimated results, due, inter alia, the uncertainty regarding the conduct of entities who serve as brokers and/or providers of securities holdings services.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.10 Consolidation of inactive accounts in pension funds

Further to that stated in section 6.2.1.4(d) of the chapter "Description of the Corporation's Business" in the Company's financial statements as of December 31, 2016, in connection with provisions with respect to the consolidation of existing accounts in new pension funds, including a transitional provision regarding the method of implementation regarding the consolidation of inactive accounts, and the transfer thereof to active accounts of the members to which they belong, in several steps, which are scheduled to occur until the end of 2017 - in September 2017, a circular was published on the subject of "consolidation of existing accounts in new pension funds - temporary order - additional implementation", which determined provisions regarding the additional implementation of the consolidation of inactive accounts, similarly to the provisions regarding implementation which were determined in the circular, in an additional step which is expected to be performed until the end of March 2018, with respect to those who were active members of pension funds in the months October-November 2017.

The provisions regarding the consolidation of inactive accounts in pension funds led to a decrease in the Company's income from management fees. Furthermore, the combination of the provisions with respect to the consolidation of accounts, together with the provisions regarding the creation of a default fund, may in the long term result in a significant increase in the scope of assets of the default fund, at the expense of the other entities in the economy, and may affect the market shares and the rate of management fees which are collected.

The Company's estimates in connection with the possible future implications of the provisions regarding the consolidation of accounts constitute forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, due, inter alia, to the uncertainty regarding the conduct of the Group's institutional entities, and the conduct of competing institutional entities, following the various reforms in the pension savings segment; the preferences of members and policyholders and their conduct with respect to their products; and the implications of other reforms (primarily the creation of default funds) in the segment, and their combined impact on the provisions regarding the consolidation of accounts in pension funds.

4.3.2.11 Method for depositing payments to provident funds

Further to that stated in section 6.2.1.4(c) of the chapter "Description of the Corporation's Business", in the Company's financial statements as of December 31, 2016, in connection with the Control of Financial Services Regulations (Provident Funds) (Payments to Provident Funds), 2014 (hereinafter: the "**Payment Regulations**"), which were intended to regulate the operational interface between employers and institutional entities, on all matters associated with deposits in provident funds (hereinafter: the "**Interface For The Collection And Intake Of Funds**"), and further to the 2016 Amendment to the Control of Financial Services Law, which determined the Commissioner's authority to issue instructions regarding the method for depositing of payments and approvals which a managing company is required to furnish to members of provident funds under its management, in November 2017, a circular was published regarding the method for depositing of payments to provident funds, to which were transferred the provisions which are currently set forth in the Payment Regulations, in accordance with the Commissioner's authority, as stated above, excluding Regulation 11 of the Regulations (which involves the determination of an interest rate due to a delay in the depositing of funds by an employer), which remained under the authority of the Minister of Finance.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.11 Method for depositing payments to provident funds (Cont.)

The foregoing circular included the amendments to the provisions of the Payment Regulations, which amendments include, inter alia, amendments regarding the reporting requirements which apply to employers; cancellation of the possibility to receive funds through checks; a reporting requirement for employers through the creation of a "personal employer account" on the Company's website, and definition of the details required for inclusion therein; an obligation to transmit reports and notices to policyholders and employers in the cases and by the dates specified in the circular; and a provision regarding the deferral of the application of the provisions regarding the interface for the collection and intake of funds, with respect to employers of up to 20 employees, for February 2019.

Institutional entities in the Group are engaged, on an ongoing basis, in studying, identifying and handling issues which are due to the implementation of the Payment Regulations, and which affect, inter alia, the method for attribution of funds to policyholders and members, the various products and the components thereof, as of the date they were credited, and the treatment of delays in the attribution of funds, which intensified during the period after the entry into effect of the Payment Regulations, and which are gradually being addressed by the Company.

The provisions of the circular are expected to lead to an increase in the Company's costs, both in the short term, for the purpose of implementing its provisions, and over the long term, with respect to the services which the institutional entities will be required to give directly to employers and policyholders. The provisions of the circular regarding the method for depositing of payments to provident funds may also result in an improvement of the information which is available in the institutional entities regarding deposits of funds thereto, and accordingly, may in the long term increase the efficiency of the process of attributing funds to policyholders and members.

The information presented on all matters associated with the possible implications of the circular regarding the method for depositing of payments to provident funds constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, inter alia, due to the complexity of operational preparations, the arrangements which will be reached vis-à-vis the employers, and their impact on the institutional entities and distributing entities.

4.3.2.12 Service provided by agents and advisors to customers

In November 2017, a draft circular was published on the subject of "service provided by agents and advisors to customers" (hereinafter: the "**Draft Agent Service Circular**"). The draft agent service circular includes a proposal to determine that a license holder will establish a service charter pertaining to its customers' rights in connection with the receipt of service from it, including response times to customer inquiries, which must be within a reasonable period of time after the time of the customer inquiry, the establishment of an obligation to conduct a service meeting at least once per year, in connection with a pension product. Additionally, it is proposed to determine that a pension insurance agent who charges from a customer a salary, or reimbursement of expenses, will publish on his website, and on any advertising on his behalf, a price list regarding the costs of the services which are offered by him, and will sign a written agreement between him and the customer containing details regarding the amounts which will be charged to the customer, calculation methods and collection methods.

The Company is studying the implications of the draft agent service circular, including in connection with the services which the institutional entities will be required to directly provide to employers and to policyholders, in order to allow the license holders to fulfill their obligation.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.3 Health insurance

4.3.3.1 Settlement of long-term care claims

In April 2017, a draft was published of an "amendment to the provisions of the consolidated circular - section 6, part 3, chapter 5 (hereinafter: the "**Draft Circular**" or the "**Draft Circular Regarding The Settlement Of Long-Term Care Claims**"). The draft circular includes provisions regarding claim settlement in long-term care insurance, which are intended to ensure a claim settlement process which is as fast and fair as possible, and which requires the least possible hassle on the part of the policyholder.

Within the framework of the draft circular, it is proposed to determine, inter alia, provisions with respect to the order of operations and the timetables which will apply to the insurer during the claim settlement process, imposition of the obligation on the insurer to appoint a personal representative on its behalf, who will serve as the contact person vs. the policyholder, and the determination of restrictions regarding cases in which investigations may be performed, and with respect to the method used to perform them.

Additionally, the draft circular specified cases in which the insurer may refer the policyholder to the performance of functional evaluations, and it was further determined that if the insurance company has a functional evaluation which was performed by the National Insurance Institute, or by another insurance company, it will be considered, unless the conditions specified in the draft have been met, as constituting sufficient information for the purpose of describing the performance of the actions specified therein. The provider of the functional evaluation will be chosen by the insurer randomly and cyclically from among the list of providers with whom the insurer has engaged. The insurer will be required to create a database of providers which will perform the functional evaluations, in accordance with the rules specified in the draft. Additionally, rules were determined which, upon fulfillment, require the provision of an opportunity for an evaluating provider to be included in the list of providers, and rules for the removal of an evaluating provider from the list. Appeals by insurance companies against the results of the functional evaluation will be performed through a determining provider, and only based on information which contradicts the results of the functional evaluation which was performed, and which it did not have previously.

In accordance with the draft, the application date is nine months after the publication date of the final version of the circular, excluding certain provisions, regarding which a later application date will be determined.

The provisions and restrictions proposed in the draft circular regarding the settlement of long-term care claims, if they become a final and binding document, are expected to have an impact on the claim settlement process in its entirety, both from the operational perspective, and on all matters associated with claim settlement and the tools which will be available to the insurer to ascertain its liability, and as a result, may affect claim settlement costs. At this preliminary stage, the Company is unable to estimate the entire impact of the aforementioned provisions.

The information presented on all matters associated with the possible implications of the draft circular regarding the settlement of long-term care claims, as described above, constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, due to the preliminary stage of the draft which was published, and due to the uncertainty regarding the final wording of the draft circular, insofar as it will be published, and regarding the method of actual implementation, and its implications on the settlement process with respect to long-term care claims.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 <u>Restrictions and supervision of the corporation's business</u> (Cont.)

4.3.3. <u>Health insurance</u> (Cont.)

4.3.3.2 <u>Collective long-term care insurance</u>

In May 2017, the Commissioner published detailed provisions with respect to collective long-term care insurance, within the framework of an amendment to the provisions of the consolidated circular - section 6, part 3, chapters 1 to 6 (hereinafter: the "**Provisions Regarding Collective Long-Term Care Insurance**"). In accordance with the provisions regarding collective long-term care insurance, most of the insurance characteristics will be as follows: the insurance period will be no less than 5 years, and no more than 8 years; the type of premium which can be collected from a policyholder in collective long-term care insurance is the fixed premium or increased premium (variable up to 4% per year, and fixed at age 65); a policyholder in collective long-term care insurance will accrue settlement values from age 40 onwards, which will be determined according to the age when the policyholder first joined the insurance, where at the time of renewal at another insurer, the reserves will be transferred between insurers; Upon renewal of a collective long-term care insurance policy, the policyholder will be given continuity of insurance, without a re-evaluation of the prior medical condition, and without an additional qualification period; Upon realization of the continuity right of a policyholder aged 40 or higher, for a long-term care policy in a private framework, the premium in the continuing policy will be no higher than the premium which that policyholder is required to pay with respect to the collective long-term care insurance, before the transition to the continuing policy, and throughout the entire insurance period. With respect to policyholders under 40 years of age - the insurer is entitled to collect, with respect to the continuing policy, a premium which will be no higher than the conventional premium for new members of similar individual policies at the insurer. The aforementioned provisions apply to collective long-term care insurance policies which will be renewed and/or marketed beginning on September 1, 2017.

The implementation of the provisions regarding collective long-term care insurance, resulted in the unification of significant characteristics between the individual long-term care product and the collective long-term care product, inter alia, in light of the obligation to accrue settlement values for policyholders from age 40 onwards, and to guarantee to them, upon transition from a collective policy to an individual policy which will be marketed by the insurer at the time, the amount of premiums which they were required to pay with respect to the collective insurance on the date of its conclusion, throughout the entire insurance period, and in accordance with the conditions which were determined in the draft of the aforementioned provisions, and the foregoing may affect the actual willingness to cover policyholders in collective long-term care insurance and/or the terms of the engagement.

In October 2017, the Commissioner sent a letter addressed to the holders of collective long-term care insurance policies and to the managers of insurance companies, stating that, beginning in 2018, collective long-term care insurance policies will be sold in accordance with the provisions regarding collective long-term care insurance which entered into effect in September 2017, as stated above, and the letter also included reference to the parties' conduct in connection with the extension of the current collective insurance policies, in accordance with the aforementioned provisions.

The information presented on all matters associated with the possible implications of the provisions regarding collective long-term care insurance constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ from the estimated results, inter alia, in light of the impact of the Company's decisions, which are dependent, inter alia, on the conduct of competing entities, and on the arrangements which will be reached between the holders of the collective policies.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.3. Health insurance (Cont.)

4.3.3.3 Collective long-term care insurance for health fund members

In May 2017, the provisions of the Control of Financial Services Regulations (Insurance) (Collective Long-Term Care Insurance for Health Fund Members) (Amendment), 2017, were published, which improved, inter alia, the insurance coverage which is given within the framework of the standard long-term care policy for health fund members (hereinafter: the "**Amendment To The Regulations**" and the "**Standard Policy**"). The amendment to the regulations allows, inter alia, soldiers, including those in career service whose membership in the standard policy was discontinued beginning on July 1, 2016, due to the discontinuation of their membership in a health fund, to re-join the standard policy. The amendment to the regulations also expands the insurance coverage with respect to the definition of the insurance event, in case of a limitation in the policyholder's mobility.

The regulations will enter into effect beginning on July 1, 2017 with respect to collective long-term care policies for health fund members who join or renew beginning on that date, and with respect to such policies which began before that date, if it was determined therein that those provisions will apply to them upon their entry into effect. The amendment to the regulations has implications regarding the scope of insurance coverage under the policy, and its cost.

It is noted that the collective insurance policies for members of the Maccabi and Leumit health funds concluded in June 2017. For additional details regarding the extension of the Maccabi agreement, see section 8.1.2 of the chapter regarding a description of the corporation's business affairs, in the Company's annual reports for 2016. The agreement between the parties was extended after approval was received from the Commissioner, and after adjustments were implemented following the publication of the aforementioned amendment to the Regulations.

In April 2017, a draft amendment was published on the subject of "amendment to the provisions of the consolidated circular - section 6, part 3 - long-term care insurance" (hereinafter: the "**Draft Amendment**").

In the draft amendment, it was proposed to explicitly confer upon the Commissioner of Capital Markets the authority to extend the agreement period between an insurance company and a health fund, after which the health fund will be required to conduct a tender, beyond a period of 8 years, as set forth in the circular regarding collective long-term care insurance for health fund members, from July 2016.

Additionally, the draft amendment includes a proposal to postpone the entry into effect of the provision which is set forth in the circular regarding collective long-term care insurance for health fund members, regarding the obligation of an insurance company to bear risk in a collective long-term care insurance plan for health fund members, as of January 1, 2019.

The proposed application date of the draft amendment is July 1, 2017 (excluding the provision regarding the obligation of an insurance company to bear risk in a collective long-term care insurance plan for health fund members, which will be postponed, as stated above, to January 1, 2019).

4.3.3.4 International travel insurance

Further to that stated in section 8.1.2(1)c)b. of the chapter "Description of the Corporation's Business" in the Company's financial statements as of December 31, 2016, in connection with an amendment to the provisions of the consolidated circular regarding international travel insurance, and the provisions regarding the phrasing and marketing of international travel insurance plans - in July 2017, it was determined that the aforementioned amendment to the provisions of the circular will apply to international travel insurance plans which will be sold or renewed beginning in September 2017, and from that date onwards, the Company began marketing international travel policies which comply with the provisions of the consolidated circular.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.3. Health insurance (Cont.)

4.3.3.5 Draft circular regarding disclosure and reporting

In August 2017, a draft was published of an "Amendment to the provisions of the consolidated circular - section 6, parts 2, 3 and 4 - disclosure and reporting to health insurance policyholders" (hereinafter: the "**Draft Circular Regarding Disclosure And Reporting**"), in which it was proposed to determine the manner by which information reports will be sent to potential insurants and policyholders, with an emphasis on making the information available to policyholders, including by digital means.

The draft circular regarding disclosure and reporting determines, inter alia, provisions with respect to the policyholder's option to choose the way in which they will receive the due disclosure document, the insurance details document and the annual report, and to change their choice (hereinafter: the "**Report Documents**"); imposes on institutional entities the obligation to obtain verification of the receipt of the report documents from the policyholder, insofar as notice has been given that they did not reach the policyholder; imposes the obligation to send a text message before sending the report documents and in case of conclusion of the discount period and increase of the monthly insurance premiums, in an amount exceeding fifty shekels per month.
In accordance with the draft, the proposed application date is January 1, 2018, with respect to the annual report for 2018.
In general, the proposed scope applies to health insurance policies, excluding collective or non-collective personal accident insurance which has been prepared for a group of policyholders, due to their participation in a certain activity, and which was prepared for a period which does not exceed one year.

The proposed provisions of the draft circular regarding disclosure and reporting, if they become a final and binding document, are expected to have operational and business implications. At this preliminary stage, the Company is unable to estimate the entire impact of the aforementioned provisions.

The information presented on all matters associated with the possible implications of the draft circular, as described above, constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, due to the preliminary stage of the draft which was published, and due to the uncertainty regarding the final wording of the draft circular, insofar as it will be published, regarding the method of actual implementation, and regarding the choices of policyholders.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.4 Non-life insurance

4.3.4.1 Division of the burden of compensation among insurers

In June 2017, the Ministry of Finance published a draft order regarding compensation to road accident victims (division of the burden of compensation among insurers), 2017 (hereinafter: the "**Draft Amendment to the Division Order**"), in which it is proposed to determine a transitional provision, for the period from July 2, 2017 to December 31, 2019, in which section 3 of the Road Accident Victims Compensation Law, 1975 will be amended such that, if an accident has occurred which involved one or more motorcycles, and one or more non-motorcycle vehicles, the insurers of the other vehicle will pay to the motorcycle's insurers 95% (instead of 75%, as currently set forth) of the compensation for physical injury which the motorcycle's insurers are required to pay due to the accident.
At this stage, it is not possible to predict the impact of the Draft Amendment to the Division Order, insofar as it will be published as a binding document, and the matter depends, inter alia, on the compulsory insurance tariffs which will be determined, including the residual insurance tariffs (including the tariffs of the "Pool"), the number of motorcycles which will be insured through compulsory insurance on the market, and the conduct of competitors.

The information presented with respect to the Draft Amendment to the Division Order constitutes forward looking information, which is based on assumptions and estimates made by the group, as of the publication date of the report. Actual implementation may differ significantly from the forecast. At this stage, before the entry into effect of the Draft Amendment to the Division Order, it is not possible to estimate and predict the full implications, which depend, inter alia, on the final version of the Draft Amendment to the Division Order.

4.3.4.2 Draft circular regarding garages and loss adjusters

In August 2017, the Commissioner published a draft insurance circular on the subject of "Amendment to the provisions of the consolidated circular - provisions in the motor property branch" (hereinafter: the "**Draft Circular Regarding Garages and Loss Adjusters**"), which regulates the loss adjustment method in the motor property branch, with respect to the engagement with loss adjusters and with garages.

With respect to the arrangement garages (garages which have engaged directly with the insurer in agreements to repair policyholders' vehicles), the draft includes, inter alia, provisions with respect to the cancellation of the current lists of arrangement garages, and expansion of the lists of arrangement garages for all garages which will be interested, and which will undertake to comply with the principles of the aforementioned which will be signed between them and the insurance company, and which will be overseen by the Commissioner (hereinafter: "**Agreed-Upon Garages**"); limiting the differentiation in the deductible between policyholders who have their vehicles repaired at agreed-upon garages and policyholders who have their vehicles repaired at a non-agreed-upon garages; limiting the work hour cost for agreed-upon garages, such that the work hour cost will such that the average price of a work hour actually collected by the garage during the 30 days which preceded the repair of the vehicle. In accordance with the provisions of the draft, agreed-upon garages will provide the insurance company a discount at the minimum rate of 10%, up to 20% of the repair invoice, or alternatively, will undertake that the price of the replacement parts which they will provide will not exceed the price of the replacement which was purchased by the insurance company, and which may be provided by them, in accordance with the understanding between the insurance company and the garage. It was further determined that the repair of the vehicle by the agreed-upon garage will begin only after receiving approval from the insurance company and the vehicle owner.

4. Developments Subsequent to the Publication of the Periodic Report (Cont.)

4.3 Restrictions and supervision of the corporation's business (Cont.)

4.3.4 Non-life insurance (Cont.)

4.3.4.2 Draft circular regarding garages and loss adjusters (Cont.)

With respect to loss adjusters, it was determined, inter alia, that in case of selection of a loss adjuster from the database of loss adjusters offered by the insurance company (a loss adjuster whose decision is binding towards the insurance company, subject to a limited appeal process which was determined), the insurance company will be obligated to make use of the database of loss adjusters, which will be open to all loss adjusters who meet the criteria specified in the draft. The loss adjuster will be chosen from the database by the policyholder, out of a list of three loss adjusters which will be selected at random (the "Database Loss Adjuster Mechanism"). It was further determined that, if the claimant decides to contact a loss adjuster by means other than through the loss adjuster database mechanism, the insurance company will be entitled to place conditions upon such choice, by evaluating the vehicle before repairing it.

At this preliminary stage, Clal Insurance is studying the draft circular regarding garages and loss adjusters, and cannot predict its overall impact, insofar as it will be published as a binding document, due, inter alia, to the preliminary nature of the draft, and the entire set of arrangements proposed therein, which may have an impact, in opposing directions, on the independence of judgment of the entities involved in the loss adjustment process in the motor property branch, and as a result, on loss adjustment costs.

5. Exposure to and Management of Market Risks

Effect of market risks on business results

According to the Securities Regulations (Immediate And Periodic Reports), 1970, reports regarding the exposure to and management of market risks refer to the exposures of the Company and its consolidated companies, excluding insurers in Israel.

No material changes took place in the Company's exposure to market risks or in the methods for the management of those risks during the reporting period, as compared with the annual financial statements.

Linkage bases report - as of September 30, 2017

	Israeli currency		Foreign currency				Non-monetary	Insurance company	
NIS in thousands	**Unlinked**	**CPI-linked**	**USD**	**EUR**	**GBP**	**Other**	**items**	**in Israel**	**Total**
Intangible assets	-	-	-	-	-	-	45,137	1,353,914	1,399,051
Deferred tax assets	-	-	-	-	-	-	7,340	1,910	9,250
Deferred acquisition costs	-	-	-	-	-	-	-	1,951,958	1,951,958
Property, plant and equipment	-	-	-	-	-	-	14,693	220,759	235,452
Investments in associates	-	-	-	-	-	-	-	240,671	240,671
Investment property for investment-linked contracts	-	-	-	-	-	-	-	2,799,748	2,799,748
Other investment property	-	-	-	-	-	-	-	1,180,561	1,180,561
Reinsurance assets	-	-	-	-	-	-	-	2,717,307	2,717,307
Current tax assets	-	2,758	-	-	-	-	-	187,678	190,436
Other accounts receivable	6,988	210	1,457	-	-	-	2,192	1,223,977	1,234,824
Outstanding premiums	1,936	-	-	-	-	-	-	1,033,694	1,035,630
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	54,668,075	54,668,075
Other financial investments									
Marketable debt assets	10,594	15,937	-	-	-	-	-	5,730,304	5,756,835
Non-marketable debt assets	662	5,952	-	-	-	-	-	21,653,901	21,660,515
Stocks	-	-	-	-	-	-	56	1,159,214	1,159,270
Other	-	-	-	-	-	-	-	2,673,352	2,673,352
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	3,536,934	3,536,934
Other cash and cash equivalents	122,884	-	198	273	4	-	-	925,966	1,049,325
Total assets	143,064	24,857	1,655	273	4	-	69,418	103,259,923	103,499,194

5. Exposure to and Management of Market Risks (Cont.)

Effect of market risks on business results (Cont.)

Linkage bases report - as of September 30, 2017 (Cont.)

NIS in thousands	Israeli currency		Foreign currency				Non-monetary items	Insurance company in Israel	Total
	Unlinked	CPI-linked	USD	EUR	GBP	Other			
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	30,324,489	30,324,489
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	61,436,726	61,436,726
Deferred tax liabilities	-	-	-	-	-	-	-	459,628	459,628
Liabilities with respect to employee benefits, net	20,779	-	-	-	-	-	-	62,339	83,118
Deferred liability notes	-	-	-	-	-	-	-	-	-
Other accounts payable	60,101	-	-	-	-	-	-	2,612,188	2,672,289
Current tax liabilities	-	954	-	-	-	-	-	2,315	3,269
Financial liabilities	-	-	-	-	-	-	-	3,618,444	3,618,444
Total liabilities	80,880	954	-	-	-	-	-	98,516,129	98,597,963
Total exposure	62,184	23,903	1,655	273	4	-	69,418	4,743,794	4,901,231

6. Disclosure Regarding the Corporation's Financial Reporting

6.1. Report concerning critical accounting estimates

For details regarding the use of estimates and judgment in the preparation of the financial statements, see Note 2(b) to the financial statements.

6.2. Contingent liabilities

The auditors' report to the Company's shareholders includes reference to that stated in Note 43 to the financial statements, regarding the exposure to contingent liabilities.

6.3. Internal control over financial reporting and disclosure

6.3.1. The Securities Regulations

In December 2009, The Securities Regulations (Periodic and Immediate Reports) (Amendment no. 3), 2009, were published, which deal with the system of internal controls over financial reporting and disclosure in a corporation, which are intended to improve the quality of financial reporting and disclosure in reporting corporations.

In an amendment dated July 7, 2011, it was stipulated that a corporation which consolidates, or proportionately consolidates, a banking corporation or institutional entity, may choose to apply, with respect to the internal control over that banking corporation or institutional entity only, the framework for the evaluation of the effectiveness of internal control as set forth in the other legal provisions which apply to them in this regard, insofar as a framework of this kind exists for the quarterly report.

Accordingly, in addition to the executive certifications and the report regarding the effectiveness of internal control, which are provided as part of this quarterly report, executive disclosures and certifications are attached, which refer to the internal control in the consolidated institutional entities, which are subject to the Commissioner's directives.

6.3.2 The Commissioner's directives regarding internal control over financial reporting and disclosure

The Commissioner published, in recent years, several circulars (hereinafter: the "**Commissioner's Circulars**") which are intended to implement the provisions of Section 302 and Section 404 of the SOX Act in insurance companies, in managing companies of pension funds and provident funds, in pension funds, and in provident funds (hereinafter: the "**Institutional Entities**").

Accordingly, Clal Insurance and the consolidated institutional entities included the information subject to the provisions of the law, in reports filed by the dates set forth in the aforementioned provisions.

6.3.3. Section 302 and section 404 of the SOX Act - Management's responsibility for internal control over financial reporting and disclosure

In accordance with the circulars published by the Commissioner, which are based on section 302 and section 404 of the SOX Act, and as described in the previous Board of Directors' reports of Clal Insurance, Clal Insurance acted and routinely acts to implement the process required in accordance with the foregoing provisions, including an evaluation of the work processes and internal controls which are implemented, in accordance with the stages and dates set forth in the circulars. In accordance with foregoing, Clal Insurance adopted the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which constitutes a defined and recognized framework for the evaluation of internal control.

6. Disclosure Regarding the Corporation's Financial Reporting (Cont.)

6.3 Internal control over financial reporting and disclosure (Cont.)

6.3.3. Section 302 and section 404 of the SOX Act - Management's responsibility for internal control over financial reporting and disclosure (Cont.)

The management of Clal Insurance (the institutional entity), in collaboration with the CEO, Executive VP, Investments, Finance, and Credit Division Manager and Senior VP Chief Accountant of Clal Insurance have evaluated, as of the end of the period covered in this report, the effectiveness of the controls and procedures applicable to the disclosure of Clal Insurance. Based on this evaluation, the CEO, Executive VP, Investments, Finance, and Credit Division Manager and Senior VP Chief Accountant of Clal Insurance have concluded that, as of the end of the aforementioned period, the controls and procedures involving the disclosures made by Clal Insurance are effective for the purpose of recording, processing, summarizing and reporting the information which Clal Insurance is required to disclose in the quarterly report, in accordance with the provisions of the law, and the reporting provisions issued by the Commissioner, and by the date specified in those provisions.

During the quarter ended September 30, 2017, no change took place in the institutional entity's internal control over financial reporting which could have materially influenced, or which could have been reasonably expected to materially influence, the institutional entity's internal control over financial reporting.

In the last year, the process of evaluating the main work processes has continued, and the process of developing, upgrading and / or replacing several information systems has also continued, with the intention, inter alia, of improving and increasing the efficiency of the various processes and / or internal controls and / or customer service.

Executive certifications regarding the effectiveness of internal control over financial reporting and disclosure, with reference to the relevant processes, in accordance with the Commissioner's circulars, are attached to the report.

The Board of Directors would like to express its appreciation to the employees, managers and agents of the group's member companies for their contribution to the group's achievements.

Danny Naveh, Chairman of the Board	**Izzy Cohen, CEO**

Tel Aviv, November 26, 2017

Quarterly report regarding the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 38c(a)

Management, under the supervision of the Board of Directors of Clal Holdings Insurance Enterprises (hereinafter: the "Corporation") is responsible for the establishment of adequate internal control over financial reporting and disclosure in the corporation.

For this purpose, the members of management include:

1. Izzy Cohen, CEO;
2. Anath Levin, Executive VP of Clal Insurance, Investments, Finance, and Credit Division Manager;
3. Moshe Ernst, Executive VP of Clal Insurance, Headquarters Division Manager;
4. Hadar Brin Weiss, Executive VP of Clal Insurance, Legal Counsel;
5. Eran Shahaf, Executive VP of Clal Insurance, Internal Auditor;
6. Avi Rosenbaum, Executive VP of Clal Insurance, Pension, Provident and Financial Products Division Manager
7. Yaron Shamay, Executive VP of Clal Insurance, Life Insurance Division Manager;
8. Elite Caspi, Executive VP of Clal Insurance, Non-Life Insurance Division Manager;
9. Daniel Cohen, Executive VP of Clal Insurance, Health Insurance Division Manager;
10. Dror Sessler, Executive VP of Clal Insurance, Claims Unit Manager;
11. Yaakov (Chiko) Zecharya, Executive VP of Clal Insurance, Business Unit Manager;
12. Yoram Naveh, Executive VP of Clal Insurance, Resources Division Manager and CEO of Clal Finance Ltd.;
13. Hila Conforti, Executive VP of Clal Insurance, Chief Risk Officer;
14. Ofer Brandt, Executive VP of Clal Insurance, Chief Actuary;
15. Benny Gurevitz, CEO of Clalbit Systems Ltd.;
16. Galli Schved, Senior VP of Clal Insurance, Head of the Marketing, Strategy and Spokesmanship Division;
17. Shlomi Taman, Senior VP of Clal Insurance, Central Region Manager and Business Unit Deputy Manager;
18. Shimon Kalman, Executive VP of Clal Insurance, Personal Assistant to the CEO Regarding Special Affairs.

Internal control over financial reporting and disclosure includes controls and policies which are currently established in the corporation, which were planned by the CEO and the most senior corporate officer in the finance department, or under their supervision, or by the individuals who effectively perform the aforementioned positions, under the supervision of the corporation's Board of Directors, which were intended to provide a reasonable measure of assurance regarding the reliability of financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that the information which the corporation is required to disclose in the reports which it publishes in accordance with the provisions of the law was collected, processed, summarized and reported in accordance with the deadline and framework prescribed in law.

Internal control includes, inter alia, controls and policies which are intended to ensure that the information which the corporation is required to disclose, as stated above, is accumulated and transferred to the management of the corporation, including to the CEO and to the most senior corporate officer in the finance department, or to the person who effectively performs the aforementioned positions, in order to allow the reaching of decisions on the appropriate date, with respect to the disclosure requirement.

Due to its inherent restrictions, internal control over financial reporting and disclosure is not intended to provide absolute assurance that the presentation is incorrect, or that the omission of information in the reports will be prevented or discovered.

Clal Insurance Ltd., a subsidiary of the corporation, is an institutional entity, which is subject to the directives of the Commissioner of the Capital Markets, Insurance and Savings Division in the Ministry of Finance, with respect to the evaluation regarding the effectiveness of internal control over financial reporting.
With respect to internal control in the aforementioned subsidiary, the corporation implements the following provisions: institutional entities circular 2009-9-10, regarding "responsibility of management for internal control over financial reporting", institutional entities circular 2010-9-6, regarding "responsibility of management for internal control over financial reporting - amendment", and institutional entities circular 2010-9-7, regarding "internal control over financial reporting - certifications, reports and disclosures".

In the quarterly report regarding the effectiveness of internal control over financial reporting and disclosure which was attached to the report for the period ended June 30, 2017 (hereinafter: the "Last Quarterly Report Regarding Internal Control"), internal control was found to be effective.

Until the reporting date, no event or matter was brought to the attention of the Board of Directors and management which could have changed the assessment regarding the effectiveness of internal control, as found in the last quarterly report regarding internal control;

As of the reporting date, based on that stated in the last quarterly report regarding internal control, and based on the information which was brought to the attention of management and Board of Directors, as stated above: internal control is effective.

Executive Certification
Certification of the CEO

I, Izzy Cohen, hereby certify the following:

1. I have evaluated the quarterly report of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for the third quarter of 2017 (hereinafter: the "**Reports**").

2. To the best of my knowledge, the reports do not include any incorrect representation of any material fact, and do not lack any representation of any material fact which is required in order for the representations which are included therein to not be misleading with respect to the period of the reports.

3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the reports refer.

4. I have disclosed to the corporation's auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on my most current assessment regarding internal control over financial reporting and disclosure:

   A. All material deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure, which may reasonably have an adverse affect on the corporation's ability to collect, process, summarize or report financial information in a manner which could cast doubt on the reliability of the preparation of financial reporting and the preparation of the financial reports in accordance with the provisions of the law; And:

   B. Any fraud, whether material or immaterial, in which the CEO or any of his direct subordinates are involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting;

5. I, alone or together with others in the corporation:

   A. I have established controls and policies, or have verified the establishment and implementation, under my supervision, of controls and policies which are intended to ensure that material information pertaining to the corporation, including its consolidated companies, as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the corporation and in the consolidated companies, particularly during the preparation period of the reports; And:

   B. I have established controls and policies, or have verified the establishment and implementation, under my supervision, of controls and policies which are intended to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.

   C. I have not been made aware of any event or matter which occurred during the period between the date of the periodic report and the date of this report, which could change the conclusion reached by the Board of Directors and management with respect to the effectiveness of internal control over financial reporting and disclosure in the corporation.

The foregoing does not derogate from my responsibility or from the responsibility of any other person in accordance with any applicable law.

November 26, 2017

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Izzy Cohen
CEO

Executive Certification
Certification of the Most Senior Position Holder in the Finance Department

I, Anath Levin, hereby certify the following:

1. I have evaluated the financial statements and the other financial information which is included in the interim reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the “**Corporation**”) for the third quarter of 2017 (hereinafter: the “**Reports**”).

2. To the best of my knowledge, the interim financial statements and the other interim financial information which is included in the reports do not include any incorrect representation of any material fact, and do not lack any representation of any material fact which is required in order for the representations which are included therein to not be misleading with respect to the period of the reports;

3. To the best of my knowledge, the interim financial statements and the other financial information which is included in the interim reports adequately reflect, in all material respects, the Company’s financial position, results of operations and cash flows as of the dates and for the periods to which the reports refer;

4. I have disclosed to the corporation’s auditor, to the Board of Directors and to the balance sheet committee of the Company’s Board of Directors, based on my most current assessment regarding internal control over financial reporting and disclosure:

   A. All material deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure insofar as it pertains to the interim financial statements and to the other financial information which is included in the interim reports, which may reasonably have an adverse affect on the corporation’s ability to collect, process, summarize or report financial information in a manner which could cast doubt on the reliability of the preparation of the financial reports and the preparation of the financial reports in accordance with the provisions of the law; And:

   B. Any fraud, whether material or immaterial, in which the CEO or any of his direct subordinates are involved, or in which are involved employees who have significant positions in the Company’s financial reporting control over financial reporting.

5. I, alone or together with others in the corporation:

   A. I have established controls and policies, or have verified the establishment and implementation, under our supervision, of controls and policies which are intended to ensure that material information pertaining to the corporation, including its consolidated companies, as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the corporation and in the consolidated companies, particularly during the preparation period of the reports; And:

   B. I have established controls and policies, or have verified the establishment and implementation, under our supervision, of controls and policies which are intended to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.

   C. I have not been made aware of any event or matter which occurred during the period between the date of the periodic report and the date of this report, which pertains to the interim financial statements and to any other financial information which is included in the interim period, which could change, in my assessment, the conclusion of the Board of Directors and management with respect to the effectiveness of internal control over financial reporting and disclosure in the corporation.

The foregoing does not derogate from my responsibility or from the responsibility of any other person in accordance with any applicable law.

November 26, 2017

____
Anath Levin
Executive VP
Investments, Finance, and Credit Division Manager

Executive Certification
Certification of Chief Accountant

I, Tal Cohen, hereby certify the following:

1. I have evaluated the financial statements and the other financial information which is included in the interim reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for the third quarter of 2017 (hereinafter: the "**Reports**").

2. To the best of my knowledge, the interim financial statements and the other interim financial information which is included in the reports do not include any incorrect representation of any material fact, and do not lack any representation of any material fact which is required in order for the representations which are included therein to not be misleading with respect to the period of the reports;

3. To the best of my knowledge, the interim financial statements and the other financial information which is included in the interim reports adequately reflect, in all material respects, the Company's financial position, results of operations and cash flows as of the dates and for the periods to which the reports refer;

4. I have disclosed to the corporation's auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on my most current assessment regarding internal control over financial reporting and disclosure:

   A. All material deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure insofar as it pertains to the interim financial statements and to the other financial information which is included in the interim reports, which may reasonably have an adverse affect on the corporation's ability to collect, process, summarize or report financial information in a manner which could cast doubt on the reliability of the preparation of the financial reports and the preparation of the financial reports in accordance with the provisions of the law; And:

   B. Any fraud, whether material or immaterial, in which the CEO or any of his direct subordinates are involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting.

5. I, alone or together with others in the corporation:

   A. I have established controls and policies, or have verified the establishment and implementation, under our supervision, of controls and policies which are intended to ensure that material information pertaining to the corporation, including its consolidated companies, as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the corporation and in the consolidated companies, particularly during the preparation period of the reports; And:

   B. I have established controls and policies, or have verified the establishment and implementation, under our supervision, of controls and policies which are intended to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.

   C. I have not been made aware of any event or matter which occurred during the period between the date of the periodic report and the date of this report, which pertains to the interim financial statements and to any other financial information which is included in the interim period, which could change, in my assessment, the conclusion of the Board of Directors and management with respect to the effectiveness of internal control over financial reporting and disclosure in the corporation.

The foregoing does not derogate from my responsibility or from the responsibility of any other person in accordance with any applicable law.

November 26, 2017

____

Tal Cohen
Chief Accountant
Senior VP

Certifications regarding controls and policies with respect to disclosure in the financial statements of Clal Insurance Company Ltd.

Clal Insurance Company Ltd.
Certification

I, Izzy Cohen, hereby certify the following:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for the quarter ended September 30, 2017 (hereinafter: the "**Report**").

2. Based on my knowledge, the report does not include any incorrect representation of any material fact, and does not lack any representation of any material fact which is required in order for the representations which are included therein, in light of the circumstances in which those representations were included, to not be misleading with respect to the period which is covered in the report.

3. Based on my knowledge, the quarterly financial statements and the other financial information which is included in the report adequately reflect, in all material respects, the Company's financial position, results of operations, changes in equity and cash flows as of the dates and with respect to the periods covered in the report.

4. I, and others in the Company who are making this certification, are responsible for the establishment and implementation of controls and policies with respect to the disclosure and control over financial reporting in the Company; and:

   A. We have established the aforementioned controls and policies, or have caused the establishment of the aforementioned controls and policies under our supervision, which are intended to ensure that material information pertaining to the Company, including its consolidated companies, is brought to our attention by others in the Company and in those companies, and particularly during the preparation period of the report;

   B. We have established internal control over financial reporting, or have overseen the establishment of internal control over financial reporting, which is intended to provide a reasonable measure of assurance regarding the reliability of the financial reporting, and that the financial statements have been prepared in accordance with IFRS and the directives of the Commissioner of Capital Markets;

   C. We have evaluated the effectiveness of controls and policies with respect to the Company's disclosure, and we have presented our conclusions regarding the effectiveness of the controls and policies with respect to the disclosure, as of the end of the period covered in the report, based on our evaluation; And:

   D. We have disclosed in the report any change in the Company's internal control over financial reporting which occurred during this quarter, and materially influenced, or which could have been reasonably expected to materially influence, the Company's internal control over financial reporting; And:

5. I, and others in the Company who are making this certification, have disclosed to the auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on our most current assessment regarding internal control over financial reporting:

   A. All material deficiencies and material weaknesses in the determination or implementation of internal control over financial reporting, which can reasonably be expected to harm the Company's ability to record, process, summarize and report financial information; And:

   B. Any fraud, whether material or immaterial, in which management is involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting.

The foregoing does not derogate from my responsibility or from the responsibility of any other person in accordance with any applicable law.

November 26, 2017

____
Izzy Cohen
CEO

Clal Insurance Company Ltd.
Certification

I, Anath Levin, hereby certify the following:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for the quarter ended September 30, 2017 (hereinafter: the "**Report**").

2. Based on my knowledge, the report does not include any incorrect representation of any material fact, and does not lack any representation of any material fact which is required in order for the representations which are included therein, in light of the circumstances in which those representations were included, to not be misleading with respect to the period which is covered in the report.

3. Based on my knowledge, the quarterly financial statements and the other financial information which is included in the report adequately reflect, in all material respects, the Company's financial position, results of operations, changes in equity and cash flows as of the dates and with respect to the periods covered in the report.

4. I, and others in the Company who are making this certification, are responsible for the establishment and implementation of controls and policies with respect to the disclosure and control over financial reporting in the Company; and:

   A. We have established the aforementioned controls and policies, or have caused the establishment of the aforementioned controls and policies under our supervision, which are intended to ensure that material information pertaining to the Company, including its consolidated companies, is brought to our attention by others in the Company and in those companies, and particularly during the preparation period of the report;

   B. We have established internal control over financial reporting, or have overseen the establishment of internal control over financial reporting, which is intended to provide a reasonable measure of assurance regarding the reliability of the financial reporting, and that the financial statements have been prepared in accordance with IFRS and the directives of the Commissioner of Capital Markets;

   C. We have evaluated the effectiveness of controls and policies with respect to the Company's disclosure, and we have presented our conclusions regarding the effectiveness of the controls and policies with respect to the disclosure, as of the end of the period covered in the report, based on our evaluation; And:

   D. We have disclosed in the report any change in the Company's internal control over financial reporting which occurred during this quarter, and materially influenced, or which could have been reasonably expected to materially influence, the Company's internal control over financial reporting; And:

5. I, and others in the Company who are making this certification, have disclosed to the auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on our most current assessment regarding internal control over financial reporting:

   A. All material deficiencies and material weaknesses in the determination or implementation of internal control over financial reporting, which can reasonably be expected to harm the Company's ability to record, process, summarize and report financial information; And:

   B. Any fraud, whether material or immaterial, in which management is involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting.

The foregoing does not derogate from my responsibility or from the responsibility of any other person in accordance with any applicable law.

November 26, 2017

____
Anath Levin
Executive VP
Investments, Finance, and Credit Division Manager

Clal Insurance Company Ltd.
Certification

I, Tal Cohen, hereby certify the following:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for the quarter ended September 30, 2017 (hereinafter: the "**Report**").

2. Based on my knowledge, the report does not include any incorrect representation of any material fact, and does not lack any representation of any material fact which is required in order for the representations which are included therein, in light of the circumstances in which those representations were included, to not be misleading with respect to the period which is covered in the report.

3. Based on my knowledge, the quarterly financial statements and the other financial information which is included in the report adequately reflect, in all material respects, the Company's financial position, results of operations, changes in equity and cash flows as of the dates and with respect to the periods covered in the report.

4. I, and others in the Company who are making this certification, are responsible for the establishment and implementation of controls and policies with respect to the disclosure and control over financial reporting in the Company; and:

    A. We have established the aforementioned controls and policies, or have caused the establishment of the aforementioned controls and policies under our supervision, which are intended to ensure that material information pertaining to the Company, including its consolidated companies, is brought to our attention by others in the Company and in those companies, and particularly during the preparation period of the report;

    B. We have established internal control over financial reporting, or have overseen the establishment of internal control over financial reporting, which is intended to provide a reasonable measure of assurance regarding the reliability of the financial reporting, and that the financial statements have been prepared in accordance with IFRS and the directives of the Commissioner of Capital Markets;

    C. We have evaluated the effectiveness of controls and policies with respect to the Company's disclosure, and we have presented our conclusions regarding the effectiveness of the controls and policies with respect to the disclosure, as of the end of the period covered in the report, based on our evaluation; And:

    D. We have disclosed in the report any change in the Company's internal control over financial reporting which occurred during this quarter, and materially influenced, or which could have been reasonably expected to materially influence, the Company's internal control over financial reporting; And:

5. I, and others in the Company who are making this certification, have disclosed to the auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on our most current assessment regarding internal control over financial reporting:

    A. All material deficiencies and material weaknesses in the determination or implementation of internal control over financial reporting, which can reasonably be expected to harm the Company's ability to record, process, summarize and report financial information; And:

    B. Any fraud, whether material or immaterial, in which management is involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting.

The foregoing does not derogate from my responsibility or from the responsibility of any other person in accordance with any applicable law.

November 26, 2017

Tal Cohen
Chief Accountant
Senior VP

Clal Insurance Enterprises Holdings Ltd.

Condensed Interim Consolidated Financial Statements As of September 30, 2017

(Unaudited)

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Independent Auditors' Review Report to the Shareholders of Clal Insurance Enterprises Holdings Ltd.

Introduction

We have reviewed the enclosed condensed financial information of Clal Insurance Enterprises Holdings Ltd. and its subsidiaries (hereinafter: the "**Group**"), which includes the interim consolidated statement of financial position as of September 30, 2017, as well as the interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods of nine and three months then ended. The Board of Directors and management are responsible for preparing and presenting the financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements set by the Commissioner of Capital Markets, Insurance and Savings, pursuant to the Control of Financial Services (Insurance) Law, 1981, and are also responsible for compiling financial information for these interim periods in accordance with Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent that these regulations apply to a corporation which consolidates insurance companies. Our responsibility is to express a conclusion with respect to the financial information for these interim periods, based on our review.

We have not reviewed the condensed financial information for interim periods of investee companies accounted by the equity method, the investment in which amounted to approximately NIS 16 million as of September 30, 2017, and where the group's share in their income amounted to approximately NIS 266 thousand and approximately NIS 90 thousand for the nine and three month periods then ended, respectively. The condensed interim financial information of that company was reviewed by other auditors, whose review reports were provided to us, and our conclusion, insofar as it pertains to amounts which were included with respect to that company, is based on the review reports prepared by the other auditors.

Scope of the Review

We have conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor." A review of financial information for interim periods consists of inquiries, mainly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. This review is significantly limited in scope compared to an audit prepared according to generally accepted auditing standards in Israel, and therefore does not allow us to achieve certainty that we have become aware of all material issues that may have be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, and on the review reports prepared by other auditors, we have not become aware of anything which would have caused us to believe that the aforementioned financial information has not been not prepared, in all material aspects, in accordance with IAS 34, and in accordance with the disclosure requirements set forth by the Commissioner of Capital Markets, Insurance and Savings, pursuant to the Control of Financial Services (Insurance) Law, 1981.

In addition to that stated in the previous paragraph, based on our review and on the review reports prepared by other auditors, we have not become aware of any information which would cause us to believe that the aforementioned financial information is not compliant, in all material respects, with the disclosure provisions of Chapter IV of the Securities Law Regulations (Periodic and Immediate Statements), 1970, to the extent to which these regulations apply to a corporation which consolidates insurance companies.

Without qualifying our aforementioned conclusion, we would like to draw attention to that stated in Note 7 to the interim consolidated financial statements, concerning the exposure to contingent liabilities.

Tel Aviv, November 26, 2017	Somekh Chaikin Certified Public Accountants	Kost Forer Gabbay and Kasierer, Certified Public Accountants

Joint Auditors

Interim Consolidated Statements of Financial Position

NIS in thousands	As of September 30 2017	As of September 30 2016	As of December 31 2016
	Unaudited		Audited
Assets			
Intangible assets	**1,399,051**	1,495,652	1,505,403
Deferred tax assets	**9,250**	13,855	10,344
Deferred acquisition costs	**1,951,958**	1,855,616	1,923,364
Property, plant and equipment	**235,452**	255,662	252,567
Investments in investee companies accounted by the equity method	**240,671**	241,162	270,044
Investment property for investment-linked contracts	**2,799,748**	2,702,316	2,742,180
Other investment property	**1,180,561**	1,170,473	1,185,907
Reinsurance assets	**2,717,307**	2,136,914	2,228,039
Current tax assets	**190,436**	206,086	135,969
Other accounts receivable	**1,234,824**	375,796	292,204
Outstanding premiums	**1,035,630**	899,113	866,518
Financial investments for investment-linked contracts	**54,668,075**	50,787,542	52,194,494
Other financial investments:			
Marketable debt assets	**5,756,835**	5,704,224	5,575,059
Non-marketable debt assets	**21,660,515**	21,357,741	21,281,713
Stocks	**1,159,270**	1,083,315	1,139,560
Others	**2,673,352**	2,200,449	2,343,481
Total other financial investments	**31,249,972**	30,345,729	30,339,813
Cash and cash equivalents for investment-linked contracts	**3,536,934**	3,111,435	2,953,235
Other cash and cash equivalents	**1,049,325**	894,515	1,390,775
Total assets	**103,499,194**	96,491,866	98,290,856
Total assets for investment-linked contracts	**62,428,390**	57,140,027	58,395,620

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Financial Position

NIS in thousands	As of September 30 2017	As of September 30 2016	As of December 31 2016
	Unaudited		Audited
Capital			
Share capital	**143,236**	143,216	143,216
Premium on shares	**985,492**	977,031	977,898
Capital reserves	**571,349**	458,658	484,165
Retained earnings	**3,158,391**	2,617,669	3,068,909
Total capital attributable to Company shareholders	**4,858,468**	4,196,574	4,674,188
Non-controlling interests	**42,763**	38,777	39,017
Total capital	**4,901,231**	4,235,351	4,713,205
Liabilities			
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**30,324,489**	30,109,938	29,768,979
Liabilities with respect to investment-linked insurance contracts and investment contracts	**61,436,726**	56,468,850	57,275,793
Deferred tax liabilities	**459,628**	297,305	423,293
Liabilities with respect to employee benefits, net	**83,118**	83,992	74,577
Other accounts payable	**2,672,289**	1,999,351	2,398,660
Current tax liabilities	**3,269**	1,268	1,354
Financial liabilities	**3,618,444**	3,295,811	3,634,995
Total liabilities	**98,597,963**	92,256,515	93,577,651
Total capital and liabilities	**103,499,194**	96,491,866	98,290,856

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

November 26, 2017				
Approval date of the financial statements	Danny Naveh Chairman of the Board	Izzy Cohen Chief Executive Officer	Anath Levin Finance, Investment and Credit Division Manager	Tal Cohen Chief Accountant

Interim Consolidated Statements of Income

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	2016	2017	2016	2016
NIS in thousands	Unaudited				Audited
Gross premiums earned	**7,306,269**	6,791,074	**2,416,826**	2,352,191	9,110,003
Premiums earned by reinsurers	**869,907**	783,810	**310,550**	262,594	1,042,247
Premiums earned on retention	**6,436,362**	6,007,264	**2,106,276**	2,089,597	8,067,756
Income from investments, net, and financing income	**4,198,964**	1,592,123	**1,479,122**	1,248,280	2,616,374
Income from management fees	**887,111**	655,832	**348,573**	235,762	956,457
Income from commissions	**191,419**	176,823	**74,067**	58,278	226,418
Other income	**3,253**	1,362	**1,133**	1,284	1,419
Total income	**11,717,109**	8,433,404	**4,009,171**	3,633,201	11,868,424
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**10,137,335**	7,349,646	**3,736,349**	2,710,968	9,684,807
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(829,156)**	(422,617)	**(279,204)**	(120,406)	(657,026)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**9,308,179**	6,927,029	**3,457,145**	2,590,562	9,027,781
Commissions, marketing expenses and other acquisition costs	**1,439,978**	1,376,317	**510,064**	468,281	1,814,199
General and administrative expenses	**629,431**	570,014	**223,168**	188,824	773,352
Impairment of intangible assets	**91,715**	3,134	**10,715**	549	34,246
Other expenses	**25,171**	8,542	**4,834**	(404)	14,762
Financing expenses	**100,123**	123,264	**27,843**	39,257	159,695
Total expenses	**11,594,597**	9,008,300	**4,233,769**	3,287,069	11,824,035
Share in the results of investee companies accounted by the equity method, net	**7,185**	6,213	**645**	3,929	41,479
Income (loss) before taxes on income	**129,697**	(568,683)	**(223,953)**	350,061	85,868
Taxes (tax benefit) on income	**28,549**	(219,396)	**(80,454)**	113,635	(13,713)
Income (loss) for the period	**101,148**	(349,287)	**(143,499)**	236,426	99,581
Attributable to:					
Company shareholders	**97,838**	(352,084)	**(144,583)**	235,612	96,401
Non-controlling interests	**3,310**	2,797	**1,084**	814	3,180
Income (loss) for the period	**101,148**	(349,287)	**(143,499)**	236,426	99,581
Earnings (loss) per share attributable to Company shareholders:					
Basic earnings (loss) per share (in NIS)	**1.77**	(6.35)	**(2.61)**	4.25	1.74
Diluted earnings (loss) per share (in NIS)	**1.76**	(6.35)	**(2.61)**	4.25	1.74
Number of shares used to calculate earnings per share:					
Basic	**55,422**	55,412	**55,427**	55,412	55,412
Diluted	**55,457**	55,412	**55,427**	55,412	55,412

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Comprehensive income

NIS in thousands	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	2016	2017	2016	2016
	Unaudited				Audited
Income (loss) for the period	**101,148**	(349,287)	**(143,499)**	236,426	99,581
Other comprehensive income:					
Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to profit and loss:					
Foreign currency translation differences for foreign operations applied to capital reserves	**(25,996)**	(26,080)	**5,928**	(11,875)	(22,006)
Foreign currency translation differences for foreign operations applied to the statement of income	**-**	-	**-**	-	(553)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**301,701**	135,670	**225,294**	(1,018)	196,885
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	**(145,777)**	(188,274)	**(46,246)**	(75,304)	(234,497)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	**7,955**	68,361	**1,667**	14,021	73,761
Other comprehensive income (loss) for the period which has been or will be transferred to profit and loss, before tax	**137,883**	(10,323)	**186,643**	(74,176)	13,590
Tax (tax benefit) with respect to available-for-sale financial assets	**56,090**	(2,110)	**61,799**	(22,296)	(3,271)
Taxes (tax benefit) with respect to other components	**(5,826)**	(6,429)	**1,338**	(2,912)	(6,710)
Tax (tax benefit) with respect to components of other comprehensive income for the period which have been or will be transferred to profit and loss	**50,264**	(8,539)	**63,137**	(25,208)	(9,981)
Other comprehensive income (loss) which, following initial recognition under comprehensive income, have been or will be transferred to profit and loss, net of tax	**87,619**	(1,784)	**123,506**	(48,968)	23,571
Components of other comprehensive income which will not be transferred to profit and loss:					
Actuarial income (loss) from defined benefit plan	**(4,016)**	(3,150)	**(2,678)**	(940)	3,166
Other comprehensive income for the period, before tax	**(4,016)**	(3,150)	**(2,678)**	(940)	3,166
Tax (tax benefit) with respect to components of other comprehensive income (loss) which will not be transferred to income	**(1,057)**	(926)	**(783)**	(301)	938
Other comprehensive income (loss) which will not be transferred to profit and loss, net of tax	**(2,959)**	(2,224)	**(1,895)**	(639)	2,228
Other comprehensive income (loss) for the period	**84,660**	(4,008)	**121,611**	(49,607)	25,799
Total comprehensive income (loss) for the period	**185,808**	(353,295)	**(21,888)**	186,819	125,380
Attributable to:					
Company shareholders	**182,062**	(356,195)	**(23,230)**	186,216	122,240
Non-controlling interests	**3,746**	2,900	**1,342**	603	3,140
Total comprehensive income (loss) for the period	**185,808**	(353,295)	**(21,888)**	186,819	125,380

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Changes in Equity

NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total capital
	Attributable to Company shareholders									
For the period of nine months ended September 30, 2017 (unaudited)										
Balance as of January 1, 2017 (Audited)	143,216	977,898	384	342,761	180,329	(39,309)	3,068,909	4,674,188	39,017	4,713,205
Income for the period	-	-	-	-	-	-	97,838	97,838	3,310	101,148
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(25,996)	-	-	-	-	(25,996)	-	(25,996)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	300,894	-	-	-	300,894	807	301,701
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(145,598)	-	-	-	(145,598)	(179)	(145,777)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	7,926	-	-	-	7,926	29	7,955
Actuarial gains (losses) from defined benefit plan	-	-	-	-	-	-	(4,020)	(4,020)	4	(4,016)
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	5,826	(55,868)	-	-	1,060	(48,982)	(225)	(49,207)
Other comprehensive income (loss) for the period, net of tax	-	-	(20,170)	107,354	-	-	(2,960)	84,224	436	84,660
Total comprehensive income (loss) for the period	-	-	(20,170)	107,354	-	-	94,878	182,062	3,746	185,808
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	20	7,594	-	-	-	-	(7,614)	-	-	-
Share-based payments	-	-	-	-	-	-	2,218	2,218	-	2,218
Balance as of September 30, 2017	143,236	985,492	(19,786)	450,115	180,329	(39,309)	3,158,391	4,858,468	42,763	4,901,231

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Changes in Equity (Cont.)

NIS in thousands	Attributable to Company shareholders								Non-controlling interests	Total capital
	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of nine months ended September 30, 2016 (unaudited)										
Balance as of January 1, 2016 (Audited)	143,216	976,329	16,233	303,301	180,329	(39,309)	2,967,929	4,548,028	35,877	4,583,905
Income for the period	-	-	-	-	-	-	(352,084)	(352,084)	2,797	(349,287)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(26,080)	-	-	-	-	(26,080)	-	(26,080)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	135,389	-	-	-	135,389	281	135,670
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(188,006)	-	-	-	(188,006)	(268)	(188,274)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	68,214	-	-	-	68,214	147	68,361
Actuarial losses from defined benefit program	-	-	-	-	-	-	(3,136)	(3,136)	(14)	(3,150)
Tax with respect to components of comprehensive income (loss)	-	-	6,429	2,158	-	-	921	9,508	(43)	9,465
Other comprehensive income (loss) for the period, net of tax	-	-	(19,651)	17,755	-	-	(2,215)	(4,111)	103	(4,008)
Total comprehensive income for the period	-	-	(19,651)	17,755	-	-	(354,299)	(356,195)	2,900	(353,295)
Transactions with shareholders which were applied directly to equity:										
Expiration of warrants for senior employees	-	702	-	-	-	-	(702)	-	-	-
Share-based payments	-	-	-	-	-	-	4,741	4,741	-	4,741
Balance as of September 30, 2016	143,216	977,031	(3,418)	321,056	180,329	(39,309)	2,617,669	4,196,574	38,777	4,235,351

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to Company shareholders								Non-controlling interests	Total capital
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of three months ended September 30, 2017 (unaudited)										
Balance as of July 1, 2017	143,230	980,624	(24,376)	331,462	180,329	(39,309)	3,309,255	4,881,215	41,421	4,922,636
Income for the period	-	-	-	-	-	-	(144,583)	(144,583)	1,084	(143,499)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	5,928	-	-	-	-	5,928	-	5,928
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	224,805	-	-	-	224,805	489	225,294
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(46,152)	-	-	-	(46,152)	(94)	(46,246)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	1,667	-	-	-	1,667	-	1,667
Actuarial gains (losses) from defined benefit plan	-	-	-	-	-	-	(2,673)	(2,673)	(5)	(2,678)
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	(1,338)	(61,667)	-	-	783	(62,222)	(132)	(62,354)
Other comprehensive income (loss) for the period, net of tax	-	-	4,590	118,653	-	-	(1,890)	121,353	258	121,611
Total comprehensive income (loss) for the period	-	-	4,590	118,653	-	-	(146,473)	(23,230)	1,342	(21,888)
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	6	4,868	-	-	-	-	(4,874)	-	-	-
Share-based payments	-	-	-	-	-	-	483	483	-	483
Balance as of September 30, 2017	143,236	985,492	(19,786)	450,115	180,329	(39,309)	3,158,391	4,858,468	42,763	4,901,231

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to Company shareholders								Non-controlling interests	Total capital
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of three months ended September 30, 2016 (unaudited)										
Balance as of July 1, 2016	143,216	976,838	5,545	360,849	180,329	(39,309)	2,381,622	4,009,090	38,174	4,047,264
Income for the period	-	-	-	-	-	-	235,612	235,612	814	236,426
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(11,875)	-	-	-	-	(11,875)	-	(11,875)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	(810)	-	-	-	(810)	(208)	(1,018)
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(75,130)	-	-	-	(75,130)	(174)	(75,304)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	13,970	-	-	-	13,970	51	14,021
Actuarial losses from defined benefit program	-	-	-	-	-	-	(942)	(942)	2	(940)
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	2,912	22,177	-	-	302	25,391	118	25,509
Other comprehensive income (loss) for the period, net of tax	-	-	(8,963)	(39,793)	-	-	(640)	(49,396)	(211)	(49,607)
Total comprehensive income for the period	-	-	(8,963)	(39,793)	-	-	234,972	186,216	603	186,819
Transactions with shareholders which were applied directly to equity:										
Expiration of warrants for senior employees	-	193	-	-	-	-	(193)	-	-	-
Share-based payments	-	-	-	-	-	-	1,268	1,268	-	1,268
Balance as of September 30, 2016	143,216	977,031	(3,418)	321,056	180,329	(39,309)	2,617,669	4,196,574	38,777	4,235,351

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Changes in Equity (Cont.)

NIS in thousands	Attributable to Company shareholders								Non-controlling interests	Total capital
	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the year ended December 31, 2016 (Audited)										
Balance as of January 1, 2016	143,216	976,329	16,233	303,301	180,329	(39,309)	2,967,929	4,548,028	35,877	4,583,905
Income for the period	-	-	-	-	-	-	96,401	96,401	3,180	99,581
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(22,006)	-	-	-	-	(22,006)	-	(22,006)
Foreign currency translation differences for foreign operations applied to the statement of income	-	-	(553)	-	-	-	-	(553)	-	(553)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	196,836	-	-	-	196,836	49	196,885
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(234,302)	-	-	-	(234,302)	(195)	(234,497)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	73,694	-	-	-	73,694	67	73,761
Actuarial gains from defined benefit plan	-	-	-	-	-	-	3,167	3,167	(1)	3,166
Tax with respect to components of comprehensive income (loss)	-	-	6,710	3,232	-	-	(939)	9,003	40	9,043
Other comprehensive income (loss) for the period, net of tax	-	-	(15,849)	39,460	-	-	2,228	25,839	(40)	25,799
Total comprehensive income for the period	-	-	(15,849)	39,460	-	-	98,629	122,240	3,140	125,380
Transactions with shareholders which were applied directly to equity:										
Expiration of warrants for senior employees	-	1,569	-	-	-	-	(1,569)	-	-	-
Share-based payments	-	-	-	-	-	-	3,920	3,920	-	3,920
Balance as of December 31, 2016	143,216	977,898	384	342,761	180,329	(39,309)	3,068,909	4,674,188	39,017	4,713,205

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Cash Flows

		For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
		2017	2016	2017	2016	2016
NIS in thousands		Unaudited				Audited
Cash flows from operating activities						
before taxes on income	(A)	**778,007**	(792,972)	**(1,043,255)**	(1,554,571)	(542,825)
Income tax received (paid)		**(92,792)**	48,382	**27,195**	6,211	41,963
Net cash from operating activities		**685,215**	(744,590)	**(1,016,060)**	(1,548,360)	(500,862)
Cash flows from investing activities						
Consideration from disposal of property, plant and equipment		**18**	240	**6**	-	462
Consideration from disposal of investments in other investee companies		**23,591**	3,947	**-**	1,002	5,902
Consideration from disposal of investment in available for sale financial assets by companies which are not insurance and finance companies		**28,380**	47,058	**-**	37,000	47,058
Investment in available for sale financial assets by companies that are not insurance and finance companies		**(9,916)**	(36,998)	**-**	-	(36,998)
Repayment of investment (investment) in shares and loans in investee companies		**5,714**	(36,621)	**1,114**	(138)	(31,102)
Investment in property, plant and equipment		**(13,206)**	(17,324)	**(9,741)**	(7,560)	(25,032)
Investment in intangible assets		**(148,929)**	(145,271)	**(64,650)**	(50,790)	(238,349)
Net cash used in investing activities		**(114,348)**	(184,969)	**(73,271)**	(20,486)	(278,059)
Cash flows from financing activities						
Repayment of liabilities to banks and others		**(73,089)**	(19,724)	**-**	(5,540)	(22,858)
Costs of issue and exchange of deferred liability notes		**-**	(1,729)	**-**	-	(4,733)
Consideration from issue of deferred liability notes		**-**	186,391	**-**	-	541,207
Repayment of deferred liability notes		**(80,021)**	(288,997)	**(29,323)**	-	(444,196)
Interest paid on bonds and deferred liability notes		**(106,214)**	(129,709)	**(41,699)**	(42,453)	(132,213)
Net cash used in financing activities		**(259,324)**	(253,768)	**(71,022)**	(47,993)	(62,793)
Impact of exchange rate fluctuations on cash and cash equivalent balances		**(69,294)**	(17,891)	**(9,633)**	(10,572)	(21,444)
Net increase (decrease) in cash and cash equivalents		**242,249**	(1,201,218)	**(1,169,986)**	(1,627,411)	(863,158)
Cash and cash equivalents at beginning of period	(B)	**4,344,010**	5,207,168	**5,756,245**	5,633,361	5,207,168
Cash and cash equivalents at end of period	(C)	**4,586,259**	4,005,950	**4,586,259**	4,005,950	4,344,010

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Cash Flows (Cont.)

		For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
		2017	2016	2017	2016	2016
	NIS in thousands	Unaudited				Audited
(A)	**Cash flows from operating activities before taxes on income [1] [2]**					
	Income (loss) for the period	**101,148**	(349,287)	**(143,499)**	236,426	99,581
	Adjustments:					
	The Company's share in the income of investee companies accounted by the equity method	**(7,185)**	(6,213)	**(645)**	(3,929)	(41,479)
	Dividends received from investee companies accounted by the equity method	**190**	277	**-**	50	277
	Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	**555,510**	315,705	**138,118**	(64,270)	(25,254)
	Change in liabilities with respect to investment-linked insurance contracts and investment contracts	**4,160,933**	2,122,301	**1,551,067**	1,064,225	2,929,244
	Change in deferred acquisition costs	**(28,594)**	(5,398)	**46,633**	(409)	(73,146)
	Change in reinsurance assets	**(489,268)**	181,561	**(133,015)**	42,056	90,436
	Depreciation of property, plant and equipment	**30,287**	31,667	**10,255**	10,890	42,228
	Amortization of intangible assets	**163,566**	150,115	**54,327**	51,855	202,330
	Impairment of intangible assets	**91,715**	3,134	**10,715**	549	34,246
	Loss from disposal of property, plant and equipment	**16**	42	**10**	-	62
	Profit from disposal of holdings in investee companies	**(2,081)**	-	**-**	-	-
	Interest and linkage differences accrued with respect to deferred liability notes	**93,595**	92,261	**25,349**	35,258	121,396
	Interest accrued and revaluation of liabilities to banking corporations and others	**200,974**	(115,579)	**170,049**	(91,635)	22,008
	Change in fair value of investment property for investment-linked contracts	**29,624**	72,683	**(13,845)**	32,645	53,133
	Change in fair value of other investment property	**(3,260)**	27,635	**(4,772)**	10,615	22,253
	Share-based payment transactions	**2,218**	4,741	**483**	1,268	3,920
	Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts	**(1,976,021)**	392,264	**(912,295)**	(589,346)	(65,251)
	Taxes (tax benefit) on income	**28,549**	(219,396)	**(80,454)**	113,635	(13,713)
	Net loss (profit) from other financial investments:					
	Marketable debt assets	**60,427**	(45,650)	**45,422**	(5,307)	(17,700)
	Non-marketable debt assets	**(183,997)**	(171,454)	**(116,153)**	(198,365)	6,061
	Stocks	**(6,576)**	2,716	**16,886**	(2,238)	1,792
	Others	**(175,987)**	(60,788)	**33,875**	(79,512)	(63,015)
	Financial investments and investment property for investment-linked contracts:					
	Acquisition of investment property	**(87,192)**	(24,924)	**(14,939)**	(6,968)	(45,237)
	Acquisitions, net, of financial investments	**(497,560)**	(3,335,086)	**(235,338)**	(2,055,201)	(4,284,523)
	Receipts (investments) from the sale of (investment in) available for sale financial assets and investment property in insurance business operations:					
	Marketable debt assets	**(161,885)**	792,389	**(28,650)**	(201,328)	838,699
	Non-marketable debt assets	**(203,194)**	(226,359)	**(443,424)**	12,873	(331,946)
	Stocks	**39,703**	(102,631)	**11,203**	(7,024)	(135,094)
	Others	**(143,201)**	(21,241)	**(216,658)**	118,720	(109,675)
	Acquisition of other investment property	**(23,712)**	(9,068)	**(4,087)**	(2,099)	(16,094)
	Consideration from the sale of other investment property	**15,486**	-	**15,486**	-	-

1) Cash flows from operating activities include cash flows with respect to acquisitions and net sales of financial investments and investment property derived from activities with respect to insurance contracts and investment contracts.
2) Cash flows from operating activities include cash flows with respect to received dividends and interest, as specified in Annex E.

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Cash Flows (Cont.)

		For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
		2017	2016	2017	2016	2016
	NIS in thousands	Unaudited				Audited
(A)	**Cash flows from operating activities before taxes on income (Cont.)**					
	Changes in other items in the statement of financial position, net					
	Securities held for trading by consolidated companies which are not insurance companies	**9,712**	21,718	**2,094**	5,036	25,925
	Other accounts receivable	**(942,620)**	(26,682)	**(793,967)**	40,129	56,910
	Outstanding premiums	**(169,112)**	(882)	**113,905**	26,431	31,713
	Other accounts payable	**291,274**	(283,355)	**(148,931)**	(48,619)	100,375
	Liabilities with respect to employee benefits, net	**4,525**	(188)	**1,540**	(982)	(3,287)
	Total cash flows from operating activities before taxes on income	**778,007**	(792,972)	**(1,043,255)**	(1,554,571)	(542,825)
(B)	**Cash and cash equivalents at beginning of period:**					
	Cash and cash equivalents for investment-linked contracts	**2,953,235**	3,767,810	**3,967,667**	4,324,526	3,767,810
	Other cash and cash equivalents	**1,390,775**	1,439,358	**1,788,578**	1,308,835	1,439,358
	Balance of cash and cash equivalents at the beginning of period	**4,344,010**	5,207,168	**5,756,245**	5,633,361	5,207,168
(C)	**Cash and cash equivalents at end of period:**					
	Cash and cash equivalents for investment-linked contracts	**3,536,934**	3,111,435	**3,536,934**	3,111,435	2,953,235
	Other cash and cash equivalents	**1,049,325**	894,515	**1,049,325**	894,515	1,390,775
	Balance of cash and cash equivalents at end of period	**4,586,259**	4,005,950	**4,586,259**	4,005,950	4,344,010
(D)	**Cash flows with respect to interest and dividends received, included under operating activities:**					
	Interest received	**1,515,651**	1,435,095	**368,222**	299,071	2,060,541
	Dividend received	**340,989**	230,829	**105,214**	95,435	306,418

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Note 1: General

A. Reporting entity

Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") is a company registered in Israel, and incorporated in Israel, whose official address is 36 Raul Wallenberg Rd., Tel Aviv. The Company's securities are listed for trading on the Tel Aviv Stock Exchange.

The condensed consolidated financial statements as of September 30, 2017 (hereinafter: the "**Financial Statements**") include the statements of the Company and its subsidiaries (hereinafter, jointly: the "**Group**"), as well as the group's interests in joint ventures and associates.

As the Company was informed by IDB Development Corporation Ltd. ("**IDB Development**"), and according to its public reports, approximately 40% of the Company's issued share capital and voting rights are held for IDB Development through the trustee, Mr. Moshe Terry, who was appointed as the trustee for the aforementioned shares and voting rights (see section 1(b)(2) below). In addition to the holding through the trustee, IDB Development directly holds approximately 5% of the Company's issued capital, and a total of 44.81% of issued capital[1] (approximately 44.15% at full dilution).

To the best of the Company's knowledge, as of the publication date of the report, IDB Development is a private company wholly owned by corporations under the control of Mr. Eduardo Elsztain (Dolphin Fund Limited, an investment fund incorporated in Bermuda; Dolphin Netherlands B.V., a private company incorporated in the Netherlands; and Inversiones Financieras Del Sur S.A. (hereinafter: "**IFISA**"), a private company registered in Uruguay (hereinafter, jointly and/or severally: the "**Dolphin Group**")). IDB Development constitutes a reporting corporation, due to the fact that its bonds are listed for trading on the Tel Aviv Stock Exchange.

B. Developments during the reporting period with respect to the Company's controlling shareholders

1. <u>Removal of going concern remark regarding IDB Development</u>

   The financial statements and the auditors' report of IDB Development as of December 31, 2016, differently from previous reporting periods, were prepared based on the assumption that IDB Development will continue operating as a going concern.

   The financial statements of IDB Development as of December 31, 2016 and thereafter include a note and reference by the auditors of IDB Development, with respect to the description of IDB Development's financial position, and with respect to the plans of the management of IDB Development, with reference to material liabilities of IDB Development towards the holders of its bonds, which are expected to be repaid at the end of 2019. In accordance with the above, the materialization of the plans of IDB Development's management will be affected by factors which are not entirely under the control of IDB Development, inter alia, with reference to the ability of IDB Development to execute its plans to realize holdings in the Company, in consideration of, inter alia, the outline which was determined by the Commissioner for the sale of the control of the Company, the requirements of the Law to Promote Competition and Reduce Concentration, and the ability of IDB Development to deal with the implications of the Concentration Law. However, the management of IDB Development estimates that IDB Development will be able to service its liabilities on time, and to continue its activities.

[1] On March 22, 2017, IDB Development reported that it had pledged approximately 4.99% (4.87% at full dilution, which constitute as of the present date approximately 4.98% and approximately 4.91% at full dilution) of the Company's shares which are held by IDB Development in favor of the trustee for the bondholders (Series K) of IDB Development. For details regarding the issuance of bonds (Series K) of IDB Development, see section 4(B) below.

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

2. Appointment of a trustee for the controlling shareholder's holdings in the Company's shares, and the director appointment process in the group

On August 21, 2013, in accordance with the Commissioner's demand, IDB Development submitted an irrevocable power of attorney to Mr. Moshe Terry (hereinafter: "**Mr. Terry**" or the "**Trustee**"), who was appointed by the Commissioner as the trustee for approximately 51% of the issued share capital and voting rights in the Company, which were held on the foregoing date by IDB Development (hereinafter: the "**Means of Control**"), and transferred the shares to the trust account, under the name of the trustee, for the purpose of exercising the authorities conferred by virtue of the means of control, in accordance with the provisions of the deed of trust, and with the aim of disconnecting the Company and the institutional entities in the group from any possible influence due to the struggle for control of the IDB Group.

On February 20, 2017, the trustee transferred to IDB Development shares of the Company which constitute approximately 1% of its issued share capital and voting rights, which were pledged by it as specified in footnote 1 above, and on May 3, 2017 and August 31, 2017, shares of the Company were sold which together constitute approximately 10% of company shares, as specified in section 3 below, such that, as of the publication of the report, it holds only 39.8% of the means of control, and in total, IDB is the owner of approximately 44.81% of its issued capital (approximately 44.15% at full dilution).

For details regarding the establishment of an outline over time for the sale of IDB Development's control and holdings in the Company, and regulation of the relationship between IDB Development and its controlling shareholders, and the Company, see below.

The deed of trust which was signed by IDB Development formalizes the trustee's authorities. In accordance with the deed of trust, the trustee will exercise all of the authorities which are conferred upon him by virtue of the means of control in favor of IDB Development, and in accordance with the Commissioner's directives, insofar as any will be issued to him, from time to time, in order to ensure the proper management of Clal Insurance Company Ltd. (hereinafter: "Clal Insurance"), Clal Credit Insurance Ltd. and Clal Pension and Provident Funds Ltd. (hereinafter, jointly: the "**Clal Entities**"), including with respect to raising capital in favor of the Clal entities, in any manner considered appropriate in his judgment. The transfer of the means of control to the trustee will not prejudice the right of IDB Development to receive dividends from the Company, insofar as any dividend distribution will be decided upon. Additionally, in case of a sale, transfer or pledge of the means of control, the trustee will act in accordance with the instructions of IDB Development, provided that advance written approval has been received for this purpose from the Commissioner. The trusteeship will end on the date of the actual transfer by the trustee of all of the means of control, or upon the issuance of approval by the Commissioner. The Commissioner formalized the trustee's activities in various letters.

During the period since the appointment of a trustee, clarifications from the Commissioner were received by the Company regarding the relationship between IDB Development and its controlling shareholders, and the Company and entities under its control, pertaining to a prohibition on IDB Development and its controlling shareholders from directing the Company's activities, in which the Commissioner's position was clarified, and rules were established, regarding meetings and the transfer of information between the Company, the institutional entities and agents of the corporation which is under its control, and IDB Development and its controlling shareholders, in a manner which will prevent IDB Development and its controlling shareholders from taking any action which constitutes, directly or indirectly, direction of the Company's business operations or representatives of the institutional entities or agents of the corporation which is owned by the Company.

Within the framework of the Commissioner's letter dated December 30, 2014 regarding the outline for the sale of IDB's control and holding of the Company (see section 1(b)(3) below) (hereinafter: the "**Outline**"), it was clarified, inter alia, that during the trustee's period of tenure, the appointment of directors in the Company and in Clal Insurance will be performed by the committee for the appointment of directors in an insurer with no controlling shareholder, as defined in the Control of Financial Services (Insurance) Law, 1981. Insofar as it will not be possible to appoint directors by the aforementioned committee, the appointment of directors in these companies will be performed by another committee, which will be appointed by the Minister of Finance or by the Commissioner, or by any other means, as instructed by the Commissioner.

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

2. Appointment of a trustee for the controlling shareholder's holdings in the Company's shares, and the director appointment process in the group (Cont.)

In June 2015, the Commissioner announced that in May 2015, she had appointed a committee for the appointment of directors in Clal Group, as stated above (hereinafter: the "**Committee**"), and that she intends to order the appointment of directors (who are not outside directors) in the Company, in accordance with the committee's recommendations. However, in light of the advancement of the process involving the sale of Clal Group, the appointment for the position of company chairman, for the time being, will not be performed using the mechanism described above, but rather will be performed in the manner by which the Company's Chairman of the Board has been appointed until now. Additionally, the appointment of directors (who are not outside directors) in Clal Insurance, in the annual general meetings for 2015 and 2016, was done according to the mechanisms which were used to appoint directors in Clal Insurance until now, and not according to the aforementioned mechanisms.

On October 1, 2017, the Commissioner notified the Company that insofar as it intends to re-appoint, in the next general meeting, a director currently serving in Clal Insurance (who is not an outside director), it must submit to the Commissioner a report regarding the Company's position with respect to the question of the re-appointment of the currently serving directors, including receiving the consent of the serving director regarding his willingness to serve an additional term, if the Company intends to re-appoint him, and the Commissioner also announced that the foregoing will apply to the Company from this point onwards with respect to the re-appointment of serving directors (who are not outside directors) in the Company, by submitting notice to the Commissioner no later than 6 months before the end of the director's term.

Following the appointment of the committee and the issuance of its recommendations, directors and outside directors in the Company were appointed, as specified below:

- In the general meeting which was held in December 2015, 3 new directors were appointed, instead of two serving directors, and the Chairman of the Board was re-appointed. The tenure of the aforementioned directors was renewed in the Company's annual general meeting for 2016, in December 2016.

- Accordingly, in August 2016, the trustee informed the Company that he requests to convene a general meeting whose agenda will include the appointment of an outside director instead of an outside director whose term is concluding, in accordance with the committee's recommendation. A list of 2 recommended candidates was submitted to the Company in order for it to act accordingly. In the general meeting which was held in October 2016, an outside director was appointed in place of an outside director whose tenure had concluded.

- Additionally, in January 2016, the Company received a list of 3 recommended candidates, in order to work towards the appointment of an outside director, instead of an outside director who is concluding his tenure on the Board of Directors of Clal Insurance, and in order to work towards the appointment of an additional outside director for the Board of Directors of Clal Insurance. In February 2017, the general meeting of Clal Insurance appointed two outside directors, in place of the outside director who concluded his tenure, in light of the committee's recommendation to appoint two directors.

- In the general meeting of Clal Insurance which was held on May 28, 2017, an outside director was appointed in place of an outside director whose tenure had concluded.

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

3. <u>Establishment of an outline over time for the sale of IDB Development's control and holdings in the Company, and regulation of the relationship between IDB Development and its controlling shareholders, and the Company</u>

Further to the request of the controlling shareholders in IDB Development from June 2014, to receive a permit for the control of the Company and of institutional entities under its control, on December 30, 2014, a letter was received from the Commissioner, addressed to Mr. Elsztain, Mr. Ben-Moshe and IDB Development, which includes, inter alia, an outline over time for the sale of IDB Development's control and holdings in the Company, as specified below, as well as provisions regarding the continued tenure of the trustee.

The Commissioner's letter specifies the sale outline, and includes the involvement of IDB Development and the trustee in the sale process, and its primary provisions are as follows:

A. IDB Development will work to sell the control of the Company, in a manner whereby it will no longer be part of the chain of control in the Company. It was specified in the control policy document that the minimum holding rate required to hold control of the Company, as of the date of the aforementioned letter, amounts to 30% of the total means of control. The sale of control, as stated above, will be performed in accordance with the following conditions and dates:

    1. IDB Development will engage with a well known investment bank (Israeli or foreign) whose identity will be approved by the trustee, for the purpose of formulating an action outline for the sale of control. The Board of Directors of IDB Development and the trustee will approve the outline, by and no later than June 30, 2015.

    2. IDB Development will sign an agreement for the sale of control vis-à-vis a potential buyer, according to a price and commercial terms which it considers appropriate, by and no later than December 31, 2015.

    3. In the event that an agreement has been signed as specified in subsection 2 above, on time, the potential buyer will be given the opportunity to complete the process of obtaining a control permit from the Commissioner, by and no later than June 30, 2016.

B. During the period until December 31, 2015, IDB Development will be entitled to sell some of the means of control in the Company, provided that the above will not adversely affect the undertaking by IDB Development to act to implement the sale of control, as specified in section (a) above.

C. In the event that any of the conditions specified in section (a) above have not been fulfilled, by the dates specified alongside them, or if the control has been sold to a potential buyer, and IDB Development keeps the means of control (hereinafter: "**Terminating Event**"), then in any of the foregoing cases, IDB Development will act to sell all of the means of control in the Company which are held by it, excluding a rate which is permitted by law for the holding of an insurer without a permit from the Commissioner, including by way of the sale of the means of control on the stock exchange or through over the counter transactions, in accordance with the outline specified below, and no later than the following dates:

    1. During the period of four months beginning from the occurrence of the terminating event, IDB Development sells at least 5% of the means of control in the Company.

    2. During any of the additional subsequent periods, of four months each, IDB Development sells, in each period, at least an additional 5% of the means of control in the Company.

    3. During a certain four month period, more than 5% of the means of control in the Company have been sold, in which case, the rate of the means of control which were sold beyond the aforementioned limit will be offset from the rate required in the subsequent period.

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

3. Establishment of an outline over time for the sale of IDB Development's control and holdings in Clal Holdings, and regulation of the relationship between IDB Development and its controlling shareholders, and Clal Holdings (Cont.)

D. If IDB Development does not fulfill all of its undertakings as specified in section (c) above, the trustee will be entitled to act according to the aforementioned outline in its place, in accordance with all of the authorities which have been conferred upon him by virtue of the provisions of the deed of trust that will be entrusted to him. The consideration with respect to the aforementioned sale will be transferred to IDB Development. The expenses involved in the execution of the sale of the means of control will apply exclusively to IDB Development.

E. Notwithstanding the provisions of sections (a) to (c) above, insofar as the control has been sold to a potential buyer, who has received a control permit from the Commissioner, and IDB Development remains in possession of the means of control in the Company, at a rate which by law requires a holding permit, IDB Development will be able to file an application for the receipt of a permit for the holding of the means of control which are in its possession; however, the provisions of this section will not constitute advance approval for the receipt of the aforementioned permit. If IDB Development has not received a holding permit, as stated above, by six months after the date of issuance of the control permit to the potential buyer, this date will be considered a terminating event, and the provisions of sections (c) and (d) above will apply, mutatis mutandis.

F. At the end of each quarter, or upon demand from the Commissioner, or from the trustee, IDB Development will submit to the Commissioner or to the trustee, as applicable, a status report regarding the progress on the sale outline.

G. It was further noted in the letter that, prima facie, the Commissioner does not consider it necessary to restrict IDB Development from selling the control also to any or all of its controlling shareholders at the time (independently or together with another third party); however, in the letter it was emphasized that any application for the receipt of a control permit, including an application by any of the controlling shareholders in IDB Development at the time, will be evaluated, inter alia, also in light of the provisions of the Law to Promote Competition and Reduce Concentration, 2013 (the "**Concentration Law**"), and that the provisions of the Commissioner's letter do not constitute approval for the performance of the sale, as stated above, in accordance with the provisions of the Concentration Law.

H. The Commissioner's letter clarifies that there is no practical possibility, from the Commissioner's perspective, of concurrently evaluating several applications for control permits in the Clal Group, and insofar as applications will be filed in the future which require such evaluation, an evaluation of such applications will not be performed concurrently.

I. As required according to the Commissioner's letter, IDB Development signed an amended deed of trust (in the version which was attached to the Commissioner's letter). Additionally, it was clarified in the letter that so long as the Commissioner has not issued another directive, the following provisions will continue to irrevocably apply:

1. The trustee will continue serving in his position, so long as IDB Development holds, without a permit, the means of control of the Company, according to the rate which by law requires a permit, or alternatively, until the Commissioner orders, in writing, the discontinuation of the trustee's service.

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

3. <u>Establishment of an outline over time for the sale of IDB Development's control and holdings in Clal Holdings, and regulation of the relationship between IDB Development and its controlling shareholders, and Clal Holdings</u> (Cont.)

I. (Cont.)

2. During the period of the trustee's service, IDB Development and its controlling shareholders will not exercise the voting rights which are attached to the means of control in the Company and in member companies in Clal Group, as specified in the Commissioner's letter, including Clal Insurance ("Member Companies in Clal Group"), and will refrain from taking any action which constitutes, either directly or indirectly, the direction of the business operations of the Company or of member companies in Clal Group, including by way of tenure as a corporate officer in the Company or in member companies of Clal Group.

3. It was further clarified that during the period of the trustee's service, the appointment of directors in the Company and in member companies of Clal Group will be performed in accordance with the mechanisms specified in Note 1(b)(2) above.

J. Subject to the fulfillment of the conditions and restrictions specified in sections (a) to (f) above, and in section (i) above, and subject to the receipt of the written consent of IDB Development for all of the terms which are specified in the aforementioned letter, the Commissioner will not consider the continued holding of the means of control in IDB Development and in member companies of Clal Group, as a holding which is in breach of the provisions of the law.

In accordance with the above, on December 31, 2014, the Board of Directors of IDB Development approved the provision of IDB Development's consent to all of the conditions which are included in the Commissioner's letter, and the signing by IDB Development on an amended deed of trust, which sets forth the terms of the aforementioned letter. An amended deed of trust was signed by IDB Development and by the trustee on January 6, 2015.

A sale process which was managed by IDB Development in 2015, in connection with a possible transaction for the sale of the control of the Company, was unsuccessful, and due to the fact that IDB Development did not meet the aforementioned conditions, on January 7, 2016, IDB Development and Mr. Eduardo Elsztain received a letter from the Commissioner, in which the Commissioner clarified, inter alia, that in light of IDB Development's announcement regarding the third group's departure from the sale process, as stated above, in accordance with the Commissioner's outline of December 30, 2014, on January 7, 2016, a "terminating event", as defined in the aforementioned outline, had effectively occurred, and as a result, from that date onwards, IDB Development is required to act in accordance with the provisions of the outline (see section 3.c. above, which requires, in general, the sale of the means of control on the stock exchange, or in over the counter transactions, at a rate of at least 5% in each four month period), and subject to the timetables specified therein.

As the Company was informed, IDB Development believes that, in the current market conditions, it would not be appropriate to work to sell its holdings in the Company in accordance with the outline ordered by the Commissioner, and that it would be appropriate to formulate an alternative outline which will allow IDB Development to sell its shares in the Company within the framework of a transaction for the sale of the control core, or any other outline which would prevent the harm which may be caused to IDB Development if the Commissioner's outline is implemented. In parallel, IDB Development is continuing to evaluate the possibility of selling the Company's control core, as specified below.

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

3. Establishment of an outline over time for the sale of IDB Development's control and holdings in Clal Holdings, and regulation of the relationship between IDB Development and its controlling shareholders, and Clal Holdings (Cont.)

   J. (Cont.)

   On February 10, 2016, a claim and a motion to approve the claim as a class action (hereinafter: the "**Claim**") were filed with the District Court of Tel Aviv against the Company and against members of the Company's Board (hereinafter: "**Defendants**"), by a shareholder in the Company, who also holds bonds of IDB Development. The main assertion in the claim is that in light of the fact that the Company's enterprise value is not reflected in its market value, which is even significantly higher than the Company's equity, and in light of the obligation of the Company and its board members to act to generate value for the Company's shareholders, the Company and its board members should have attempted to sell the Company's assets (which primarily include the holding of Clal Insurance), to other insurance companies in Israel, by way of a tender, with each asset of the Company being offered for sale separately.

   In parallel with the filing of the claim, the plaintiff also filed with the District Court of Tel Aviv-Yafo, against the defendants and against additional defendants, including IDB Development, its board members, the trustee and the Commissioner, a motion for an injunction and an urgent motion for a temporary injunction, in which the plaintiff requested to order a stay of the process involving the sale of the Company's shares which are held by IDB Development through the trustee, in accordance with the outline which was determined by the Commissioner (as stated in her letter dated January 7, 2016), until a final and non-appealable determination has been given regarding the claim.

   On June 19, 2016, the District Court of Tel Aviv-Yafo ordered the striking of the motion for an injunction. On October 29, 2017, the class action plaintiff notified the Court that he was withdrawing his claim, on the condition that expenses will not be imposed on him, and accordingly, the plaintiff and the defendants filed an agreed-upon motion with the Court for the dismissal of the claim, without ordering expenses. On October 30, 2017, the Court accepted the plaintiff's request to strike out the motion to approve without ordering expenses, subject to the filing of an affidavit by the plaintiff and his legal counsel, affirming that they did not receive any benefit whatsoever from the defendants against their withdrawal of the motion.

   On July 13, 2016, following correspondence between IDB Development, the Commissioner and the trustee, in connection with the outline, the trustee filed with the District Court of Tel Aviv-Yafo an urgent motion to issue orders (the "Motion"). In the motion, the Court was requested: (1) to order the trustee to sell 5% of the Company's shares by September 7, 2016, in accordance with the outline; and (2) to appoint a broker (who is experienced in the capital market) to implement the sale by way of an over the counter tender, in a manner whereby the broker will notify institutional investors that the aforementioned shares are up for sale, at a minimum price, by way of a tender, to the highest biDEr; or alternatively, to take any action which is required, in the Court's opinion, for the purpose of implementing the sale of the shares, as stated above, including but not limited to the sale of the shares in a sale through trading on the stock exchange.

   On April 5, 2017, the Court issued its ruling (the "Ruling"), in which the Court ordered the trustee to sell 5% of the Company's shares which were in his possession (the "Sold Shares"), within 30 days.

   In the ruling, it was determined that the trustee is subject, in his actions, to the instructions of the Commissioner with respect to the sale of the Company's shares, and that the judgment which was exercised by the Commissioner, by ordering the trustee to work towards selling 5% of the Company's shares in accordance with the outline, constituted reasonable and proportional judgment. It was further determined that the sale of the shares, as stated above, must be done by the trustee at the best price which can be obtained for them on the sale date (and on this matter, the Court accepted the position of the trustee, according to which the best way is to sell the shares by way of a tender). Additionally, in the ruling, it was clarified that it applies to the instruction to sell 5% of the aforementioned shares only, where after such sale, the Commissioner will be required to exercise judgment again, 4 months later (and at that time as well, the Commissioner will be required to take into account all of the relevant considerations, as listed by the Court, as well as the changes in circumstances, if any).

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

3. Establishment of an outline over time for the sale of IDB Development's control and holdings in Clal Holdings, and regulation of the relationship between IDB Development and its controlling shareholders, and Clal Holdings (Cont.)

J. (Cont.)

On May 1, 2017, IDB Development filed a motion with the Court, with the consent of the trustee (in connection with the method for sale of the shares, as specified below), regarding the method for sale of the sold shares (the "Motion"). In the motion, the Court was requested to approve that the sale of the sold shares will be done by way of a "swap transaction" (instead of sale through a tender, as ordered by the Court in the ruling), in which the sold shares will be sold in a full sale (without reservations, without conditions, and without right of recourse), by IDB Development to a third party in a transaction which will be performed through a banking institution, in accordance with the price which was determined by agreement between IDB Development and the third party, by May 4, 2017.

It is noted that the position of the Director of the Authority of Capital Markets, Insurance and Savings was attached to the motion, according to which she does not object to the motion for the implementation of the aforementioned swap transaction.

On May 3, 2017, after the Court's approval was received for the aforementioned motion, IDB sold the sold shares (2,771,309 company shares), which were held by the trustee, in an over the counter transaction, at a price of NIS 59.86 per share. The total consideration in the aforementioned transaction amounts to approximately NIS 166 million. The consideration was used to implement a partial early redemption, as specified in section 4(b)(2) below.

Concurrently and in parallel with the filing of the motion, as stated above, IDB Development engaged with a banking institution in a swap transaction, according to which, at the end of a period of up to 24 months after the date of the sale transaction, a settling of accounts will be performed between IDB Development and the banking institution, with respect to the difference between the selling price of the sold shares to the aforementioned third party, and the value of the sold shares, as of the date of settling of accounts (which will be determined according to the price at which the sold shares will be sold on that date by the third party), where IDB Development and a related party thereof will be estopped from acquiring the sold shares.

On May 18, 2017, IDB Development filed with the Supreme Court an appeal against the ruling (the "Appeal"). In the appeal, inter alia, IDB Development requested a determination that the trustee has the discretion (which he must exercise, while taking into account various considerations, including the benefit of IDB Development), if and when to sell company shares which are held by him in batches of 5%, and that he must refrain from selling the Company's shares which are held by him if the damage caused to IDB Development due to their sale exceeds the benefit and the purpose of the trusteeship (including so long as there is a material difference between the value of the shares as reflected and derived from the Company's equity, and their price on the stock exchange). Additionally, IDB Development requested a determination according to which, in any case, it was not possible to provide an exemption from legal liability to the trustee in advance, if he mistakenly sold the Company's shares, so long as there was a significant difference between the value of the shares as reflected in and derived from the Company's equity, and their price on the stock exchange, thereby imposing significant damages on IDB Development, and that, à fortiori, it was not possible to grant an exemption of this kind to the trustee, when it is not even necessary, in accordance with the ruling, to exercise judgment before conducting the sale, as stated above.

On June 25, 2017, IDB Development reported that it had received a copy of the Commissioner's letter which was sent to the trustee, in which the Commissioner notified the trustee that, in accordance with the provisions of the outline, and after the Commissioner again evaluated the provisions of the ruling, the Commissioner instructed the trustee to continue working in accordance with the outline in place of IDB Development, pursuant to all of the authorities which were vested in him by virtue of the outline, and to work towards the sale of 5% of the means of control in the Company which are held by him until September 3, 2017.

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

3. Establishment of an outline over time for the sale of IDB Development's control and holdings in Clal Holdings, and regulation of the relationship between IDB Development and its controlling shareholders, and Clal Holdings (Cont.)

   J. (Cont.)

   On August 31, 2017, IDB Development sold an additional 5% of company shares which were held by the trustee, by way of a swap transaction, according to the same principles which applied to a previous swap transaction which was performed by IDB Development in May 2017, as stated above. The total consideration in the aforementioned transaction amounts to approximately NIS 152.5 million. In accordance with the provisions of section 6.9.2.3(a) of the deed of trust for the bonds (Series M) of IDB Development, the entire consideration with respect to the sold shares will be transferred to IDB Development. Upon the completion of the transaction, IDB Development's stake in the Company amounted to approximately 44.9%.

   On October 30, 2017, IDB Development reported that it had received a copy of the Commissioner's letter which was sent to the trustee, in which the Commissioner notified the trustee that in accordance with the provisions of the outline, and after the Commissioner re-evaluated the need to sell and its economic consequences, and in consideration of the provisions of the ruling, the Commissioner instructed the trustee to continue working in accordance with the outline in place of IDB Development, pursuant to all of the authorities which are vested in him by virtue of the outline, and to work to sell 5% of the means of control of the Company which are held by him by January 3, 2018.

4. Proceedings involving the sale of control of the Company

   A. Proceedings involving the sale of control of the Company

   Further to and in accordance with the resolution which was passed by the Board of Directors of IDB Development on July 3, 2016, IDB Development reported that it had engaged with an international investment bank which will accompany it through the aforementioned sale process. As part of the sale process, the investment bank will evaluate potential transactions for the aforementioned sale, whether within the framework of offers from potential buyers which were given in the past, or within the framework of offers which will be received in the future, according to the terms of the engagement.

   IDB Development stated in its reports that, as part of the above, it had received inquiries from potential buyers, with whom IDB Development is in contact.

   On July 27, 2017, IDB Development reported that it had received a preliminary and non-binding offer from an international group, for the possible acquisition of its entire holdings in the Company's issued capital, which are owned by it (50% of the Company's issued capital) (the "Offer"). The offer pertains to a transaction for consideration, which will be based on a value for the Company which reflects the Company's capital in accordance with its financial statements as of December 31, 2016, i.e., a value of approximately NIS 4.71 billion (or according to the Company's capital in accordance with its audited financial statements, insofar as they will be published after the reports as of December 31, 2016, as stated above), subject to the performance of a due diligence process, and the signing of an agreement, and to the approvals which may be required by law.

   On September 4, 2017, the Board of Directors of IDB Development approved IDB Development's engagement in a non-binding memorandum of understanding (the "Memorandum Of Understanding") for the sale of IDB Development's entire stake in the Company's issued capital, which are owned by IDB Development (which represent approximately 44.9% of the Company's issued capital) (the "Sold Shares"), to Huabang Financial Holdings Limited, a company incorporated in the Cayman Islands, and whose securities are listed for trading on the Hong Kong Stock Exchange (the "Buyer").

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

4. Proceedings involving the sale of control of the Company (Cont.)

A. Proceedings involving the sale of control of the Company (Cont.)

In accordance with the memorandum of understanding, the total consideration with respect to the sold shares will be based on a value for the Company which reflects the Company's total capital, in accordance with its consolidated financial statements as of June 30, 2017 (i.e., a total of approximately NIS 4.88 billion), multiplied by the holding rate represented by the sold shares out of the Company's issued capital on the closing date of the transaction. The total consideration will be adjusted to the Company's total capital according to its last consolidated financial statements which were published before the closing date of the transaction, and will be adjusted according to any dividend distribution or other capital events, if any, which occur before the closing date of the transaction, insofar as such events have not been reflected in the Company's consolidated financial statements which were last published before the closing date of the transaction.

The engagement in the transaction is subject to a due diligence process by the buyer, for a period of 60 days from the signing date of the memorandum of understanding, the extension whereof is subject to the consent of the parties (the "Due Diligence Period"), to the completion of the negotiations between the parties, and to the signing of a binding agreement by the end of the aforementioned period, and to the fulfillment of the suspensory conditions for the closing of the transaction, as specified below.

In the memorandum of understanding, IDB Development undertook that during the due diligence period, it will not engage and/or sign any agreement for the sale of the sold shares (all or part) to any third party.

The completion of the transaction is subject to the fulfillment of several suspensory conditions, including regulatory approvals as required to implement the transaction, including approval from the Director of the Capital Market, Insurance and Savings Authority at the Ministry of Finance, and third party approvals (as required).

The memorandum of understanding is not binding to the parties, except for the exclusivity undertaking for the set period, as specified above, and conventional provisions regarding due diligence, confidentiality and jurisdiction.

As of the present date, there is no certainty that the negotiations between the parties, based on the memorandum of understanding, will develop into a binding agreement, and even if the parties sign a binding agreement, there is no certainty that the aforementioned transaction will be completed.

B. Proceedings towards the pledging of company shares

On August 1, 2016, IDB Development published a shelf offering report according to which its bonds which are secured by a charge on some of its holdings in shares of the Company were offered to the public (the "Bonds (Series K))". The Commissioner responded to IDB Development that she does not consider it appropriate to allow it to pledge the Company's shares in favor of a third party.

Following a petition which was filed by IDB Development with the Supreme Court, in its function as the High Court of Justice, in which the Supreme Court was requested, inter alia, to order the Commissioner to immediately approve the pledge of approximately 19% of the Company's shares in favor of the bondholders (Series K), on January 25, 2017, the Supreme Court gave a supplementary judgment in which it determined that in addition to the 3.92% of the Company's shares which are not subject to the provisions of the outline, and which, as of the date of the Supreme Court's decision, were pledged in favor of a secured creditor of IDB Development (the "Shares Which Were Pledged To The Lender"), IDB Development is also entitled to pledge an approximately 1.08% of the Company's shares which are held by the trustee, subject to the provisions of the outline.

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

4. Proceedings involving the sale of control of the Company (Cont.)

   B. Proceedings towards the pledging of company shares (Cont.)

      Further to the above:

      (1) The trustee transferred to IDB Development company shares which constitute approximately 1% of its issued share capital and voting rights, and IDB Development recorded a lien on company shares which constituted approximately 4.99% (approximately 4.87% at full dilution) of the Company's shares.

      (2) On February 16, 2017, IDB Development issued bonds (Series M), and pledged in favor of the holders of the aforementioned bonds the consideration in cash which will result from the Company's shares which are held by the trustee for the control shares ("Base Shares"), including but not limited to the consideration from the sale of those shares, consideration in cash from dividends with respect to those shares, and consideration from the sale of any other asset / right which will be allocated with respect to those shares, and consideration in kind which will be received with respect to the Company's shares, if and insofar as any will be received, provided that the consideration does not constitute shares of the Company, nor any other right associated therewith, and subject to the provisions of the outline, and provided that no other legal restriction exists which would prevent a pledge thereof, as stated above.

      As specified above, further to the sale of 2,771,309 company shares, of which 2,689,196 are base shares (as defined in the deed of trust), in May 2017, the Board of Directors of IDB Development resolved to instruct the partial early redemption of the bonds (Series M) on May 28, 2017, at a scope of approximately 12.82841% of the unpaid balance of the principal of the bonds (Series M), which is also the original balance of the bond series. After the performance of the partial early redemption, as stated above, the number of base shares the consideration for which is pledged in favor of the bondholders (Series M), in the amount of 5,043,718 Company shares, were reduced, such that the current number of base shares is 19,850,190 (which constitute approximately 36% of the Company's issued and paid-up capital).

5. The Concentration Law

   As the Company was informed by IDB Development, in August 2014, the Board of Directors of IDB Development resolved to appoint an advisory committee, to evaluate the various alternatives for IDB Development's dealing with implications of the Concentration Law, and the compliance with the restrictions specified therein, regarding the control of companies through a pyramid structure, with the intention of allowing the continued control by IDB Development and/or Discount Investment Corporation Ltd. (hereinafter: "**DIC**") of "other tier companies" (which are currently directly held by DIC), also after December 2019.

   On September 24, 2017, IDB Development reported the signing of a memorandum of understanding between IDB Development and Dolphin Netherlands B.V. ("**Dolphin Netherlands**"), in connection with the implementation of a transaction (the "**Transaction**") for the sale of all of IDB Development's shares (as of the implementation date of the transaction) in DIC, to a private company which is incorporated, or which will be incorporated, in Israel, which is affiliated with Dolphin Netherlands, within the framework of the preferred alternative for IDB's dealing with the requirements of the Concentration Law with respect to the 2017 requirement (the transitional provision which applies to a third tier or higher tier company that holds control of reporting corporations on the publication date of the Concentration Law in the Official Gazette, according to which it must discontinue holding control of such reporting corporations by no later than December 2017), and also in consideration of the 2019 requirement.

   IDB Development further reported, in its financial statements for 2016, that based on an analysis which was conducted by it, and based on its estimates and the estimates of DIC, as reported to it, IDB Development estimates that it is more likely than not that the completion of the possible actions on its part will be successful, and will allow IDB Development and DIC to continue holding control of Cellcom Israel Ltd., also after December 2019.

Note 1 - General (Cont.)

B. Developments during the reporting period with respect to the Company's controlling shareholders (Cont.)

5. The Concentration Law (Cont.)

In accordance with the transitional provisions which were prescribed in the Concentration Law, after the aforementioned date, a significant real corporation, or the controller of such a corporation, may not hold control of a significant financial entity, and may not hold over 10% of a certain type of means of control in the aforementioned entity, and may not hold over 5% of a significant financial entity which has no controlling shareholder. Therefore, the continued control by IDB Development of real corporations may affect the ability of IDB Development to hold control of the Company after December 2019 (without derogating from the restrictions applicable to IDB's continued control of the Company, in accordance with the Commissioner's instructions, as stated above).

Additionally, insofar as Clalbit Finance Ltd. will remain an other tier company, Clal Insurance will be obligated to transfer its shares in Clalbit Finance Ltd. to a third party, or to merge Clal Insurance into the Company and Clalbit Finance into Clal Insurance, by the dates specified in the Concentration Law.

In May 2015, a list of the concentration entities was published in the Official Gazette, as well as list of the significant real corporations and a list of the significant financial entities. In accordance with the provisions of the Concentration Law, the following will be considered as a concentration entity, inter alia: a significant financial entity, a significant real corporation, and any entity which belongs to a business group (a corporation, an entity holding control of a corporation, and a corporation under the control of any of the above), which includes a significant financial entity or a significant real corporation. Inter alia, the Company, Clal Insurance, and additional institutional entities in the group were included in the list of concentration entities, and excluding the Company, were also included in the list of significant financial entities. The Company was included in the list of significant real corporations.

Insofar as the Company will continue being considering a significant real corporation, this may affect its ability to hold the control of Clal Insurance or to hold the means of control therein, as stated above, beginning in December 2019, and may also affect the ability to appoint joint directors in the two companies.

6. Agreement between IDB Development and Bank Hapoalim Ltd. -

For details regarding an agreement between IDB Development and Bank Hapoalim Ltd. (hereinafter: "**Bank Hapoalim**") from March 1999, with respect to the Company, see the notes to holder no. 1 in the report regarding interested parties and corporate officers with respect to the corporation's securities, which was published by the Company on July 6, 2017 (reference number 2017-01-071097).

7. Implications

As of the reporting date, the Company and Clal Insurance are unable to estimate the entire impact of the results of the aforementioned events on them. For details regarding the implications of the foregoing, see Note 1(b)(6) to the annual statements.

For details regarding the implications of the Concentration Law, see subsection 5 above.

Note 2- Basis for Preparation of the Interim Reports

A. Statement of compliance with international financial reporting standards

The interim reports were prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements established by the Insurance Commissioner, pursuant to the Control of Financial Services (Insurance) Law, 1981, and do not include all of the information which is required in complete annual financial statements. These should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2016 (hereinafter: the "**Annual Financial Statements**"). Furthermore, these financial statements were compiled in accordance with the provisions of Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent to which these regulations apply to a corporation that consolidates insurance companies.

B. Use of estimates and judgment

In preparing the interim reports in accordance with IFRS and in accordance with the Control Law and regulations enacted by virtue thereof, the directives of the Commissioner and the provisions of Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as they are relevant, company management is required to exercise judgment in making estimates, approximations and assumptions which affect the implementation of the accounting policy and the amounts of assets and liabilities, revenues and expenses. It is hereby clarified that actual results may differ from these estimates.

The discretion exercised by management in applying the group's accounting policy and the main assumptions used for estimates involving uncertainty, are consistent with those used in the annual financial statements.

In this context, see Note 8(a) below for details regarding the updates to actuarial estimates, inter alia, due to the low interest environment and its impact on the discount rate used in the calculation of reserves in life and long term care life insurance.

C. Details of changes in the Consumer Price Index and in the representative EUR, USD and GBP exchange rates:

	Index in lieu	Known index	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
	%		%	%	%
For the period of nine months ended					
September 30, 2017	**0.3**	**0.2**	**2.8**	**(8.2)**	**0.2**
September 30, 2016	-	-	(1.0)	(3.7)	(15.8)
For the period of three months ended					
September 30, 2017	**0.3**	**(0.5)**	**4.3**	**0.9**	**4.3**
September 30, 2016	-	0.4	(1.9)	(2.3)	(5.8)
For the year ended December 31, 2016	(0.2)	(0.3)	(4.8)	(1.5)	(18.3)

	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
As of September 30, 2017	**4.157**	**3.529**	**4.736**
As of September 30, 2016	4.203	3.758	4.872
As of December 31, 2016	4.044	3.845	4.725

Note 3 - Significant Accounting Policies

A. The group's accounting policy, as applied in the interim reports, was unchanged relative to the accounting policy which was implemented in the annual reports.

B. For details regarding the update to the corporate tax rate during the reporting period, see Note 8(b) below.

C. Impact of new standards before their adoption:

1. International Financial Reporting Standard (IFRS) 17, Insurance Contracts

In May 2017, the International Accounting Standards Board (IASB) published International Financial Reporting Standard 17, Insurance Contracts (hereinafter: the "New Standard").

The new standard establishes rules for the recognition, measurement, presentation and disclosure in connection with insurance contracts, and replaces the current provisions on the matter. The new standard is expected to lead to significant changes in the financial reporting of insurance companies.

In accordance with the new standard, insurance liabilities are to be measured as the present value of expected cash flows from insurance contracts, while taking into account the uncertainty associated with such forecasts (the risk margin). Additionally, the forecasted embeDEd profit in insurance contracts, as derived from the aforementioned calculations, will be recognized throughout the coverage period, and the impact of changes in assumptions (excluding interest) will also be distributed over the coverage period. Loss will be recognized immediately if a group of insurance contracts is not expected to be profitable, or if it begins to incur loss.

With respect to certain insurance contracts (generally elementary insurance with insurance coverage of up to one year), a simpler measurement model can be applied, which is not significantly different from the current method of measurement.

The new standard will be adopted beginning on January 1, 2021. Early adoption is possible, so long as IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, are also adopted in parallel (see section 2 below).

The new standard will be adopted retrospectively. If retrospective adoption is impractical, one of the following two approaches may be chosen:

1. The partial retrospective adoption approach.
2. The fair value approach.

The adoption of the standard is expected to have a significant impact on the financial statements of insurance companies, and the adoption of the standard also requires significant automational preparations, and therefore, the Company is unable to estimate, at this stage, the full implications of the adoption of the standard.

2. Amendment to IFRS 4, Insurance Contracts: Adoption of IFRS 9, Financial Instruments, together with IFRS 4

Further to that stated in Note 4(2) to the annual financial statements, according to the Company's estimate, it meets the aforementioned criteria, and it intends to defer the adoption of IFRS 9 to January 1, 2021.

Note 3 - Significant Accounting Policies

C. Impact of new standards before their adoption: (Cont.)

3. Uncertainty over income tax treatments - IFRIC23

In June 2017, the IASB published IFRIC 23 - Uncertainty over Income Tax Treatments (hereinafter: the "Interpretation"). The interpretation clarifies the rules for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in cases where there is uncertainty over income taxes. The interpretation addresses and provides instructions regarding the evaluation of groups of cases involving uncertainty over income taxes, evaluation of reference by tax authorities, measurement of the implications of uncertainty over income taxes on the financial statements, and treatment of changes in the facts and circumstances of the uncertainty.

The interpretation will be applied retrospectively beginning with the financial statements for annual periods beginning on January 1, 2019. Early adoption is possible. On the date of initial adoption, the Company will adopt the interpretation according to one of two methods:

A. Full retrospective adoption, without adjustment of comparative figures, while crediting the cumulative effect as of the date of initial adoption to the opening balance of retained earnings.

B. Full retrospective adoption, including adjustment of comparative figures.

The Company is evaluating the possible impact of the interpretation, but it is unable, at this stage, to estimate its impact, if any, on the financial statements.

Note 4 - Segmental Reporting

A. General

The group is engaged in the following operating segments:

1. Long term savings

The long term savings segment includes life insurance, accompanying coverages (riders) and management of pension funds and provident funds. The segment includes long term savings (within the framework of the various types of insurance policies, pension funds and provident funds, including study funds), as well as insurance coverage for various risks, including death, disability, loss of working capacity, health insurance policies sold as riders to life insurance policies, and others. According to the Commissioner’s directives, the long term savings segment includes the following branches: provident funds, pension funds, and life insurance.

2. Health insurance

The health insurance segment includes the group’s operations in the health insurance branches. The segment includes long term care insurance, medical expenses insurance, surgeries, transplants, personal accidents (long term health branch), international travel, dental insurance, foreign workers, and more.

3. Non-life insurance

The non-life insurance segment in Israel includes the liability and property insurance, credit insurance, personal accidents and other insurance branches.

According to the Commissioner’s directives, the non-life insurance segment in Israel is divided into the following branches: compulsory motor, motor property, property and others branches, and other liability branches, as specified below:

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

- **Motor property branch**
  The motor property insurance branch focuses on coverage for damages caused to the policyholder’s vehicle, and on property damages caused to a third party by the policyholder’s vehicle.

- **Property and others branches**
  The remaining property branches other than motor, liability and other insurance branches, such as guarantees and personal accident insurance (short-term health branch).

- **Credit insurance through a consolidated company**
  Credit insurance branches and foreign trade risks.

- **Other liability branches**
  The liability branches cover the liabilities of policyholders with respect to damages caused to third parties. These branches include third party liability, employers’ liability, professional liability, and product liability.

4. Other

Including operating segments which do not meet the quantitative thresholds for reporting, credit and financing operations, and insurance agencies.

5. Operations which were not allocated to segments

This operation includes the group’s headquarters, which primarily includes capital, liabilities that are not a part of insurance operations, and assets held against them in Clal Insurance, as well as the Company’s separate balances and results.

Note 4- Segmental Reporting (Cont.)

B. Additional information regarding the segmental reporting basis
For details regarding an update to the cost allocation model, beginning in January 2017, see Note 8(i) below, and Note 44(g) to the annual financial statements.

C. Seasonality

1. Long-term savings segment

In general, income from premiums in life insurance, and income from management fees in pension funds and provident funds, are not characterized by seasonality, and therefore, seasonality is not a factor with respect to claims.

However, due to the timing of the end of the tax year, a certain degree of seasonality exists with respect to deposits from premiums/benefits contributions to pension savings products in December, since substantial amounts are deposited during that month by employees and self-employed persons who initiate deposits that are not in the framework of their wages, with the intention of making full use of the tax benefits, as well as by employers completing obligations with respect to the tax year or making one-time deposits, usually with respect to a severance pay tenure debt. There are also certain months, which vary from year to year, in which the scope of premiums/contributions could be higher, this being mainly due to one-time payments made by employers to workers, in respect of which contributions are provided.

2. Non-life insurance segment

In general, income from premiums in non-life insurance in Israel is not characterized by clear seasonality. However, premiums in the first quarter of the year are higher than premiums in other quarters, mainly due to renewals of insurance contracts by business policyholders, and to renewals of large vehicle fleets at the start of the calendar year, which have a certain degree of seasonality. The effect of this seasonality on reported income is neutralized by the unearned premium reserve.

There is no clear seasonality in the other expense components, such as claims, and in other income components, such as income from investments. However, it should be noted that in the winter seasons an increase in claims is sometimes seen in the first or fourth quarters of the year, or in both of them, mainly in the property branches, and as a result reported income for the period decreases.

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments

	Long term savings											
	Provident			Pension			Life insurance [1]			Total		
	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	2017	2016	2016	2017	2016	2016	2017	2016	2016	2017	2016	2016
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	**-**	-	-	**-**	-	-	**4,187,509**	3,686,292	4,998,993	**4,187,509**	3,686,292	4,998,993
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**126,843**	127,102	168,386	**126,843**	127,102	168,386
Premiums earned on retention	**-**	-	-	**-**	-	-	**4,060,666**	3,559,190	4,830,607	**4,060,666**	3,559,190	4,830,607
Income from investments, net, and financing income	**103,669**	99,599	125,670	**605**	968	10	**3,658,555**	1,229,344	2,134,693	**3,762,829**	1,329,911	2,260,373
Income from management fees	**137,773**	147,352	194,052	**207,862**	205,081	276,851	**540,775**	302,772	484,697	**886,410**	655,205	955,600
Income from commissions	**-**	-	-	**-**	-	-	**32,536**	33,432	38,029	**32,536**	33,432	38,029
Other income	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Total income	**241,442**	246,951	319,722	**208,467**	206,049	276,861	**8,292,532**	5,124,738	7,488,026	**8,742,441**	5,577,738	8,084,609
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**98,018**	93,890	118,063	**-**	-	-	**7,400,703**	5,016,631	6,729,656	**7,498,721**	5,110,521	6,847,719
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(76,551)**	(69,059)	(109,637)	**(76,551)**	(69,059)	(109,637)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**98,018**	93,890	118,063	**-**	-	-	**7,324,152**	4,947,572	6,620,019	**7,422,170**	5,041,462	6,738,082
Commissions, marketing expenses and other acquisition costs	**42,089**	45,394	61,539	**82,446**	78,918	104,854	**525,037**	487,739	642,916	**649,572**	612,051	809,309
General and administrative expenses	**76,146**	73,401	98,314	**121,181**	95,908	127,061	**273,136**	266,793	361,014	**470,463**	436,102	586,389
Impairment of intangible assets	**81,000**	-	28,877	**-**	-	535	**10,715**	2,585	2,585	**91,715**	2,585	31,997
Other expenses	**18,058**	3,778	4,865	**-**	-	-	**361**	397	519	**18,419**	4,175	5,384
Financing expenses (income)	**1**	(2)	1	**13**	(10)	(25)	**6,808**	1,985	3,818	**6,822**	1,973	3,794
Total expenses	**315,312**	216,461	311,659	**203,640**	174,816	232,425	**8,140,209**	5,707,071	7,630,871	**8,659,161**	6,098,348	8,174,955
Share in the results of investee companies accounted by the equity method, net	**-**	-	-	**(867)**	(511)	(986)	**1,940**	1,925	11,099	**1,073**	1,414	10,113
Income (loss) before taxes on income	**(73,870)**	30,490	8,063	**3,960**	30,722	43,450	**154,263**	(580,408)	(131,746)	**84,353**	(519,196)	(80,233)
Other comprehensive income (loss) before taxes on income	**-**	-	-	**2,381**	38	37	**(7,168)**	(8,664)	19,069	**(4,787)**	(8,626)	19,106
Total comprehensive income (loss) before taxes on income	**(73,870)**	30,490	8,063	**6,341**	30,760	43,487	**147,095**	(589,072)	(112,677)	**79,566**	(527,822)	(61,127)
	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2017	2016	2016	2017	2016	2016	2017	2016	2016	2017	2016	2016
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**2,327,262**	2,342,471	2,325,325	**-**	-	-	**19,259,184**	19,302,314	19,060,360	**21,586,446**	21,644,785	21,385,685
Liabilities with respect to investment-linked insurance contracts and investment contracts	**-**	-	-	**-**	-	-	**57,574,585**	52,947,161	53,759,791	**57,574,585**	52,947,161	53,759,791
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).							**4,401,967**	4,064,145	5,468,697	**4,401,967**	4,064,145	5,468,697

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

	Health			Non-life			Other		
	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	2017	2016	2016	2017	2016	2016	2017	2016	2016
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	**1,415,404**	1,352,106	1,798,776	**1,704,875**	1,754,655	2,314,579	-	-	-
Premiums earned by reinsurers	**189,310**	154,568	212,416	**553,754**	502,140	661,445	-	-	-
Premiums earned on retention	**1,226,094**	1,197,538	1,586,360	**1,151,121**	1,252,515	1,653,134	-	-	-
Income from investments, net, and financing income	**229,139**	45,117	101,165	**67,023**	112,817	138,421	**3,874**	5,483	6,162
Income from management fees	-	-	-	-	-	-	**4,481**	4,481	5,974
Income (expenses) from commissions	**(9,514)**	2,844	4,461	**121,799**	100,243	133,647	**89,540**	88,941	120,524
Other income	-	-	-	**58**	65	72	**3,195**	1,297	1,347
Total income	**1,445,719**	1,245,499	1,691,986	**1,340,001**	1,465,640	1,925,274	**101,090**	100,202	134,007
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**1,203,695**	1,085,318	1,227,856	**1,437,308**	1,156,462	1,611,703	-	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(212,118)**	(136,244)	(189,484)	**(540,487)**	(217,314)	(357,905)	-	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**991,577**	949,074	1,038,372	**896,821**	939,148	1,253,798	-	-	-
Commissions, marketing expenses and other acquisition costs	**331,772**	300,171	395,825	**431,012**	442,742	587,893	**69,895**	68,107	89,803
General and administrative expenses	**47,794**	40,989	56,071	**43,625**	50,010	66,581	**12,064**	9,986	16,727
Impairment of intangible assets	-	-	-	-	549	1,249	-	-	-
Other expenses (income)	-	-	-	-	-	-	**2,907**	4,965	3,183
Financing expenses (income)	**4,714**	5,748	5,263	**(6,372)**	(1,266)	(600)	**809**	1,335	780
Total expenses	**1,375,857**	1,295,982	1,495,531	**1,365,086**	1,431,183	1,908,921	**85,675**	84,393	110,493
Share in the results of investee companies accounted by the equity method, net	**1,330**	183	6,163	**4,442**	-	-	**74**	197	207
Income (loss) before taxes on income	**71,192**	(50,300)	202,618	**(20,643)**	34,457	16,353	**15,489**	16,006	23,721
Other comprehensive income (loss) before taxes on income	**32,481**	11,626	13,473	**31,011**	(15,037)	(29,486)	**(1,152)**	(1,014)	617
Total comprehensive income (loss) before taxes on income	**103,673**	(38,674)	216,091	**10,368**	19,420	(13,133)	**14,337**	14,992	24,338
	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2017	2016	2016	2017	2016	2016	2017	2016	2016
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**2,097,221**	1,959,753	1,895,640	**6,641,439**	6,507,090	6,489,344	-	-	-
Liabilities with respect to investment-linked insurance contracts and investment contracts	**3,882,407**	3,540,469	3,534,683	-	-	-	-	-	-

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

	Not allocated to segments			Adjustments and offsets			Total		
	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	2017	2016	2016	2017	2016	2016	2017	2016	2016
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	-	-	-	(1,519)	(1,979)	(2,345)	7,306,269	6,791,074	9,110,003
Premiums earned by reinsurers	-	-	-	-	-	-	869,907	783,810	1,042,247
Premiums earned on retention	-	-	-	(1,519)	(1,979)	(2,345)	6,436,362	6,007,264	8,067,756
Income from investments, net, and financing income	136,332	98,616	110,824	(233)	179	(571)	4,198,964	1,592,123	2,616,374
Income from management fees	-	-	-	(3,780)	(3,854)	(5,117)	887,111	655,832	956,457
Income (expenses) from commissions	-	-	-	(42,942)	(48,637)	(70,243)	191,419	176,823	226,418
Other income	-	-	-	-	-	-	3,253	1,362	1,419
Total income	136,332	98,616	110,824	(48,474)	(54,291)	(78,276)	11,717,109	8,433,404	11,868,424
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	-	-	-	(2,389)	(2,655)	(2,471)	10,137,335	7,349,646	9,684,807
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	(829,156)	(422,617)	(657,026)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	-	-	-	(2,389)	(2,655)	(2,471)	9,308,179	6,927,029	9,027,781
Commissions, marketing expenses and other acquisition costs	-	-	-	(42,273)	(46,754)	(68,631)	1,439,978	1,376,317	1,814,199
General and administrative expenses	58,235	42,688	57,066	(2,750)	(9,761)	(9,482)	629,431	570,014	773,352
Impairment of intangible assets	-	-	1,000	-	-	-	91,715	3,134	34,246
Other expenses	3,606	(812)	5,272	239	214	923	25,171	8,542	14,762
Financing expenses (income)	94,197	115,337	150,919	(47)	137	(461)	100,123	123,264	159,695
Total expenses	156,038	157,213	214,257	(47,220)	(58,819)	(80,122)	11,594,597	9,008,300	11,824,035
Share in the results of investee companies accounted by the equity method, net	266	4,419	24,996	-	-	-	7,185	6,213	41,479
Income (loss) before taxes on income	(19,440)	(54,178)	(78,437)	(1,254)	4,528	1,846	129,697	(568,683)	85,868
Other comprehensive income (loss) before taxes on income	77,970	448	12,614	(1,655)	(870)	432	133,868	(13,473)	16,756
Total comprehensive income (loss) before taxes on income	58,530	(53,730)	(65,823)	(2,909)	3,658	2,278	263,565	(582,156)	102,624

	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2017	2016	2016	2017	2016	2016	2017	2016	2016
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	(617)	(1,690)	(1,690)	30,324,489	30,109,938	29,768,979
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	(20,266)	(18,780)	(18,681)	61,436,726	56,468,850	57,275,793

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

	Long term savings							
	Provident		Pension		Life insurance [1]		Total	
	For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30	
	2017	2016	2017	2016	2017	2016	2017	2016
NIS in thousands	Unaudited							
Gross premiums earned	-	-	-	-	**1,327,934**	1,278,131	**1,327,934**	1,278,131
Premiums earned by reinsurers	-	-	-	-	**41,205**	41,549	**41,205**	41,549
Premiums earned on retention	-	-	-	-	**1,286,729**	1,236,582	**1,286,729**	1,236,582
Income from investments, net, and financing income	**21,346**	42,758	**260**	94	**1,374,114**	1,015,641	**1,395,720**	1,058,493
Income from management fees	**48,843**	48,802	**70,271**	70,638	**229,218**	116,080	**348,332**	235,520
Income from commissions	-	-	-	-	**9,904**	10,681	**9,904**	10,681
Other income	-	-	-	-	-	-	-	-
Total income	**70,189**	91,560	**70,531**	70,732	**2,899,965**	2,378,984	**3,040,685**	2,541,276
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**19,476**	40,849	-	-	**2,821,203**	2,007,277	**2,840,679**	2,048,126
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	**(24,541)**	(22,169)	**(24,541)**	(22,169)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**19,476**	40,849	-	-	**2,796,662**	1,985,108	**2,816,138**	2,025,957
Commissions, marketing expenses and other acquisition costs	**14,119**	14,867	**28,057**	24,331	**179,875**	163,842	**222,051**	203,040
General and administrative expenses	**26,316**	22,754	**41,627**	32,617	**91,631**	89,903	**159,574**	145,274
Impairment of intangible assets	-	-	-	-	**10,715**	-	**10,715**	-
Other expenses	**949**	1,087	-	-	**122**	121	**1,071**	1,208
Financing expenses (income)	**5**	(4)	**14**	(9)	**1,379**	3,141	**1,398**	3,128
Total expenses	**60,865**	79,553	**69,698**	56,939	**3,080,384**	2,242,115	**3,210,947**	2,378,607
Share in the results of investee companies accounted by the equity method, net	-	-	**(299)**	(220)	**423**	1,707	**124**	1,487
Income (loss) before taxes on income	**9,324**	12,007	**534**	13,573	**(179,996)**	138,576	**(170,138)**	164,156
Other comprehensive income before taxes on income	-	-	**963**	(502)	**34,699**	(24,009)	**35,662**	(24,511)
Total comprehensive income (loss) before taxes on income	**9,324**	12,007	**1,497**	13,071	**(145,297)**	114,567	**(134,476)**	139,645
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).					**1,383,408**	1,399,938	**1,383,408**	1,399,938

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

	Health		Non-life		Other		Not allocated to segments		Adjustments and offsets		Total	
	For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
NIS in thousands	Unaudited											
Gross premiums earned	**503,879**	495,870	**585,492**	578,850	-	-	-	-	**(479)**	(660)	**2,416,826**	2,352,191
Premiums earned by reinsurers	**71,363**	58,392	**197,982**	162,653	-	-	-	-	-	-	**310,550**	262,594
Premiums earned on retention	**432,516**	437,478	**387,510**	416,197	-	-	-	-	**(479)**	(660)	**2,106,276**	2,089,597
Income from investments, net, and financing income	**78,917**	69,129	**7,398**	63,635	**896**	1,974	**(4,173)**	54,952	**364**	97	**1,479,122**	1,248,280
Income from management fees	-	-	-	-	**1,957**	1,494	-	-	**(1,716)**	(1,252)	**348,573**	235,762
Income (expenses) from commissions	**(542)**	1,173	**44,674**	33,841	**30,593**	30,378	-	-	**(10,562)**	(17,795)	**74,067**	58,278
Other income	-	-	**43**	23	**1,090**	1,261	-	-	-	-	**1,133**	1,284
Total income	**510,891**	507,780	**439,625**	513,696	**34,536**	35,107	**(4,173)**	54,952	**(12,393)**	(19,610)	**4,009,171**	3,633,201
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**429,033**	302,269	**467,413**	361,401	-	-	-	-	**(776)**	(828)	**3,736,349**	2,710,968
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(78,310)**	(50,903)	**(176,353)**	(47,334)	-	-	-	-	-	-	**(279,204)**	(120,406)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**350,723**	251,366	**291,060**	314,067	-	-	-	-	**(776)**	(828)	**3,457,145**	2,590,562
Commissions, marketing expenses and other acquisition costs	**115,612**	107,411	**158,449**	150,631	**24,352**	24,318	-	-	**(10,400)**	(17,119)	**510,064**	468,281
General and administrative expenses	**16,636**	13,968	**15,102**	18,196	**3,877**	2,155	**28,662**	14,192	**(683)**	(4,961)	**223,168**	188,824
Impairment of intangible assets	-	-	-	549	-	-	-	-	-	-	**10,715**	549
Other expenses	-	-	-	-	**916**	1,405	**2,813**	(3,074)	**34**	57	**4,834**	(404)
Financing expenses (income)	**(561)**	459	**1,923**	(672)	**30**	151	**25,088**	36,051	**(35)**	140	**27,843**	39,257
Total expenses	**482,410**	373,204	**466,534**	482,771	**29,175**	28,029	**56,563**	47,169	**(11,860)**	(22,711)	**4,233,769**	3,287,069
Share in the results of investee companies accounted by the equity method, net	**232**	410	**4,442**	-	-	46	**(4,153)**	1,986	-	-	**645**	3,929
Income (loss) before taxes on income	**28,713**	134,986	**(22,467)**	30,925	**5,361**	7,124	**(64,889)**	9,769	**(533)**	3,101	**(223,953)**	350,061
Other comprehensive income (loss) before taxes on income	**35,020**	(4,693)	**28,545**	(33,838)	**(479)**	59	**85,894**	(11,717)	**(676)**	(416)	**183,966**	(75,116)
Total comprehensive income (loss) before taxes on income	**63,733**	130,293	**6,078**	(2,913)	**4,882**	7,183	**21,005**	(1,948)	**(1,209)**	2,685	**(39,987)**	274,945

Note 4- Segmental Reporting (Cont.)

E. Additional information concerning the main insurance branches included in the non-life insurance segment

	Liability branches					
	Compulsory motor			Liabilities and others branches [1]		
	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	2017	2016	2016	2017	2016	2016
NIS in thousands	Unaudited		Audited	Unaudited		Audited
Gross premiums	**377,435**	345,714	438,306	**262,213**	241,444	310,259
Reinsurance premiums	**176,073**	11,642	15,572	**93,538**	76,683	97,292
Premiums on retention	**201,362**	334,072	422,734	**168,675**	164,761	212,967
Change in unearned premium balance, on retention	**64,627**	(20,633)	27	**(7,289)**	(1,417)	4,299
Premiums earned on retention	**265,989**	313,439	422,761	**161,386**	163,344	217,266
Income from investments, net, and financing income	**32,520**	56,970	69,798	**21,897**	34,908	42,827
Income from commissions	**17,831**	-	-	**9,131**	9,997	13,254
Total income	**316,340**	370,409	492,559	**192,414**	208,249	273,347
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**416,214**	249,182	352,883	**315,574**	328,534	426,299
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(111,784)**	(21,654)	(33,614)	**(158,155)**	(124,649)	(191,478)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**304,430**	227,528	319,269	**157,419**	203,885	234,821
Commissions, marketing expenses and other acquisition costs	**56,901**	52,187	75,411	**73,218**	74,071	98,896
General and administrative expenses	**6,246**	7,594	9,813	**4,337**	5,305	6,946
Impairment of intangible assets	**-**	-	-	**-**	63	143
Financing expenses (income)	**-**	-	-	**(607)**	33	174
Total expenses	**367,577**	287,309	404,493	**234,367**	283,357	340,980
Share in the profits (losses) of associate companies, net	**2,132**	-	-	**1,421**	-	-
Income (loss) before taxes on income	**(49,105)**	83,100	88,066	**(40,532)**	(75,108)	(67,633)
Other comprehensive income (loss) before taxes on income	**13,507**	(7,794)	(14,730)	**9,102**	(4,776)	(9,031)
Total comprehensive income (loss) before taxes on income	**(35,598)**	75,306	73,336	**(31,430)**	(79,884)	(76,664)

	As of September 30		As of December 31	As of September 30		As of December 31
	2017	2016	2016	2017	2016	2016
	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to insurance contracts						
Gross	**2,410,892**	2,426,308	2,380,386	**2,599,927**	2,478,830	2,490,718
Reinsurance	**309,462**	108,949	119,659	**1,115,103**	927,765	974,912
Retention	**2,101,430**	2,317,359	2,260,727	**1,484,824**	1,551,065	1,515,806

1) Other liability branches primarily include the results of the third party liability and employers' liability insurance branches, the activity in which, in the reporting period, in the corresponding period last year and in the year ended December 31, 2016, constitutes approximately 64%, approximately 67% and approximately 68%, respectively, of total premiums in those branches.

Note 4- Segmental Reporting (Cont.)

E. Additional information concerning the main insurance branches included in the non-life insurance segment (Cont.)

	Property branches											
	Motor property			Credit insurance			Property and others branches [1]			Total		
	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	2017	2016	2016	2017	2016	2016	2017	2016	2016	2017	2016	2016
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums	**572,063**	491,260	634,508	**83,081**	79,768	107,027	**502,037**	558,528	742,580	**1,796,829**	1,716,714	2,232,680
Reinsurance premiums	**1,963**	2,416	2,756	**41,094**	39,616	52,722	**348,217**	347,466	477,295	**660,885**	477,823	645,637
Premiums on retention	**570,100**	488,844	631,752	**41,987**	40,152	54,305	**153,820**	211,062	265,285	**1,135,944**	1,238,891	1,587,043
Change in unearned premium balance, on retention	**(60,612)**	(22,751)	(7,631)	**209**	166	(81)	**18,242**	58,259	69,477	**15,177**	13,624	66,091
Premiums earned on retention	**509,488**	466,093	624,121	**42,196**	40,318	54,224	**172,062**	269,321	334,762	**1,151,121**	1,252,515	1,653,134
Profits (Loss) from investments, net, and financing income	**6,430**	8,668	10,901	**(591)**	534	691	**6,767**	11,737	14,204	**67,023**	112,817	138,421
Income from commissions	**13**	17	26	**11,211**	12,384	16,611	**83,613**	77,845	103,756	**121,799**	100,243	133,647
Other income	**-**	-	-	**58**	65	72	**-**	-	-	**58**	65	72
Total income	**515,931**	474,778	635,048	**52,874**	53,301	71,598	**262,442**	358,903	452,722	**1,340,001**	1,465,640	1,925,274
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**353,999**	331,070	437,796	**22,973**	36,769	47,891	**328,548**	210,907	346,834	**1,437,308**	1,156,462	1,611,703
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(57)**	159	582	**(12,074)**	(20,936)	(23,028)	**(258,417)**	(50,234)	(110,367)	**(540,487)**	(217,314)	(357,905)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**353,942**	331,229	438,378	**10,899**	15,833	24,863	**70,131**	160,673	236,467	**896,821**	939,148	1,253,798
Commissions, marketing expenses and other acquisition costs	**132,413**	121,605	163,595	**7,707**	6,337	8,743	**160,773**	188,542	241,248	**431,012**	442,742	587,893
General and administrative expenses	**9,467**	10,791	14,207	**11,352**	10,907	14,797	**12,223**	15,413	20,818	**43,625**	50,010	66,581
Impairment of intangible assets	**-**	282	642	**-**	-	-	**-**	204	464	**-**	549	1,249
Financing income (expenses)	**(206)**	(92)	(249)	**(2,599)**	(1,449)	(1,253)	**(2,960)**	242	728	**(6,372)**	(1,266)	(600)
Total expenses	**495,616**	463,815	616,573	**27,359**	31,628	47,150	**240,167**	365,074	499,725	**1,365,086**	1,431,183	1,908,921
Share in the profits (losses) of associate companies, net	**400**	-	-	**-**	-	-	**489**	-	-	**4,442**	-	-
Income (loss) before taxes on income	**20,715**	10,963	18,475	**25,515**	21,673	24,448	**22,764**	(6,171)	(47,003)	**(20,643)**	34,457	16,353
Other comprehensive income (loss) before taxes on income	**2,576**	(1,410)	(2,350)	**3,094**	712	(449)	**2,732**	(1,769)	(2,926)	**31,011**	(15,037)	(29,486)
Total comprehensive income (loss) before taxes on income	**23,291**	9,553	16,125	**28,609**	22,385	23,999	**25,496**	(7,940)	(49,929)	**10,368**	19,420	(13,133)
	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2017	2016	2016	2017	2016	2016	2017	2016	2016	2017	2016	2016
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to insurance contracts												
Gross	**533,274**	499,987	483,164	**80,792**	85,720	97,897	**1,016,554**	1,016,245	1,037,179	**6,641,439**	6,507,090	6,489,344
Reinsurance	**849**	1,490	894	**42,485**	45,871	53,462	**591,143**	482,307	489,129	**2,059,042**	1,566,382	1,638,056
Retention	**532,425**	498,497	482,270	**38,307**	39,849	44,435	**425,411**	533,938	548,050	**4,582,397**	4,940,708	4,851,288

1) Property and other branches primarily include the results of the business property insurance and apartment insurance branches, the activity in which during the reporting period, in the corresponding period last year and in the year ended December 31, 2016, constitutes approximately 73%, approximately 72% and approximately 73%, respectively, of the total premiums in these branches.

Note 4- Segmental Reporting (Cont.)

E. Additional information concerning the main insurance branches included in the non-life insurance segment (Cont.)

	Liability branches				Property branches							
	Compulsory motor		Liabilities and others branches [2]		Motor property		Credit insurance		Property and others branches [1]		Total	
	For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
NIS in thousands	Unaudited											
Gross premiums	**110,674**	107,833	**71,239**	65,508	**170,766**	146,013	**27,476**	26,942	**163,886**	162,804	**544,041**	509,100
Reinsurance premiums	**51,153**	3,747	**21,014**	17,345	**591**	600	**13,530**	13,176	**118,153**	100,429	**204,441**	135,297
Premiums on retention	**59,521**	104,086	**50,225**	48,163	**170,175**	145,413	**13,946**	13,766	**45,733**	62,375	**339,600**	373,803
Change in unearned premium balance, on retention	**26,123**	4,249	**5,116**	5,326	**7,797**	10,185	**297**	43	**8,577**	22,591	**47,910**	42,394
Premiums earned on retention	**85,644**	108,335	**55,341**	53,489	**177,972**	155,598	**14,243**	13,809	**54,310**	84,966	**387,510**	416,197
Income from investments, net, and financing income	**3,371**	30,687	**2,448**	18,774	**802**	6,134	**264**	1,052	**513**	6,988	**7,398**	63,635
Income from commissions	**8,998**	-	**3,043**	3,510	**3**	8	**3,669**	4,085	**28,961**	26,238	**44,674**	33,841
Other income	**-**	-	**-**	-	**-**	-	**43**	23	**-**	-	**43**	23
Total income	**98,013**	139,022	**60,832**	75,773	**178,777**	161,740	**18,219**	18,969	**83,784**	118,192	**439,625**	513,696
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**127,604**	105,741	**90,935**	79,416	**117,791**	99,673	**8,762**	9,954	**122,321**	66,617	**467,413**	361,401
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(43,566)**	(5,321)	**(26,175)**	(6,736)	**(264)**	(347)	**(5,760)**	(2,852)	**(100,588)**	(32,078)	**(176,353)**	(47,334)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**84,038**	100,420	**64,760**	72,680	**117,527**	99,326	**3,002**	7,102	**21,733**	34,539	**291,060**	314,067
Commissions, marketing expenses and other acquisition costs	**22,873**	18,630	**27,318**	26,089	**49,359**	41,545	**2,701**	2,198	**56,198**	62,169	**158,449**	150,631
General and administrative expenses	**2,154**	2,954	**1,407**	1,878	**3,313**	4,060	**3,779**	3,698	**4,449**	5,606	**15,102**	18,196
Impairment of intangible assets	-	-	-	63	-	282	-	-	-	204	-	549
Financing expenses (income)	**2,422**	-	**343**	40	**74**	(51)	**389**	(537)	**(1,305)**	(124)	**1,923**	(672)
Total expenses	**111,487**	122,004	**93,828**	100,750	**170,273**	145,162	**9,871**	12,461	**81,075**	102,394	**466,534**	482,771
Share in the profits (losses) of associate companies, net	**2,132**	-	**1,421**	-	**400**	-	**-**	-	**489**	-	**4,442**	-
Income (loss) before taxes on income	**(11,342)**	**17,018**	**(31,575)**	(24,977)	**8,904**	16,578	**8,348**	6,508	**3,198**	15,798	**(22,467)**	30,925
Other comprehensive income before taxes on income	**12,999**	(16,104)	**8,778**	(9,875)	**2,461**	(2,778)	**1,717**	(1,562)	**2,590**	(3,519)	**28,545**	(33,838)
Total comprehensive income (loss) before taxes on income	**1,657**	914	**(22,797)**	(34,852)	**11,365**	13,800	**10,065**	4,946	**5,788**	12,279	**6,078**	(2,913)

1) Liability and others branches primarily include the results of the business property and apartment insurance branches, the activity with respect to which, in the three month period ended on the reporting date, and in the corresponding period last year, constituted approximately 76% and 75%, respectively, of total premiums in those branches.
2) Other liability branches primarily include the results of the third party liability and employer's liability insurance branches, the activity with respect to which, in the three month period ended on the reporting date, and in the corresponding period last year, accounts for approximately 74% and approximately 78%, respectively, of total premiums in these branches.

Note 4- Segmental Reporting (Cont.)

F. Additional information regarding the life insurance and long-term savings segment

Data for the period of nine months ended September 30, 2017 (unaudited)

	Life insurance policies which include a savings component (including riders) by policy issue date				Life insurance policies with no savings component Risk sold as a single policy		
			From 2004				
NIS in thousands	Until 1990 1)	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	188,270	1,244,367	7,120	2,234,891	446,661	66,270	4,187,579
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	214,456	-	-	214,456
Financial margin including management fees 2)	164,947	393,623	(25)	143,960	-	-	702,505
Payments and changes in liabilities with respect to insurance contracts, gross	875,347	3,379,958	7,077	2,818,840	189,933	51,191	7,322,346
Payments and changes in liabilities with respect to investment contracts	-	-	87	78,274	-	-	78,361

Data for the period of three months ended September 30, 2017 (unaudited)

	Life insurance policies which include a savings component (including riders) by policy issue date				Life insurance policies with no savings component Risk sold as a single policy		
			From 2004				
NIS in thousands	Until 1990 1)	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	62,554	419,561	910	669,059	156,701	19,638	1,328,423
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	55,472	-	-	55,472
Financial margin including management fees 2)	102,908	179,201	874	48,595	-	-	331,578
Payments and changes in liabilities with respect to insurance contracts, gross	415,446	1,327,294	1,835	957,325	65,872	20,186	2,787,958
Payments and changes in liabilities with respect to investment contracts	-	-	21	33,226	-	-	33,247

Data for the period of nine months ended September 30, 2016 (unaudited)

	Life insurance policies which include a savings component (including riders) by policy issue date				Life insurance policies with no savings component Risk sold as a single policy		
			From 2004				
NIS in thousands	Until 1990 1)	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	203,144	1,238,504	9,754	1,749,657	406,079	78,781	3,685,919
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	377,853	-	-	377,853
Financial margin including management fees 2)	121,519	167,850	658	133,412	-	-	423,439
Payments and changes in liabilities with respect to insurance contracts, gross	1,134,502	1,723,387	9,576	1,878,364*)	189,485	62,649	4,997,964
Payments and changes in liabilities with respect to investment contracts	-	-	10	18,655*)	-	-	18,665

*) Re-classified.

Notes:

(1) Products which were issued until 1990 (including enlargements in respect thereof) were primarily guaranteed-return, and are primarily/partially backed by designated bonds.

(2) The financial margin includes profit (loss) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses.
The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds.
The financial margin in investment-linked contracts is the total of fixed and variable management fees, calculated based on a reduction in the credit to savings in the Company's systems.

Note 4- Segmental Reporting (Cont.)

F. Additional information regarding the life insurance and long-term savings segment (Cont.)

Data for the period of three months ended September 30, 2016 (unaudited)

NIS in thousands	Life insurance policies which include a savings component (including riders) by policy issue date				Life insurance policies with no savings component Risk sold as a single policy		
			From 2004				
	Until 1990 [1]	Until 2003	Non-investment -linked	Investment-linked	Individual	Collective	Total
Gross premiums:	66,874	416,955	3,156	608,684	152,921	29,653	1,278,243
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	121,807	-	-	121,807
Financial margin including management fees [2]	10,798	69,920	(549)	45,529	-	-	125,698
Payments and changes in liabilities with respect to insurance contracts, gross	281,862	943,424	3,259	677,224*)	66,081	20,535	1,992,385
Payments and changes in liabilities with respect to investment contracts	-	-	15	14,871*)	-	-	14,886

*) Re-classified.

Data for the year ended December 31, 2016

NIS in thousands	Life insurance policies with a savings component (including riders) by policy issue date				Life insurance policies with no savings component Risk sold as a single policy		
			From 2004				
	Until 1990 [1]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	260,663	1,654,678	12,845	2,414,607	552,660	103,160	4,998,612
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	469,704	-	-	469,704
Financial margin including management fees [2]	202,321	302,883	1,281	179,196	-	-	685,681
Payments and changes in liabilities with respect to insurance contracts, gross	1,128,755	2,584,299	11,006*)	2,620,699	276,988	77,708	6,699,457
Payments and changes in liabilities with respect to investment contracts	-	-	3*)	30,200	-	-	30,203

*) Re-classified.

Notes:

(1) Products which were issued until 1990 (including enlargements in respect thereof) were primarily guaranteed-return, and are primarily/partially backed by designated bonds.

(2) The financial margin includes profit (loss) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses.

The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds.

The financial margin in investment-linked contracts is the total of fixed and variable management fees, calculated based on a reduction in the credit to savings in the Company's systems.

Note 4- Segmental Reporting (Cont.)

G. Additional details regarding the health insurance segments **)

Data for the period of nine months ended September 30, 2017 (unaudited)

	Long term care		Health other *)		
NIS in thousands	**Individual**	**Collective**	**Long term**	**Short term**	**Total**
Gross premiums	181,953	586,047	551,526	98,889	1,418,415
Payments and changes in liabilities with respect to insurance contracts, gross	73,189	10,897	74,189	5,420	203,695

*) Of which, individual premiums in the amount of NIS 481,652 thousand and collective premiums in the amount of NIS 168,763 thousand.

Data for the period of nine months ended September 30, 2016 (unaudited)

	Long term care		Health other *)		
NIS in thousands	**Individual**	**Collective**	**Long term**	**Short term**	**Total**
Gross premiums	176,414	566,644	494,028	116,471	1,353,557
Payments and changes in liabilities with respect to insurance contracts, gross	18,758	46,620	51,879	3,061	085,318

*) Of which, individual premiums in the amount of NIS 420,954 thousand and collective premiums in the amount of NIS 189,545 thousand.

Data for the period of three months ended September 30, 2017 (unaudited)

	Long term care		Health other *)		
NIS in thousands	**Individual**	**Collective**	**Long term**	**Short term**	**Total**
Gross premiums	61,553	211,897	184,081	45,595	503,126
Payments and changes in liabilities with respect to insurance contracts, gross	5,066	55,153	9,347	3,467	29,033

*) Of which, individual premiums in the amount of NIS 162,653 thousand and collective premiums in the amount of NIS 67,023 thousand.

Data for the period of three months ended September 30, 2016 (unaudited)

	Long term care		Health other *)		
NIS in thousands	**Individual**	**Collective**	**Long term**	**Short term**	**Total**
Gross premiums	59,073	211,842	168,306	52,833	492,054
Payments and changes in liabilities with respect to insurance contracts, gross	783	75,816	02,544	2,126	02,269

*) Of which, individual premiums in the amount of NIS 142,582 thousand and collective premiums in the amount of NIS 78,557 thousand.

Data for the year ended December 31, 2016 (Audited)

	Long term care		Health other *)		
NIS in thousands	**Individual**	**Collective**	**Long term**	**Short term**	**Total**
Gross premiums	235,789	752,455	668,887	141,749	1,798,880
Payments and changes in liabilities with respect to insurance contracts, gross	39,005	44,457	22,569	1,825	227,856

*) Of which, individual premiums in the amount of NIS 569,306 thousand and collective premiums in the amount of NIS 241,330 thousand.

**) The most material coverage included in other long term health insurance is medical expenses; with respect to short term, it is international travel.

Note 5 - Financial Instruments

A. Assets for investment-linked contracts

1. Composition:

NIS in thousands	As of September 30 2017	As of September 30 2016	As of December 31 2016
	Unaudited	Unaudited	Audited
Investment property *)	**2,799,748**	2,702,316	2,742,180
Financial investments			
Marketable debt assets	**23,662,490**	21,443,686	21,106,921
Non-marketable debt assets	**6,602,292**	6,546,464	6,243,667
Stocks	**8,204,248**	8,277,990	8,053,144
Other financial investments	**16,199,045**	14,519,402	16,790,762
Total financial investments *)	**54,668,075**	50,787,542	52,194,494
Cash and cash equivalents	**3,536,934**	3,111,435	2,953,235
Other **)	**1,423,633**	538,734	505,711
Total assets for investment-linked contracts	**62,428,390**	57,140,027	58,395,620

*) Measured at fair value through profit and loss.

**) As of September 30, 2017, most of the balance was due to gaps in the timing of securities clearing.

2. Additional information regarding fair value

A. Fair value of financial assets, classified by levels

The table below presents an analysis of assets measured at fair value on a periodic basis, using an assessment method based on the various levels of the hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) to the annual financial statements.

NIS in thousands	As of September 30, 2017 Level 1	Level 2	Level 3	Total
	Unaudited			
Financial investments:				
Marketable debt assets	**21,170,871**	**2,491,619**	**-**	**23,662,490**
Non-marketable debt assets	**-**	**6,460,195**	**142,097**	**6,602,292**
Stocks	**8,096,012**	**-**	**108,236**	**8,204,248**
Other financial investments *)	**10,983,950**	**2,650,459**	**2,564,636**	**16,199,045**
Total financial investments	**40,250,833**	**11,602,273**	**2,814,969**	**54,668,075**
*) Of which, with respect to derivatives	**204,965**	**193,650**	**2,999**	**401,614**

During the period, there were no significant transfers between level 1 and level 2.

Note 5- Financial Instruments (Cont.)

A. Assets for investment-linked contracts (Cont.)

2. Additional information regarding fair value (Cont.)

A. Fair value of financial assets, classified by levels (Cont.)

	As of September 30, 2016			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	20,184,425	1,259,261	-	21,443,686
Non-marketable debt assets	-	6,371,157	175,307	6,546,464
Stocks	8,168,035	-	109,955	8,277,990
Other financial investments *)	9,832,797	2,337,388	2,349,217	14,519,402
Total financial investments	38,185,257	9,967,806	2,634,479	50,787,542
*) Of which, with respect to derivatives	152,150	179,861	-	332,011

During the period, there were no significant transfers between level 1 and level 2.

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Audited			
Financial investments:				
Marketable debt assets	19,389,166	1,717,755	-	21,106,921
Non-marketable debt assets	-	6,061,999	181,668	6,243,667
Stocks	7,932,601	-	120,543	8,053,144
Other financial investments *)	11,899,523	2,476,918	2,414,321	16,790,762
Total financial investments	39,221,290	10,256,672	2,716,532	52,194,494
*) Of which, with respect to derivatives	139,843	312,304	-	452,147

During the period, there were no significant transfers between level 1 and level 2.

B. Assets measured at fair value level 3

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Unaudited			
Balance as of January 1, 2017	**181,668**	**120,543**	**2,414,321**	**2,716,532**
Total income recognized in the statement of income	**10,955**	**16,482**	**125,932**	**153,369**
Acquisitions	**852**	**6,963**	**526,482**	**534,297**
Sales	-	**(31,922)**	**(492,839)**	**(524,761)**
Redemptions	**(43,083)**	-	**(4,662)**	**(47,745)**
Interest and dividend receipts	**(8,295)**	**(3,830)**	**(4,598)**	**(16,723)**
Balance as of September 30, 2017	**142,097**	**108,236**	**2,564,636**	**2,814,969**
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2017	**11,191**	**6,730**	**125,310**	**143,231**

Note 5- Financial Instruments (Cont.)

A. Assets for investment-linked contracts (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3 (Cont.)

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
	Unaudited			
Balance as of January 1, 2016	220,562	162,726	2,332,173	2,715,461
Total income (loss) recognized in the statement of income	(10,387)	(20,215)	58,427	27,825
Acquisitions	921	-	315,009	315,930
Sales	(1,596)	(30,251)	(349,127)	(380,974)
Redemptions	(56,150)	-	-	(56,150)
Interest and dividend receipts	(2,582)	(2,305)	(7,265)	(12,152)
Transfers to level 3 *)	24,539	-	-	24,539
Balance as of September 30, 2016	175,307	109,955	2,349,217	2,634,479
Total income (loss) for the period included under profit and loss in respect of held financial assets as of September 30, 2016	(7,633)	(14,533)	57,596	35,430

*) With respect to debt assets for which the use of quotes was discontinued, and which were transferred to level 3.

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
	Unaudited			
Balance as of July 1, 2017	**134,088**	**103,355**	**2,554,048**	**2,791,491**
Total income recognized in the statement of income	**7,990**	**6,556**	**85,118**	**99,664**
Acquisitions	**852**	**-**	**167,054**	**167,906**
Sales	-	**(168)**	**(239,688)**	**(239,856)**
Redemptions	**(111)**	**-**	**-**	**(111)**
Interest and dividend receipts	**(722)**	**(1,507)**	**(1,896)**	**(4,125)**
Balance as of September 30, 2017	**142,097**	**108,236**	**2,564,636**	**2,814,969**
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2017	**7,990**	**6,556**	**83,813**	**98,359**

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
	Unaudited			
Balance as of July 1, 2016	140,806	151,686	2,325,593	2,618,085
Total income (loss) recognized in the statement of income	19,850	(9,175)	7,461	18,136
Acquisitions	528	-	85,530	86,058
Sales	(1,194)	(30,251)	(67,514)	(98,959)
Redemptions	(8,664)	-	-	(8,664)
Interest and dividend receipts	(558)	(2,305)	(1,853)	(4,716)
Transfers to level 3 *)	24,539	-	-	24,539
Balance as of September 30, 2016	175,307	109,955	2,349,217	2,634,479
Total income (loss) for the period included under profit and loss in respect of held financial assets as of September 30, 2016	11,175	(3,493)	7,227	14,909

*) With respect to debt assets for which the use of quotes was discontinued, and which were transferred to level 3.

Note 5- Financial Instruments (Cont.)

A. Assets for investment-linked contracts (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3 (Cont.)

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
	Audited			
Balance as of January 1, 2016	220,562	162,726	2,332,173	2,715,461
Total income (loss) recognized in the statement of income	931	(9,627)	166,407	157,711
Acquisitions	922	-	421,773	422,695
Sales	-	(30,251)	(496,387)	(526,638)
Redemptions	(57,963)	-	-	(57,963)
Interest and dividend receipts	(3,895)	(2,305)	(9,645)	(15,845)
Transfers to level 3 *)	21,111	-	-	21,111
Balance as of December 31, 2016	181,668	120,543	2,414,321	2,716,532
Total income (loss) for the period included under profit and loss with respect to held financial assets as of December 31, 2016	3,672	(3,941)	166,571	166,302

*) With respect to debt assets for which the use of quotes was discontinued, and which were transferred to level 3.

B. Other financial investments

1. Non-marketable debt assets - composition and fair value

NIS in thousands	As of September 30, 2017 Book value	As of September 30, 2017 Fair value
	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**15,533,322**	**23,004,841**
Other non-convertible debt assets	**5,271,626**	**5,851,502**
Deposits in banks	**855,567**	**971,052**
Total non-marketable debt assets	**21,660,515**	**29,827,395**
Impairment applied to income statement (cumulative)	**104,517**	

NIS in thousands	As of September 30, 2016 Book value	As of September 30, 2016 Fair value
	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	15,483,859	23,411,339
Other non-convertible debt assets	4,947,204	5,435,319
Deposits in banks	926,678	1,068,453
Total non-marketable debt assets	21,357,741	29,915,111
Impairment applied to income statement (cumulative)	134,817	

NIS in thousands	As of December 31, 2016 Book value	As of December 31, 2016 Fair value
	Audited	
Government bonds		
HETZ bonds and treasury deposits	15,329,115	22,491,386
Other non-convertible debt assets	5,054,648	5,481,160
Deposits in banks	897,950	1,011,406
Total non-marketable debt assets	21,281,713	28,983,952
Impairment applied to income statement (cumulative)	122,021	

Note 5- Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value

A. Fair value of financial assets, classified by levels

The table below presents an analysis of assets measured at fair value on a periodic basis, using an assessment method based on the various levels of the hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) to the annual financial statements.

	As of September 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
NIS in thousands	**Unaudited**			
Financial investments:				
Marketable debt assets	**5,425,692**	**331,143**	**-**	**5,756,835**
Non-marketable debt assets	**-**	**5,933**	**-**	**5,933**
Stocks	**1,081,321**	**-**	**77,949**	**1,159,270**
Other financial investments *)	**1,311,396**	**79,172**	**1,282,784**	**2,673,352**
Total financial investments	**7,818,409**	**416,248**	**1,360,733**	**9,595,390**
*) Of which, with respect to derivatives	**4,587**	**32,634**	**842**	**38,063**

During the period, there were no significant transfers between level 1 and level 2.

	As of September 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
NIS in thousands	**Unaudited**			
Financial investments:				
Marketable debt assets	5,473,769	230,455	-	5,704,224
Non-marketable debt assets	-	9,241	-	9,241
Stocks	1,005,617	-	77,698	1,083,315
Other financial investments *)	873,609	136,897	1,189,943	2,200,449
Total financial investments	7,352,995	376,593	1,267,641	8,997,229
*) Of which, with respect to derivatives	279	52,134	-	52,413

During the period, there were no significant transfers between level 1 and level 2.

	As of December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
NIS in thousands	**Audited**			
Financial investments:				
Marketable debt assets	5,290,675	284,384	-	5,575,059
Non-marketable debt assets	-	8,290	-	8,290
Stocks	1,062,558	-	77,002	1,139,560
Other financial investments *)	969,735	103,806	1,269,940	2,343,481
Total financial investments	7,322,968	396,480	1,346,942	9,066,390
*) Of which, with respect to derivatives	1,673	37,471	-	39,144

During the period, there were no significant transfers between level 1 and level 2.

Note 5- Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3

	Stocks	Other financial investments	Total
NIS in thousands		**Unaudited**	
As of January 1, 2017	**77,002**	**1,269,940**	**1,346,942**
Total income (loss) which was recognized:			
Under profit and loss	**2,106**	**60,702**	**62,808**
Under other comprehensive income	**(2,252)**	**(45,373)**	**(47,625)**
Acquisitions	**3,293**	**235,897**	**239,190**
Sales	**-**	**(234,943)**	**(234,943)**
Redemptions	**-**	**(2,713)**	**(2,713)**
Interest and dividend receipts	**(2,200)**	**(726)**	**(2,926)**
As of September 30, 2017	**77,949**	**1,282,784**	**1,360,733**
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2017	**2,106**	**60,243**	**62,349**

	Stocks	Other financial investments	Total
NIS in thousands		**Unaudited**	
As of January 1, 2016	80,883	1,013,408	1,094,291
Total income (loss) which was recognized:			
Under profit and loss	1,420	14,831	16,251
Under other comprehensive income	(3,189)	12,754	9,565
Acquisitions	-	287,686	287,686
Sales	-	(137,046)	(137,046)
Interest and dividend receipts	(1,416)	(1,690)	(3,106)
As of September 30, 2016	77,698	1,189,943	1,267,641
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2016	1,420	14,272	15,692

	Stocks	Other financial investments	Total
NIS in thousands		**Unaudited**	
As of July 1, 2017	**78,610**	**1,271,778**	**1,350,388**
Total income (loss) which was recognized:			
Under profit and loss	**700**	**31,599**	**32,299**
Under other comprehensive income	**(661)**	**9,177**	**8,516**
Acquisitions	**-**	**62,278**	**62,278**
Sales	**-**	**(91,909)**	**(91,909)**
Interest and dividend receipts	**(700)**	**(139)**	**(839)**
As of September 30, 2017	**77,949**	**1,282,784**	**1,360,733**
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2017	**700**	**29,800**	**30,500**

Note 5- Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3 (Cont.)

NIS in thousands	Stocks	Other financial investments	Total
		Unaudited	
As of July 1, 2016	79,815	1,199,188	1,279,003
Total income (loss) which was recognized:			
Under profit and loss	416	3,055	3,471
Under other comprehensive income	(2,117)	765	(1,352)
Acquisitions	-	30,952	30,952
Sales	-	(43,783)	(43,783)
Interest and dividend receipts	(416)	(234)	(650)
As of September 30, 2016	77,698	1,189,943	1,267,641
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2016	416	2,928	3,344

NIS in thousands	Stocks	Other financial investments	Total
		Audited	
As of January 1, 2016	80,883	1,013,408	1,094,291
Total recognized income (loss):			
Under profit and loss	40	21,856	21,896
Under other comprehensive income	(1,905)	72,142	70,237
Acquisitions	-	340,934	340,934
Sales	-	(174,179)	(174,179)
Interest and dividend receipts	(2,016)	(4,221)	(6,237)
As of December 31, 2016	77,002	1,269,940	1,346,942
Total income for the period included under profit and loss with respect to held financial assets as of December 31, 2016	40	21,149	21,189

Note 5- Financial Instruments (Cont.)

C. Financial liabilities

1. Composition and fair value:

	As of September 30 2017		As of September 30 2016		As of December 31 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
NIS in thousands	**Unaudited**				**Audited**	
Liabilities to banking corporations and others:						
Total financial liabilities presented at amortized cost:						
Loans from banking corporations:						
The Company **)	-	-	70,000	71,800	70,000	72,153
Clal Credit and Finance	-	-	6,237	6,248	3,089	3,095
Total liabilities presented at amortized cost	-	-	76,237	78,048	73,089	75,248
Financial liabilities resented at fair value through profit and loss:						
Liabilities with respect to derivative financial instruments and short sales *)	**378,119**	**378,119**	111,908	111,908	246,573	246,573
Total liabilities to banking corporations and others	**378,119**	**378,119**	188,145	189,956	319,662	321,821
Deferred liability notes	**3,240,325**	**3,621,761**	3,107,666	3,367,607	3,315,333	3,547,259
Total financial liabilities	**3,618,444**	**3,999,880**	**3,295,811**	**3,557,563**	**3,634,995**	**3,869,080**
*) Of which, with respect to investment-linked liabilities	**167,795**	**167,795**	81,895	81,895	214,853	214,853

**) In accordance with the policy which was determined to reduce debt which is not recognized as capital in Clal Insurance, and the Company's financing costs, the Company performed, during the reporting period, an initiated early repayment of the balance of the loan from an interested party bank, which was expected to be repaid in installments by the end of 2019. The Company currently has no debts to banking corporations.

2. Fair value of financial liabilities, classified by levels

The table below presents an analysis of assets measured at fair value on a periodic basis, using an assessment method based on the various levels of the hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) to the annual financial statements.

	As of September 30, 2017			
	Level 1	Level 2	Level 3	Total
NIS in thousands	**Unaudited**			
Derivatives	**2,352**	**375,767**	-	**378,119**
Total financial liabilities	**2,352**	**375,767**	-	**378,119**

	As of September 30, 2016			
	Level 1	Level 2	Level 3	Total
NIS in thousands	**Unaudited**			
Derivatives	1,532	110,376	-	111,908
Total financial liabilities	1,532	110,376	-	111,908

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
NIS in thousands	**Audited**			
Derivatives	768	245,805	-	246,573
Total financial liabilities	768	245,805	-	246,573

Note 5- Financial Instruments (Cont.)

D. Valuation techniques and valuation processes implemented in the Company

<u>Non-marketable debt assets *)</u>

Fair value is calculated according to a model which is based on the present value obtained by discounting the cash flows, according to the discount interest rate. The fair value of HETZ bonds is calculated according to the actuarial average lifetime, and according to the forecasted discounted cash flow, based on the risk-free interest curve.

*) The discount rates used to calculate the fair value of non-marketable debt assets, which is determined by discounting the estimated expected cash flows with respect to them, are based principally on the yields of government bonds and the margins of corporate bonds, as measured on the Tel Aviv Stock Exchange. The price quotes and interest rates which were used for discounting are determined by the Mirvach Hogen group, a company which provides price quotes and interest rates to institutional entities for the revaluation of non-marketable debt assets. The model of Mirvach Hogen is based on the distribution of the trading market into deciles, according to the yield to maturity of the debt assets, and the determination of the location of the non-marketable asset in those deciles, according to the risk premium which is derived from prices of transactions / issuances on the non-trading market.

For additional details, see Notes 3(f)(2) and 14(f)(3) and (4) to the annual financial statements.

Note 6 - Capital Management and Requirements

A. **Capital requirements for the Group's member companies**

1. As of the end of the reporting period, managing companies under the control of Clal Insurance have a capital surplus relative to the minimum capital required pursuant to the Control of Insurance Business (Minimum Equity Required of an Insurer) Regulations, 1998, including the amendments enacted pursuant thereto (hereinafter: the "**Capital Regulations**"), as specified in section b(1) below, and Clal Insurance achieved its target capital, as determined by the Board of Directors of Clal Insurance.

   Further to that stated in Note 16(e)(3) to the annual financial statements, in June 2017, a circular was published on the subject of "Provisions regarding the implementation of a Solvency II-based economic solvency regime for insurance companies" (hereinafter: the "**Solvency Circular**"). The application date specified in the solvency circular is June 30, 2017. It was further determined that, until the Commissioner gave approval for the audit of data regarding the Solvency II-based economic solvency regime with respect to the Company, two different capital regimes apply. Capital requirements pursuant to the Capital Regulations and the economic solvency capital requirement in accordance with the solvency circular.

   In accordance with the solvency circular, based on the calculation which was performed by the Company as of December 31, 2016, the Company has a capital surplus both in consideration of the transitional provisions during the distribution period, and without the transitional provisions, as specified in section B(2) below.

   For additional details regarding the capital requirements for insurance companies in the group, see Note 16(e) to the annual financial statements.

2. For details regarding the management of capital requirements in the Company, see section (C) below.

B. Capital requirements for insurance companies in the group

1. Presented below are details pertaining to capital requirements in accordance with the Capital Regulations and directives issued by the Commissioner which apply to consolidated companies that are insurance companies:

	As of September 30, 2017		As of December 31, 2016	
	Clal Insurance	Clal Credit Insurance	Clal Insurance	Clal Credit Insurance
NIS in thousands	Unaudited		Audited	
Minimum capital:				
Amount required pursuant to the amended Capital Regulations a)	4,713,123	33,928	4,665,703	34,113
Current amount as calculated pursuant to the Capital Regulations:				
Basic Tier 1 capital	4,687,588	210,197	4,513,460	191,614
Tier 2 subordinated capital b)	43,596	-	65,355	-
Tier 2 hybrid capital	2,969,525	-	2,831,680	-
Tier 3 capital	111,938	-	111,938	-
Total Tier 2 and Tier 3 capital	3,125,059	-	3,008,973	-
Total current capital, calculated according to the Capital Regulations c)	7,812,647	210,197	7,522,433	191,614
Surplus d)	3,099,524	176,269	2,856,730	157,501
The investment amount which is mandatory for provision against retained earnings, in accordance with the Commissioner's directives, or which is actually held against retained income, and therefore constitutes non-distributable retained earnings	125,895	-	127,298	-
Capital reduction required with respect to original difference	164,444	-	194,568	-
Tax reserve with respect to the acquisition of provident funds	63,509	-	88,581	-
Surplus in consideration of operations which were performed subsequent to the reporting date and after deducting tied-up surplus	2,872,694	176,269	2,623,445	157,501
A) Total required amount, including capital requirements with respect to:				
Non-life insurance operations / required Tier 1 capital	521,964	29,761	549,068	29,702
Long term care insurance operations	111,345	-	110,751	-
Extraordinary risks in life insurance	424,146	-	420,185	-
Deferred acquisition costs in life insurance and illness and hospitalization insurance	1,380,206	-	1,376,282	-
Requirements with respect to guaranteed return plans	2,258	-	2,745	-
Non-recognized assets, as defined in the Capital Regulations	59,815	102	66,125	174
Investment in consolidated insurance and managing companies (including acquired management operations)	654,931	-	730,446	-
Capital reduction required with respect to original difference	(164,444)	-	(194,568)	-
Capital required with respect to investments	1,204,085	1,855	1,092,117	2,097
Catastrophe risks in non-life insurance	110,897	-	120,345	-
Operational risks	293,215	2,210	280,997	2,140
Guarantees	114,705	-	111,210	-
Total required capital	4,713,123	33,928	4,665,703	34,113

B) Issued until December 31, 2009.

C) See section B(2) below.

D) See section B(2) below for details regarding the Commissioner's letter in connection with a dividend distribution.

Note 6 - Capital Management and Requirements (Cont.)

B. Capital requirements for insurance companies in the group (Cont.)

2. **Implementation of a Solvency II-based solvency regime**

In June 2017, a circular was published on the subject of “Provisions regarding the implementation of a Solvency II-based economic solvency regime for insurance companies”. The solvency circular includes several changes to the provisions regarding calculation which were set forth in previous provisions regarding the performance of IQIS. The solvency circular specified an adoption date of June 30, 2017 and a distribution period during which the solvency capital requirement will increase gradually, from a rate of 60% of the solvency capital requirement according to the circular, up to full compliance with the calculation based on the data for December 31, 2024. This distribution period is in addition to the transitional provisions which were determined regarding the capital requirement with respect to the stock risk sub-component, according to which the capital requirement will increase gradually, with respect to this sub-component, over a period of seven years.

In July 2017, a circular was published on the subject of “reporting to the Commissioner regarding results of the calculation of the economic solvency ratio” (hereinafter: the “**Reporting Circular**”), which determined that insurance companies are required to calculate the economic solvency ratio as of December 31, 2016 in accordance with the provisions of the solvency circular, and to submit their results to the Commissioner proximate to the publication date of the financial statements for the second quarter of 2017. The Company conducted a calculation of the economic solvency ratio in accordance with the provisions of the reporting circular, and the results of the calculation were submitted to the Commissioner in August 2017

According to the calculation which was performed by the Company as of December 31, 2016, the Company has a capital surplus, both in consideration of the transitional provisions during the distribution period, and without the transitional provisions.

The data presented above have not been audited or reviewed by the auditors as part of the review of the financial reports.

It is noted that the calculation of the economic solvency ratio is based on data and models which may differ from those used by the Company in the financial reports, and which are based, inter alia, on forecasts and assumptions which rely, for the most part, on past experience. In particular, the calculation of the economic solvency ratio is significantly based on the embeDEd value calculation model. It is noted that the calculation of the economic solvency ratio is based on data and models which may differ from those used by Clal Holdings in the financial reports, and which are based, inter alia, on forecasts and assumptions which rely, for the most part, on past experience. In particular, the calculation of the economic solvency ratio is significantly based on the embeDEd value calculation model. The embeDEd value report is based, inter alia, on internal studies conducted by the Company, and is subject to the reservations and limitations specified therein. The calculation of the capital requirement is performed in accordance with the provisions of the solvency circular, by simulating the effect of various scenarios on the calculated economic equity, and these calculations involve a significant degree of complexity. Accordingly, control thereof is also complex. The Company has prepared, in infrastructural terms, for the calculations, and is continuing with the preparations towards establishing the required calculation processes, including increasing the effectiveness of the control thereof. It is noted that, in accordance with the reporting circular, by December 31, 2017, the preparation of the auditors’ special report will be completed, which will address processes and controls which are intended to ensure the quality and completeness of the data which were used in the calculation, the scope and quality of documentation, and the gaps regarding compliance with a full audit.

It is emphasized that the results of the models which are used to calculate the solvency ratio are highly sensitive to the forecasts and assumptions which are included therein, and to the manner in which the instructions are implemented. Additionally, actual results may differ from the forecasts and assumptions which were used to calculate the economic solvency ratio.

It is further noted that the Company was informed by the Capital Market, Insurance and Savings Authority (hereinafter: the “**Authority**”) that it will work to appoint an “implementation staff” to discuss certain issues pertaining to the solvency circular, and the need for its adjustment. At this stage, the Company is unable to estimate whether, following the activities of the implementation team, the Authority will work to implement changes to the solvency circular, nor the impact that such changes will have on the Company’s solvency ratio, if and when they are accepted.

Note 6 - Capital Management and Requirements (Cont.)

B. Capital requirements for insurance companies in the group (Cont.)

2. **Solvency II-based solvency regime (Cont.)**

Dividends

Except for the general requirements and the Companies Law, a dividend distribution from a capital surplus in an insurance company is also subject to liquidity requirements, compliance with provisions of the Investment Regulations, and additional directives which are published by the Commissioner from time to time. Further to that stated in Note 16(e)(4) to the annual financial statements, in October 2017, the Commissioner sent a letter to the managers of the insurance companies, stating that an insurance company will be entitled to distribute dividends if, after the performance of the distribution, the insurer has a ratio of recognized equity to required equity (hereinafter: "**Solvency Ratio**") as follows:

A. Minimum rate of 115% in accordance with the current Capital Regulations, or any provisions which may come in their place, until the date of receipt of the Commissioner's approval for the performance of an audit by an auditor, regarding the implementation of the provisions of the solvency circular;
B. Minimum rate of 100% according to the solvency circular, calculated without the provisions during the distribution period, and without the share scenario adjustment period, and subject to the solvency ratio target which was determined by the Company's Board of Directors.

Additionally, the insurance company is required to submit to the Commissioner, within twenty business days after the distribution date, the Company's annual profit forecast for the two years subsequent to the date of the dividend distribution; The Company's updated debt service plan, approved by the Company's Board of Directors, and an updated debt service plan of the holding company which holds the Company, which was approved by the Board of Directors of the holding company; A capital management plan, approved by the Company's Board of Directors; Minutes of the discussion in the Company's Board of Directors, in which the dividend distribution was approved, including attachment of the background material for the discussion.

The Board of Directors of Clal Insurance has not yet determined the solvency ratio target based on the solvency circular, as stated above.

The foregoing may have a significant impact on the Company's ability to distribute dividends, which primarily depends on dividend distributions from Clal Insurance to the Company.

C. The Company -

The balance of distributable earnings as of the reporting date, in accordance with the "profit test" set forth in the Companies Law, and in accordance with the capital requirements arising from the permit for control of institutional entities which is held by the Company (which was canceled on May 8, 2014, as specified in section D below), amounted to a total of approximately NIS 2 billion. A dividend distribution in the Company is affected by the ability of investee companies to distribute dividends, in light of their capital requirements, including those which apply to the insurance companies in the group in accordance with the provisions for adoption of a Solvency II-based solvency regime, as described above, and also in light of their liquidity requirements.

Note 6 - Capital Management and Requirements (Cont.)

D. Permit granted by the Commissioner to the previous controlling shareholders in IDB Holdings for the holding of control in the Company and in consolidated institutional entities

As the Company was informed, on May 8, 2014, the representatives of the previous controlling shareholders in IDB Development (the Ganden, Manor and Livnat Groups, until January 2014) received notice from the Commissioner stating that, further to the creditors' settlement in IDB Holdings, and due to the fact that they no longer hold control of institutional entities in the group, the permits for control of the aforementioned institutional entities, which had previously been given to them by the Commissioner, were canceled, including, inter alia, with respect to Clal Insurance, Clal Credit Insurance and Clal Pension and Provident Funds (hereinafter: the "**Institutional Entities**"), (hereinafter: the "**Permit**"), in which IDB Holdings undertook to supplement (or to act in order to cause the companies under its direct or indirect control to supplement) the capital required of the insurers according to the Capital Regulations or any other regulation or law which may replace them, provided that the maximum undertaking limit does not exceed 50% of the capital required of an insurer, and that the undertaking will be realized only when the insurer's capital is negative, and in the amount of the negative capital, and provided that the supplementary amount does not exceed the aforementioned undertaking ceiling. In addition, IDB Holdings has undertaken, in accordance with the permit, to supplement (or to cause the companies under its direct or indirect control to supplement) the equity of Clal Pension and Provident Funds, up to the amount stipulated in the Provident Fund Regulations as these will be in force from time to time, or any other regulation or law which may come in their place. The aforementioned undertaking (with respect to institutional entities) will remain in force so long as IDB Holdings is the controlling shareholder in the institutional entities.

It was also reported that the permit stipulates conditions and restrictions concerning holdings and pledges in the control chain of institutional entities in the group, and the previous controlling shareholders were required to maintain the capital requirements of the Company, so long as pledges exist on their holdings in the means of control of IDB Holdings, such that the equity of the Company will be no less, at any time, than the multiple of the Company's holding in Clal Insurance by 140% of the minimum capital required of Clal Insurance, pursuant to the Capital Regulations, on September 30, 2005, as these existed at the time, and linked to the CPI for September 2005. As of the end of the reporting period, the minimum capital required of the Company, as specified above, amounted to approximately NIS 3.4 billion. As of the end of the reporting period, the Company's capital exceeds this requirement. The capital requirements are tested in practice against the reviewed or audited financial statements of the Company. With regard to capital management, the need to maintain an additional absorption buffer is also evaluated with attention given to negative developments that may impact capital and the capital requirements.

In light of the revocation of the control permit for the previous controlling shareholders, there is uncertainty with respect to the validity of the capital requirements which apply to the Company by virtue thereof.

For details regarding the holding and control of the Company, and for details regarding the cancellation of the control permit, see Note 1 to the Company's annual financial statements for 2016.

For details regarding the appointment of Mr. Moshe Terry as the trustee for the majority of IDB Development's holdings in the Company, regarding the Commissioner's letters dated November 27, 2013 and May 8, 2014 with respect to the control of the Company, and regarding undertakings which were given to the Commissioner by the Elsztain-Extra Group with respect to the control of the Company, in connection with the debt settlement in IDB Holdings, see Note 1(b)(2) to the Company's annual financial statements for 2016.

E. Clalbit Finance had a shelf prospectus for the offering of securities of Clal Insurance which expired on May 29, 2017.

Note 7 - Contingent Liabilities and Claims [2]

Presented below are details regarding claims which are not in the ordinary course of business, as follows: material claims[3] whose filing as class actions was approved; Pending motions to approve class action status for material claims; material and immaterial class actions which concluded during the reporting period, until its signing date, other material claim and derivative claims against the group's member companies.

The following claim amounts are presented at amounts that are correct as of the date of their filing, and as specified by the plaintiffs, unless noted otherwise.

A. Class action claims

In recent years, as part of a general trend in the markets in which the group operates, a significant increase has occurred in the number of motions filed for the approval of class action status for claims against the group's member companies, and also in the number of claims filed against the group's member companies which have been recognized by the Court as class actions. The trend described above, which is due, inter alia, to the enactment of the Class Action Law, 2006 (hereinafter: the "**Law**"), the multiplicity of lawsuits, and the approach of the Courts, significantly increases the Company's potential exposure to losses with respect to rulings issued against the group's member companies in class actions which are filed against them.

A class action lawsuit, as defined in the Law, is a lawsuit which is managed on behalf of an anonymous class of people who did not grant power of attorney in advance to the class action plaintiff, and which raises material questions regarding facts or law that apply to all class members.

The procedure begins with a written motion submitted by the single plaintiff to the Court with which the plaintiff's personal claim has been filed, in which he requests approval of class action status for his claim. Only in the event that the motion to approve the claim as a class action is accepted does the claim's definition change to a "class action", with the plaintiff becoming a "class action plaintiff".

A class action can only be filed for claims which meet the conditions set forth in law, or on a matter regarding which a legal provision specifically states that a class action may be filed. It should be noted that, from 2006 onwards, the definition of a claim due to which a motion for approval as a class action may be filed against the group's member companies is a broad definition, and includes any matter which may arise between a company and a customer, whether or not they have engaged in a transaction.

In order for a claim to be approved as a class action, the plaintiff must prove the following, inter alia: (1) the existence of a "personal cause of action" for the specific plaintiff; (2) That the cause of action is sufficiently well-established as to constitute a "prima facie cause of action". At this point, the Court evaluates whether the plaintiff has a prima facie chance of eventually wining the claim in court; (3) That the cause of action gives rise to significant questions of fact or law which are shared by a certain group; (4) That there is a reasonable possibility that the common questions in the claim will be determined in favor of the group; (5) That the class action is the most efficient and fair method of resolving the dispute which is the subject of the claim, in light of the circumstances; (6) The suitability of the plaintiff to serve as the class action plaintiff, and of his attorney to representative him in the claim.

In general, the process of evaluating a claim as a class action may include 4 stages: Stage A - Filing of the motion to recognize the claim as a class action in the first instance; Stage B - Appeal in the Authority to a higher instance regarding the decision reached by the first instance; Stage C - Hearing the claim on the merits before the first instance (generally before the same judge who heard the motion in the first instance); Stage D - Appeal to a higher instance regarding the decision on the merits.

It should be noted that the scope and content of the hearing of a class action on its own merits is affected by the ruling regarding the approval of the claim as a class action. A decision approving class action status for a claim generally refers to the causes of action which were approved, and those which were not approved; The remedies which were approved and which were not approved; etc.

The law provides a set procedure and restrictions for all matters relating to settlement arrangements in class actions, which causes difficulty in instating settlement arrangements regarding class actions. The law also provides a requirement involving due disclosure to the Court with regard to all material details involved in the settlement arrangement, as well as a right available to the Attorney General and to additional entities listed in the Law to file an objection to the proposed settlement arrangement, and a requirement that an examiner be nominated with respect to the settlement arrangement.

The motions to approve class action status for the claims specified below are in various stages of the procedural hearing; some have been approved, while others are in appeal proceedings.

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[2] On March 19, 2013, Clal Health was merged into Clal Insurance, in a manner whereby Clal Insurance entered into the position of Clal Health for all intents and purposes. Thus, claims that were filed against Clal Health will be considered as claims filed against Clal Insurance.

[3] It is noted that, in this note, a claim is considered material if the actual exposure amount, net of tax, assuming that the claim is found to be justified, and without addressing the claim's chances, may exceed approximately NIS 38 million, or where it is not estimable.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	4/2008 Regional Labour Court of Jerusalem	Clal Insurance and additional insurance companies	The plaintiff contends that the defendants determined, in the managers' insurance policy, that the annuity factor which will be used for the payment of insurance benefits to female policyholders upon reaching retirement age, will be lower than that used for male policyholders, due to the longer life expectancy of women. However, on the other hand, the defendants collected and continue to collect from female policyholders a risk premium which is identical to male policyholders, in spite of the fact that the mortality rates of women are lower than those of men. According to the plaintiff, in 2001, or proximate thereto, the defendants amended the policies; however, this amendment applied to new policies only.	To order that: A. The discrimination practiced by the defendant is in contravention of the law, and any provision in the policy and/or any action taken by virtue of such discrimination is hereby null and void. B. Allowing the class members to choose between: (1) Comparing the annuity factors for a female policyholder to a male policyholder, and, in case of a one-time payment instead of a pension, increasing it. (2) Reducing, retrospectively and prospectively, the risk premium amounts which were charged, where the amounts which will be reduced will be aDEd to the accrual and savings amounts.	All women who acquired managers insurance policies from the defendant, in which a distinction was made between men and women regarding the pension payment, although a distinction was not made between the genders regarding the risk premium.	In August 2014, the Regional Labor Court of Jerusalem accepted the motion to approve class action status, while determining that the elements required to accept the motion at this preliminary stage of the hearing had been fulfilled.. The Court emphasized that, at this stage, it is not hearing the claim on its own merits, and that from its perspective, it was not an "unfounded claim" for the purpose of approving the motion. In April 2015, the National Labor Court granted leave to appeal the decision to approve the claim as a class action, and a hearing on the case before a board was scheduled. In February 2016, a hearing was held in the National Labour Court, in which the Court stated that, in light of the circumstances of the matter, questions arise which have not been evaluated in depth by the Court, and which may have an impact regarding the cause of action and the approval thereof, regarding the reasonable chances of winning the claim, and regarding the most efficient and fair method of conducting the class action. In December 2016, the position of the Attorney General of Israel was submitted (which he also repeated in the Court hearing which was held in April 2017) which, in general, supported the position of the defendants, and determined, inter alia, that a class action is not the most efficient and fair way of resolving the dispute, in light of the circumstances, and that the chances of the process are such that there is no reasonable possibility that the relevant question will be determined in favor of the class, since no unlawful discrimination was involved. The parties are awaiting the ruling.	The plaintiff did not specify the damage amount which was caused to her, and in the absence of the data required to estimate the exact scope of damages, she estimated the total amount of damages caused to the class members as hundreds of millions of NIS.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	3/2010 District - Center	Clal Insurance	The plaintiff contends that Clal Insurance unlawfully and wrongfully took advantage of the Control of Financial Services (Provident Funds) Law, 2008 ("Amendment No. 3"), which determined that funds which are deposited in provident funds beginning from 2008, will be withdrawable as an annuity only, and not as a capital withdrawal (withdrawal in a one-time amount). The plaintiff contends that at the time of conversion of the capital policies which were owned by a policyholder, prior to Amendment No. 3, for non-annuity paying policies, Clal Insurance was required to attach to the policy the annuity factor which was guaranteed to the policyholder under the fixed-payment policy owned by him, while in practice, Clal Insurance chose to attach to the converted capital policy a new annuity factor, in accordance with the life expectancy as of 2009.	To order Clal Insurance to attach to the capital policies of its policyholders the same annuity factor which they had in the fixed-payment policy prior to Amendment No. 3. Alternatively, to order Clal Insurance and the other class members to provide the entire amount of the pension savings funds, retroactively beginning after the date of the entry into effect of Amendment No. 3 (January 2008), and from now on, to the fixed-payment policy with the preferential annuity factor. Alternatively, to order Clal Insurance to compensate the plaintiff and the other class members in the amount of damage which was incurred.	Any person who owned, prior to the entry into effect of Amendment No. 3, both a capital policy and a fixed-payment policy of Clal Insurance (whether of Clal Insurance or of another insurance company), and to whom, following the aforementioned amendment to the law, a annuity factor[4] was not guaranteed in the capital policy, or to whom a annuity factor was guaranteed in the capital policy which was worse than the annuity factor specified in his fixed-payment policy.	In June 2011, the Commissioner's position was submitted, through the Attorney General of Israel, according to which an insurance company is not required to provide annuity factors which were determined in the past, or to transfer policyholders' funds to the fixed-payment policy which they had in the past. It was further noted, with respect to the question of whether it is possible to change the amount used to calculate deposits up to the amount of the salary, it was determined that the matter depends on the particular terms of each policy, and that the plaintiff's policy does not include any provision which requires Clal Insurance to change the deposit amounts or the deposit rates. In September 2015, the District Court decided to accept the motion to approve against Clal Insurance, in which it was determined that the entitled class members include any policyholder who owned, prior to Amendment No. 3, both a capital policy and a fixed-payment policy (whether of Clal Insurance or of another insurance company), and who, following the aforementioned amendment, did not receive an annuity factor in the capital policy, or who received an annuity factor which was worse than the factor in his fixed-payment policy, provided that the capital policy was managed by Clal Insurance. The parties filed pleadings regarding the claim, and an examiner was appointed regarding the case, who filed his opinion in July 2017.	The plaintiff estimates the number of the class members as 37,752 members, and accordingly, the monetary compensation to all of the class members is estimated as NIS 107 million, in each year.

[4] The annuity factor is the factor representing life expectancy which is used by the insurer, at retirement age, to convert the savings amount accrued by the policyholder into a monthly annuity.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	4/2010 District - Center	Clal Insurance and additional insurance companies	The plaintiffs contend that in case of discontinuation of insurance during a certain month, after the insurance premium with respect to that month was collected by the defendants in advance, the defendants do not reimburse to policyholders the surplus relative share of the insurance premium with respect to that month, or alternatively, reimburse the insurance premium at nominal values only.	The reimbursement of the surplus premium amounts which were unlawfully collected from the class members and/or the reimbursement of unlawful revaluation differences, with the addition of duly calculated linkage differentials, as well as a mandamus order instructing the defendants to change their conduct.	Anyone who is and/or was a policyholder of one or more of the defendants, under any insurance policy, excluding a property insurance policy, or the inheritor of such a policyholder, where the insurance policy was discontinued for any reason, whether due to its cancellation by the policyholder, or due to the occurrence of the insurance event.	In June 2015, the Court issued a decision to dismiss the motion to approve against all of the defendants with respect to the primary claims, including: (A) proportional reimbursement of premiums should be performed in case of the occurrence of the insurance event; (B) proportional reimbursement of premiums should be performed in case of cancellation of the policy, where the wording of the policy does not stipulate section 10 of the Insurance Contract Law, 1981, as phrased, during the period relevant to the claim; (C) the reimbursed premiums should be linked only to a positive index, and not to a negative index; (D) the premiums should be reimbursed with the addition of special interest. Additionally, a dismissal was issued with respect to the motion to approve against Clal Insurance only, regarding a claim of non-payment of relative premiums in insurance policies which include a stipulation of section 10 of the Insurance Contract Law, in which it was determined that the cancellation of the policy will enter into effect immediately, in the absence of an evidential infrastructure (hereinafter: the "Proportional Reimbursement Claim"). The motion to approve the claim as a class action was accepted against all of the defendants, with respect to anyone who is or who was the holder of an insurance policy, except for a property insurance policy, who canceled an insurance contract, or whose insurance policy was canceled due to the occurrence of the insurance event, from April 2003 until March 14, 2012, and from whom premiums were collected with respect to the months following the cancellation month, which were reimbursed to him according to their nominal value, without linkage differentials and interest in accordance with the Insurance Contract Law (hereinafter: the "**Nominal Return Claim**"). In September 2016, a settlement arrangement was filed with the District Court (the "Settlement Arrangement"), according to which the defendants undertook to donate to public causes amounts which were overcollected, by virtue of the proportional reimbursement claim, and additional amounts by virtue of the nominal reimbursement claim, according to partial rates which were determined in the settlement agreement, and according to the determination of an examiner who will be appointed by the Court within the framework of the settlement agreement. In February 2017 and March 2017, the positions of the Israel Consumer Council and the Attorney General of Israel, respectively, were received, who did not object to the settlement arrangement in its entirety, but rather proposed amendments to the settlement arrangement, inter alia, with respect to the method used to reimburse funds to the class, and with respect to the types of policies to which the settlement will apply. In June 2017, the Court appointed an examiner for the case to examine the settlement arrangement. The settlement agreement is subject to the approval of the Court, the provision of which is uncertain.	The amount claimed by all of the plaintiffs against all of the defendants in the claim is NIS 225 million, with respect to a period of ten years. The plaintiffs have not specified the amount claimed from Clal Insurance only, if the claim is approved as a class action.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	6/2011 District - Center	Clal Insurance, against a consolidated company of Clal Insurance - Clal Health, and against 8 additional insurance companies	According to the plaintiffs, in cases of expiration of a lien which is imposed at the request of a third party, on insurance benefits or compensation which is owed to a policyholder or injured party, he defendants' practice is to pay the policyholders the insurance benefits at their nominal values, and without conducting any revaluation whatsoever, or, in certain cases, with the addition of linkage differentials only. The plaintiffs further claim that the defendants allegedly withhold, in some cases, payment due to an incorrect belief that a restriction applies to their payment.	To order the defendants to repay to the class members all of the interest which they earned by virtue of their holding of the withheld insurance benefits (or other funds) or the interest and linkage differences with respect to the holding of such funds throughout the entire withholding period of the funds, according to the higher rate of the two, with the addition of linkage differentials and interest; To order the defendants to pay other special compensation, in the Court's discretion; To declare that the defendants are required to pay insurance benefits or damages to the injured parties, duly revaluated as of the date of actual payment, where such compensation was paid after the required date, regardless of whether or not the delay was implemented lawfully or unlawfully; To order the defendants to establish internal policies on all matters associated with liens or approval of "notices to holders", in order to ensure that funds of policyholders or other payables are not unlawfully withheld by insurers.	The policyholders of the defendants and injured parties who sued them by virtue of section 68 of the Insurance Contract Law, 1981, who were entitled to receive insurance benefits or other sums from the defendants, and where those amounts were paid at their nominal value only or with the addition of linkage differentials only without interest, after being withheld due to foreclosures or receivership orders or other third party rights, or due to an incorrect belief on part of the defendants that such restrictions on the execution of the payment had existed.	In December 2012, the Court approved the handling of the claim as a class action. In May 2013, the parties filed an agreed-upon application according to which all motions for leave to appeal, insofar as any have been filed, will be filed regarding the ruling on the claim. The Supreme Court accepted the motion. In June 2013, the Court approved, within the framework of a preliminary hearing, the amendment to the statement of claim, in a manner whereby the claim may also refer to the allegation that, in profit sharing policies, all of the benefit generated from the delay of funds are not transferred in their entirety to the class members. In October 2016, the parties filed with the Court a motion to approve a settlement arrangement which specified a total compensation amount for each defendant, reflecting full reimbursement on an estimated basis, which will be paid with the addition of linkage differentials and interest, to plaintiffs who make contact and to whom the payment of insurance benefits was delayed, due to a legal restriction preventing such payment. Any amounts which remain unclaimed will be transferred for donation. The settlement arrangement included the definition of future mechanisms for the revaluation of insurance benefits the transfer of which was delayed due to liens. In April 2017, the Attorney General of Israel filed an objection to the settlement arrangement. In July 2017, the Court gave its decision, according to which it tends towards the opinion that it would be appropriate to appoint an examiner to evaluate the possibility of individual compensation, and in September 2017, an examiner was appointed, as stated above. The settlement arrangement's entry into effect is conditional upon the receipt of court approval, the provision of which is uncertain.	The total amount of damage claimed against Clal Insurance was estimated by an expert representing the plaintiffs at approximately NIS 69 million, while the amount claimed against Clal Health was estimated at approximately NIS 7 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
5.	5/2013 District - Tel Aviv	Clal Insurance and additional insurance companies	The plaintiff contends that the defendants breach their obligation to attach linked interest and duly calculated linkage differentials, with respect to the insurance benefits which they pay. According to the claim, the date from which the interest and linkage differentials should be calculated is beginning on the date of the occurrence of the insurance event, until the actual payment date. Alternatively, linkage differentials should be paid from the date of the occurrence of the insurance event until the actual payment date, as well as interest starting 30 days after the filing date of the claim, until the actual payment date of the insurance benefits.	To order the defendants to pay to the class members linkage differentials and interest with respect to the underpayment which was performed. Additionally, and/or alternatively, the Court is requested to order the provision of compensation in favor of the public, in its discretion.	Any person who received, during the 7 years prior to the filing of the claim and/or who will receive, until a ruling has been given on the claim, insurance benefits from the defendants, to which duly calculated interest (the "**First Class**") and duly calculated linkage differentials (the "**Second Class**") were not aDEd.	In August 2015, the District Court decided to dismiss the motion to approve against the defendants, regarding the claim of non-payment of linkage differentials, and to accept the motion to approve against the defendants with respect to the claim regarding the underpayment of interest on insurance benefits, and it was determined that the entitled class members include any policyholder, beneficiary or third party who, during the period from three years prior to the filing of the claim, until the date of the claim's approval as a class action, received from the defendants, and not through any ruling which was given between them, insurance benefits to which duly calculated interest was not aDEd, within 30 days after the date of submission of the claim to the insurer (and not from the date of submission of the last document required by the insurer to evaluate the liability), until the actual payment date. In October 2016, the defendants withdrew, with the approval of the Supreme Court, a motion for leave to appeal which was filed by them in October 2015, which primarily involved an objection to the determination of the District Court, according to which a previous settlement arrangement into which the Company entered regarding a similar question does not constitute final judgment which blocks the filing of the motion to approve, and does not afford protection to the defendants, and the parties reserved all of their claims with respect to the main proceedings. The proceedings are currently in the claim handling stage.	The plaintiff estimates the cumulative amount for the first class in the amount of NIS 518 million (if it is ruled that the interest should be calculated beginning from the date of the occurrence of the insurance event), and in the amount of NIS 210 million (if it is ruled that the interest should be calculated beginning from 30 days after the date of the claim's submission to the insurance company). The plaintiff estimates the cumulative amount for the second class, with respect to linkage differentials, in an additional amount of NIS 490 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
6.	1/2008 District - Tel Aviv	Clal Insurance and additional insurance companies	According to the plaintiff, the defendants charge sub-annual installments, a payment which is collected in life insurance policies wherein the insurance tariff is determined as an annual amount, though the payment is executed in several installments (hereinafter: "**Sub-Annual Installments**"), in excess of the permitted amount, with such charges being implemented, allegedly, in a number of ways: collection of sub-annual installments with regard to the "policy factor", collection of Sub-Annual Installments at a rate higher than that permitted according to the Control of Insurance circulars, collection of sub-annual installments with respect to the savings component in life insurance policies, and collection of sub-annual installments with regard to non-life insurance policies.	Repayment of all amounts unlawfully collected by the defendants, and a mandamus order requiring the defendants to change their ways of action with regard to the matters listed in the claim.	Any person who engaged in an insurance contract with any of the defendants, and from whom payment was collected with respect to the sub-annual installments component, in circumstances or in an amount which deviated from what is permitted.	The Commissioner filed his position on the case, in which he accepted the position of the insurance companies. In February 2014, the Court ordered the petitioners to announce, within thirty days, whether they intend to withdraw the motion. In April 2014, the petitioners announced that they were not withdrawing the motion to approve. In July 2016, the Court approved the claim as a class action. The group which was approved includes anyone who engaged with the defendants, or with any one of them, in an insurance contract, and from whom sub-annual installments were collected with respect to the following components: with respect to the savings component in life insurance of the "hybrid" type, which were sold by Clal Insurance in the past, with respect to the "policy factor", which is a fixed monthly amount that is aDEd to the premium, and which is intended to cover expenses, and with respect to health, disability, critical illness, loss of working capacity and long-term care policies (the "Collection Components"). The Court's decision was given despite the position of the Commissioner of Insurance which was submitted at the request of the Court, as stated above. The cause of action for which the claim was approved as a class action is unlawful collection of sub-annual installments with respect to the collection components. The requested remedy is the reimbursement of the amounts which were unlawfully collected during the seven years preceding the filing of the claim and thereafter, i.e., from January 2001, and a mandamus order ordering the defendants to rectify their conduct. In December 2016, Clal Insurance filed a motion for leave to appeal with respect to the decision to approve the claim as a class action (the "**Motion for Leave to Appeal**"). In the months January and April 2017, the Supreme Court determined that the Motion for Leave to Appeal will be heard by the composition which heard the appeal, and that the hearing of the claim will be postponed until a determination has been reached regarding the proceeding.	In February 2010, the parties reached a procedural arrangement according to which the following would be erased from the Motion and the claim: the plaintiff's claims stating that Clal Insurance had collected a rate of sub-annual installments higher than that permitted for policies issued before 1992, and the claim that Clal Insurance had collected the maximum rate of sub-annual installments, even when the number of installments was lower than twelve. Accordingly, the amount claimed from Clal Insurance was changed and set at approximately NIS 398.2 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
7.	5/2011 District - Center	Clal Insurance and additional insurance companies	According to the plaintiff, in life insurance, the defendants collect from policyholders, without any basis in the policies and without consent, amounts which at times reach a significant part of the premiums paid by the policyholders, and which are known as the "policy factor" and/or "other management fees") (hereinafter: the "**Policy Factor**"), unlawfully and without any appropriate contractual provision, despite the fact that, in principle, the defendants were allowed, in accordance with the Commissioner's circulars, to collect a policy factor in life insurance policies. The plaintiffs contend that in April 2011, the Court with which the current claim was filed, approved class action status for a motion to recognize a claim against another insurance company (hereinafter: the "**Other Motion**"), which is identical to this claim. It is noted that following the motion for leave to appeal, which was filed by the other insurance company with the Supreme Court, the hearing regarding the other motion to approve was returned to the District Court to be heard again.	Payment of the compensation / reimbursement amount equal to the policy factor amount which was actually collected from the class members, with the addition of the returns which were withheld from them with respect to this amount due to the fact that the amount which was deducted from the premium for the policy factor was not invested for them, and changing the method of action with respect to the collection of the policy factor.	Anyone who was and/or is a policyholder of any or all of the defendants, and from whom any amount was collected as the policy factor.	In June 2015, a settlement arrangement and a motion to approve it were filed with the Court, in which it was requested to order the defendants to pay a total of NIS 100 million with respect to the past (of which, the share of Clal Insurance is approximately NIS 26.5 million), and to provide a discount of 25% of the actual future collection of the policy factor. In November 2016, the Court decided to dismiss the motion to approve the settlement arrangement, since it believed that the foregoing does not constitute an adequate, reasonable and fair arrangement for the affairs of the class members. Additionally, the Court decided to partially approve the conducting of the claim as a class action, only with respect to life insurance policies combined with savings which were prepared between the years 1982 and 2003 (with respect to Clal Insurance, in policies of the "Adif", "Meitav" and "Profile" types), where the savings which accrued in favor of the policyholders in those policies were affected due to the collection of the policy factor, on the grounds of breach of the insurance policy, due to the collection of the policy factor, in a manner which harmed the savings which accrued in favor of the policyholders, with respect to the period beginning seven years before the filing date of the claim, in April 2011. The claim was not approved with respect to other types of policies (hereinafter, jointly: the "**Decision**"). The claimed remedies, as defined in the Court's decision, include curing the breach by implementing an update to the savings which accrued in favor of the policyholders, in the amount of the additional savings which would have accrued for them had a policy factor not been collected, or compensation of the policyholders in the aforementioned amount, and discontinuation of the collection of the policy factor from that point forward. Additionally, payment of professional fees was ruled for the plaintiff's representative, and for the objectors to the settlement arrangement and their representatives, in immaterial amounts. Insofar as the claim will be approved on the merits, the total potential of the claim, with respect to the savings component in the relevant policies is estimated in the amount of approximately NIS 700 million, for four of the defendants who engaged in the settlement arrangement (including Clal Insurance), with respect to the period from 2004 to 2012 (inclusive), based on an estimate which is based on the assessment of the Court which was given based on the opinion of the examiner who was appointed on its behalf. This amount does not include the period until the date of the decision, and the collection amounts with respect to the policy factor, which were supposed to be received in the future. In May 2017, the defendants filed a motion for leave to appeal the Court's decision, both with respect to the non-approval of the settlement arrangement, and with respect to the partial approval of the claim as a class action.	The plaintiffs' claim pertains to the policy factor which was collected from them from 2004. According to various estimates and assumptions which were performed by the plaintiffs with respect to the collection of the policy factor, during the seven years preceding the filing date of the claim, by the defendants, and the relevant annual returns, the amount claimed for the class members, against all of the defendants, was estimated by the plaintiffs as a nominal total of approximately NIS 2,325 million. Out of this amount, a total of approximately NIS 661.9 million is attributed to Clal Insurance, according to its alleged market share.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
8.	7/2014 District - Center	Clal Insurance	According to the plaintiff, Clal Insurance overcollects premiums in compulsory and/or third party and/or policies of the "Specified Driver" type (hereinafter: the "**Policy**"), in cases where the youngest driver who is expected to use the vehicle on a routine basis (hereinafter: the "**Driver**") is expected to reach, during the insurance period, an age and/or driving experience level at which Clal Insurance begins collecting reduced premiums (hereinafter, respectively: "**Eligible Age**" and "**Eligible Experience Level**"). The plaintiff contends that Clal Insurance should be required to calculate the premiums by other means, also in case of renewal of the policy after a previous insurance period, and that Clal Insurance should be required to initiate disclosure to the policyholder regarding various items of information.	To declare and determine that Clal Insurance is required to calculate the premiums with respect to the policies in the manner specified in the motion; To order Clal Insurance to initiate disclosure of various items of information, as specified in motion; To prohibit Clal Insurance from collecting administrative expenses or any other payment from the policyholder with respect to the issuance of new compulsory certificates of insurance, in cases where the new issuance is required for reasons not originating from the policyholder; To order Clal Insurance to compensate the class members with respect to the damages which they incurred, with the addition of duly calculated linkage differentials and interest from the date of overcollection until the date of compensation and/or actual reimbursement; To order Clal Insurance to reimburse to the class members the entire amount by which Clal Insurance was enriched at the expense of the class members. To order the provision of any other remedy in favor of the classes, or compensation to the public, as considered appropriate by the Court, in light of the circumstances.	Anyone who purchased and/or renewed and/or who will purchase and/or renew the policy from the defendant during the seven years which preceded the filing of the claim, until the date of issuance of a final ruling, and where, during the insurance period, the youngest driver who is expected to use the vehicle reached and/or will reach the age and/or driving experience level at which he is entitled to a reduction of the premiums, and who in practice did not receive the entire reduction to which he was entitled, as well as anyone who is included in the aforementioned class, and whose comprehensive and/or third party insurance is of the "all drivers" type.	In January 2017, a decision was given by the Court in which the plaintiff's claims were dismissed, except with respect to the claim regarding the existence of a conventional practice regarding the update to the policies and the reimbursement of excess premiums, regarding which the motion to conduct the claim as a class action was approved. The class members, as determined in the decision, include "the holders of the respondent's compulsory, comprehensive and third party motor insurance policies during the last seven years, who reached, during the insurance period, the age bracket and/or driving experience bracket which confers an entitlement to a reduction of insurance premiums, and regarding whom the respondent refrained from acting in accordance with the conventional practice, as a result of which, they did not receive the reduction." The proceedings are currently in the claim handling stage.	The total claim amount was estimated by the plaintiff in the amount of approximately NIS 26 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
9.	11/2014 District - Economic Department of Tel Aviv	Bank of Jerusalem ltd. (hereinafter: "**Bank of Jerusalem**") and several additional defendants who served as directors in Clal Finance Batucha Investment Management Ltd. ("**Clal Batucha**") from 2007 until the sale of Clal Batucha to Bank of Jerusalem in December 2013[5].	The plaintiff contends that Clal Batucha, which merged with and into Bank of Jerusalem, in its function as portfolio manager, performed, on behalf of its customers, transactions with securities of member companies in the IDB Group, in a manner which gave preference to its interests and to the interests of various member companies of the IDB Group over the interests of its customers, in violation of the law. The plaintiff contends that Clal Batucha breached its obligation to inform its customers regarding any conflict of interests which it has in the performance of the aforementioned actions, and to receive their consent. The plaintiff further contends that the directors of the defendants breached their duty of care towards the class members.	To issue an order against Clal Batucha and against the other defendants to provide details and information regarding the damages which were (allegedly) incurred by each of the class members, and to order the defendants to compensate the class members for the entire damages which they incurred, or alternatively, to determine another remedy in favor of all or some of the class members.	Any person who received from Clal Batucha investment management services, in which they acquired securities which were issued by member companies of the "IDB conglomerate", without giving their advance approval with respect to each transaction, and who incurred damages as a result of the said acquisition. On this matter, the plaintiff includes under the "IDB conglomerate" all corporations which were held (directly or indirectly) by IDB Holdings and IDB Development.	In January 2017, the Court approved the handling of the claim as a class action against Clal Batucha, and dismissed the motion with respect to the directors. The class members, as determined in the decision, include "anyone who received investment management services from Clal Finance Batucha Investment Management Ltd. (liquidated due to merger) ("**Batucha**"), on whose behalf, within the framework of the portfolio management activity, Batucha (or any other party on its behalf) acquired securities, as defined in the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, (hereinafter: the "**Advice Law**"), which were issued by any of the corporations which were included, at the time of the acquisition, in the IDB Conglomerate (as defined below), from whom advance approval was not received regarding each aforementioned transaction, and who incurred damages due to the aforementioned acquisition." In this regard, the IDB Conglomerate was defined as including "all corporations which were held or controlled, directly or indirectly (including through concatenation) by the companies or IDB Holding Corporation Ltd. (hereinafter: "**IDB Holding**") and IDB Development Corporation Ltd. (hereinafter: "**IDB Development**"), including IDB Holding and IDB Development. For the avoidance of doubt, this definition includes all of the subsidiaries, second tier subsidiaries, and third tier subsidiaries (and so on) of IDB Holding, as well as any other corporation held by them, directly or indirectly." It was further determined in the decision that the class will include anyone in whose account acquisitions of securities were performed, during a period of up to 7 years before the filing of the motion to approve, until the date of completion of the merger transaction of Clal Batucha into Bank of Jerusalem. The cause of action which was approved in the decision is breach of statutory duty by virtue of section 63 of the Civil Wrongs Ordinance, together with section 15(a) of the Advice Law. The Court also ordered the payment of professional fees to the plaintiff's representative, in a negligible amount. The Company is not a party to the claim; however it received notice regarding the filing of the claim and the demand for indemnification from Bank of Jerusalem, in accordance with the agreement for the sale of Clal Batucha to Bank of Jerusalem, according to which the Company has an undertaking to indemnify[5]. The aforementioned undertaking to indemnify may be activated if and insofar as Bank of Jerusalem is obligated, by law, in connection with the aforementioned claim, and subject to the terms of the agreement between the parties.[6] The proceedings are currently in the claim handling stage.	The plaintiff's personal claim amount amounts to a total of approximately NIS 18,624. According to the statement of claim, the damage claimed for all class members cannot be estimated at this stage.

[5] For additional details, see Note 27(c)(1)(b) to the annual financial statements.

[6] The Company reported the claim to the insurers of the professional liability insurance policies under which it is covered. The Company is unable, at this stage, to estimate the amount of damages and the scope of insurance coverage.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
10.	6/2013 District - Tel Aviv	Clal Insurance	The plaintiff, who is a holder of collective long term care insurance through a comprehensive pension fund, and who was recognized as requiring long term care, contends that Clal Insurance pays to its policyholders reduced and insufficient insurance benefits, in a manner which does not include the addition of linkage differentials and interest.	Motion to issue a declaratory ruling and a reimbursement order, for the payment of duly calculated linkage differentials and interest, from the date of the occurrence of the insurance event until the date of actual payment, in accordance with section 28 of the Insurance Contract Law, 1981; and the prospective correction of the omission.	Anyone who received, during the 7 years prior to the filing of this claim and/or who will receive, until a ruling has been given on the claim, insurance benefits from Clal Insurance, where duly calculated interest and linkage differentials were not aDEd to the insurance benefits.	In October 2015, the State Attorney filed its position with the Court, according to which it supports the position of Clal Insurance on the aforementioned matter. In February 2017, the Court approved the claim as a class action. The group which was approved includes all beneficiaries in the original and renewed collective insurance policy of Makefet policyholders, who received from the respondent, during the 7 years prior to the filing of the motion to approve, insurance benefits with no additional linkage differentials. The requested remedy is payment of the entire linkage differentials to which the class members are entitled. The Court's decision was given despite the position of the Commissioner of Insurance which was submitted regarding the case, at the request of the Court, which supports the position of Clal Insurance on the aforementioned subject. The proceedings are currently in the claim handling stage. The parties are conducting mediation proceedings between them.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 473.8 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	11/2012 District - Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance modifies the terms of the life insurance policy when transferring an employee policyholder from one employer to another, by way of changing the component known as "sub-annual installments", which the plaintiff contends were collected with respect to the interest to which the insurance company was allegedly entitled in circumstances wherein the premium is paid in installments throughout the year, and not as a lump sum at the start of the year (hereinafter: "**Sub-Annual Installments**"). The plaintiffs contend that this change was made by Clal Insurance unilaterally and with no contractual foundation, and therefore constitutes a breach of the policy terms.	The reimbursement of overcollected amounts with respect to the sub-annual installments component which was performed until the date of approval of the claim as a class action, and discontinuation of the overcollection of this component in the future.	All customers of Clal Insurance, employers and/or employees, from whom sub-annual installments were collected in life insurance policies, which were higher than the rates that had been agreed upon in the policy, following a change of ownership of the policy. In the petitioners' estimation, this involves 10,000 policyholders in the last 30 years.	In May 2015, a motion to approve a settlement agreement regarding the claim (hereinafter: the "**Settlement Agreement**") was filed with the Court. As part of the settlement agreement, the Court was requested to order the amendment of the motion to approve regarding the definition of the group and the expansion thereof to include all policyholders where the rate of sub-annual installments charged from them was increased without their consent. In accordance with the settlement agreement, Clal Insurance will repay, to the class members who will be included in the settlement agreement, various rates out of the amount of the addition that was charged from them with respect to the increase of sub-annual installments, in accordance with the circumstances in which the rate of paid sub-annual installments was increased, and with reference to various periods which were defined in the settlement agreement; Additionally, Clal Insurance will send notice to the paying entity, in which Clal Insurance will allow the paying entity to choose regarding the future premium payment terms, and the associated cost from this point onwards. In May 2015, the Court issued a decision in which it ordered the amendment of the motion to approve in accordance with the settlement agreement regarding the definition of the class. In November 2015, the position of the Attorney General of Israel regarding the settlement agreement was filed, according to which he does not object to the settlement agreement, subject to certain remarks. In September 2016, the parties filed a joint motion for an aDEndum to the settlement agreement, and the addition of a third group, including all policyholders of the respondent in life insurance policies which include a sub-annual installments component, and which are of the "individual insurance" and "pure risk" types, including "compensation for the self-employed", as well as all policyholders of the respondent who are covered under health and long-term care insurance policies which include a sub-annual installments component, for whom, until the effective date, the respondent raised the rate of sub-annual installments in their policy. In December 2015, the Court appointed an examiner for the settlement agreement, who submitted his opinion, both regarding the settlement agreement and regarding the aforementioned aDEndum to the settlement agreement. The settlement agreement and the aforementioned additions are subject to the approval of the Court, and there is no certainty that such approvals will be received, nor that the suspensory conditions will be fulfilled.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 120 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	4/2013 District - Tel Aviv	Clal Insurance	According to the plaintiff, whose deceased wife (the "**Policyholder**") was insured under a long term care policy for members of Maccabi Health Services, despite the fact that those insured under long term care insurance policies are entitled to receive compensation beginning from the date when they began requiring long term care, according to the position of Clal Insurance, the eligibility for compensation began on the date when a nurse visited the policyholder's home, examined him, and determined that he is indeed a patient requiring long term care. Additionally, according to the plaintiff, there is eligibility to receive long term care benefits during the waiting period as well.	To order Clal Insurance to ask the policyholder for the date on which he began requiring long term care; To pay to the class members insurance benefits with respect to the entire period when they required long term care, and did not receive compensation; To repay to the class members any monthly premiums which were paid by them, beginning on the date when they began requiring long term care, until the date when they began receiving compensation, including (but not limited to) any premiums which were paid during the waiting period; To provide any additional and/or other remedy considered appropriate and worthy by the Court, in light of the circumstances.	Holders of Clal Insurance long term care insurance policies in the last 7 years to whom the insurance event occurred, and who began receiving compensation on a date later than the date when they began requiring long term care and/or when they became policyholders of Clal Insurance, but who paid monthly premiums after the insurance event occurred, including but not limited to during the waiting period.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount of the class action claimed by the plaintiff, is NIS 215.3 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	2/2014 District - Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance abuses the fact that the policyholder does not pay, for a certain period, the savings component in a life insurance policy which includes a savings component and a risk component, and fundamentally and grossly violates the policy terms by implementing unilateral changes to the policy (shortening the policy period, changing the insurance commencement date and increasing the policyholder's age at the start of insurance coverage), which leads to an unlawful increase in the real premium cost, although the premium for the risk component in the policy has been paid in full. According to the plaintiff, Clal Insurance thereby causes policyholders to incur damages in significant amounts.	To order Clal Insurance to pay the excess premium amounts which it collected by first moving the insurance commencement date until the date when the claim was approved as a class action, with the addition of the maximum linkage differentials and interest permitted by law. To receive an order prohibiting Clal Insurance from continuing its collection of premiums at rates higher than the rate specified in the policy. Alternatively, to order Clal Insurance to pay an appropriate and adequate amount in favor of the entire public, in an amount equal to the collection fees which were collected and not reimbursed to the payer, with the addition of duly calculated linkage differentials and interest.	Any person who obtained and/or who was insured by a life insurance policy, and who did not pay the savings component in this policy in its entirety, from the policy preparation date until the date of entitlement for a monthly annuity according to the policy, and from whom premiums were unlawfully overcollected, due to the change in the insurance commencement date.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 20 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	7/2014	Clal Pension and Provident Funds Ltd. and against four additional managing companies of pension funds	According to the plaintiffs, two associations which claim that their purpose is to assist the senior population, the defendants increased the management fees which are charged from retirees of the pension funds which are managed by them, during the annuity receipt stage, to the maximum management fees permitted for collection by law (0.5% of the accrued balance), while abusing the fact that the retirees are a "hostage population", although active members pay, on average, significantly lower management fees. It was further claimed that the defendants do not disclose to their members that immediately when they become pensioners, the management fees which they pay to the defendants will be increased to the maximum management fees.	Reimbursement of the excess management fees which were unlawfully collected from the class members, with the addition of interest and linkage; To order the defendants to reduce the management fees which are charged from the pensioners, in a manner whereby the management fees which were collected prior to the commencement of the retirement of each one of them, will not increase; To prohibit the defendants from increasing the management fees for members proximate to their retirement.	Any person who is a member of a new comprehensive pension fund which is managed by one of the defendants, and who is entitled to receive an old age pension and/or who will be entitled to receive an old age pension in the future.	In September 2015, the plaintiffs filed a reply to the defendants' response to the motion to approve (the "Plaintiffs' Reply"), in which, inter alia, a new claim was raised, according to which the defendants did not send to their members advance notice regarding the increased management fees, as required in accordance with the provisions of the law. In January 2017, the Court gave its decision, in which it stated that the Commissioner will provide answers to the questions which were phrased by the Court, and in September 2017, the Commissioner's answers were given, as requested, which determine, inter alia, that it was possible to collect, during the annuity receipt period, management fees at a rate of less than 0.5%, and that the defendants were not obligated to give notice regarding changes in management fees once the members reached retirement age, by virtue of the circular regarding management fees in pension savings instruments.	The plaintiffs estimate that the management fees which were unlawfully collected by the defendants from current pensioners amount to NIS 48 million, that the management fees which will be unlawfully collected in the future from current pensioners amount to NIS 152 million, and that the management fees which will be unlawfully collected in the future by the defendants from future pensioners, with respect to accrual which was performed until now, amount to NIS 2,800 million. The aforementioned amounts are claimed with respect to all of the defendants.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
5.	11/2014 District - Center	Clal Insurance, Tmura Insurance Agency (1987) Ltd. (hereinafter: "**Tmura**"), an additional insurance company and an additional insurance agency.	According to the plaintiffs, the holders of credit cards from Isracard and Israel Credit Cards Ltd. ("CAL"), who called in order to activate the basic policy of the credit cards, which is provided free of charge, they were sold, during the call, a product which is not an extension, addition or increase of the basic policy, but rather an ordinary policy, sold at full price, in a manner whereby that person was insured twice, from the first Shekel, on all matters pertaining to the overlapping coverages in the two policies.	To order the defendants to repay to the class members the excess premiums which were paid by the class members during the seven years which preceded the filing of the claim; To order the defendants to take into account, as part of the sale of the policies, the economic value of the basic policies, and to collect premiums which will take into account that value; To provide full and adequate disclosure to those calling the call center; To allow the holders of Isracard and CAL credit cards to activate the basic policy by means other than the call center; Alternatively, to order any other remedy in favor of the class, including the issuance of instructions regarding supervision, and execution of the ruling.	The holders of Isracard and CAL credit cards who were entitled to receive international travel insurance, at no extra charge, and who purchased, in the last seven years, international travel insurance from the defendants through the call centers operated by the defendants.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action, and at the plaintiffs' request, a disclosure of documents order was issued. The parties are conducting mediation proceedings between them.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 70 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
6.	3/2015 District - Jerusalem	Clal Pension and Provident Funds	According to the plaintiff, a member of the "Clal Tamar" provident fund (hereinafter: the "**Provident Fund**") which is managed by Clal Pension and Provident Funds, Clal Pension and Provident Funds increased the management fees collected in its accounts in the provident fund, without sending to him advance notice, as required. The plaintiff also contends that the increase of management fees was performed before the passage of two months after the date when the notice was sent, as required.	To declare that the management fees which were overcollected are part of the member's assets, to order the defendant to pay compensation equal to the amounts which were overcollected by it, within the framework of duly calculated interest and linkage; to order the defendant to pay, to each member of the classes, compensation in the amount of NIS 100 per member, with respect to injury to the autonomy of will;	Any person in whose account the defendant raised the management fees: (1) without sending advance notice to them, as required by law and/or (2) without sending notice to the correct address or updated address, as recorded in the population register and/or (3) before the passage of two months after the date of sending the advance notice.	The parties are conducting negotiations towards a settlement.	The plaintiff estimates the number of members in all of the classes in the tens of thousands, and therefore, the aggregate value of the damage caused to all members of the class amounts to millions of NIS. The value of the remedy requested in the statement of claim was stated, on an estimation basis, at NIS 50 million.
7.	5/2015 District - Jerusalem	Clal Insurance and an additional insurance company	According to the plaintiff, after years during which his deceased mother was insured under a collective life insurance policy, which Clal Insurance sold to the association of pensioners under the "Netiv - Southern and Central Region" pension fund (hereinafter: the "**Association**" and the "**Policy**", respectively), and who paid premiums as required, Clal Insurance unilaterally and unlawfully canceled the policy, because the policy was a losing policy, and did not reimburse the premiums which it had charged. The plaintiff also contends that Clal Insurance illegally collected premiums from policyholders with respect to June 2014, after the date when the policy was canceled.	To order Clal Insurance to pay to each of the class members who did not receive the benefits of the policy, the entire premiums which were collected from them with respect to the policy over the years when they were insured, with the addition of duly calculated interest and linkage.	Anyone who was insured by Clal Insurance in a policy which was canceled on March 2, 2014, as well as all policyholders under the policy from whom Clal Insurance collected premiums in June 2014.	In October 2016, an amended claim and an amended motion to approve the claim (the "Amended Motion") were filed, in which Harel Insurance Company Ltd. was aDEd to the claim as an additional defendant. The amended motion includes allegations against Harel in connection with its obligation to collect the premiums for the policy. The plaintiff's claims regarding the collection of premiums with respect to dates after the cancellation of the policy, which were included in the original motion to approve the claim as a class action, are not included in the amended motion. The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 90 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
8.	5/2015 District - Center	Clal Insurance and additional insurance companies	The plaintiff contends that Clal Insurance unlawfully avoids paying to its policyholders and/or to third parties the VAT component which applies to the cost of the damage, when the damage was not actually repaired.	To order the defendant to pay the VAT component, according to the rate which applies to the amount of damage incurred by the class members, where insurance claims with respect to them were filed in the seven years before the filing date of the claim, and until the date of issuance of a final ruling on the claim, with the addition of duly calculated linkage and interest; to issue a mandamus order requiring the defendant, from this point forward, to include in the insurance benefits which are paid by it also the VAT component which applies to the cost of the repair, including if the damage has not been actually repaired.	Any policyholder and/or beneficiary and/or third party, in any insurance type whatsoever, who, as of the filing date of the insurance claim, has not repaired the damage which he claimed, and who received from the insurance company insurance benefits and/or reimbursement with respect to the damage, and where the insurance benefits did not include the VAT component which applies to the repair.	In February 2017, a ruling was given by the Court, in which the Court ordered the striking of the claim against Clal Insurance and against four additional insurance companies, and in March 2017, an appeal was filed against the Court's decision to strike the claim.	According to the plaintiffs, the damage caused to the class members, due to the alleged actions of Clal Insurance, is estimated as a total of NIS 124 million.
9.	6/2015 District - Center	Clal Insurance and an additional company	The plaintiff contends that Clal Insurance collects insurance premiums which include a "risk addition" or "professional addition" or another addition pertaining to the risk which is due to the nature of the policyholders' work (hereinafter: the "**Risk Addition**"), also during periods when the policyholders are not employed.	To order Clal Insurance to reimburse to the class members the premium differentials which were overcollected, with the addition of linkage differentials and interest, and to order it to refrain from collecting the risk addition in the future.	Anyone who paid to the defendants, during the seven years which preceded the date of filing of the motion to approve, until the date of its approval as a class action, premiums with respect to insurance coverage (including but not limited to loss of working capacity and life and/or risk insurance), with respect to the period during which the policyholder did not actually work, and from whom Clal Insurance collected a premium which included a risk addition.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff's personal claim against Clal Insurance amounts to NIS 1,067. the plaintiff estimates the damage incurred by all class members as many millions of NIS.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
10.	7/2015 District - Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance calculates the rights for payment of stipends and/or for the discounting of stipends which are owed to policyholders who freeze the payment of premiums (in full or in part) temporarily for a certain period and/or who do not pay the premiums for a number of months, in breach of the provisions of the law, in breach of the provisions of the policy and the required formula for the calculation of the stipend, as included in the policy (hereinafter: the "**Required Formula**"), and also asserted that Clal Insurance refuses to deliver information to its policyholders.	To order Clal Insurance to reimburse the monthly stipend and/or the discounting of the stipend, in accordance with the provisions of the required formula, and to order Clal Insurance to pay to the class members who already incurred damages, the stipend differences or the stipend discounting differences which are owed to them, with the addition of duly calculated linkage differentials and interest. Alternatively, the plaintiff is petitioning for the issuance of a declaratory order stating that Clal Insurance is in breach of the policy provisions.	Regarding the non-monetary remedies - all policyholders of Clal Insurance who hold policies which are similar to the plaintiff's policies (the "**Policyholders**"), who, during a certain period or periods, did not pay, temporarily, the premiums under the policy. Regarding the monetary remedies: all of the policyholders who began receiving from Clal Insurance a monthly stipend which is lower than the monthly stipend which would have been paid in accordance with the required formula, as well as policyholders who chose discounting of the stipend, and where the calculation used to discount their stipend was lower than the discounting of their stipend which would have been paid in accordance with the required formula.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. In June 2016, the motion of the parties to transfer the hearing to a board which is hearing an additional claim by the plaintiff, on the subject of the calculation of the rights in life insurance policies, where the policyholder does not pay the full premiums, as specified in section 3 above, was approved.	The total damage claimed for all of the class members, in the plaintiff's estimate, to a total of no less than NIS 25 million.
11.	8/2015 District - Tel Aviv	Clal Insurance	According to the plaintiff, for the purpose of determining the existence of a long term care insurance event, Clal Insurance applies a method of evaluation which separates the daily activities, which are also known by the acronym ADL, which are included under the definition of the insurance event in long term care insurance under the policy, and where the quality of their performance is used to evaluate a person's functional situation, into sub-actions, in a manner which almost entirely voids the content of the instructions issued by the Commissioner on this matter, and in contravention of the Commissioner's position on the subject of the definition of the insurance event in long term care insurance, which was published in January 2015.	To order Clal Insurance to cease separating the evaluation of ADL actions, to order Clal Insurance to pay financial compensation and remedies, at a rate which will be determined, to each one of the class members whose entitlement to the aforementioned compensation or remedy was proven, and to order the provision of any other remedy in favor of the class (in whole or in part), or in favor of the public, in its discretion, in light of the applicable circumstances.	The group of holders of Clal Insurance long term care insurance policies.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action, and at the plaintiff's request, a disclosure of documents order was issued. The parties agreed to conduct mediation proceedings.	The damage caused, according to the plaintiff, to the class members, is estimated in the amount of NIS 75.6 million, half of which includes insurance benefit damages over 3 years, and half due to emotional distress damages over 7 years.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
12.	9/2015 District - Center	Clal Insurance and four other insurance companies	The plaintiffs contend that the defendants, when giving points for the "continence" action, as part of the evaluation of insurance benefits in long term care policies, adopted an interpretation according to which, in order to recognize a policyholder's claim with respect to "incontinence", the condition must result from a urological or gastroenterological illness or impairment only, instead of giving points also when the policyholder's medical condition and impaired functioning which have caused his "incontinence", may be due to an illness, accident or health impairment which are not urological or gastroenterological in nature.	To order the defendants to compensate the class members for all damages which they incurred due to their alleged beaches of the agreement, and to fulfill the agreement from this point forward, or alternatively, to order the provision of any other remedy considered appropriate by the Court, in light of the applicable circumstances.	Any person who held a long term care insurance policy which was sold by the defendants (or his inheritors, as applicable), and who suffered from a health condition and impaired functioning as a result of an illness or accident or health condition, which caused them to be incontinent and/or to require the permanent use of a stoma or catheter in the blaDEr, or diapers or absorbent pads of various kinds, and notwithstanding the foregoing, who did not receive from the defendants (as applicable) points with respect to the "continence" component, in a manner which injured his rights.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs contend that the damage cannot be estimated at this stage, but estimate it at tens or even hundreds of millions of NIS. The personal damage claimed by the plaintiff from Clal Insurance, as alleged, amounts to a total of approximately NIS 32,500 (without linkage differentials and interest).

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
13.	9/2015 District - Tel Aviv	Clal Pension and Provident Funds Ltd. and four additional managing companies of pension funds	The plaintiffs, members of pension funds managed by the defendants, contend that the mechanism for the compensation, by commission, of agents and brokers, as a percentage of the management fees which are charged from members, as practiced by the defendants, constitutes a breach of fiduciary duty towards the members of provident funds managed by the defendants, and results in the defendants' collection of management fees in amounts which are higher than appropriate.	To order the defendants to change the mechanism for compensation of agents, and to repay to the members the management fees which were overcollected from them.	Members of provident funds managed by the defendants, from whom management fees were collected while providing a commission to agents which was derived from the amount of management fees.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the total damage incurred by all of the class members as approximately NIS 2 billion, reflecting damage at a rate of approximately NIS 300 million per year since 2008.
14.	10/2015 District - Center	Clal Insurance	The plaintiff brings claims against the definition of "disability" in accidental disability policies, which allegedly create uncertainty, and against the policy terms, which require the receipt of reasonable proof within one year after the date of the accident. In this regard, it was claimed that despite the fact that the Company received "reasonable proof" regarding the permanent disability of policyholders as a result accidents which occurred since June 2009, it paid to them reduced insurance benefits, or rejected their claims for insurance benefits due to disability. The claim also includes assertions regarding the calculation of disability rates in the payment of insurance benefits in the event that the policyholder has more than one disability, as well as assertions regarding the revaluation of insurance benefits with respect to linkage differentials and interest.	To order Clal Insurance to pay to the class members insurance benefits with respect to permanent disability as a result of an accident, in accordance with the terms of the policy, and to order it to cease its unlawful conduct.	Any person who was insured by Clal Insurance in accidental disability policies, where, despite the fact that Clal Insurance received "reasonable proof" of the permanent disability due to an accident which occurred beginning in June 2009, paid reduced insurance benefits with respect to his disability, or rejected his claim for insurance benefits due to his disability, for the reasons specified in the claim (in whole or in part).	In July 2016, following the announcement of the class action plaintiff, who agreed to the summary dismissal of the claim, and withdrew his claim, the Court summarily dismissed the claim. In September 2016, an appeal was filed with the Supreme Court on behalf of the class action plaintiff against the ruling, in which the claim was summarily dismissed. The proceedings are currently in the appeal hearing stage.	The petitioner estimates the damage incurred by the class at a total of NIS 90 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
15.	12/2015 District - Tel Aviv	Clal Insurance	According to the claim, Clal Insurance allegedly reduces various amounts from the damage amounts which are claimed by third parties due to negligence of a policyholder, in an arbitrary fashion, based on the general justification of "contributory negligence" of the third party, without providing details as required by law.	The main remedies which the plaintiff is petitioning for include: issuance of a declarative order stating that Clal Insurance breached the provisions of the law, and issuance of a mandamus order requiring Clal Insurance to refrain, in the future, from continuing said breach, and ruling monetary compensation in favor of the class.	The class which the plaintiff wishes to represent, as specified in the motion, includes any third party which contacted Clal Insurance for the receipt of compensation with respect to an insurance event (due to the policyholder's negligence), in cases where any amounts were reduced from the demand for payment, due to contributory negligence, without providing a satisfactory reason for its reduction of the amounts.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff estimates that the amount of damages ruled for the members of the class which he seeks to represents exceeds NIS 3 million.
16.	12/2015 District - Tel Aviv	Clal Insurance and an additional insurance company	The plaintiffs contend that the defendants charged, from holders of life insurance policies which were issued beginning on August 1, 1982, in which the sub-annual installments component was reduced, where the premium is paid in installments during the year (hereinafter: "**Sub-Annual Installments**"), an effective interest rate which is higher than the maximum interest rate which the Insurance Commissioner allowed insurance companies to charge with respect to the sub-annual installments component. According to the plaintiffs, this collection is in breach of the law, policy and common practice in the finance segment, and ignores the monthly premium payment date, and the fact that the annual premiums gradually decrease during the year.	To order the defendants to change the method used to calculate the sub-annual installments component, in a manner whereby it will be calculated in consideration of the actual premium payment dates, and in consideration of the reduction of the annual premiums for each payment. To reimburse to the class members the amounts of the sub-annual installments component which were overcollected from them, beginning on the date when the sub-annual installments component was charged to the policyholders, until a ruling has been given on the claim, or alternatively, in the seven years prior to the plaintiff's claim, until a ruling has been given on the claim. Alternatively, the plaintiff is petitioning for the issuance of a declaratory ruling, according to which the method used by Clal Insurance to calculate the sub-annual installments component is illegal, or for the issuance of another declaratory ruling considered appropriate by the Court, in light of the circumstances.	Holders of life insurance policies which were issued beginning on August 1, 1982, and in which a sub-annual installments component was collected, where the premium is paid in installments throughout the year.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The total damage claimed for all of the class members, in the plaintiffs' estimate, amounts to a total of no less than NIS 50 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
17.	1/2016 Regional Court of Tel Aviv	Clal Pension and Provident Funds, and three additional managing companies of pension and provident funds	According to the plaintiffs, the defendants invested in low rated bonds, in a manner which deviated from the investment rate which was permitted, at the time, in accordance with Regulation 41(D)(2) of the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964, and that despite these deviations, the defendants collected management fees from the plaintiffs, in breach of the provisions of the law.	The remedies requested by the plaintiffs include, inter alia, reimbursement of the management fees which were collected by the defendants in case of deviation from the investment restrictions, compensation of the class members with respect to the deviation from the investment restrictions, as well as any other remedy in favor of the class, in whole or in part, or in favor of the public, as considered appropriate and just in the Court's discretion, in light of the circumstances.	All persons who were members of the pension funds and provident funds which were managed by the defendants during the period from January 1, 2009 to July 4, 2012.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	According to the plaintiff, the direct damages which it incurred amounts to NIS 76 (and the damage incurred by all plaintiffs with respect to the collection of management fees allegedly amounts to NIS 563), with the addition of linkage differentials and interest. In the claim, it was stated that the claim amount for all of the class members cannot be estimated[7].
18.	2/2016 District - Center Lod	Clal Pension and Provident Funds Ltd. and four additional managing companies of pension funds	According to the plaintiff, an association which alleges that its purpose is to act on behalf of weak population groups and persons with special needs, the defendants charge, from recipients of disability and survivor annuities, management fees at the maximum rate permitted by law, while exploiting the fact that they are not permitted to transfer their monies to another fund.	To order the defendants to reimburse, to all recipients of disability and/or survivor annuities, all of the management fees which were unlawfully collected from them, with the addition of interest, or alternatively, to reimburse to the pension fund the management fees which were and/or which will be unlawfully collected from recipients of disability and/or survivor annuities, and to implement a just and fair distribution of the funds.	Any person who receives and/or who has the right to receive a disability annuity, as well as any person who receives and/or who has the right to receive a survivor annuity, and any person who is a member of a pension fund managed by the defendants, and who incurred damage as a result of the collection of management fees in connection with the disability and survivor annuities.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount of the class action claim was not quantified in the statement of claim; however, in accordance with an actuarial opinion which was attached to the motion, the damages caused to the class members was estimated, according to an initial estimate, as a total of approximately NIS 1 billion, against all of the defendants.

[7] It is also alleged in the claim that the plaintiff incurred additional damage, in an unspecified amount, due to the exception from the investment, with reference to bonds of companies which faced insolvency situations.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
19.	2/2016 District - Tel Aviv	Clal Insurance	The claim involves the manner by which Clal Insurance gives points with respect to the ADL activity "continence" and the ADL activity "mobility", in claim settlement in long term care insurance. According to the plaintiff,. for the purpose of determining the eligibility to long term care benefits, Clal Insurance unilaterally determined, without approval from the Insurance Commissioner, with respect to the "continence" activity, that a policyholder who is incontinent at a frequency of once every two days or less, is considered independently continent, and that only a policyholder who suffers from leakage of urine or feces on a daily basis, and who requires full assistance regarding the handling of waste, will be entitled to receive long term care assistance. Additionally, with respect to the "mobility" activity, the plaintiff contends that Clal Insurance unilaterally determined, for the purpose of determining the eligibility for long term care insurance benefits, that a policyholder who is capable of moving from one room to another in his house is allegedly considered as a person with the independent ability to move from place to place, despite the fact that, according to the plaintiff, he is unable to perform the activity of independently leaving his house.	To order Clal Insurance to pay the entire insurance benefits, plus duly calculated interest and linkage.	All policyholders of Clal Insurance who, during the 7 years before the filing date of the motion, submitted a request for entitlement to long term care insurance benefits, based on the claim of inability to perform at least 3 ADL activities according to the insurance policy, and who were rejected by Clal Insurance due to the erroneous phrasing in the definition of any of the aforementioned activities, where had not it not been for those definitions, they would have been entitled to receive insurance benefits.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The damage claimed for all of the class members was estimated by the plaintiff in the amount of approximately NIS 36 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
20.	6/2016	Clal Insurance, the Ministry of Finance - Division of Capital Markets, and three other insurance companies	The claim pertains to the sale of collective long-term care insurance policies by the defendant insurance companies, in a manner which, according to the plaintiffs, caused the policyholders to believe that this insurance would remain available to them also in old age. The plaintiffs contend that the fact that the defendant insurance companies determined, in the aforementioned policies, a condition which allows them to unilaterally terminate the policy without renewing it, after a limited period, without expressly and appropriately giving advance warning to the policyholder, indicates a significant deviation from the basic consumer standard, and should be viewed as deception of consumers. The plaintiffs contend that if the former policyholders had all of the relevant information available to them, they would not have chosen to engage in the policies which are the subject of the claim.	To order the defendant insurance companies to reimburse the funds which were unlawfully collected through deception of consumers, to reimburse funds which the class members were forced to spend with respect to alternative insurance policies, to identity an insurance-based and/or financial emergency solution for former policyholders who began to require long-term care after their insurance policy was discontinued, to order that the former policyholders are permitted to acquire insurance through the health funds, in accordance with the conditions to which they would have been entitled had they joined on the date when the joined the insurance policies, including the amounts of the monthly premiums and the insurance coverage, to issue an order to the State Treasury regarding the issuance of appropriate compensation and protecting the rights of the former policyholders, to order the defendants to finance the difference between the premium amounts which the plaintiffs paid upon the fulfillment of the insurance arrangement and the premium amounts which they are required to pay today for the same insurance product.	Any customer of the defendant insurance companies who held a collective long-term care insurance policy which was canceled and/or whose terms were changed in an extreme manner, and who was deceived and/or was not warned and/or was not informed that this policy does not accrue any amount in his favor, and that it will not be available to him in old age, for the period of 7 years prior to the filing of the claim, as a minimum, and/or from the date of the customer’s first deposit.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the total damage claimed for all class members, through a gross estimate, as a total of NIS 7,000 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
21.	8/2016 Regional Court - Tel Aviv (1) 10/2016 Regional Labor Court of Jerusalem (2) 11/2016 Regional Court of Jerusalem (3) 12/2016 Regional Court - Tel Aviv (4)	Clal Pension and Provident Funds Clal Insurance	The four claims involve the assertion that the defendants collect from members in the pension funds, in the Tamar provident funds, and in the study funds which are managed by it, and in managers' insurance policies, in addition to the management fees, also "investment management expenses" (hereinafter: "Direct Expenses"), although there is no contractual provision which allows them to collect those expenses, and in breach of the fund regulations.	The plaintiffs in the four claims request to order the defendants to reimburse the investment management amounts which were overcollected from them. Additionally, some of the plaintiffs request to order the defendants to pay the additional difference of returns which would have been generated by the amounts which were overcollected had they been invested in the pension fund, while some request to order the defendant to pay the duly calculated NIS interest difference, from the date of overcollection until the date of actual payment.	Members of the pension funds, the study fund, and the provident fund "Clal Tamar" which are managed by the defendant, and holders of managers' insurance policies, from whom investment management expenses were collected during the seven years preceding the filing of the relevant claim.	The proceedings are currently in the stage of hearing the motions to approve the claims as class actions.	In claim 1, which refers to the pension funds, the amount of the class action was set as NIS 341 million, with respect to the years 2009-2015, plus the investment management expenses which were collected by the defendant from the group members in 2016, and plus the returns which would have been earned by the funds which were deducted as investment management expenses. In claim 2, which refers to the study fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 53 million. In claim 3, which refers to the Tamar provident fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 181 million. In claim 4, which refers to managers' insurance policies, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 404 million, plus the investment management expenses which the defendant charged to the class members in 2016, as well as interest and linkage.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
22	9/2016 District - Tel Aviv	Clal Insurance and three other insurance companies	The claim involves the assertion that the defendants allegedly collected and continues to collect from the holders of health insurance policies premiums with respect to unnecessary coverages which the policyholders do not need, and that the respondents allegedly sold to the policyholders, knowingly and deliberately, health insurance policies which include coverages for which the policyholders had no need, since they have supplementary health insurance from the health fund to which they belong, and that they also made one service conditional upon another, with no possibility to acquire a limited policy, which includes only coverages which are not included in the supplementary health insurance policies of the health funds, thereby creating “double insurance”.	Reimbursement of the excess premium amounts which were allegedly unlawfully overcollected, issuance of a mandamus order instructing the defendants to change their method of action, as described in the claim, as well as any other additional remedy which may be considered appropriate by the Court, in light of the circumstances.	Anyone who is insured, or was insured, by any or all of the defendants in any of the health insurance policies which include coverages which overlap, either fully or partially, with the coverages which are included in the supplementary health insurance policies of the health funds.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount of the class action against the defendants was set as a total nominal amount of NIS 4.45 billion, where the share of Clal Insurance out of that total, as calculated by the plaintiffs, was set as NIS 995 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
23.	9/2016 Regional Labor Court of Tel Aviv	Clal Insurance and the Commissioner of Capital Markets, Insurance and Savings at the Ministry of Finance	The claim involves the assertion that Clal Insurance makes the release of the severance pay component which has accrued in managers insurance policies (hereinafter: the "**Policies**"), by virtue of the Extension to Compulsory Pension Ordinance (hereinafter: the "**Extension Order**") conditional upon the employer's consent. Clal Insurance thereby collaborates with the employer, allows the employer, over years, to argue against the transfer to the accrued severance pay to the employees, and during that time, continues collecting management fees out of the funds which remain accrued in the policies.	Declaratory relief, primarily determining that the class members are entitled to receive the accrued severance pay for which the employer made deposits in their name to the pension arrangement by virtue of the extension order, without any condition or restriction whatsoever. The plaintiff is also petitioning to order Clal Insurance to notify the class members regarding their right to withdraw the severance pay component unconditionally, and to determine the manner by which the notice will be given to the group members.	All those covered by pension insurance in Clal Insurance, in whose favor severance pay accumulated in the pension arrangement beginning on January 1, 2008, the application date of the extension order, who concluded their employment, and to whom the employer's approval was not given to release the accrued severance pay funds which are recorded under their names. The plaintiff estimates the number of class members as 70,500 policyholders.	In February 2017, the Commissioner was removed as a respondent from the class action, following a joint motion of the petitioner and the Commissioner on this matter. In May 2017, following the Court's decision, the Commissioner submitted her position on the case, according to which, due to the fact that this issue involves labor relations, she has no position on the issues in question.	The amount of the class action against the defendant amounts to a total of approximately NIS 479 million.
24.	9/2016 District - Center Lod	Clal Insurance	The claim involves the assertion that Clal Insurance allegedly has an unlawful commercial practice with respect to the collection of premiums for insurance policies which were created without the customers' knowledge, express or implied, by creating an offer form for engagement in an insurance policy which allows, on the one hand, conducting the sale call via telephone, while on the other hand, does not require, allegedly and as defined therein, recording and/or saving the recording of the call.	To order Clal Insurance to compensate the class members and to issue any other or additional order, in the Court's discretion.	Anyone in whose name an insurance policy was registered, either directly from Clal Insurance and/or through others authorized on its behalf, including through insurance agents, during the seven years preceding the filing date of the claim, without the plaintiff's express consent - either written or through a duly recorded telephone call - and in any case, without their knowledge and/or from whom premiums were collected with respect to such policies, during the aforementioned period.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The personal monetary damages claimed by the plaintiff amount to NIS 2,192.53. The scope of monetary damages for all class members is estimated, at this stage, by the plaintiff, as a total of several million NIS to tens of millions of NIS. The plaintiff also claims non-monetary damages, to her and to the class members, for prejudice against the right of autonomy of will, and for emotional distress.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
25.	11/2016 District - Tel Aviv (1) 09/2016 District Tel Aviv (2)	Clal Insurance and an additional insurance company	The claims involve the assertion that due to "lack of knowledge" because of the non-provision and publication of a students personal accidents insurance policy (the "Policy") for the policyholders and their families, the policyholder avoid exercising their right to compensation by virtue of the policy.	The plaintiffs in claim (1) request the issuance of orders against the defendants and the Commissioner of Insurance, and request, inter alia, the appointment of a committee, with the participation of external representatives, which will be authorized to discuss and determine all of the claims, and the transfer of the burden of proof to the insurer. The plaintiffs in claim (2) request, inter alia, the issuance of mandamus orders for compensation with respect to the hassle and cost of printing, in a total amount of NIS 1.5 for each class member, and an extension of the prescription period, including a determination stating that the prescription period was suspended in September 2006.	The plaintiff in claim (1) classified the plaintiffs into several groups, with respect to students who were born after October 25, 1995, and who, from ages 3 to 19 (the period of their studies in Israel, from kindergarten until the end of high school in 12th or 13th grade), went through an accident, due to which they suffered a physical injury, and who did not receive insurance benefits under the policy, as follows: (1) the "tooth fracture" group, (2) the "medical expenses" group, (3) the "disability" group, (4) and the "cases of death" group. The plaintiff further requests the establishment of an additional sub-group for each of the groups of plaintiffs mentioned above, whose members are people and/or their parents and/or their heirs who were born and/or who studies in Israel between the years 1974 and 1995, and who were injured after 1992, and who claimed that they were not aware of the scope of the policy, and on behalf of all policyholders - all students and their parents from September 1992 until now - who were injured. The plaintiff in claim (2) requests to represent all students, at school or at home or at kindergarten, in the State of Israel, who were covered under a policy and who did not receive it at their house, beginning with the school year beginning in September 2006 and/or any student whose cause of action against the insurance company prescribed, beginning in September 2006.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	According to the plaintiffs in claim (1), their alleged personal damages are in the range from NIS 150 to NIS 6,260. The plaintiffs estimate the alleged damage for the members of the "tooth fracture", "medical expenses" and "all defendants" groups together, as a total of approximately NIS 1.439 billion. The plaintiffs have not specified an estimate regarding the damage caused to the other groups. According to the plaintiffs in claim (2), the damage claimed for all class members amounts to a total of approximately NIS 23 million, plus interest and linkage, beginning with the school year of September 2006.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
26.	4/2017 District - Center	Clal Insurance	The claim involves an allegation according to which Clal Insurance conducts an allegedly incorrect calculation of premiums on all matters associated with the charging / crediting of the policyholder of insurance premiums when exchanging a vehicle during the policy period. According to the plaintiff, when performing the replacement, the premiums should be calculated with respect to the substitute vehicle, including subtracting therefrom the premiums as proportional to the remainder of the insurance period of the replaced vehicle, in accordance with the tariffs which apply as of the date of the replacement.	To order Clal Insurance to correctly calculate the premiums and to pay the difference between the premiums which were credited with respect to the vehicle and the premiums which should have been credited when replacing the vehicle in the policy, and to determine that the prescription period is from the publication date of the Standard Policy on September 21, 1986.	All policyholders and/or insurants who were covered by Clal Insurance in motor property insurance policies, who replaced the vehicle in the policy during the insurance period, and were credited with lesser premiums than those which should have been credited to them with respect to the replaced vehicle, such that, effectively, with respect to the replacement of the vehicle, they overpaid, or were under-reimbursed.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The personal claim amount of the class action plaintiff is NIS 178.67. The class action plaintiff did not specify, in the statement of claim, the estimated amount of the class action.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
27.	4/2017 District - Tel Aviv	Tmura Insurance Agency (1987) Ltd. (hereinafter: "**Tmura**"), a second-tier subsidiary of the Company, which is an insurance agency which manages pension arrangements, and against three additional insurance agencies.	According to the plaintiffs, the defendants provided services with respect to the regulation of social / pension provisions, for both employers and employees; however, they charged the consideration from the employees only, without their knowledge or consent, and in breach of the duties which apply to them by law.	To order the defendants to compensate the class members for the damages which they incurred (each defendant with respect to its relevant class members), or alternatively, to order any other remedy in favor of the group.	Any person who is included among the group of customers of the defendants while the defendants provided, to their employers, pension arrangement management services, during a period beginning defendants before the filing date of the new motion, until the date when the employer began bearing, out of its own resources, the costs of operating the employee's pension arrangement.	In 2016, the Court approved a motion to withdraw a similar claim which had been filed by the Financial Justice Association in February 2016, inter alia, in light of its non-fulfillment of the conditions prescribed in the Class Action Law. The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount claimed with respect to the damages incurred by all of the class members amounts to a total of approximately NIS 357 million against all of the defendants, of which, approximately NIS 88 million was attributed to Tmura.
28.	7/2017 District - Tel Aviv	Clal Insurance	The plaintiffs contend that Clal Insurance unilaterally implemented changes to managers insurance policies of the "Adif" type (hereinafter: the "**Policies**") by reducing the savings component and increasing the risk component, while transferring the ownership of the policy to a new employer, at the end of the "temporary risk" period, and thereby caused the policyholders in the class to incur damages.	To order Clal Insurance to supplement the savings up to the amount which would have been accumulated in the policies if not for the aforementioned unilateral change, and to prohibited it from unilaterally changing the policy terms in the future. Alternatively, to pay compensation to the class members for the damage which they incurred, according to the difference between the savings amounts which would have accumulated in the policies if not for the unilateral changes, and the savings amounts which actually accrued in the policies, or to order Clal Insurance to pay an adequate and appropriate amount to the public interest.	All of "Adif" policyholders for whom Clal Insurance unilaterally reduced the savings component and increased the risk component while transferring the ownership of the policy to a new employer at the end of the "temporary risk" period.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate, based on various assumptions which they performed, that the damage incurred by the class members amounts to approximately NIS 343 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
29.	9/2017 District - Jerusalem	Clal Insurance and additional insurance companies	The plaintiffs contend that the defendants do not duly apply section 5(b) of the Adjudication of Interest and Linkage Law, 1961 (hereinafter: the "**Adjudication of Interest and Linkage Law**"), and do not pay, as a matter of policy, the required interest and linkage pursuant to that law, with respect to any debt which was ruled against them by a judicial authority, and which was not paid by them on the date set for its payment.	Declaratory relief with respect to the breach of the provisions of the law, compensation to the class members with respect to the alleged damages which they incurred, and ordering the defendants to correct the policy from this point forward.	Anyone to whom amounts were paid by the defendants which were ruled in their favor by a judicial authority, without the addition of linkage differentials and/or interest and/or linked interest to the ruled amount.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount of personal damages alleged by the plaintiff against Clal Insurance amounted to NIS 56.47. The plaintiffs, in the absence of accurate data regarding the aggregate damage incurred by the class, estimate the damage as a minimum of tens of millions of NIS, if not more.
30.	10/2017 District - Tel Aviv	Clal Insurance	According to the plaintiffs, Clal Insurance operates unlawfully by continuing to collect premiums from policyholders even after they announced the cancellation of the policy, and cancels the policy only on the 1st of the calendar month subsequent to the date of receipt of the cancellation notice, and by misleading policyholders by not informing them of the methods for cancellation before entering into the engagement.	To order Clal Insurance to compensate the class members in the amount of the monetary damages which they incurred, with respect to non-monetary damages which were incurred due to inconvenience and harm to autonomy, and to order it to reimburse the additional enrichment which was accrued by Clal Insurance due to its actions and/or omissions as referenced in the claim.	All policyholders who were charged payment with respect to the policies, even after they gave notice of their request to cancel the policies, during the 7 years preceding the filing of the claim, until a ruling has been issued on the matter.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate, conservatively, the total damage incurred by the class members as a total of NIS 30 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until its signing

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	7/2011 District - Center	Clal Insurance	The claim involves the alleged unlawful overcollection of credit fees by the respondent from its policyholders, and a breach of the provisions of the law, while misleading the policyholders.	To order the respondent to respond to the plaintiff, and to any plaintiff included in the represented class, the funds which were allegedly unlawfully overcollected from them, plus CPI linkage differentials and plus duly calculated interest, and plus special interest, as defined in the Insurance Contract Law, from the date of each payment until the date of the actual repayment of the amounts, to order compensation to the class or to the public, with respect to the interest which has accrued on the funds which were allegedly overcollected, and to order the respondent to discontinue overcharging its policyholders.	All policyholders and/or beneficiaries who were covered by the respondent in insurance policies in the non-life insurance branches, and who overpaid credit fees and/or collection fees and/or payment arrangement fees, in a manner which deviates from the provisions of the law and/or which deviates from the interest rates which were presented to the policyholders in the policies, beginning on May 1, 1984.	In July 2014, the Court gave a ruling which approved the settlement agreement and established guidelines for its implementation. The settlement agreement determines, inter alia, that Clal Insurance will provide to the group of entitled individuals, as defined in the settlement agreement (the “Entitled Group”), a discount at an agreed-upon rate on the credit fees which will be charged to them, with respect to the non-life insurance policy which they acquire from Clal Insurance. As part of the findings of the evaluation regarding the implementation of the settlement arrangement, the parties filed, in July 2017, an amended motion, according to which the benefit amount given to the entitled policyholders, as defined in the settlement agreement, will be increased, in amounts which are immaterial to the Company. In August 2017, the Court determined that no restriction exists which would prevent the approval of the motion subject to the determined conditions, including conditions pertaining to the definition of the class. In November 2017, the Court gave its decision according to which it accepts the motion to amend the settlement arrangement, and ordered Clal Insurance to update the Court regarding the completion of the implementation of the settlement arrangement by January 1, 2018.	The total claim amount in the class action was estimated by the plaintiff in the amount of approximately NIS 882.2 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status which concluded during the reporting period, until its signing (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	1/2015 District - Economic Department in Tel Aviv	Harel Pia Mutual Funds Ltd. (hereinafter: "**Harel Pia**") and against additional defendants which are managing companies of mutual funds (hereinafter: the "**Fund Management Companies**") and a trust company which served as trustees for the mutual funds (hereinafter: the "**Trust Companies**")[8]	The claim pertains to the plaintiff's allegation that the fund management companies performed transactions for mutual funds managed by them, without taking measures to reduce the brokerage fee (including purchase and sale fees with respect to securities and financial instruments, as well as foreign currency differences between the bid price and the ask price of currencies), which were paid by the holders of the participation units of those funds. The plaintiffs contend that some of the fund management companies performed the aforementioned actions through stock exchange member companies which are associated with them, while loading high and unjustified costs onto the holders of participation units in the mutual funds. With respect to the trust companies, the plaintiffs contend that they breached their duty to act in favor of the investors in the mutual funds, and to supervise the actions performed therein. The claim refers to the period before the entry into effect of amendment 14 to the Joint Investment Trust Law, 1994 (hereinafter: the "**Joint Investment Law**"), at the end of December 2011.	To order Harel Pia and the other fund management companies to submit material data and information which they have for the purpose of hearing the claim, determining the class size, calculating the compensation amount, or any other details or information, and also to order the defendants to compensate the class members for the damage which they incurred, or alternatively, to determine another remedy in favor of all or some of the class members.	Any person who held participation units of any mutual fund which was under the management of one or more of the fund management companies, during the period ended December 27, 2011, or during any part thereof, from whom a brokerage fee was directly or indirectly charged with respect to operating services.	In August 2017, the Court approved the petitioners' motion for withdrawal from the motion to approve, and the dismissal of their personal claim against Harel Pia and against 4 additional defendants, without ordering expenses.	The damage claimed for all of the class members amounts to approximately NIS 220 million, while the part attributed to Harel Pia amounts to approximately NIS 45 million. It is noted that the claim against Harel Pia refers both to assets which were managed by Clal Mutual Funds and to assets which were managed by Clal Harel Pia, and that the claim includes no amount attributed to Harel Pia in connection with funds which were managed separately by Clal Mutual Funds.

[8] The Company is not party to the claim; however, it received notice regarding the filing of the claim from Harel Finance Holdings Ltd., in accordance with the agreement which was signed between Clal Finance Ltd. (a wholly owned subsidiary of the Company (hereinafter: "**Clal Finance**") and Harel Finance Investment Management Ltd. and Harel Finance Holdings Ltd. (which hold, directly and indirectly, the entire capital of Harel Pia, hereinafter, jointly: "**Harel**") for the sale of Clal Mutual Funds Management Ltd. (hereinafter: "**Clal Mutual Funds**") to Harel, according to which Clal Finance has an undertaking to indemnify, and as specified in Note 27(c)(1)(a) to the financial statements, the Company accepted upon itself the undertaking to indemnify Harel within the framework of the capital reduction in Clal Finance - see Note 27(c)(1)(c).

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status which concluded during the reporting period, until its signing (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	9/2015 Regional Labour Court of Tel Aviv	Clal Insurance	The plaintiff contends, in the motion to approve the claim as a class action and in the response to the defendants reply, that Clal Insurance performed an incorrect, faulty and deficient calculation of the interest and linkage applicable to amounts available to him and to the class members in guaranteed-return life insurance policies, in a manner which is in breach of the policy terms, while breaching the duties of disclosure, and non-specification of the specific interest which applies to the amounts in the policy.	To order Clal Insurance to recalculate the interest and linkage with respect to the amounts in the policies, in accordance with the interest rate which were determined in the policies, and to credit to the class members, including any person who withdrew amounts from the policies in the past, the aforementioned differences, with the addition of linkage differentials and interest, including special interest, and to act in this manner also with respect to future payments.	All current or past holders of Clal Insurance guaranteed-return insurance policies regarding which Clal Insurance performed incorrect and deficient cancellation of the interest and linkage which apply to such policies.	In April 2017, the parties filed with the court a settlement arrangement and a motion to approve it (hereinafter: the "**Settlement Arrangement**"), in which Clal Insurance undertook to reimburse, to policyholders who are members of the group which was defined in the settlement arrangement, amounts according to the rates which were determined in the settlement arrangement. The aforementioned reimbursement will be performed under the supervision of an examiner, who will be appointed by a court within the framework of the settlement arrangement. The settlement arrangement may also include provisions regarding the group members whose insurance policies are still being conducted in Clal Insurance. In September 2017, in light of the fact that the position of the Attorney General of Israel was not filed, the Regional Labor Court of Tel Aviv approved the settlement arrangement between the parties.	The plaintiff contends that the damage cannot be estimated at this stage. The amount of the plaintiff's personal claim, with respect to two policies, amounts to NIS 93,586.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status which concluded during the reporting period, until its signing (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	6/2014 District - Jerusalem	Clal Insurance and additional insurance companies[9]	The plaintiff, who holds a life insurance policy issued for mortgage insurance purposes (the "**Policy**"), contends that the insurance amounts covered under the policies are higher than the balances of the loan in the lending bank, and as a result, policyholders are required to pay higher monthly premiums than those which they would have paid, had the insurance amount been adjusted to the balance of the loan, as recorded at that time in the bank's books.	(A) To reimburse to the class members the premium differentials between the premiums which they were supposed to pay, in accordance with the correct loan balances at the lending banks, and the premiums which they actually paid, with the addition of compensation for emotional distress; (B) To change their manner of conduct, in a manner whereby the defendants will calculate, at their own initiative, the insurance amount, and as a derivative thereof, the premium amount, based on the precise data regarding the mortgage loan in each month, and at a minimum, every half year, in accordance with the terms of the loans. (C) To submit to policyholders detailed information regarding the method used to calculate the insurance amount and the premium.	All customers of the defendants who held policies of one or more of the defendants during the last 7 years (all or some) before the filing of the motion, who acquired from it a life insurance policy for the purpose of insuring a mortgage loan which they took out at one of the mortgage banks in Israel, and where the insurance amount which was used to calculate the insurance premiums which they were required to pay, in the last 7 years, exceeds the balance of the loan in the bank.	In March 2016, the position of the Attorney General of Israel was filed, which, in general terms, supported the defendants' position. In September 2017, the Court approved the plaintiff's motion to withdraw the class action, according to which the plaintiff will withdraw the claim, against an undertaking by defendants that during the interim period, until the publication of relevant directives by the Commissioner, the defendants will work to inform policyholders, before engaging in insurance policies through housing loans, regarding the interest rates, and regarding the possibility that a difference may exist between the insurance amount in the policy, and the balance of the loan amount.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 97 million.

[9] In November 2014, a motion to approve an additional class action was filed against Clal Mortgage Financing Ltd. (a nonexistent company), on the same matter, in an immaterial sum, which is still pending. The claim was filed with respect to life insurance for mortgage takers, given by Clal Insurance. In June 2016, the additional claim was transferred to the Court which is hearing the claim described in Note 7(a)(a3)(4) to the financial statements.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status which concluded during the reporting period, until its signing (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
5.	2/2016 District - Tel Aviv	The Company and the Company's directors[10].	According to the plaintiff, a shareholder in the Company, who also holds bonds of IDB Development, in light of the fact that the Company's enterprise value is not reflected in its market value, and is actually significantly higher than the Company's equity, and in light of the obligation of the Company and of its board members to work to generate value for the Company's shareholders, the Company and its board members should have tried to sell the Company's assets, which primarily include the holding of Clal Insurance, to other insurance companies in Israel, by way of a tender, with each asset of the Company being offered for sale separately. The plaintiff claims absence of action by the Company and its board members, with the aim of realizing return for the Company's shareholders, and negligence on their part in working towards reducing the damage caused to the plaintiff and to the class members. The plaintiff further stated that he had also contacted IDB Development with a demand to join the aforementioned proceedings, and that insofar as his demand will not be accepted, he intends to file, on its behalf a derivative claim on the matter. In parallel to the filing of the claim and the motion to approve the claim as a class action, the plaintiff filed with the District Court of Tel Aviv-Yafo, against the Company and its Board of Directors, and against additional defendants, including IDB Development, its board members, the trustee for the shares of IDB Development in the Company, and the Insurance Commissioner, a motion for issuance of an injunction and an urgent motion for a temporary injunction (hereinafter: the "Injunction"), in which the plaintiff requests to order a stay of the proceedings involving the sale of the Company's shares which are held by IDB Development through the trustee, as specified in Note 1(b)(3) above.	To order the defendants to compensate the class members for the damages which they incurred due to the omissions of the defendants to work towards realizing value for the Company's shareholders by way of the sale of its operations, or alternatively, to order the Company to work to sell the aforementioned assets, with the aim of reducing, at the present, the damage caused to the class members.	All shareholders who hold the Company's shares which are listed for trading on the Tel Aviv Stock Exchange.	In June 2016, the District Court ordered the striking of the motion for an injunction. In October 2017, following the parties' announcement, the Court accepted the plaintiff's request to strike out the motion without ordering expenses, on the condition that the plaintiff and his representative will furnish to the Court an affidavit declaring that they have not received, against their withdrawal of the motion, any benefit whatsoever from the defendants, and in accordance with the foregoing, the affidavit was filed.	The amount of the class action claimed by the defendant in the statement of claim with respect to the damage which was incurred by the class members amounts to a total of approximately NIS 2,125 million.

[10] It is noted that the Company's directors have letters of indemnity from the Company.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A4. Presented below are additional details regarding exposure to immaterial class actions which have not yet been filed and to additional expenses

1. In addition to the material class actions which are described in Note 7(a)(a1), the pending motions for the approval of class action status for material claims, as described in Note 7(a)(a2), and the motions to approve class action status for material claims which were withdrawn during the reporting period, as described in Note 7(a)(a3), there are pending against the Company and/or its subsidiaries motions to approve class actions which, according to the Company's estimate, are immaterial, and regarding which a detailed description was therefore not included in the financial statements. As of the reporting date, 18 claims of this kind are being conducted against the Company and/or its subsidiaries, where the total amount specified by the plaintiffs in the aforementioned claims amounts to approximately NIS 482 million[11].

2. In addition to the aforementioned legal proceedings, from time to time, potential exposures exist which, at this stage, cannot be estimated or quantified, with respect to alerts regarding the intention to file class actions on certain matters, or legal proceedings and specific petitions which may in the future develop into class actions or third party notices against the Group's member companies, and potential exposure also exists, which at this stage cannot be estimated or quantified, to the possibility that additional class actions will be filed against the group's member companies due to the complexity of the companies' insurance products, along with the complexity of the regulations that apply to the member companies' activities, which may result in disputes regarding the interpretation of the provisions of the law or of an agreement, or regarding the manner of implementation of the provisions of the law or an agreement, or the method by which claims are settled in accordance with an agreement, as these apply to the relationship between the group's member companies and the customer.

   This exposure is particularly increased in the long term savings and long term health insurance branches, in which Clal Insurance is engaged, inter alia, due to the fact that, in those areas, some of the policies were issued decades ago, whereas today, due to significant regulatory changes, and due to the development in case law and in the Commissioner's position, the aforementioned policies may retroactively be interpreted differently, and may be subject to different interpretations than those which were in practice at the time when they were written. Moreover, the policies in the aforementioned segments have been in effect for decades, meaning that exposure exists to the possibility that in cases where the customer's claim is accepted and a new interpretation is provided for the terms of the policy, the future profitability of the Company in question will be affected by the existing policy portfolio. This is in addition to compensation that may be provided to customers with respect to past activity.

[11] Including one claim in which Clal Insurance is a formal defendant, and no remedies are requested against it, and one claim in which the plaintiffs did not specify the claim amount, and two claims in which the amount is not attributed to the Company only. For additional information regarding all class actions, see Note 7(c) below.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A4. Presented below are additional details regarding exposure to immaterial class actions which have not yet been filed and to additional expenses (Cont.)

2. (Cont.)

In January 2015, the Control of Financial Services (Insurance) Law, 1981 entered into effect, which signifies a major reform in the field of approval of supplementary insurance plans. Supplementary arrangements were published within the framework of a circular specifying the Commissioner's position regarding the principles for phrasing of insurance plans, which was replaced in April 2015 with an insurance circular regarding "instructions for the phrasing of insurance plans", and the Commissioner's position regarding "principles for the phrasing of insurance plans". In March 2017, an amendment was published to the circular. These circulars included various provisions and restrictions with respect to provisions which should or should not be included in insurance plans, and additionally, the exceptions which may be included in the policies were restricted (hereinafter, jointly: "**Insurance Plan Reform**"). The insurance plan reform allows the sale of insurance products after they have been submitted in advance to the Commissioner, with no need for explicit approval, and also allows the Commissioner, under certain conditions, to order an insurer to discontinue its provision of insurance plans or to order an insurer to implement a change in an insurance plan, including with respect to policies which have already been marketed by the insurer. It is not possible to predict in advance and to what degree the insurers are exposed to claims with respect to the policy's provisions, to the manner of application of the Commissioner's authorities in accordance with the insurance plan reform, nor its implications, which may be raised, inter alia, through the procedural mechanism set forth in the Class Action Law.

There is also exposure, which at this stage cannot be estimated or quantified, to errors in the methods used to operate products in the long term savings and health segments. It is not possible to predict in advance all types of claims which may be brought in this context and/or the possible exposure due to them which may be brought up, inter alia, by means of the procedural mechanism for class actions and/or industry-wide decisions of the Commissioner.

Such exposure is due to the complexity of the aforementioned products, which are characterized by a very lengthy lifetime, and are subject to frequent, complex and material changes, including changes in regulatory and taxation directives. The complexity of the changes, and the application thereof over a large number of years, creates increased operational exposure, also due to the multiplicity and limitations of the automation systems used in the group's institutional entities, due to additions / changes to the basic product structure, and due to multiple, frequent changes implemented over the product's lifetime, including by customers (employees) and/or by employers and/or by other parties acting on their behalf, with respect to insurance coverages and/or with respect to savings deposits.

The above complexity and changes affect, inter alia, the volume and amounts of deposits, the various components of the product, the manner in which funds are associated with employees, products and components, their charging dates, the identification of arrears in deposits and the handling of such cases, and the employment, personal and underwriting status of customers. The aforementioned complexity is increased in light of the large number of parties acting vis-a-vis the companies in the group regarding the management and operation of the products, including, inter alia, distributing entities, employers, customers and reinsurers, including as regards the ongoing interface with them, and contradictory instructions which may be received from them, or from their representatives. The member institutional entities in the group routinely investigate, identify and handle issues which may arise due to the aforementioned complexities, both with respect to individual cases, and with respect to customer types and/or product types.
The entry into effect of the Control of Financial Services Regulations (Provident Funds) (Payments to Provident Funds), 2014 (the "Payment Regulations"), in general, and the update to the fund collection and intake interface in particular, intensify and increase, in the short term, the aforementioned complexity, although in the long term, they are expected to reduce it.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A4. Presented below are additional details regarding exposure to immaterial class actions which have not yet been filed and to additional expenses (Cont.)

2. (Cont.)

Additionally, further to the provisions of the Commissioner's circular from November 2012, regarding data with respect to members' rights (institutional entities circular 2014-9-13) (the "Circular"), which obligated the institutional entity to cleanse the data which confer rights upon members, in order to ensure that the recording of members' rights in the information systems is as reliable, complete, accessible and retrievable as possible, until the middle of 2016. The group's institutional entities implemented, after the publication of the circular, in 2013, a gap survey with respect to the members and policyholders who manage policies and/or accounts in the group's institutional entities ("Cleansing Tasks"), and also worked during the reporting period on the implementation of a comprehensive process of data cleansing with respect to the systems in the long-term savings segment. In general, as of the publication date of the report, tasks involving the cleansing of data regarding accrued balances of policyholders have been completed. The institutional entities in the group are continuing to perform data cleansing tasks with respect to members and policyholders, including with respect to additional gaps which are discovered from time to time, including as a result of initiated investigation activities; however, at this stage, they are unable to estimate the full scope, cost and implications of the aforementioned activities, inter alia, due to the complexity of the products, their status as long term products, and due to the multiplicity of automation systems in the segment, and the limitations thereof. The institutional entities in the Group updated the members' rights as required, and as a result, the insurance liabilities increased during the reporting period by approximately NIS 61 million, and in 2016 by approximately NIS 103 million.
The exposure to unfiled claims of member companies in the group is brought to the Company's attention in several ways. This is performed, inter alia, through requests from customers, employees, providers or other parties on their behalf to entities in the companies, and particularly to the ombudsman in member companies in the group, through customer complaints to the public appeals unit in the Office of the Commissioner, through (non-class action) claims which are filed with the Court, and through position papers issued by the Commissioner.

It is noted that insofar as the customer's complaint is submitted to the public appeals unit in the Office of the Commissioner, in addition to the risk that the customer will choose to bring its claims also within the framework of a class action, the member companies in the group are also exposed to the risk than the Commissioner will reach a determination regarding the complaint by way of a sector-wide determination, which will apply to a broad group of customers. In recent years, an increase has occurred in the exposure to the aforementioned risk, due to the increasing involvement by the Commissioner in customer complaints referred to her, and in the Commissioner's tendency to determine a position in principle by way of industry-wide determinations, and due to position papers and draft position papers which are published by the Commissioner. For additional details regarding industry-wide determinations and position papers, see section D below.

On this matter, it is noted that in November 2016, an amendment was published to the circular regarding the investigation and settlement of claims and the handling of public appeals, according to which, in cases where the public inquiry indicates a systemic and significant deficiency, which may be repeated, in the conduct of an institutional entity, the institutional entity must work to identify similar cases in which a similar deficiency took place, and insofar as similar cases are identified - it must conduct a lesson learning process, and rectify the defects within a reasonable period of time, and submit a report on the matter to the Commissioner once per year. This amendment may expand the group's exposure to the broad implications with respect to such deficiencies, and may have a significant effect, which at this stage cannot be estimated.

The member companies in the group are unable to predict in advance whether a customer claim which has been brought to the companies' attention will eventually lead to the filing of a class action, or will lead to an industry-wide determination, or will have industry-wide implications, even in cases where the customer threatens to do so, and additionally, the member companies in the group are unable to estimate the potential exposure that may be created due to the aforementioned claims, insofar as these may be heard and found justified by a competent authority.

Note 7 - Contingent Liabilities and Claims (Cont.)

B. Material claims and derivative claims

B1. Current or concluded material claims which are not in the ordinary course of business or exposure to such claims

1. Clal Insurance engaged, from January 2004 to June 2013, with Hadassah Medical Organization (hereinafter: "Hadassah"), in a renewing annual agreement with respect to second layer professional liability insurance, providing insurance coverage for claims in an amount exceeding the self insurance amount, which was given by Hadassah (hereinafter: the "**First Layer**"). The liability limit which was given by Clal Insurance in the second layer was changed over the insurance years, where the insurance liability in the last insurance period, which began in January 2012 and concluded in June 2013, was with respect to a claim whose amount was over approximately NIS 8.8 million, and up to a total of approximately NIS 18 million per event and approximately NIS 36 million for all policyholders with respect to that insurance period (the aforementioned amounts are linked to the consumer price index from January 1, 2012). In February 2014, Hadassah filed with the District Court of Jerusalem a motion to issue a stay of proceedings and for the appointment of a trustee for the purpose of formulating a recovery plan and creditors' settlement in accordance with sections 350b(d)(1) and 350(d) of the Companies Law (hereinafter: the "**Motion**"). As part of the proceedings which were conducted within the framework of the motion, claims were heard alleging that the insurance companies which provided professional liability insurance to Hadassah, including Clal Insurance, should bear the monetary costs which may be imposed in the first layer, beyond the amount of the designated deposit which Hadassah deposited for this purpose, in case Hadassah does not pay the claims itself. Clal Insurance clarified to the trustee that its position is different, and that it is responsible for the second layer only. In May 2014, a motion to approve the recovery plan was filed with the Court, which includes one-time assistance by the State to Hadassah in the amount of NIS 140 million, as well as routine support, which are together intended to supplement the accrued reserve in Hadassah up to the amount of Hadassah's actuarial liabilities with respect to outstanding claims on the first layer, for the period until December 31, 2013. To the best of the Company's knowledge, on May 22, 2014, the recovery plan was approved by the Court, and the stay of proceedings was lifted.

2. In May 2016, a claim was filed with the District Court of Tel Aviv-Yafo for the cancellation of a ruling against Clal Finance Batucha Investment Management Ltd. and Clal Finance Management Ltd. (companies which were previously under the control of Clal Insurance Enterprises Holdings Ltd., hereinafter, jointly: the "**Clal Finance Companies**"). The claim pertains to the cancellation of a ruling which was given in February 2009 (the "**Cancellation Ruling**"), in which an arbitration award was canceled, which was given with respect to a dispute between the plaintiff and his mother, and the Clal Finance companies, in which the Clal Finance companies were ordered to pay to the plaintiffs, through arbitration, a total amount of approximately NIS 95 million, plus linkage differentials and interest, from the date of the arbitrator's decision until the date of actual payment (the "**Arbitration Award**"). The arbitration which is the subject of the arbitration award involved actions which were performed by the Clal Finance companies during the period in which the plaintiff and is mother managed their investment portfolios through Clal Finance companies. A ruling which gave force of ruling to the settlement agreement in which the parties to the arbitration engaged, which primarily includes the cancellation of the arbitration award, the dismissal of the motion to approve the arbitration award, and payment in the total amount of NIS 9.2 million to the plaintiff and his attorneys, in consideration of a final and absolute waiver and dismissal of all of the plaintiffs' claims, demands and lawsuits in the arbitration vis-à-vis the Clal Finance companies. According to the plaintiff, the Court is requested to order the cancellation of the cancellation ruling, due to extreme injustice, since it was given based on the plaintiff's consent during a time when he was suffering from a severe emotional state, lack of judgment and inability to agree to the settlement agreement. The plaintiff further demands the cancellation of the ruling due to error, extortion and obstruction. The plaintiff is petitioning the Court to order the cancellation of the canceling judgment, and to require the Clal Finance companies to pay the arbitration award to him, less the amounts which were paid to him, and with the addition of linkage differentials and interest from the date of provision of the arbitration award until the actual payment date. In November 2016, the plaintiff's mother joined the claim as a plaintiff. In November 2016, the Clal Finance companies filed a motion to order the plaintiffs to deposit the settlement amount in the Court fund, as a condition for the continued investigation of the claim, as well as a motion to order the plaintiffs to provide a guarantee for the payment of expenses. In June 2017, the Court approved a consensus motion which was filed on the same date to dismiss the claim without ordering expenses.

   The Company is not party to the claim; however, it received notice regarding the filing of the claim from Bank of Jerusalem Ltd., in accordance with the agreement for the sale of Clal Finance Batucha Investment Management Ltd. to Bank of Jerusalem, according to which the Company has an undertaking to indemnify, as specified in Note 27(c)(1)(b) to the Company's consolidated financial statements as of December 31, 2016.

Note 7 - Contingent Liabilities and Claims (Cont.)

B. Material claims and derivative claims (Cont.)

B2. Material derivative claims

A derivative claim is a claim which is filed in accordance with the provisions of the Companies Law, 1999 (hereinafter: the "**Companies Law**"), on behalf of a shareholder or a director in a company, and in certain circumstances, on behalf of a creditor of the Company. The claim was filed on behalf of the Company, due to a cause of action of the Company, after the plaintiff's request towards the Company to exhaust its rights was rejected, or was not accepted, in a manner which entitles him to file a derivative claim in accordance with the provisions of the Companies Law; A derivative claim requires approval from the Court, which will approve it if it is convinced that the claim and the management thereof are, prima facie, in the Company's best interest, and that the plaintiff is not acting in bad faith. In accordance with the provisions of the Companies Law, the plaintiff will not withdraw a derivative claim, and will not implement an arrangement or settlement with the defendant without the approval of the Court; A motion to approve an arrangement or settlement will include specification of all details thereof, including any consideration offered to the plaintiff.

<table>
<tr><th>Serial number</th><th>Date and instance</th><th>Defendants</th><th>Main claims and causes of action</th><th>Main remedies</th><th>Status / additional details</th><th>Claim amount</th></tr>
<tr><td>1.</td><td>2/2014

District - Economic Department, Tel Aviv</td><td>Clal Insurance, four additional insurance companies, and Clalit Health Services (hereinafter: "Clalit")</td><td rowspan="2">According to the plaintiffs, health funds which do not exhaust and exercise the participation right which is available to them, in principle, by virtue of the law, towards the insurance companies, with respect to expenses which they spent within the framework of additional health services programs (hereinafter: "Additional Health Services"), with respect to those cases in which there is, in principle, an overlap between the additional health services and the commercial health insurance policies which are sold by the insurance companies. It was further claimed that the insurance companies allegedly encourage their policyholders to activate the Additional Health Services Plans in the health funds, and to refrain from activating the commercial insurance policy, by providing monetary compensation to policyholders, with the aim of avoiding the need to themselves absorb the materialization of the risk with respect to the insurance event, while passing on the risk to the health funds, and thereby allegedly performing unjust enrichment.</td><td rowspan="2">Exercise of the health funds' participation right towards the insurance companies, while requiring each of the insurance companies to pay to the health funds at least half of the payments which the health funds paid for the purpose of covering the expenses which were paid by them in the additional health services plans, both with respect to the component involving surgery and choice of surgeon in Israel, and with respect to the component involving medical advice, during the seven years preceding the filing date of the motion, and in cases where, the policyholders of the health funds have commercial health insurance, which provides them insurance coverage with respect to those components.</td><td rowspan="2">In July 2015, following the Court's decision that a member of an Ottoman association may file a motion to approve a derivative claim on behalf of the association, Maccabi and Clalit health funds filed a motion for leave to appeal the decision to the Supreme Court (hereinafter: the "Motion For Leave To Appeal"), and in October 2015, the Company and the insurance companies joined the motion for leave to appeal. In accordance with the Court's decision, the Attorney General of Israel filed, in March 2016, a position regarding the main issues raised in the claim, which supported the position of the defendants.</td><td rowspan="2">With respect to the general claim, the plaintiffs estimate the claim amount against all of the insurance companies at a total of approximately NIS 3.5 billion, plus interest and linkage. The petitioner has not specified a part of his claim amount with respect to Clal Insurance, however, he has stated that according to the data of the Division of Capital Markets, Insurance and Savings in the Ministry of Finance, as of the end of 2011, the market share of Clal Insurance is 14% of the total market share of the insurance companies in the branch, where the total market share of the defendant insurance companies is 98%.</td></tr>
<tr><td>2.</td><td>3/2014

District - Economic Department, Tel Aviv</td><td>Clal Insurance, four additional insurance companies, and Maccabi Health Services (hereinafter: "Maccabi")</td></tr>
</table>

Note 7 - Contingent Liabilities and Claims (Cont.)

B. Material claims and derivative claims (Cont.)

B2. Material derivative claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Status / additional details	Claim amount
1. (Cont.)	2/2014 District - Economic Department, Tel Aviv	Clal Insurance, four additional insurance companies, and Clalit Health Services (hereinafter: "**Clalit**")	The motion was filed after the health funds had rejected the petitioner's demand to exhaust the aforementioned participation right towards the insurance companies, on the grounds that, from the perspective of the provisions of the law, and for additional reasons, there is no basis for the aforementioned demand, so long as the current provisions of the law have not been changed, including the initiation of administrative measures.		In July 2017, leave to appeal was granted, and in October 2017, the Supreme Court gave its ruling, according to which the health funds' appeals should be accepted, and therefore, it accepted the health funds' motion to summarily withdraw the motions to approve a derivative claim.	With respect to the Maccabi claim, the plaintiffs estimate the claim amount against all of the insurance companies in the amount of approximately NIS 1.7 billion, plus interest and linkage. The plaintiffs have not designated a certain part of their claim amount to Clal Insurance; however, they noted that according to the information of the Division of Capital Markets, Insurance and Savings at the Ministry of Finance, as of the years 2011 and 2012, the market share of Clal Insurance is 14% of the total market share of insurance companies in the segment, where the defendants' total market share is 98%.
2. (Cont.)	3/2014 District - Economic Department, Tel Aviv	Clal Insurance, four additional insurance companies, and Maccabi Health Services (hereinafter: "**Maccabi**")				

Note 7 - Contingent Liabilities and Claims (Cont.)

B. Material claims and derivative claims (Cont.)

B3. Immaterial derivative claims

Serial number	Date and instance	Defendants	Main claims and causes of action	Status / additional details	Claim amount
1.	2/2017 District - Tel Aviv	DIC, directors and corporate officers of DIC, and certain other shareholders of DIC who are associated with IDB Development or with the controlling shareholders in DIC at that time. including Clal Holdings and Clal Finance (all, jointly: the "**Respondents**") [16]	Claim regarding an unlawful dividend distribution by DIC. It is noted that the amounts attributed to the Company and to Clal Finance, who held DIC shares, and who therefore received dividends, are primarily amounts which were received for customers of the group's member companies.	This derivative claim was filed further to the decision of the Court from September 2016, according to which a previous motion to approve a derivative claim was struck out, which had been filed by the plaintiffs, after it was determined that it would be appropriate to file a new derivative claim on the matter, while removing IDB Development Corporation Ltd. as a respondent from the proceeding, in light of the anti-suit injunction which was given regarding it. In the claim, assertions were raised which were similar to those raised in the previous motion to approve, which was struck out, as stated above, which pertained to assertions against dividend distributions which were announced by DIC, during the period from May 2010 up to and including March 2011. After the claim was struck out for procedural reasons, In July 2017, the plaintiffs filed with the arrangement court a motion to issue orders, to approve the filing of a derivative claim which is mostly identical to the claim which was struck out, as stated above. The proceedings are currently in the stage of hearing the motion to approve the claim as a derivative claim.	The claim amount attributed to the Company, to Clal Finance and to two additional shareholders who are associated with IDB Development or with the controlling shareholders of DIC, amounts to approximately NIS 44 million, including the amounts which were distributed as dividends, as stated above, and interest on the aforementioned amounts until the filing date of the motion (the aforementioned amount was not divided among the shareholders of the defendants).

[16] The Company and Clal Finance are defendants, due to their status as shareholders of DIC during the relevant period.

Note 7 - Contingent Liabilities and Claims (Cont.)

C. Summary details regarding exposure to claims

Presented below are details concerning the total amount claimed in class action suits, both material and immaterial, which were approved for filing as class actions, in pending motions to approve claims as class actions, in pending motions to approve derivative claims and other materials claims, as specified by the plaintiffs in their claims (nominally) within the framework of the statements of claim which were filed against companies in the group. It is noted that in most of the cases the amount claimed by the plaintiffs is an estimated amount only, and that the exact amount will be decided within the framework of the legal proceedings. It is noted that the above amount does not include claims for which the representative plaintiff has not stated an amount. Furthermore, it is hereby clarified that the claimed amount does not necessarily constitute quantification of the Company's actual exposure amount, which may eventually turn out to be lower or higher [17].

Type of claim	Number of claims	Amount claimed, NIS in millions
A. Claims approved as class actions		
1. Amount pertaining to the Company specified	6	2,644
2. The claim was filed against a number of entities, with no specific amount attributed to the Company	1	225
3. Claim amount not specified [18]	2	-
4. An annual amount has been specified (and accordingly, the total amount is period-dependent)	1	107 [19]
B. Pending motions to approve claims as class actions		
1. Amount pertaining to the Company specified	36	4,349
2. The claim was filed against a number of entities, with no specific amount attributed to the Company [20]	9	11,526
3. Claim amount not specified [21]	7	-
C. Derivative claims		
1. Amount pertaining to the Company specified	-	-
2. The claim was filed against a number of entities, with no specific amount attributed to the Company	1	44
3. Claim amount not specified	-	-

In addition to the details provided in Notes 7(a) and 7(b) above, the Company and/or the consolidated companies are party to additional legal proceedings, which are not in the ordinary course of business and which are not material claims, which were initiated by customers, former customers and various third parties, for a total sum of approximately NIS 70 million. The causes of action against the Company and/or the consolidated companies within the framework of the aforementioned proceedings are varied and multiple.

[17] It should further be noted that the specified amounts do not include amounts demanded by the plaintiffs with respect to compensation to the class action plaintiff, and legal fees for his representative.
[18] In one of the motions, the plaintiff did not specify a claim amount, although an estimate was given of hundreds of millions of NIS.
[19] The specified amount refers to an estimation of the claim with respect to one year only. It is noted that the claim was filed in March 2010, with respect to a legislative amendment from 2008.
[20] Includes one claim in which Clal Insurance is a formal defendant, and no remedies are requested against it.
[21] These motions include three motions: one motion in which the plaintiff did not specify the claim amount, but estimated it as many millions of NIS, a second motion which was estimated at hundreds of millions of NIS, and two motions which were estimated as tens of millions of NIS.

Note 7 - Contingent Liabilities and Claims (Cont.)

D. Exposure due to regulatory provisions and position papers

Additionally, and in general, in addition to the overall exposure of the institutional entities in the Company's group with respect to future claims, as set forth in Note 7(a)(a4)(2) above, from time to time, including due to complaints by policyholders, audits and requests for information, there is also exposure to alerts concerning the Insurance Commissioner's intention to impose on the above entities financial sanctions and/or directives issued by the Commissioner regarding the correction and/or repayment and/or performance of certain actions with respect to a policyholder or a group of policyholders, and/or exposure with respect to industry-wide decisions, through which the Commissioner is also authorized to order the performance of a repayment to customers with respect to the deficiencies which are referenced in the alerts or determinations and/or position papers which are published by supervisory entities, and whose status and degree of impact are uncertain. Additionally, from time to time, the institutional entities are involved in the hearing and/or discussion stages vis-à-vis the Control of Insurance Office concerning notices and/or determinations, and at times, enforcement authorities are implemented against them, including the imposition of financial sanctions.

The institutional entities in the group are evaluating the need to perform provisions in the financial statements, in connection with the aforementioned proceedings, based on the opinion of their legal counsel and/or are currently evaluating the significance of the aforementioned proceedings, as required and as appropriate. Presented below are details regarding the Commissioner's positions or draft positions, or determinations in principle which have or may have an impact on the class, as follows:

1. In April 2016, an industry-wide determination in principle was published regarding the method for marketing of personal accidents policies (hereinafter: "**Determination**"). The determination referred to the holders of individual personal accident policies for periods exceeding one year, who acquired personal accident insurance from the insurers, after they had a previous health insurance policy at that insurer, beginning in January 2014, and in accordance with the terms which were determined in the determination (hereinafter, respectively: the "**Insurance**" and the "**Policyholders**" or the "**Policyholder**"). According to the determination, the insurance company was required to conduct, an evaluation which will include evaluating the method by which the insurance is marketed, and according to its results, to contact policyholders by telephone, and to receive their express consent for the continuation of their coverage under the aforementioned insurance, and to cancel the insurance coverage and to reimburse the premiums which were paid, with the addition of duly calculated linkage differentials and interest, if the policyholder has not approved (the "**Obligation to Verify Consent**"). The Company performed the aforementioned evaluation, and submitted its results to the Commissioner, who also requested data. In November 2017 , the Company received a final determination on the matter (hereinafter: the "**Determination**"), according to which the Company was obligated to verify consent, with respect to some of the policyholders to whom personal accident insurance was sold (even if they did not previously have a health product). According to the determination, and subject to the exceptions specified therein, the Company is required to contact policyholders who were aDEd to personal accidents insurance from January 1, 2014 until the publication date of the determination, through certain marketing centers which were specified therein, and to verify that those policyholders are aware of the existence of the personal accidents insurance. Insofar as a policyholder has announced that he is not aware of the aforementioned insurance, the Company is required to give him an option to cancel the insurance, and to receive reimbursement for the premiums which he paid, from the date of their addition, plus duly calculated linkage differentials and interest. The implementation of the determination is subject to the Commissioner's approval regarding the outline of action which the Company intends to implement, including as regards the possibility which it was given, as part of the above, to exclude additional groups, and to make contact by digital means. **At this stage, the Company is preparing for the implementation of the outline, and is unable to estimate its full implications.**

Note 7 - Contingent Liabilities and Claims (Cont.)

D. Exposure due to regulatory provisions and position papers (Cont.)

2. The Company held discussions with the Commissioner, in connection with the draft determination regarding it, with respect to one-time deposits of policyholders in guaranteed return policies (hereinafter: the "**Policies**"). In accordance with the draft, the Company is obligated to take certain actions with respect to policyholders whose actual rate of deposits, which bore the returns of the profit sharing portfolio, was equal to or greater than the returns guaranteed in the policies, and certain actions with respect to policyholders whose actual one-time deposit returns were lower than the guaranteed returns. Therefore, at this stage, in light of the fact that the final wording of the draft is not known, if and insofar as it will be received, the Company is unable to assess its implications and the degree of its impact on the Company, if and insofar as it will be published.

3. In February 2017, a position of the Commissioner was published regarding certain provisions with respect to the re-evaluation of eligibility, which were determined in the claim settlement circular (the "**Position Paper**"). In the position paper it was determined, inter alia, that in case an insurance company has approved a claim for periodic insurance benefits for a period which is shorter than the maximum entitlement period, subject to the provisions of the policy (the "**Approved Payment Period**"), it must initiate, before the end of the approved payment period, a re-evaluation of entitlement, in which it will determine whether the claimant is still entitled to insurance benefits. It was further clarified in the position paper that, that in its notice to the claimant, the insurance company must clarify that the continued payment of insurance benefits after the conclusion of the approved payment period is conditional upon the re-evaluation of their entitlement.

4. In August 2017, a draft was published of the Commissioner's position with respect to the findings of the Commissioner's evaluation regarding the manner of implementation of the provisions of the insurance circular on the subject of "implementation and marketing methods of service letters" (hereinafter, respectively: the "**Service Letters Circular**" and the "**Commissioner's Draft Position**"). The Commissioner's draft position includes provisions regarding the Commissioner's position with respect to the manner of implementation of provisions in the service letter circular, which pertain to the presentation of the service letter price and the requirement not to make the purchasing of insurance plans conditional on the purchasing of service letters. The Commissioner's draft position includes, inter alia, provisions with respect to the prohibition on the marketing of service letters as an integral part of the insurance policy, without giving the policyholder the option to acquire the insurance policy without the service letters; A prohibition on reducing agent commissions with respect to the sale of insurance policies without service letters; A prohibition on providing discounts on insurance policies in case of the purchasing of service letters. The Company is holding discussions with the Commissioner regarding the draft position paper.

5. In October 2017, the Commissioner published a draft clarification regarding a pension marketing process upon the addition of members to a pension product in Clal, and the addition of members within the framework of a default product in particular, which primarily involves the provision stating that an insurance agent who performs a transaction with a pension product on behalf of a customer (including addition to a pension product) is obligated to perform a pension marketing process, and that an institutional entity is not entitled to pay a distribution commission to the aforementioned agent in case the agent has not performed a pension marketing process for the customer. The publication of the draft clarification as a binding text, and the prohibition on the payment of commissions to an agent upon the addition of members within the framework of a default product, is expected to affect the engagement by institutional entities and employers in agreements with insurance agents, and the payment thereto accordingly, and along with the provisions regarding the default fund circular, it is also expected to affect the future addition to pension products of the Group's institutional entities. At this preliminary stage, before the final version of the draft clarification has been determined, it is not possible to estimate its full impact, with respect to existing members and new members, and they depend, inter alia, on the final version which will be determined, on the draft's effects on engagements with distributing entities, on the conduct of employers and customers, and on the combined impact of the provisions of the draft clarification, as well as additional provisions, including the provision regarding the default fund circular, and the provisions regarding the consolidation of inactive accounts in pension funds.

Note 7 - Contingent Liabilities and Claims (Cont.)

E. With respect to the costs that may arise due to the claims and exposures described in Note 7(a), (b), (c) and (d) above, provisions are made in the financial statements of the relevant consolidated companies, only if it is more likely than not (i.e., probability of over 50%) that a payment liability due to past events will materialize, and that the liability amount will be quantifiable or estimable within a reasonable range. The executed provision amounts are based on an estimate of the risk level in each of the claims as of a date proximate to the publication date of this report (excluding the claims which were filed during the last two quarters, regarding which, due to their preliminary stages, it is not possible to estimate their chances of success). On this matter, it is noted that events which take place during the litigation process may require a re-evaluation of this risk. Insofar as the Company has a right of indemnification from a third party, the Company recognizes such right if it is virtually certain that the indemnification will be received in the event that the Company settles the obligation.

The assessments of the Company and of the consolidated companies concerning the estimated risk in the claims which are being conducted are based on the opinions of their legal counsel and/or on the estimates of the relevant companies, including concerning the amounts of the settlement arrangements, which the managements of the Company and of the consolidated companies expect are more likely than not to be paid by them.

It is hereby emphasized that, in the attorneys' opinion, concerning the majority of motions to approve class action status with respect to which no provision was made, the attorney's evaluation refers to the chances of the motion to approve class action status, and does not refer to the chances of the claim on the merits, in the event that it is approved as a class action. This is due, inter alia, to the fact that the scope and content of hearing of the actual claim, once granted class action status, would be affected by the Court's decision with respect to the granting of class action status, which usually refers to the causes of action that were approved or not approved, to reliefs that were approved or not approved, etc.

At this preliminary stage, it is not possible to estimate the chances of the motions to approve claims as class actions with respect to the claims specified in Notes 7(a)(a2)(26), 7(a)(a2)(27), 7(a)(a2)(28), 7(a)(a2)(29) and 7(a)(a2)(30) above, and therefore, a provision with respect to these motions was not included in the financial statements.

The provision which is included in the financial statements as of September 30, 2017, with respect to all of the legal claims and exposures specified in Note 7(a), 7(b), 7(c) and 7(d) above, amounted to a total of approximately NIS 118 million.

Note 8 - Additional Events During and After the Reporting Period

A. Actuarial estimates

1. Changes to insurance reserves in light of changes in the interest rate environment and their impact on the discount rates in life insurance, non-life insurance and long-term care insurance

Further to that stated in Note 40(e)(e1)(d)(1) to the annual financial statements, regarding the strengthening of insurance reserves in light of the low interest rate environment, and its impact on the discount rates in life and long-term care insurance, and the Commissioner's directives regarding the liability adequacy test (LAT), during the reporting period, a decrease occurred in the risk-free interest rate curve, and in the estimated rate of return in the portfolio of assets held against insurance liabilities. In light of the foregoing, the actuary of Clal Insurance updated the interest rates on the free assets which are used to discount the liabilities to supplement annuity reserves and paid pension reserves (2.3%-2.79% as compared with 2.6%-3.28% as of June 30, and as compared 2.4%-3.28% as of December 31, 2016), updated the K factor for profit-sharing policies (0.92% as compared with 0.96% as of June 30, 2017 and December 31, 2016) and the results of the liability adequacy test (LAT) were updated.

The impact on the financial results is specified below:

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	**2016**	**2017**	**2016**	**2016**
NIS in millions	Unaudited				Audited
Life insurance					
Change in the discount interest rate used in the calculation of the liability to supplement the annuity and paid pension reserves	**(158)**	(62)	**(156)**	12	(32)
Change in pension reserves following the decreased forecast of future income (K factor)	**(63)**	(114)	**(63)**	74	-
Liability adequacy test (LAT)	**(29)**	(328)	**(116)**	15	(162)
Life insurance - total impact of the low interest rate environment before tax	**(250)**	(504)	**(335)**	101	(194)
Non-life insurance	-	(2)	-	-	-
Long term care insurance in the health segment	-	(180)	-	52	-
Total income (loss) before tax	**(250)**	(686)	**(335)**	153	(194)
Total comprehensive income (loss) after tax	**(162)**	(440)	**(218)**	98	(124)

2. Changes in estimates with respect to the calculation of outstanding claims in non-life insurance

Discount rate for National Insurance annuities

Further to that stated in Note 40(e)(e2)(4)(g) to the annual financial statements, the Company estimated the total possible effect due to the recommendations of the Winograd committee, which entered into effect on October 1, 2017, including amounts which the insurance companies may be required to pay in other disability and death claims, while taking into account the uncertainty with respect to the manner of its occurrence, if any, and accordingly, increased the insurance liabilities in the nine and three month periods ended on the reporting date, in the compulsory motor and liabilities branches, by approximately NIS 96 and 67 million, on retention and before tax (approximately NIS 62 and 44 million after tax), further to the increase of insurance liabilities in the amount of approximately NIS 126 and 4 million on retention before tax (approximately NIS 81 and 3 million after tax) in the corresponding periods last year, and a total of approximately NIS 141 million on retention (approximately NIS 90 million after tax) in all of 2016.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

A. Actuarial estimates (Cont.)

3. Discount rate used to calculate liabilities for paid pensions

The allocation of designated bonds bearing guaranteed interest, which are issued by the State of Israel, with respect to the liabilities of Clal Insurance to policyholders with guaranteed-return life insurance policies (the "policyholders"), is performed based on the Company's reports, which are prepared based on the calculation of the aforementioned liabilities. During the reporting period, Clal Insurance found that a correction was required in order to associate its liabilities to pension receiving policyholders, to various HETZ bond funds bearing guaranteed returns, and accordingly, contacted the Capital Market Authority to perform an effective allocation of HETZ bonds of the relevant series, in accordance with the aforementioned amendment. The allocation of bonds in accordance with the aforementioned re-attribution, which, according to the Company's estimate, is expected to take place, is expected to confer upon Clal Insurance, in the future, the right to receive a higher interest rate with respect to the liabilities to pension receiving policyholders. As a result, in accordance with the provisions of Note 40(e)(e1)(b)(1)(c) to the financial statements, during the reporting period, Clal Insurance updated the discount interest rate which is used to calculate the liabilities with respect to paid pensions, in consideration of the estimated rate of return on the mix of assets which is expected in the future (which is subject to the actual allocation of HETZ bonds). As a result, in the second quarter of 2017, the insurance reserves decreased, and pre-tax profit increased in the amount of approximately NIS 88 million (of which, approximately NIS 22 million with respect to the decrease of the liability adequacy test (LAT) reserve), and accordingly, profit after tax increased in the amount of approximately NIS 57 million.

B. Update to the corporate tax rate

Further to that stated in Note 23 to the annual financial statements regarding the reduction of the corporate tax rate, beginning on January 1, 2017, the corporate tax rate was reduced to a rate of 24% (instead of 25%), and beginning on January 1, 2018, it will be reduced to a rate of 23%.

The effect of the reduction in the corporate tax rate resulted, in 2016, in a reduction of the balance of deferred tax liabilities in the amount of approximately NIS 37 million, against a reduction of tax expenses in the amount of approximately NIS 21 million, and a total of approximately NIS 16 million against the increase in other comprehensive income, with no significant impact during the reporting period.

Presented below are the statutory tax rates which apply to financial institutions, in accordance with the foregoing:

In percent	Corporate tax rate	Capital gains tax rate	Overall tax rate in financial institutions
Year:			
2016	25.00	17.00	35.90
2017	24.00	17.00	35.04
2018 and thereafter	23.00	17.00	34.18

C. Operation of provident funds

Further to that stated in Note 44(b) to the annual financial statements, in January 2017, the provident funds and study funds which were operated by Bank Hapoalim and Dov Sinai were transferred to the operation of Bank Leumi le-Israel and Leumi Capital Market Services Ltd. (hereinafter, jointly: the "**Bank**") (excluding the provident fund "Bar", which is planned to be transferred to the bank's operation in January 2018).

D. Shelf prospectus of the Company and of Clalbit Finance

In April 2017, the Company received notice from the Israel Securities Authority stating that, by virtue of its authority in accordance with section 23a(b) of the Securities Law, 1968, and in light of the Company's request, it had decided to extend the period for offering securities of the Company in accordance with the Company's shelf prospectus dated April 21, 2015, until April 22, 2018.
As stated in Note 6(e), Clalbit Finance had a shelf prospectus for the offering of securities of Clal Insurance which expired on May 29, 2017.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

E. Structural changes

1. **Long term savings division**
   As specified in Note 44(f) to the annual financial statements, the Company split the long-term savings division, beginning on January 1, 2017, into two separate divisions: the life insurance division, led by Mr. Yaron Shamay, and the pension, provident and financial products division, led by Mr. Avi Rosenbaum, for the purpose of providing a separate business focus for each of the segments, in light of the significant regulatory changes which have taken place in recent years.

2. **Customers division**
   On October 29, 2017, the Company's Board of Directors approved the creation of the customers unit, led by Mr. Daniel Cohen, who will also continue, in parallel, to manage the health division.

   The unit will concentrate, under one roof, the group's direct activities vis-à-vis customers on behalf of the business, non-life insurance, health, life insurance and pension and provident divisions, beginning in January 2018.

   The unit's detailed work plans will be presented to the Board of Directors for approval, upon the presentation of the Company's work plans for 2018.

For details regarding the Company's organizational structure, see section 10.7.1 in Part A of the financial statements for 2016.

F. New collective agreement in Clal Group

On July 20, 2017, a new collective agreement (the "**Agreement**") entered into effect which was signed between the Company's subsidiaries, Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems Ltd., Clal Credit and Finance Ltd. and Canaf - Clal Financial Management Ltd. (hereinafter: the "**Companies**"), and the Histadrut Worker's Committee in the Group, further to the interim agreement dated March 26, 2017 (hereinafter: the "**Interim Agreement**"), which constitutes a part of the agreement. For additional details regarding the interim agreement, see Note 8 to the financial statements as of March 31, 2017. The agreement extends the previous collective agreement for a period of 4 years, from January 1, 2017 to December 31, 2020 (the "**Agreement Period**"). (For details regarding the previous collective agreement, see Note 24(D) to the annual financial statements).

The main terms of the agreement, and its estimated financial implications, are as follows:

1. In July of each year, during the agreement period, salary bonuses are paid to employees, at an average rate of 3% of the base rate of employees who are entitled to a salary raise. In general, half of the total salary bonus budget will be paid as a uniform bonus, and the other half will be paid as a differential bonus, in the discretion of managers.

   It is also noted that insofar as the group achieves, during the agreement period, an average annual profit of over NIS 342 million, in April 2021, a salary bonus will be given according to the formula which was determined between the parties, with a maximum rate of 4% from that date onwards.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

F. New collective agreement in Clal Group (Cont.)

2. Each year, and insofar as the Company's annual profit is no less than NIS 210 million, a annual payment will be paid to employees (without social provisions), at a rate of 1.4% of the annual cost of salary of the employees to whom the agreement applies (with respect to annual profit of no less than NIS 210 million), up to a maximum rate of 3% of the aforementioned annual cost of salary (with respect to annual profit of no less than NIS 400 million).

   Additionally, in case the Company's annual profit is at least NIS 300 million, an additional payment will be paid to employees (without social provisions), at a variable rate (according to expenses) in the range between 0.5% (with respect to annual profit of no less than NIS 300 million) and 1% (with respect to annual profit of no less than NIS 400 million), of the annual cost of salary of the employees to whom the collective agreement applies, which will be provided to some of the employees who are entitled to the additional payment, by way of the allocation of options for Company shares. in case of fulfillment of the targets, in accordance with the terms of the agreement, including as regards the number of employees who will be entitled to the additional payment by way of options, options will be allocated to the employees at an exercise price which will constitute the average closing price of the Company's shares during the 30 trading days preceding the grant date, with an estimated maximum economic value of approximately USD 13 million.

3. Additionally, it was agreed to increase the participation in meals and the participation in summer camp payments, as well as an increased welfare budget relative to the previous agreement, a seniority bonus, and a persistence bonus for employees who joined the Company after November 2012, as well as an increase in the employer's deposits for compensation.

4. Half of the ten days of the strike which was conducted in the companies in June 2017 will not be paid by the Company, or will be deducted from the employees' vacation days. The remaining five days of the strike will also not be paid by the Company, or will be offset from vacation days; however, in case the Company achieves, in 2017, annual profit of at least NIS 300 million, the Company will pay a special bonus in the amount of the salary with respect to half of the strike days.

5. The companies will offer a voluntary retirement plan to employees aged 60 or older. The cost of the plan is as specified in section 10 below.

6. The main terms of the understandings which were formulated in the interim agreement, which constitute, as stated above, a part of the agreement, include increasing the minimum wage for monthly employees in the Company to NIS 6,000, increasing the minimum wage for senior employees (employees who have been working in the Company between 10 and 30 years) to amounts from 7,000 to 8,500, and increasing the salary of service center employees. It was further agreed to extend the tenure period for new company employees, as well as changes to the performance improvement processes before dismissal. The cost of the aforementioned expense will be included in the salary bonuses specified in section 1 above.

7. The agreement exhausts the demands and claims of all parties for the entire period of the agreement, including with respect to the demand for the provision of consideration to employees with respect to the sale of Company shares by the Company's controlling shareholder and/or with respect to a change in control of the Company, insofar as the foregoing occurs during the agreement period.

8. The estimated average increase in the total cost of the human resources expenses in the Company (not including an increase which is conditional upon the fulfillment of targets, as specified below), in each of the agreement years, relative to relevant previous year, is approximately NIS 20 million.

9. The estimated average cost of the human resources expenses in each of the agreement years, with respect to the components of the agreement which are conditional upon the Company's fulfillment of the profit targets, and assuming achieving 100% of the profit targets which will be determined, amounts to approximately NIS 18 million.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

F. New collective agreement in Clal Group (Cont.)

10. Beyond that specified in sections 8 and 9 above, the companies recorded a non-recurring expense in the third quarter of 2017, with respect to the voluntary retirement plan specified in section 5 above, in the amount of approximately NIS 23 million, in accordance with the acceptance of the retirement plan.

The agreement is affecting the Company's results from the third quarter of 2017 and thereafter. The agreement formalizes and replaces human resources increases and expenses which would have been given by the companies, had it not been signed, in accordance with the previous collective agreement, had it been extended.

Actual results may differ from that specified in section 9 above, and depend, inter alia, on the Company's fulfillment of its targets, and on the Company's fulfillment of its targets.

G. Representation employee organization in HaClal HaRishon

On November 13, 2017, the Histadrut announced that it is the representative employee organization for the employees of HaClal HaRishon Ltd. Following the aforementioned announcement, the parties are expected to begin conducting negotiations towards the signing of a collective agreement in accordance with the Collective Agreements Law, 1957. According to the Company's estimate, the aforementioned process will have no significant impact on the Company's financial results.

H. CEO employment agreement

In November 2012, the Company's Board of Directors approved the engagement in an employment agreement (hereinafter: the "**Old Agreement**") with the Company's CEO, Mr. Izzy Cohen (hereinafter: "**Mr. Cohen**" or the "**CEO**"), in effect for five years beginning on November 1, 2012. For additional details, see Note 41(b)(5) to the Company's financial statements for 2016.

On October 9, 2016, following the entry into effect of the Executive Compensation Law, the Company notified its CEO (and additional corporate officers who are subordinate to the CEO) that beginning from the application date of the Executive Compensation Law, on October 12, 2016, the compensation to which he is entitled will be reduced in a manner which complies with the provisions of the Executive Compensation Law. For additional details, see Note 41(b)(5) to the Company's financial statements for 2016.

On July 29, 2017, the CEO notified the Chairman of the Board, Mr. Danny Naveh, regarding his decision with respect to his willingness to extend the tenure of the Company's CEO for an additional two years. On August 29, 2017 and September 10, 2017, the Company's Compensation Committee and Board of Directors approved, respectively, the extension of the tenure of the Company's CEO, and the engagement in a new employment agreement with him, beginning on November 1, 2017, for a set period of two years, i.e., until October 31, 2019, including the possibility of extension by the Company (and subject to the CEO's consent), under the same conditions, by one additional year, subject to the provision of notice 3 months in advance, as specified below (the "**Old Agreement Terms**", the "**Agreement Period**" and the "**Extension Period**", respectively). The extension of the CEO's tenure was approved on October 23, 2017 by the general shareholders' meeting of the Company and of Clal Insurance.

The terms of the new agreement were approved, as required in accordance with the Executive Compensation Law, in accordance with the Commissioner's directives regarding compensation in institutional entities, and in accordance with the compensation policy of the Company and of Clal Insurance, as specified below.

The CEO's total compensation is two million and a half Shekels (NIS 2.5 million) per year[18], in accordance with the following terms.

[18] Linked to the index, beginning from the publication date of the Executive Compensation Law (April 12, 2016). The calculation of the compensation limit, as stated above, will not include taking into account the provision for compensation, including loss of working capacity, and the provision for severance pay pursuant to the law, which can be provided on account of the compensation components (base salary), subject to and in accordance with the Company's compensation policy.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

H. CEO Employment Agreement (Cont.)

The salary and the total compensation will be adjusted at the start of each calendar year[19] to the provisions of the Executive Compensation Law, in a manner whereby the projected expense with respect to the CEO's compensation, according to the total cost of the compensation components, per year, in accordance with generally accepted accounting principles, will be in accordance with section 2 of the Executive Compensation Law[20], whichever is higher (hereinafter: the "**Compensation Limit**")[21]:

(1) Two million and a half Shekels (NIS 2.5 million) per year[22] (hereinafter: the "**Amount Limit**"); or:

(2) A multiple of the expense with respect to the lowest compensation, according to a full time 100% position, which was paid by the Company to an employee, directly or indirectly (including to a contract employee who is employed directly by the Company, or to an employee who is employed by a service provider who is employed by the Company), times 35[23] (hereinafter, respectively: the "**Minimum Salary**" and the "**Minimum Salary Limit**").

Additionally, the salary and the total compensation may change in accordance with and subject to the decision of the Compensation Committee and the Board of Directors, in case it is found that additional components (beyond the provision for compensation[24] and the provision for severance pay as required by law), are not included in the compensation limit.

The total compensation, as specified above, will constitute the basis for provisions for deductions and social benefits.

The CEO will be entitled to convert components of fringe benefits beyond the legal requirement (such as the Company vehicle benefit, or the grossing up thereof) into a salary bonus, provided that such conversion will not increase the CEO's annual employment cost beyond the compensation limit.

Notwithstanding all of the foregoing, it is hereby clarified that the CEO's total compensation, as defined in the Executive Compensation Law, will not exceed, in any case, three and half million Shekels (NIS 3.5 million) per year.

The CEO will not be entitled to a 13th salary.

During his term, the CEO may be requested by the Company to serve as a director in various members of the Company's Group, without payment of any additional consideration beyond the consideration that it paid to him by virtue of and in accordance with the provisions of the new agreement.

Social benefits - The CEO will be entitled to monthly provisions of the Company at the rate of 7.5% of the salary for compensation and for loss of working capacity, 8.3% for severance pay and 7.5% for study fund.

In case of termination of the employer - employee relationship, for any reason whatsoever (excluding extraordinary circumstances in which the CEO will not be entitled to severance pay in accordance with the provisions of the law, with respect to his period of employment in the Company), the CEO will be entitled to release and/or transfer to his ownership all of the funds which have accrued in his favor in directors' insurance and in the study fund, including the profits thereof. Additionally, if and insofar as the amount accumulated in the severance pay component of the managers' insurance policy does not reach the full severance pay amount to which the CEO would be entitled by law in case of dismissal, the Company will supplement the difference owed to the CEO, in case of either dismissal or resignation.

Notwithstanding all of the foregoing, in case the CEO's employment concludes in circumstances where he is not entitled to severance pay and/or advance notice by law, the Company will be entitled to terminate the agreement immediately. Additionally, in the event that the working relationship has been terminated in such circumstances, the Company will be entitled to revoke the CEO's entitlement to severance pay which accrued during the period of his engagement with the Company and/or to adjustment pay and/or to an advance notice period and/or to payments and/or terms during the advance notice period.

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19 And will be reported each year, as stated above, to the Compensation Committee and Board of Directors.

20 It is hereby clarified that the calculation of the compensation limit, as stated above, will not include taking into account compensation regarding which the expense is not expected in accordance with generally accepted accounting principles.

21 The expense will be calculated in accordance with generally accepted accounting principles, as specified in the Executive Compensation Law, as these will be in effect from time to time.

22 See footnote 22.

23 During the year preceding the date of the engagement.

24 Including loss of working capacity.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

H. CEO Employment Agreement (Cont.)

Reimbursement of expenses - The CEO will be entitled to receive reimbursement of expenses in connection with the fulfillment of his responsibilities, and will be entitled receive a cellphone, newspaper subscription, etc., including grossing up the value of crediting the benefit for tax purposes, as well as additional fringe benefits, as specified in the Company's compensation policy, subject to the compensation limit.

If the CEO chooses to receive a vehicle, the Company will provide to the CEO an appropriate vehicle, which will be used by the CEO during the agreement period (subject to periodic replacement of the vehicle, in accordance with the Company's conventional practice), and will receive reimbursement of the payments which are associated with maintenance of the vehicle, within the framework of and subject to the compensation limit.

Vacation, sick days and convalescence days - The CEO will be entitled to an annual vacation quota of 25 days, as well as 12 sick days and convalescence days, in accordance with the Company's policies. It is hereby clarified that insofar as, by the end of the agreement period, the redeemable vacation days have not been redeemed, they will be redeemable, subject to the compensation limit. Insofar as, due to the application of the compensation limit, the accrual of vacation days is not possible, any vacation days which are accrued beyond the compensation limit will be erased.

Advance notice - In case of termination of the employer - employee relationship by the CEO, for any reason whatsoever, during the employment period, the CEO will give notice to the Company 90 days in advance.

In case of termination of the employer - employee relationship by the Company, for any reason whatsoever, during the employment period, or in case of termination of the agreement at the end of the agreement period, without an extension thereof, or at the end of the extension period, without an extension thereof, the Company will give notice to the CEO 180 days in advance.

During the advance notice period, the CEO will receive the full monthly salary, as well as all social benefits and fringe benefits. The Company will be entitled to waive the CEO's actual work during this period, without derogating from his rights to the aforementioned benefits.

In case the Company was the party that notified the CEO regarding the termination of the working relationship, during the last six months of the agreement period or during the extension period, the CEO will be entitled to advance notice, according to the longer period of either: (1) 180 days, as stated above, or (2) an advance notice period which will conclude three months after the conclusion of the agreement period or the conclusion of the extension period, i.e., on January 31, 2020 or January 31, 2021, as applicable.

Dismissal during the agreement period or departure within 12 months after the date of transfer of control (as defined in the Company's compensation policy)[25], before conclusion of the agreement - In the foregoing case, the CEO will be entitled to a monthly salary until the end of the period, subject to the compensation limit in accordance with the Executive Compensation Law. Notwithstanding the foregoing, in case the employer - employee relationship has been terminated in such circumstances, and the CEO begins working before the end of the employment period in a corporation engaged in the insurance, pension or provident fund sectors, or to provide services to such a corporation, he will not be entitled to receive, and if he has received - he will repay to the Company, the proportional part with respect to the period from the commencement date of his employment until the end date of his of employment period. In case of an extension of the agreement, the foregoing will apply with respect to the extension period, except in case of an additional transfer of control, if the transfer of control already occurred during the agreement period.

Non-competition - The agreement also determined that so long as the working relationship between the CEO and the Company continues, including during the advance notice period and including during the period during which, or with respect to which, he receives severance pay, as stated above, the CEO undertakes not to compete against the Company, and/or against any ventures according to operations whatsoever in which the Company is involved, whether directly or indirectly, whether independently or through any other party on his behalf, whether as an employee, consultant, partner, contractor, distributor or shareholder, whether at his own initiative or at the initiative of any other person, or by any other means whatsoever, without receiving the Company's advance written consent for the foregoing.

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[25] "Transfer of control" - A transaction in which the trustee and/or any other party which holds the Company's control shares transfers the control of the Company, and/or the Company transfers the control of Clal Insurance, to a third party. The foregoing will include any transfer of control, as defined below, including a transfer by a trustee and an action which causes the status of the Company to change from a company without a controlling shareholder to a company with a controlling shareholder, excluding a transfer of control which leads to a situation wherein the Company is a company without a controlling shareholder. "Control", for this purpose, is as defined in the Securities Law, 1968.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

H. CEO Employment Agreement (Cont.)

Capital compensation - Insofar as the CEO requests, in the future, to convert a part of his future salary into capital compensation of equivalent value, the general meeting has authorized the Compensation Committee and the Board of Directors to approve the allocation and its terms, subject to the provisions of the law and the provisions of the Company's compensation policy at the time.

Exemption, insurance and indemnification - The CEO will continue being subject to the arrangements regarding insurance, exemption and indemnification which apply to the Company's directors and corporate officers[26].

Existing rights which accrued and were provided by virtue of the current agreement[27]

Options - By virtue of the current agreement, in February 2013, 600,000 options were granted to the CEO, which vested, and where the accounting provision with respect to them amounted to approximately NIS 10.5 million, was credited in its entirety. For additional details, see Note 41(b)(5) to the Company's financial statements for 2016. The CEO exercised some of the aforementioned options, and the balance of options are exercisable until the end of February 2018.

Adjustment bonus - It is noted that, in accordance with the current agreement, the CEO is entitled to 6 months' salary plus social benefits and fringe benefits, the payment for which, in the amount of approximately NIS 1.43 million, was provided, in its entirety, in the Company's books in the past. The bonus will be paid to the CEO in accordance with the current agreement, at the end of his tenure in the Company.

Payment of accrued vacation days during the period of the current agreement - In accordance with the decision of the Compensation Committee and the Board of Directors from October 2016, the CEO was given an extension to use vacation hours which he accrued beyond the vacation hours which could have been accrued according to the possible quota in accordance with the Company's policies, until the end of the period of the current agreement. With respect to the value of all of the vacation hours, an accounting provision was made in the amount of approximately NIS 800 thousand. in accordance with the aforementioned decision, the CEO redeemed his remaining vacation hours at the end of the period of the current agreement.

I. General and administrative costs

Further to that stated in Note 44(g) to the annual financial statements, beginning in January 2017, the Company implements updates to the allocation model for general and administrative expenses. The impact of the implementation of the aforementioned updates on the reports is immaterial.

J. Provident fund management operation

Further to that stated in Note 6(b)(1) and Note 44(h) to the annual financial statements, regarding the regulatory provisions, the rate of management fees in the provident fund segment has been subject to an ongoing decline, as a result of the competitive conditions in the segment, in a manner which makes it difficult to cover the managing company's expenses, and additionally, during the reporting period, the Company recorded negative net transfers. Accordingly, the Company evaluated the need to record a provision for impairment with respect to the goodwill attributed to the provident fund management operation, through a valuation prepared by an external valuer, based on the method of discounting the cash flows from the operation (value in use) which is based, inter alia, on the Company's forecast regarding the rate of management fees, managed assets, segmental expenses and its entry into the operation involving provident funds for investment.

In accordance with the valuation as of June 30, 2017, the book value of the provident fund operation was higher than the value in use by approximately NIS 81 million, and therefore, the Company recognized impairment loss of goodwill before tax in the aforementioned amount.

In accordance with the valuation as of December 31, 2016, the book value of the provident fund operation was higher than the value in use by approximately NIS 24.6 million, and therefore, the Company recognized impairment loss of goodwill before tax in the aforementioned amount.

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[26] The CEO has received from the Company a letter of exemption and letter of indemnity, similarly to the Company's corporate officers and directors.

[27] These rights were provided, in their entirety, in the Company's books, before the entry into effect of the Executive Compensation Law, and were not taken into account in the calculation of the employment cost, as specified above.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

J. Provident fund management operation (Cont.)

As of June 30, 2017, the balance of goodwill with respect to the provident fund activity is approximately NIS 266 million (as of December 31, 2016 - approximately NIS 347 million).

Presented below are details regarding the key assumptions and main parameters which were used to calculate recoverable value:

	As of June 30, 2017	As of December 31, 2016
Valuation methodology	DCF	DCF
WACC before tax	12.0%	12.0%
Long term growth rate in the branch, excluding provident fund for investment	0%	0%
Long term growth rate - provident fund for investment	3.0%	3.0%
Effective marginal tax *)	34.2% -35.0%	34.2% -35.9%
Minimum management fees	Minimum total of NIS 6 per month	Minimum total of NIS 6 per month
Average long term rate of management fees in Tamar provident fund for compensation	0.57%	0.61%
Average long term rate of management fees in study fund	0.67%	0.71%
Rate of maximum management fees from the accrual	1.05%	1.05%
Number of years in the cash flow forecast	5	5

*) Approximately 35% in 2017 and 34.2% beginning in 2018. See also section B below.

As of September 30, 2017, there were no indicators signifying that an impairment test of goodwill was required.

K. Rating of Midroog and Maalot

Further to that stated in Note 27(f) to the annual financial statements, regarding the rating of member companies in the group, in October 2017, Midroog published a rating report which kept the rating of Clal Insurance as (Aa1), and the rating of the deferred liability notes of Clal Insurance and of Clalbit Finance Ltd. as (Aa2) and (Aa3), respectively, with a stable outlook.

In October 2017, S&P Maalot published a rating report which kept the rating of Clal Insurance as (AA+), and the rating of the deferred liability notes of Clal Insurance and of Clalbit Finance Ltd. as (AA) and (AA-), respectively, with a stable outlook.

L. Automation system in the life insurance segment

Further to that stated in section 10.10.3.2 to the Company's report regarding the description of the corporation's business for 2016, subsequent to the reporting period, and as part of the Company's strategy in recent years to upgrade its long-term savings systems, the Boards of Directors of the Company and of Clal Insurance approved a resolution in principle to continue expanding the process of upgrading the automation systems, in the life insurance segment in Clal Insurance, further to the adjustments and improvements which were implemented in recent years, for the purpose of upgrading and handling the core systems in life insurance, as part of the "road map" project. The aforementioned systems upgrade process involves a significant investment, which will be distributed over several years, further to the significant investments which the Company has already made in the automation of the long-term savings systems in recent years. Approval for the systems upgrade is subject to discussion and to approval in the aforementioned boards of directors and/or to feasibility evaluations, and there is no certainty that such approvals will be received.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

M. Developments in markets subsequent to the reporting date

During the period from the reporting date until the publication date of the report, an additional decline occurred in the risk-free interest rate curve. Further to that stated in Note 40(e)(e1) and (e2) to the annual financial statements, a decrease in the interest rate may lead to an increase in insurance liabilities in non-life insurance, in the compulsory, liabilities and personal accidents branches, in the liability to supplement annuity reserves, in paid pension liabilities in life insurance, and also as part of the liability adequacy test (LAT).

At this stage, it is not possible to estimate the implications of the decline in the risk-free interest rate curve during this period on the results for 2017, inter alia, due to the uncertainty regarding the effect that the aforementioned developments will have on the estimated insurance liabilities of Clal Insurance, regarding the impact of the decreased interest rate curve on the fair value of debt assets, and regarding the continuing developments in financial markets until the end of 2017, and the above does not constitute any estimate regarding the Company's expected financial results for 2017.

For details regarding sensitivity tests to market risks, see Note 40(c)(2) to the annual financial statements.

Annex - Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel

1. Assets for investment-linked contracts

Below are details of assets held against investment-linked insurance contracts and investment contracts:

	As of September 30		As of December 31
	2017	**2016**	**2016**
NIS in thousands	**Unaudited**		**Audited**
Investment property *)	**2,799,748**	2,702,316	2,742,180
Financial investments			
Marketable debt assets	**23,662,490**	21,443,686	21,106,921
Non-marketable debt assets	**6,602,292**	6,546,464	6,243,667
Stocks	**8,204,248**	8,277,990	8,053,144
Other financial investments	**16,199,045**	14,519,402	16,790,762
Total financial investments *)	**54,668,075**	50,787,542	52,194,494
Cash and cash equivalents	**3,536,934**	3,111,435	2,953,235
Other	**1,423,633**	538,734	505,711
Total assets for investment-linked contracts	**62,428,390**	57,140,027	58,395,620

*) Presented at fair value through profit and loss.

2. Details of other financial investments

	As of September 30, 2017			
	Fair value through profit and loss	**Available for sale**	**Loans and receivables**	**Total**
NIS in thousands	**Unaudited**			
Marketable debt assets (a)	**100,316**	**5,629,988**	**-**	**5,730,304**
Non-marketable debt assets (b)	**5,933**	**-**	**21,656,769**	**21,662,702**
Stocks (c)	**-**	**1,159,214**	**-**	**1,159,214**
Others (d)	**380,322**	**2,293,030**	**-**	**2,673,352**
Total other financial investments	**486,571**	**9,082,232**	**21,656,769**	**31,225,572**

	As of September 30, 2016			
	Fair value through profit and loss	**Available for sale**	**Loans and receivables**	**Total**
NIS in thousands	**Unaudited**			
Marketable debt assets (a)	68,370	5,589,734	-	5,658,104
Non-marketable debt assets (b)	9,241	-	21,341,146	21,350,387
Stocks (c)	-	1,082,614	-	1,082,614
Others (d)	173,646	2,026,803	-	2,200,449
Total other financial investments	251,257	8,699,151	21,341,146	30,291,554

	As of December 31, 2016			
	Fair value through profit and loss	**Available for sale**	**Loans and receivables**	**Total**
NIS in thousands	**Audited**			
Marketable debt assets (a)	49,640	5,479,395	-	5,529,035
Non-marketable debt assets (b)	8,290	-	21,266,950	21,275,240
Stocks (c)	-	1,139,029	-	1,139,029
Others (d)	204,423	2,139,058	-	2,343,481
Total other financial investments	262,353	8,757,482	21,266,950	30,286,785

Annex - Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Details of other financial investments (Cont.)

A. Marketable debt assets - composition

	As of September 30, 2017	
	Book value	Amortized cost 1)
NIS in thousands	Unaudited	
Government bonds	**3,419,050**	**3,358,659**
Other debt assets		
Other non-convertible debt assets	**2,311,254**	**2,258,487**
Other convertible debt assets	-	**135**
	2,311,254	**2,258,622**
Total marketable debt assets	**5,730,304**	**5,617,281**
Impairment applied to income statement (cumulative)	**101**	

	As of September 30, 2016	
	Book value	Amortized cost 1)
NIS in thousands	Unaudited	
Government bonds	3,296,169	3,246,614
Other debt assets		
Other non-convertible debt assets	2,361,798	2,346,935
Other convertible debt assets	137	566
	2,361,935	2,347,501
Total marketable debt assets	5,658,104	5,594,115
Impairment applied to income statement (cumulative)	6,137	

	As of December 31, 2016	
	Book value	Amortized cost 1)
NIS in thousands	Audited	
Government bonds	3,374,599	3,373,925
Other debt assets		
Other non-convertible debt assets	2,154,299	2,146,600
Other convertible debt assets	137	564
	2,154,436	2,147,164
Total marketable debt assets	5,529,035	5,521,089
Impairment applied to income statement (cumulative)	2,916	

1) Amortized cost - Cost less principal payments plus (less) cumulative amortization using the effective interest method of any difference between the cost and the repayment amount, and less any amortization with respect to impairment applied to profit and loss.

Annex - Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Details of other financial investments (Cont.)

B. Non-marketable debt assets - composition

	As of September 30, 2017	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**15,533,322**	**23,004,841**
Other non-convertible debt assets, excluding deposits in banks	**5,273,813**	**5,853,689**
Deposits in banks	**855,567**	**971,052**
Total non-marketable debt assets	**21,662,702**	**29,829,582**
Impairment applied to income statement (cumulative)	**85,789**	

	As of September 30, 2016	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	15,483,859	23,411,339
Other non-convertible debt assets, excluding deposits in banks	4,939,850	5,427,965
Deposits in banks	926,678	1,068,453
Total non-marketable debt assets	21,350,387	29,907,757
Impairment applied to income statement (cumulative)	114,103	

	As of December 31, 2016	
	Book value	Fair value
NIS in thousands	Audited	
Government bonds		
HETZ bonds and treasury deposits	15,329,115	22,491,386
Other non-convertible debt assets, excluding deposits in banks	5,048,175	5,474,687
Deposits in banks	897,950	1,011,406
Total non-marketable debt assets	21,275,240	28,977,479
Impairment applied to income statement (cumulative)	103,167	

Annex - Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Details of other financial investments (Cont.)

C. Stocks

	As of September 30, 2017	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable stocks	**1,081,265**	**991,489**
Non-marketable stocks	**77,949**	**110,784**
Total stocks	**1,159,214**	**1,102,273**
Impairment applied to income statement (cumulative)	**140,355**	

	As of September 30, 2016	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable stocks	1,004,917	1,010,546
Non-marketable stocks	77,697	107,493
Total stocks	1,082,614	1,118,039
Impairment applied to income statement (cumulative)	156,378	

	As of December 31, 2016	
	Book value	Cost
NIS in thousands	Audited	
Marketable stocks	1,062,027	1,058,551
Non-marketable stocks	77,002	107,493
Total stocks	1,139,029	1,166,044
Impairment applied to income statement (cumulative)	171,000	

Annex - Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Details of other financial investments (Cont.)

D. Other financial investments [1)]

	As of September 30, 2017	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	**1,355,836**	**1,286,416**
Non-marketable financial investments	**1,317,516**	**1,077,836**
Total other financial investments	**2,673,352**	**2,364,252**
Impairment applied to income statement (cumulative)	**68,706**	

	As of September 30, 2016	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	955,346	929,332
Non-marketable financial investments	1,245,103	1,017,510
Total other financial investments	2,200,449	1,946,842
Impairment applied to income statement (cumulative)	85,206	

	As of December 31, 2016	
	Book value	Cost
NIS in thousands	Audited	
Marketable financial investments	1,033,985	1,012,734
Non-marketable financial investments	1,309,496	1,030,234
Total other financial investments	2,343,481	2,042,968
Impairment applied to income statement (cumulative)	69,699	

1. Other financial investments primarily include investments in basket certificates, participation certificates in mutual funds, investment funds, financial derivatives, futures contracts, options and structured products.

Clal Insurance Enterprises Holdings Ltd.

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself

As of September 30, 2017
(Regulation 38D)

Unaudited

Clal Insurance Enterprises Holdings Ltd.

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of September 30, 2017 (Regulation 38D)

Unaudited

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Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of September 30, 2017

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Attn.:

Shareholders of Clal Insurance Enterprise Holdings Ltd.

Re: Auditors' Special Report Regarding the Separate Interim Financial Data in Accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial data presented pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 for Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") as of September 30, 2017, and for the periods of nine and three months then ended. The Company's Board of Directors and management are responsible for the separate interim financial data. Our responsibility is to express a conclusion with respect to the separate financial data for these interim periods, based on our review.

Scope of the Review

We have conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Financial data for Interim Periods Prepared by the Entity's Auditor." A review of separate interim financial data consists of inquiries, mainly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. This review is significantly limited in scope compared to an audit prepared according to generally accepted auditing standards in Israel, and therefore does not allow us to achieve certainty that we have become aware of all material issues that may have be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, we have not become aware of any matter which would have caused us to believe that the above separate interim financial data has not been presented, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv, November 26, 2017	Somekh Chaikin Certified Public Accountants	Kost Forer Gabbay and Kasierer Certified Public Accountants

Joint Auditors

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of September 30, 2017

Interim Data Regarding the Company's Financial Position

	As of September 30		As of December 31
	2017	**2016**	**2016**
NIS in thousands	**Unaudited**		**Audited**
Assets			
Investments in investee companies	**4,822,471**	4,167,780	4,651,374
Loans and balances of investee companies	**144**	403	27
Other accounts receivable	**145**	185	81
Other financial investments:			
Marketable debt assets	**26,531**	46,120	46,024
Stocks	**55**	701	531
Total other financial investments	**26,586**	46,821	46,555
Cash and cash equivalents	**16,448**	55,196	54,528
Total assets	**4,865,794**	4,270,385	4,752,565
Capital			
Share capital	**143,236**	143,216	143,216
Premium on shares	**985,492**	977,031	977,898
Capital reserves	**571,349**	458,658	484,165
Retained earnings	**3,158,391**	2,617,669	3,068,909
Total capital	**4,858,468**	4,196,574	4,674,188
Liabilities			
Other accounts payable	**7,326**	1,989	7,504
Balances of investee companies	**-**	-	873
Deferred tax liabilities	**-**	1,822	-
Financial liabilities	**-**	70,000	70,000
Total liabilities	**7,326**	73,811	78,377
Total capital and liabilities	**4,865,794**	4,270,385	4,752,565

The attached supplementary information constitutes an inseparable part of the Company's separate interim financial data.

November 26, 2017				
Approval date of the financial statements	Danny Naveh Chairman of the Board	Izzy Cohen Chief Executive Officer	Anath Levin Finance, Investment and Credit Division Manager	Tal Cohen Chief Accountant

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of September 30, 2017

Interim Data Regarding Income

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	**2016**	**2017**	**2016**	**2016**
NIS in thousands	**Unaudited**		**Unaudited**		**Audited**
Company's share in the income (loss) of investee companies, net of tax	**101,737**	(348,621)	**(143,593)**	236,782	104,864
Income from investments, net, and financing income					
from investee companies	**-**	29	**-**	6	29
Others	**(156)**	274	**(39)**	131	218
Total income	**101,581**	(348,318)	**(143,632)**	236,919	105,111
General and administrative expenses	**2,686**	2,440	**946**	853	3,278
Financing expenses	**1,044**	1,289	**-**	436	1,715
Other expenses	**13**	37	**5**	18	5,539
Total expenses	**3,743**	3,766	**951**	1,307	10,532
Income (loss) before taxes on income	**97,838**	(352,084)	**(144,583)**	235,612	94,579
Taxes on income (tax benefit)	**-**	-	**-**	-	(1,822)
Income (loss) for the period	**97,838**	(352,084)	**(144,583)**	235,612	96,401

The attached supplementary information constitutes an inseparable part of the Company's separate interim financial data.

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of September 30, 2017

Interim Data Regarding Comprehensive Income

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	2016	2017	2016	2016
NIS in thousands	Unaudited		Unaudited		Audited
Income (loss) for the period	**97,838**	(352,084)	**(144,583)**	235,612	96,401
Other comprehensive income:					
Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to profit and loss:					
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**(113)**	(129)	**(46)**	(197)	(288)
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	**(68)**	(2)	**-**	-	(2)
Other comprehensive income (loss) with respect to investee companies which has been or will be transferred to profit and loss, net of tax	**87,365**	(1,765)	**123,289**	(48,559)	23,901
Other comprehensive income (loss) for the period which has been or will be transferred to profit and loss, before tax	**87,184**	(1,896)	**123,243**	(48,756)	23,611
Taxes with respect to other components of comprehensive income which have been or will be transferred to profit and loss	**-**	-	**-**	-	-
Other comprehensive income (loss) for the period which following initial recognition in comprehensive income has been or will be transferred to profit and loss, net of tax	**87,184**	(1,896)	**123,243**	(48,756)	23,611
Components of other comprehensive income which will not be transferred to profit and loss:					
Other comprehensive income with respect to investee companies which will not be transferred to profit and loss, net of tax	**(2,960)**	(2,215)	**(1,890)**	(640)	2,228
Other comprehensive income for the period which will not be transferred to profit and loss, net of tax	**(2,960)**	(2,215)	**(1,890)**	(640)	2,228
Other comprehensive income (loss) for the period	**84,224**	(4,111)	**121,353**	(49,396)	25,839
Total comprehensive income for the period	**182,062**	(356,195)	**(23,230)**	186,216	122,240

The attached supplementary information constitutes an inseparable part of the Company's separate interim financial data.

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of September 30, 2017

Interim Data Regarding Cash Flows

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2017	2016	2017	2016	2016
NIS in thousands	Unaudited		Unaudited		Audited
Cash flows from operating activities					
Income (loss) for the period	**97,838**	(352,084)	**(144,583)**	235,612	96,401
Adjustments:					
Company's share in the income (loss) of investee companies	**(101,737)**	348,621	**143,593**	(236,782)	(104,864)
Dividends from investee companies	**15,045**	17,300	**8,045**	2,000	17,300
Interest accrued with respect to liabilities to banking corporations	**1,044**	1,260	**-**	412	1,686
Income from other financial investments	**1,324**	1,067	**57**	134	1,174
Taxes on income (tax benefit)	**-**	-	**-**	-	(1,822)
	(84,324)	368,248	**151,695**	(234,236)	(86,526)
Changes to other items in the data regarding financial position, net:					
Change in other accounts receivable	**(64)**	(36)	**73**	(20)	68
Change in other accounts payable	**(28)**	248	**(6,778)**	(43)	5,763
	(92)	212	**(6,705)**	(63)	5,831
Cash which was received during the period for:					
Net cash from operating activities with respect to transactions with investee companies	**1,228**	4,389	**1,203**	1,171	4,817
Interest received	**-**	29	**-**	24	29
Net cash from operating activities	**14,650**	20,794	**1,610**	2,508	20,552
Cash flows from investing activities					
Investment in available for sale financial assets	**(9,916)**	(36,998)	**-**	-	(36,998)
Consideration from sale of available for sale financial assets	**28,380**	47,058	**-**	37,000	47,058
Net cash from (used in) investing activities	**18,464**	10,060	**-**	37,000	10,060
Cash flows from financing activities					
Repayment of liabilities to banking corporations	**(70,000)**	-	**-**	-	-
Interest paid with respect to liabilities to banking corporations	**(1,194)**	(1,289)	**-**	(431)	(1,715)
Net cash used in financing activities	**(71,194)**	(1,289)	**-**	(431)	(1,715)
Increase (decrease) in cash and cash equivalents	**(38,080)**	29,565	**1,610**	39,077	28,897
Cash and cash equivalents at beginning of period	**54,528**	25,631	**14,838**	16,119	25,631
Cash and cash equivalents at end of period	**16,448**	55,196	**16,448**	55,196	54,528

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of September 30, 2017

Additional information

1. General

The separate interim financial data is presented pursuant to Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970, and does not contain all of the information which is required according to Regulation 9C and the Tenth ADEndum to the Securities Regulations (Periodic and Immediate Reports), 1970, regarding a corporation's separate financial data. The separate interim financial data should be read in conjunction with the separate financial data as of and for the year ended December 31, 2016, and with the condensed consolidated interim financial statements as of June 30, 2017 (hereinafter: the "**Consolidated Interim Statements**").

2. Additional material information required to understand the separate interim financial data

For details regarding the update to the corporate tax rate in January 2017, see Note 8(b) to the consolidated interim reports.

3. Dividends

The Company's ability to distribute dividends primarily depends on dividend distributions from Clal Insurance. For details regarding the capital requirements and liquidity needs of subsidiaries, and the effects which will result on the level of the insurance companies due to the implementation of the new Solvency II-based solvency regime, see Note 6(b)(3) to the financial statements.

4. Early repayment of loan from interested party bank

On May 28, 2017, the Company repaid, through an initiated early repayment, the balance of the loan from an interested party bank, which was due for repayment in installments by the end of 2019. The repayment of the loan did not have a significant impact on the Company's financial statements, after which the Company remained without any debt to banking corporations.