Clal Insurance Enterprises Holdings Ltd.

Financial Statements

As of September 30, 2016

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

Clal Insurance Enterprises Holdings Ltd.

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The board of directors' report on the state of the corporation's affairs for the period ended September 30, 2016 (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 2016 (hereinafter: the "**Reporting Period**" and/or the "**Interim Reports**").

The board of directors' report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, 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, 2015 (hereinafter: the "**Periodic Report**"). 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), 5758-1998, and in accordance with the circular issued by the Commissioner of Capital Markets, Insurance and Savings (hereinafter: the **"Commissioner"**) dated January 20, 2014, on the subject of "Updates to the provisions of an insurance company's periodic report".

1. Description of the Company

1.1. Organizational structure

Presented below are details regarding the main shareholders in the company, whose shares are traded on the stock exchange, and regarding their approximate rates of holding:

	As of September 30, 2016	
	Holding of voting rights in the company	Holding of voting rights in the company, at full dilution [1)]
Shareholder	%	%
IDB Development Corporation Ltd. [2)]	54.92	53.38
Bank Hapoalim	9.50	9.24

1) The holding rate, at full dilution, was prepared according to the theoretical assumption of the exercise of all warrants from the 2007 plan (as of the publication date of the report - 50,000 warrants) into an identical number of company shares, and according to a maximum theoretical assumption of the exercise of all warrants which were allocated on behalf of employees according to the 2013 plan, including warrants which were allocated to the company's CEO (as of the publication date of the report, 2,894,668 warrants), and all warrants allocated on behalf of employees according to the 2015 plan (as of the publication date of the report - 470,000 warrants) when the price of the company's stock on the stock exchange reaches a price at which, according to the terms of the warrants plans, 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 43(a) to the annual financial statements.

2) It is noted that IDB Development Corporation Ltd. pledged approximately 4% (approximately 3.88% at full dilution) of the company's shares to a financial entity. Additionally, On August 21, 2013, in accordance with the Commissioner's demand, 51% of the issued share capital and voting rights in the company, which are held by IDB Development Corporation Ltd. (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 Corporation Ltd. and Mr. Terry.

For additional details regarding the holdings of IDB Development Corporation Ltd. in the company, and the obligation of IDB Development Corporation Ltd. to sell the company's shares, see Note 1 to the consolidated periodic reports.

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:

From the beginning of the year, a mixed trend has characterized the leading indices around the world. During the three month period ended on the reporting date, a positive trend was recorded in stock markets around the world, led by emerging markets and the Japanese market. The British stock market also stood out favorably, due to the devaluation of the GBP following the referendum in which the residents of the United Kingdom voted in favor of separating from the European Union ("Brexit").

During the nine month period ended on the reporting date, a negative trend was recorded in the leading indices of the local stock market, while on the other hand, a positive trend was recorded in the Yeter index. In the third quarter, a positive trend was recorded in the local stock market. The bond market in Israel was characterized by decreased yields, mainly in long term series. In the third quarter, a slight increase in returns was recorded in the linked channels, while on the other hand, slightly decreased returns were recorded in the NIS channels, primarily in the long term.

The total impact of market developments on the group's results was reflected both in the decrease in the value of financial assets held against capital and insurance liabilities, primarily due to the decrease in stock markets, and to the increase in the value of the liabilities due to the decrease in the interest rates used to calculate the insurance liabilities. For details regarding developments in the capital markets, see sections 2.1.1.3 and 2.1.2.3 below. For details regarding developments in capital markets after the balance sheet date, see section 3.1 below. For details regarding the increase in the value of the liabilities, see Note 8A to the financial statements.

2.1.1. Economic developments in Israel

2.1.1.1 Developments in the Israeli economy and employment rate

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

The updated growth forecast of the Bank of Israel for 2016 and 2017 is approximately 2.8% and approximately 3.2%, respectively.

According to the current estimate of the Central Bureau of Statistics, GDP increased in the first half of 2016 by 3.2% (according to an annual calculation), following an increase of 2.0% in the previous half, and an increase of 2.7% in the first half of last year. An evaluation of the development by quarters indicates that, in the second quarter of 2016, GDP increased by 4.3%, according to an annual calculation (4.0% according to the previous estimate), following increases of 2.3% in the first quarter and 3.7% in the last quarter of 2015. The increase in GDP in the second quarter of the year reflects increases in private consumption expenses (9.9%), in public consumption expenses (8.6%), in investments in fixed assets (5.4%) and in exports of goods and services, excluding startup and diamond companies (13.7%, according to an annual calculation).

Employment data

According to the data of the labor workforce survey for the third quarter of 2016, the unemployment rate among ages 25-64 decreased to 4.1% (unchanged relative to the second quarter), and the employment rate increased to 76.9% (unchanged relative to the second quarter). The unemployment rate in the workforce among persons aged 15 or over was 4.7% (as compared with 4.8% in the second quarter of 2016). The average salary continued to increase (as of July 2016), although at a lower rate than in the previous quarters, in which the rate of increase was due to the update to the minimum wage in the economy.

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 rates of return in Israel

Inflation

Presented below are data regarding changes in the consumer price index in the first nine months and in the third quarter of 2016, and in the entire year of 2015:

	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	**2016**	**2015**	**2016**	**2015**	**2015**
Index in lieu	-	(0.6)	-	(0.4)	(1.0)
Known index	-	(0.2)	0.4	0.3	(0.9)

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.

Development of interest rate and returns

The Bank of Israel left the interest rate unchanged at 0.1%. The NIS risk free rate yield curve primarily indicated slightly increased returns in the third quarter, primarily in the long term. Additionally, returns in the linked channel increased slightly.

From the beginning of the year, the inflation forecast as derived from the capital market increased, mainly in the short term, in light of the increase in oil prices. On the other hand, in the medium and long-term ranges, slight declines were recorded in inflation forecasts.

The Bank of Israel continued its involvement in the foreign currency market.

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

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 long term care insurance. On the other hand, a decrease of this kind may result in capital gains on the assets side. On the other hand, the increase in the interest curve and the changes in its steepness may lead to an opposite phenomenon. 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 the returns which were 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 45(n) to the annual statements and Note 8(i) and (j) to the financial statements. See also Note 41(c)(2) to the annual financial statements regarding sensitivity tests to changes in interest. For details regarding the effect of the low interest rate environment in the reporting period, see Note 8(a) to the financial statements.

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

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.

During the nine month period ended on the reporting date, declines were recorded in the leading indices in the local stock market, while on the other hand, the Yeter indices presented sharp price increases. During the three month period ended on the reporting date, increases were recorded in the local stock market.
The bond market in Israel was characterized by decreased yields, mainly in long term series. In the third quarter, slightly increased returns were observed in the linked channels, while on the other hand, slightly decreased returns were observed in the NIS channels, primarily in the long term ranges.

Presented below are data regarding changes in the 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	2016	2015	2016	2015	2015
Tel Aviv 25	(5.6)	1.8	3.2	(9.6)	4.4
Tel Aviv 100	(4.1)	0.9	4.2	(8.3)	2.0
Yeter	18.4	13.5	18.5	2.2	16.5
General stocks	(8.0)	2.2	3.4	(5.9)	6.8

Bond 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	2016	2015	2016	2015	2015
General	2.7	1.5	0.0	0.8	1.8
Telbond CPI-linked	2.1	(0.1)	(0.1)	(0.1)	0.0
Telbond NIS-linked	1.9	2.8	0.9	(2.0)	4.7
Government, CPI-linked	2.6	(0.1)	(0.8)	(0.2)	(0.2)
Government, NIS-linked	2.1	2.4	(0.1)	(2.7)	2.8

Presented below are the scope of raisings of public companies relative to last year:

	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 billions	2016	2015	2016	2015	2015
Scope of raising by public companies for the period	56.7	45.6	25.3	12.8	57.1

2. Description of the Business Environment (Cont.)

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

2.1.2. Global economic developments

The estimated GDP growth rate in the United States in the third quarter of 2016 is approximately 1.5% (relative to the corresponding quarter last year). The unemployment rate remained unchanged this quarter, at 4.9%. In summary of the last three months, an average monthly recruitment of 192 thousand employees was recorded, which constitute a continued positive trend in the labor market.

After the end of the quarter, the Republican candidate for president, Donald Trump, was elected in the United States.

In the Euro Bloc, the estimated growth of GDP in the third quarter of 2016 amounted to approximately 1.6% (relative to the corresponding quarter last year).

In Great Britain, after the end of the quarter, the court decided to accept the approval of Parliament regarding the departure process from the Euro Bloc. Following this decision, the currency increased in value, following a significant decline in light of the increased concerns that the UK's departure from the EU would cause substantial harm to the British economy.

In Japan, macro data for the third quarter continued to indicate moderate growth, despite the expansive monetary policy of the central bank.

In China, the third quarter data indicated stabilization in the growth of the Chinese economy, at a rate of 6.7% (year vs. year), in accordance with the expectations, and similarly to the annual growth rate in the second quarter.

At the end of the third quarter of 2016, in a special meeting of the Organization of the Petroleum Exporting Countries (OPEC), together with additional exporters which are not members of the organization, including Russia, OPEC announced that it would freeze the output of oil, in order to stabilize its price. Following the announcement, the price of oil increased by approximately 5%, and the price of oil at the end of the quarter was set as USD 48 per barrel - unchanged from the end of the previous quarter.

2.1.2.1. Exchange rates

During the reporting period and in the three month period ended on the reporting date, the NIS gained vs. the USD, GBP and EUR.

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

In percent	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
For the period of nine months ended			
September 30, 2016	**(1.0)**	**(3.7)**	**(15.8)**
September 30, 2015	(6.8)	0.9	(1.8)
For the period of three months ended			
September 30, 2016	**(1.9)**	**(2.3)**	**(5.8)**
September 30, 2015	4.4	4.1	0.4
For the year ended December 31, 2015	(10.1)	0.3	(4.6)

	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
As of September 30, 2016	**4.203**	**3.758**	**4.872**
As of September 30, 2015	4.404	3.923	5.952
As of December 31, 2015	4.247	3.902	5.784

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.)

2.1.2.2. Global growth

Presented below are details regarding global growth rates according to the International Monetary Fund [1)] for 2016, as compared with 2015:

In percent	Forecast 2016	Actual 2015
Global	3.1	3.1
United States	1.6	2.6
Euro Bloc	1.7	2.0
Asia (excluding Japan)	6.5	6.6
Japan	0.5	0.5
China	6.6	6.9
Commonwealth of Independent States	(0.3)	(2.8)

1) As of October 2016.

2.1.2.3. 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	2016	2015	2016	2015	2015	2016	2015	2016	2015	2015
Dow Jones	5.1	(8.6)	2.1	(7.6)	(2.2)	1.2	(7.8)	(0.2)	(3.8)	(1.9)
NASDAQ	6.1	(2.4)	9.7	(7.4)	5.7	2.2	(1.6)	7.2	(3.6)	6.1
Nikkei Tokyo	(13.6)	(0.4)	5.6	(14.1)	9.1	(0.8)	(0.1)	5.0	(9.0)	8.6
CAC - Paris	(4.1)	4.3	5.0	(7.0)	8.5	(5.1)	(2.8)	3.0	(2.9)	(2.4)
FTSE - London	10.5	(7.7)	6.1	(7.0)	(4.9)	(6.9)	(9.4)	(0.1)	(6.6)	(9.3)
DAX - Frankfurt	(2.2)	(1.5)	8.6	(11.7)	9.6	(3.2)	(8.2)	6.5	(7.9)	(1.5)
MSCI WORLD	3.8	(7.5)	4.4	(8.9)	(2.7)	0.0	(6.7)	2.0	(5.1)	(2.4)

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		
	2016			2015			2015		
NIS in millions	Company	Market	Company % of the market	Company	Market	Company % of the market	Company	Market	Company % of the market
Life insurance [1]	**2,408**	**12,461**	**19.3%**	2,416	11,981	20.2%	4,861	25,103	19.4%
Non-life insurance [2]	**1,176**	**10,315**	**11.4%**	1,278	9,721	13.1%	2,522	19,511	12.9%
Health insurance [3]	**856**	**4,995**	**17.1%**	809	4,561	17.7%	1,674	9,582	17.5%
Total gross premiums earned in the Israeli insurance market [4]	**4,440**	**27,771**	**16.0%**	**4,503**	**26,263**	**17.1%**	**9,057**	**54,196**	**16.7%**

	For the period of three months ended June 30					
	2016			2015		
NIS in millions	Company	Market	Company % of the market	Company	Market	Company % of the market
Life insurance [1]	**1,191**	**6,343**	**18.8%**	1,224	5,940	20.6%
Non-life insurance [2]	**583**	**5,353**	**10.9%**	632	4,945	12.8%
Health insurance [3]	**437**	**2,538**	**17.2%**	411	2,306	17.8%
Total gross premiums earned in the Israeli insurance market [4]	**2,211**	**14,235**	**15.5%**	**2,266**	**13,191**	**17.2%**

1) For details regarding the decrease in premiums in the second quarter of 2016, due to the cancellation of premium debt arrears, see section 3.1.C. below.
2) As specified in section 3.1.2 below, the decrease in non-life insurance premiums was due to the non-renewal of losing business operations, including collective business operations in compulsory motor and property branches.
3) The decrease in the company's share in the market with respect to health insurance premiums was due, inter alia, to the optimization of collective business operations and to the update to the Commissioner's database in 2016, with no impact on comparative figures.
4) After adjustments and offsets.

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		
	2016			2015			2015		
NIS in millions	Company	Market	Company % of the market	Company	Market	Company % of the market	Company	Market	Company % of the market
New pension funds	**3,956**	**23,835**	**16.6%**	3,528	20,527	17.2%	4,872	28,366	17.2%
Benefits and personal severance pay funds	**379**	**6,822**	**5.6%**	287	4,474	6.4%	391	6,455	6.0%
Study funds	**760**	**14,859**	**5.1%**	750	14,043	5.3%	1,090	20,086	5.4%
Total provident funds *	**1,139**	**21,681**	**5.3%**	1,037	18,517	5.6%	1,481	26,541	5.6%
Total contributions	**5,095**	**45,516**	**11.2%**	4,565	39,044	11.7%	6,352	54,907	11.6%

	For the period of three months ended September 30					
	2016			2015		
NIS in millions	Company	Market	Company % of the market	Company	Market	Company % of the market
New pension funds	**1,388**	**8,538**	**16.3%**	**1,231**	**7,287**	**16.9%**
Benefits and personal severance pay funds	167	2,609	6.4%	122	1,548	7.9%
Study funds	265	5,057	5.2%	241	4,868	5.0%
Total provident funds *	**432**	**7,666**	**5.6%**	**363**	**6,416**	**5.7%**
Total contributions	**1,820**	**16,204**	**11.2%**	**1,594**	**13,703**	**11.6%**

* Excluding central severance pay funds and funds for other purposes.

2. Description of the Business Environment (Cont.)

2.2. Developments in the Israeli insurance market

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, 2016			As of September 30, 2015			As of December 31, 2015		
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	35,660	154,568	23.1%	33,858	146,110	23.2%	34,523	149,392	23.1%
Profit sharing life insurance - policies beginning from January 1, 2004	18,202	101,411	17.9%	16,515	87,326	19.1%	17,176	92,100	18.6%
Total profit sharing life insurance assets	**53,862**	**255,979**	**21.0%**	**50,510**	**233,436**	**21.6%**	**51,699**	**241,492**	**21.4%**
New pension assets	**42,706**	**243,720**	**17.5%**	**37,436**	**209,711**	**17.9%**	**39,147**	**219,770**	**17.8%**
Benefits and personal severance pay funds	23,665	197,519	12.0%	24,338	190,960	12.7%	24,345	193,294	12.6%
Study funds	7,083	178,395	4.0%	6,573	164,024	4.0%	6,863	169,409	4.1%
Total central severance pay funds	3,409	17,297	19.7%	3,766	18,512	20.3%	3,638	18,108	20.1%
Total provident fund assets *)	**34,157**	**393,212**	**8.7%**	**34,678**	**373,496**	**9.3%**	**34,846**	**380,812**	**9.2%**
Total profit sharing life insurance, new pension, provident* and life insurance assets	**130,725**	**892,911**	**14.6%**	**122,623**	**816,643**	**15.0%**	**125,696**	**842,073**	**14.9%**

*) Excluding provident funds for other purposes.

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

3.1 Financial information by operating segments

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

Description of the development of comprehensive income:

The reporting period

Gross premiums earned in the reporting period amounted to a total of approximately NIS 6,791 million, as compared with a total of approximately NIS 6,789 million in the corresponding period last year. In life insurance, an increase of approximately NIS 58 million was recorded, primarily due to the increase in new sales of individual and managers' insurance products. Additionally, in health insurance, an increase of approximately NIS 97 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 153 million, primarily due to the non-renewal of a students personal accident insurance transaction, and the continued optimization of the portfolio by way of non-renewal of losing business operations, including collective motor business operations.

Comprehensive loss after tax attributable to Company shareholders during the reporting period amounted to a total of approximately NIS 356 million, as compared with income of approximately NIS 129 million last year. The loss during the reporting period was primarily influenced by the impact of the low interest rate environment, the provision following the recommendations of the Winograd committee, and additional special provisions in long-term savings.

The total impact of the foregoing (as specified below) was an increase in the insurance liabilities and a decrease in comprehensive income before tax, respectively, in the amount of approximately NIS 915 million during the reporting period, as compared with a total of approximately NIS 209 million in the corresponding period last year (a total of approximately NIS 587 million after tax in the reporting period, as compared with a total of approximately NIS 130 million after tax in the corresponding period last year).

After neutralization of the aforementioned provisions, comprehensive income after tax in the reporting period amounted to a total of approximately NIS 231 million, as compared with income in the amount of approximately NIS 260 million in the corresponding period last year.

The decrease in income was primarily due to the decrease in investment losses, 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 0.74%, primarily due to the decrease in the value of stocks in capital markets in Israel and in certain countries around the world, as compared with a positive rate of 1.02% 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 20 million, as compared with collection of variable management fees in the amount of approximately NIS 59 million in the corresponding quarter last year.

It is noted that Clal Insurance has a balance for the provision with respect to the liability adequacy test (LAT) as of September 30, 2016 in the amount of NIS 652 million (of which, in life insurance, in the amount of NIS 472 million, and in long-term care insurance in the health segment, in the amount of NIS 180 million), in addition to the increase of the reserve components which are affected by the low interest rate environment, as specified in the following table. Subsequent to the reporting date, the risk-free interest rate curve increased, which, if it remains unchanged, will cause a decrease in insurance liabilities as part of the liability adequacy test (LAT), and a decrease in additional reserve components, as stated above. At this stage, the foregoing does not constitute any estimate regarding the company's expected financial results for the fourth quarter of 2016. For complete details, see the section below regarding developments subsequent to the reporting date.

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

3.1. Financial information by operating segments (Cont.)

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

The reporting period (Cont.)

The insurance branches were affected during the reporting period primarily by the following factors:

NIS in millions	Item	For the period of nine months ended September 30 2016	2015	For the period of three months ended September 30 2016	2015	For the year ended December 31 2015
		Unaudited				Audited
Comprehensive income (loss) as published in the report		(356)	129	186	(108)	285
After neutralization of special provisions						
Effect of low interest rate environment:	A					
Life insurance						
Change in the discount interest rate used in the calculation of the liabilities to supplement the annuity and paid pension reserves		**(62)**	(11)	**12**	(8)	(35)
Change in pension reserves following the increased (decreased) forecast of future income (K factor)		**(114)**	(44)	**74**	(3)	(86)
Liability adequacy test (LAT)		**(328)**	(117)	**15**	43	(144)
Life insurance - total impact of the low interest rate environment before tax		**(504)**	(172)	**101**	32	(265)
Non-life insurance *)		**(2)**	(37)	**-**	-	-
Long term care insurance in the health segment		**(180)**	-	**52**	-	-
Total comprehensive income (loss) before tax with respect to low interest rate environment		**(686)**	(209)	**153**	32	(265)
Impact of recommendations of the Winograd committee in non-life insurance	B	**(126)**	-	**4**	-	-
Additional special provisions in long-term savings	C	**(103)**	-	**-**	-	-
Total comprehensive income (loss) before tax with respect to sections A+B+C		**(915)**	(209)	**149**	32	(265)
Total income (loss) after tax with respect to sections A+B+C		**(587)**	(130)	**95**	20	(166)
Normalized comprehensive income, after neutralization of the impact of the special provisions		**231**	260	**91**	(128)	451

*) During the reporting period, impact of the update to best practices. During the corresponding period, strengthening of reserves due to the interest rate decrease.

Presented below are the main parameters for the reporting period:

	As of September 30, 2016	As of June 30, 2016	As of March 31, 2016	As of June 30, 2015	As of December 31, 2015
Spot risk-free interest rate					
5 years	**0.0**	(0.2)	(0.2)	(0.1)	0.1
10 years	**0.5**	0.3	0.5	0.9	0.7
20 years	**1.0**	0.9	1.0	1.5	1.4
25 years	**1.2**	1.0	1.1	1.6	1.5
Discount rates used in the calculation of the reserve for postponed and paid annuities	**2.20%-3.28%**	2.00%-3.28%	2.20%-3.40%	2.50%-3.40%	2.30%-3.40%
K factor values [1]- Profit-sharing	**0.88%**	0.83%	0.96%	0.96%	0.96%
K factor values[1] - Guaranteed-return	**0.00%**	0.00%	0.00%	0.10%	0.00%

[1] For details regarding the use of the K factor in the calculation of the insurance liabilities, see Note 41(e)(e1)(a)(4) to the annual financial statements.

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

3.1. Financial information by operating segments (Cont.)

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

The reporting period (Cont.)

A. Strengthening of insurance reserves due to the low interest rate environment, and its effect on discount rates in life insurance, long term care insurance, the health segment and non-life insurance

Life insurance

During the reporting period, the discount rates which are used to calculate the liabilities for paid pensions were updated, and the pension reserves were increased following the reduction of the expected future income (K factor) for deferred profit sharing annuity policies. In light of the above, and in light of the liability adequacy test (LAT), the reserve with respect to life insurance contracts increased by a total of approximately NIS 504 million during the reporting period, as compared with the increase of the reserves (LAT) in the amount of approximately NIS 172 million in the corresponding period last year. For additional details, see Note 8(a) to the interim reports.

Long term care insurance in the health segment

In light of the liability adequacy test (LAT), the reserve with respect to long-term care insurance contracts increased by approximately NIS 180 million in the reporting period (as of the reporting date, the balance of the reserve with respect to non-investment-linked contracts amounted to approximately NIS 81 million, and with respect to investment-linked contracts amounted to approximately NIS 99 million), with no impact in the corresponding period. For additional details, see Note 8(a) to the interim reports.

Non-life insurance

During the reporting period, an increase was recorded in the reserve in the amount of approximately NIS 2 million, as part of the liability adequacy test ("**Best Practice**"). In the corresponding period last year, the discount rates used to calculate insurance liabilities in the compulsory motor, liabilities and personal accidents branches were updated, and accordingly, the reserve increased in the amount of approximately NIS 37 million during that period. For additional details, see Note 8(a) to the interim reports.

The total impact of that stated in section A amounted to approximately NIS 686 million during the reporting period, as compared with a total of approximately NIS 209 million in the corresponding period last year.

B. Recommendations of the Winograd committee

In June 2014, an inter-ministerial committee led by the Hon. Judge (Emeritus) Dr. Eliyahu Winograd was appointed in order to evaluate a correction to the life expectancy tables and the interest rate which is used to discount annuities in accordance with the National Insurance Regulations (Discounting), 5738-1978 (the "**Discounting Regulations**" and the "**Committee**"). In June 2016, an amendment to the Regulations (hereinafter: the "**Amendment**") was published which includes, inter alia, updates to the mortality tables and the discount rates which are used to calculate the aforementioned annuities.

The Discounting Regulations formalize, inter alia, the discount rate which is used to calculate the subrogation claims which are submitted by National Insurance towards third parties, in accordance with the right which is conferred upon it by virtue of the National Insurance Law (Consolidated Version), 5755 - 1995 (hereinafter: the "**Law**"), in cases where the event constitutes grounds to charge the third party in accordance with the Civil Wrongs Ordinance or the RAVC law.

In accordance with the amendment, the interest rate for the purpose of determining the annual annuity will be 2% instead of 3%, as specified in the Discounting Regulations prior to the amendment.

The amendment also determines that the mortality tables and annuity discount rates will be updated again on January 1, 2020, and every four years thereafter.

The company estimated the total effect of the foregoing, 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 its actual impact and the manner of its occurrence, if any, and accordingly, increased the insurance liabilities as of September 30, 2016 in the compulsory motor and liabilities branches by approximately NIS 126 million, on retention and before tax, and by a total of approximately NIS 81 million after tax.

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 (Cont.)

The amendment was originally scheduled to enter into effect in October 2016. On August 9, 2016, a press release was issued on behalf of the Ministry of Finance, according to which “The Minister of Finance, Moshe Kachlon, decided, in coordination with the Minster of Welfare, upon the cancellation of the regulations which were intended to increase tariffs in compulsory motor insurance”.

In September 2016, an additional amendment to the Discounting Regulations was published, which postponed the amendment’s entry into effect by one more year, until October 2017.

for additional details, see Note 8A to the interim report.

C. Additional special provisions in long-term savings

As part of the progress made in the comprehensive data cleansing process in the long-term savings segment, and in parallel with advancement on the “roadmap” - the process of expanding the core systems in life insurance, as specified in section 10.10.3.2 of the chapter regarding the description of the corporation’s business in the company’s annual reports, the group updated the insurance liabilities with respect to members’ rights in the amount of approximately NIS 63 million before tax (approximately NIS 40 million after tax). For additional details, see Note 7 to the financial statements.

Additionally, the group performed a provision in the amount of approximately NIS 7 million (approximately NIS 5 million after tax) with respect to the cleansing of data regarding members’ rights in pension and provident funds. For additional details, see Note 7 to the financial statements.

Additionally, the company performed 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 (approximately NIS 22 million after tax).

The total impact of that stated in sections A and B above was an increase in the insurance liabilities and a decrease in comprehensive income before tax, respectively, in the amount of approximately NIS 915 million during the reporting period, as compared with a total of approximately NIS 209 million in the corresponding period last year (a total of approximately NIS 587 million after tax in the reporting period, as compared with a total of approximately NIS 130 million after tax in the corresponding period last year).

After neutralization of the aforementioned provisions, comprehensive income after tax in the reporting period amounted to a total of approximately NIS 231 million, as compared with income in the amount of approximately NIS 260 million in the corresponding period last year.

The decrease in income was primarily due to the decrease in investment losses, 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 0.74%, primarily due to the decrease in the value of stocks in capital markets in Israel and in certain countries around the world, as compared with a positive rate of 1.02% 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 20 million, as compared with collection of variable management fees in the amount of approximately NIS 59 million in the corresponding quarter last year.

The total financial margin in life insurance[2] amounted to a total of approximately NIS 423 million, as compared with a total of approximately NIS 493 million in the corresponding period last year.

[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 the deduction of investment management expenses. The financial margin in guaranteed-return policies is

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.)

Gross premiums earned amounted to a total of approximately NIS 2,352 million, as compared with a total of approximately NIS 2,287 million in the corresponding period last year. The change was mostly due to an increase of approximately NIS 66 million in life insurance premiums, primarily due to new sales of individual and managers' policies, and also due to an increase of approximately NIS 50 million in health insurance premiums, primarily due to the increase in the company's individual business operations, and the update to the profit sharing reserve in collective business operations.

On the other hand, a decrease of approximately NIS 51 million was recorded in non-life insurance premiums, primarily due to the continued optimization of the portfolio by way of non-renewal of losing business operations, including collective motor business operations.

Three month period ended on the reporting date

Comprehensive income after tax attributable to the company's shareholders amounted to a total of approximately NIS 186 million, as compared with comprehensive loss of approximately NIS 108 million last year.

Income in the three month period ended on the reporting date was primarily affected by the release of provisions due to the increase in the interest rate curve, as specified below, and the update to the provision due to the recommendations of the Winograd committee, and additional special provisions in long-term savings. The total impact of the above amounted to income before tax of approximately NIS 149 million in the three month period ended on the reporting date (income of approximately NIS 95 million after tax), as compared with income before tax of approximately NIS 32 million (income after tax of approximately NIS 20 million) in the corresponding period last year.

After neutralization of the aforementioned provisions, comprehensive income after tax in the three month period ended on the reporting date amounted to a total of approximately NIS 91 million, as compared with loss in the amount of approximately NIS 128 million in the corresponding period last year.

The decrease in loss and the transition to income (after neutralization of the aforementioned provisions) was primarily due to investment income in the three month period ended on the reporting date, as compared with a decrease in the value of financial investments and the negative returns in capital markets in Israel and around the world in the corresponding period last year. In the three month period ended on the reporting date, gross real returns in profit sharing policies amounted to a positive rate of 1.12%, as compared with a negative rate of (2.77%) in the corresponding period last year.

The total financial margin in life insurance[3] (including variable management fees, as specified above) amounted to a total of approximately NIS 126 million, as compared with a negative financial margin in the amount of approximately NIS 1 million in the corresponding period last year. Additionally, investment income from items which are not included in the insurance branches amounted to approximately NIS 45 million during the reporting period, as compared with investment loss in the amount of approximately NIS 49 million in the corresponding period last year.

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 based on a reduction in the charging to savings in the company's systems.

[3] 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 the 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 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.)

The insurance branches were affected during the reporting period primarily by the following factors:

A. Release of insurance reserves due to the increase of the interest rate, and its effect on discount rates in life insurance, long-term care insurance, the health segment and non-life insurance

Life insurance

During the reporting period, the discount rates which are used to calculate the liabilities for paid pensions were updated, and the pension reserves increased following the reduction of the expected future income ("K factor") for profit sharing policies. In light of the above, and in light of the liability adequacy test (LAT), the reserve with respect to life insurance contracts decreased by a total of NIS 101 million during the reporting period, as compared with a decrease in the reserve in the amount of approximately NIS 32 million in the corresponding period last year. For additional details, see Note 8(a) to the interim reports.

Long term care insurance in the health segment

In light of the liability adequacy test (LAT), the reserve with respect to long-term care insurance contracts decreased by approximately NIS 52 during the three month period ended on the reporting date (with respect to non-investment-linked contracts in the amount of approximately NIS 43 million, and with respect to investment-linked contracts in the amount of approximately NIS 9 million), with no impact in the corresponding period last year. For additional details, see Note 8(a) to the interim reports.

B. Non-life insurance - update to the estimated provision following the Winograd committee

Further to that stated in Note 8(a), in the three month period ended on the reporting date, the company updated the estimated provision with respect to the Winograd committee, and accordingly, increased the insurance liabilities as of June 30, 2016 in the compulsory motor and liabilities branches in the amount of approximately NIS 4 million on retention before tax, and a total of approximately NIS 3 million after tax.

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

3.1 Financial information by operating segments (Cont.)

Developments subsequent to the reporting period

Additionally, subsequent to the reporting date, the risk-free interest rate curve increased. further to that stated in Note 41(e)(e1) and (e2) to the annual financial statements, an increase in interest rates may lead to a decrease 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), as specified in section 3.1(a) above.

At this stage, it is not possible to estimate the implications of capital market returns and the increased risk-free interest rate curve during this period on the results for the fourth quarter of 2016, 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 increased interest rate curve on the fair value of debt assets, and regarding continuing developments in financial markets until the end of the fourth quarter of 2016, and the above does not any estimate regarding the company's expected financial results for the fourth quarter of 2016. See also Note 8(i) to the interim reports.

For details regarding sensitivity tests to market risks, see Note 41(c)(2) to the annual financial statements.

Evaluation of the capital status, in accordance with guidelines for the performance of the IQIS5 study, as of December 31, 2015

Further to that stated in Note 16(e)(3)(d) to the annual financial statements, on April 21, 2016, a circular was published regarding "Instructions for the performance of IQIS for 2015" (hereinafter: the "**Circular**"), according to which Clal Insurance performed, during the reporting period, an additional quantitative impact study based on the data for December 2015 (hereinafter: the "**IQIS5 Study**").

In accordance with the provisions of the circular, Clal Insurance performed an assessment of the ratio between its current capital and required capital (hereinafter: "**Solvency**") as of December 31, 2015 (hereinafter: the "**Calculation Date**"). In accordance with the results of the estimate, as of the calculation date, the solvency ratio of Clal Insurance, as reflected by the results of IQIS5, in consideration of the transitional provisions which pertain to the capital requirements with respect to the holding of stocks, as stated in the Commissioner's letter from July 2015, regarding the implementation of a Solvency II-based solvency regime, amounted to approximately 104%. The solvency ratio, without taking into account the aforementioned transitional provisions, amounted to approximately 97%. The results of IQIS5 were submitted to the Commissioner on August 23, 2016. As stated in Note 6(b)(3) to the interim financial statements, in September 2016, a letter was sent on behalf of the Commissioner which updated the transitional provisions in a manner whereby, in addition to the transitional provisions regarding the requirement with respect to stock risk, it was also determined that the required capital for the solvency of an insurance company as of January 1, 2017 will be 60% of SCR (hereinafter: the "**First Milestone**"); required capital for solvency of an insurance company as of December 31, 2017 will be 80% of SCR; beginning on December 31, 2018, the required capital of an insurance company will be SCR, where "SCR" is the required capital for solvency according to the guidelines for the implementation of a new solvency regime. In consideration of the update to the transitional provisions, and based on the data for December 2015, the company would have presented a significant capital surplus (based on the first milestone in the updated transitional provision). However, given the decrease in the interest rate, as compared with the end of 2015, and the proposed outline for implementation, as stated above, there is uncertainty regarding the implications of the new capital regime at the end of the transition period.

In light of the Commissioner's letter regarding dividend distributions (see Note 6 to the financial statements), and given the solvency ratio of Clal Insurance, without the transitional provisions, as described above, Clal Insurance is restricted from distributing dividends at this stage.

The solvency ratio as of the date of initial application may differ from the capital status as of the calculation date, in light of the inherent sensitivity of the capital calculation model and the capital requirements, additional changes in market variables, demographic variables and other variables, as well as developments in the company's business operations, which may result in significant fluctuations with respect to the solvency ratio from one period to another. It is emphasized that the model, in its current version, is highly sensitive to changes in the interest rate. In particular, the decrease which was recorded in the risk-free interest rate curve relative to the end of 2015, insofar as the curve will not improve, may have a negative impact on the future solvency ratio of Clal Insurance.

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

3.1 Financial information by operating segments (Cont.)

Evaluation of the capital status, in accordance with guidelines for the performance of the IQIS5 study, as of December 31, 2015

However, the aforementioned update to the transitional provisions positively affects the solvency ratio of the company as of the date of initial application, which has an offsetting effect on the interest effect.

It is noted that an increase in the long-term risk-free interest rate curve, as recorded in the three month period ended on the reporting date, and in the period after the reporting date until the publication date of the report, may prevent or moderate the negative impact on the aforementioned solvency ratio. Additionally, it is noted that the final guidelines have not yet been published, and insofar as the guidelines will include changes with respect to the implementation of IQIS5, the solvency ratio of Clal Insurance may change relative to the current assessment.

The implications of the new solvency regime constitute forward looking information, and are dependent, inter alia, on the final wording of the directives which will be issued, which have not yet been published, on clarifications regarding the interpretation and implementation of the directives with respect to the calculation of the solvency ratio, which were determined, at this stage, by way of reference to the European legislation, while publishing specific adjustments to the local market outline, and on the outline and rate of implementation of the new regime.

Discussions are being held between the company and the Commissioner regarding the aforementioned provisions. For additional details regarding the new solvency regime, see Note 6.

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:

NIS in millions	For the period of nine months ended September 30 2016	2015	Rate of change in percent	For the period of three months ended September 30 2016	2015	Rate of change in percent	For the year ended December 31 2015
	Unaudited			Unaudited			Audited
Long term savings							
Gross earned life insurance premiums	**3,686**	3,628	2	**1,278**	1,212	5	4,861
Income from life insurance management fees	**303**	335	(10)	**116**	(22)	#	537
Impact of the increase (decrease) of interest rate on reserves in life insurance	**(504)**	(172)	193	**101**	32	216	(265)
Financial margin including management fees	**423**	493	(14)	**126**	(1)	#	783
Income (loss) before tax in life insurance	**(580)**	6	#	**139**	(128)	#	60
Total comprehensive income (loss) before tax in life insurance	**(589)**	(113)	421	**115**	(131)	#	(65)
Income from management fees in pension operations	**205**	199	3	**71**	70	1	270
Income before tax in pension operations	**31**	28	11	**14**	14	-	39
Total comprehensive income before tax in pension operations	**31**	27	15	**13**	12	8	39
Income from management fees in provident fund operations	**147**	175	(16)	**49**	58	(16)	232
Income before tax in provident fund operations	**30**	54	(44)	**12**	18	(33)	71
Total comprehensive income before tax in provident fund operations	**30**	54	(44)	**12**	18	(33)	71
Total income (loss) before tax in the long term savings division	**(519)**	89	#	**164**	(96)	#	170
Total comprehensive income (loss) before tax in the long term savings division	**(528)**	(31)	1,603	**140**	(101)	#	44
Non-life insurance segments							
Gross premiums earned	**1,755**	1,908	(8)	**579**	630	(8)	2,522
Premiums earned on retention	**1,253**	1,377	(9)	**416**	451	(8)	1,815
Impact of the decrease of interest rate on reserves in non-life insurance	**(2)**	(37)	(95)	**-**	-	#	-
Income (loss) before tax in the non-life insurance division	**34**	249	(86)	**31**	53	(42)	334
Comprehensive income (loss) before tax in the health insurance division	**19**	176	(89)	**(3)**	11	#	268
Health insurance							
Gross premiums earned	**1,352**	1,255	8	**496**	446	11	1,674
Premiums earned on retention	**1,198**	1,114	8	**437**	399	10	1,487
Impact of the decrease of interest rate on reserves in health insurance	**(180)**	-	#	**52**	-	#	-
Income (loss) before tax in the health insurance division	**(50)**	156	#	**135**	39	246	198
Comprehensive income (loss) before tax in the health insurance division	**(39)**	129	#	**130**	18	622	178
Total income (loss) before tax from insurance segments	**(535)**	494	#	**330**	(4)	#	702
Total income (loss) before tax from insurance segments	**(548)**	274	#	**267**	(72)	#	490
Financing expenses	**115**	106	8	**36**	38	(5)	132
Total other income (loss) before tax and items which are not included in the insurance branches	**81**	47	72	**44**	(56)	#	87
Total income (loss) before tax	**(568)**	559	#	**350**	(22)	#	756
Total comprehensive income (loss) before tax	**(582)**	216	#	**276**	(165)	#	445
Taxes on comprehensive income	**(227)**	85	#	**88**	(57)	#	157
Total comprehensive income (loss) for the period, net of tax	**(355)**	131	#	**188**	(108)	#	288
Total comprehensive income (loss) for the year attributable to company shareholders	**(356)**	129	#	**186**	(108)	#	285
Comprehensive income for the year attributable to non-controlling interests	**3**	2	50	**1**	-	#	2
Return on equity in annual terms (in percent) *)	**(10.4)**	4.0	#	**18.6**	(9.6)	#	6.7

***)** 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 3,686 million, as compared with a total of approximately NIS 3,628 million last year. The increase was primarily due to the increase in new sales of individual and managers' insurance products.

Comprehensive loss amounted to a total of approximately NIS 589 million, as compared with comprehensive loss of approximately NIS 113 million in the corresponding period last year.

The increase in loss during the reporting period were primarily due to the strengthening of the insurance reserves in the amount of approximately NIS 504 million, as compared with NIS 172 million last year, in light of the decrease in the risk-free interest rate curve, the estimated rate of return in the portfolio of assets held against insurance liabilities, the increase in pension reserves following the reduction of the forecast regarding future income (K factor) for deferred profit sharing annuity policies (last year - guaranteed-return policies) and the update to the interest rate used for the liability adequacy test (LAT).

Additionally, during the reporting period, a decrease occurred in investment income as compared with investment income in the corresponding period last year, which resulted both in harm to the financial margin from investments in the nostro portfolio and in a decrease in variable management fees, such that during the reporting period, variable management fees were collected in the amount of approximately NIS 20 million, as compared with the collection of approximately NIS 59 million in the corresponding period last year,

as specified in section 3.1.1.2 below. The total financial margin in life insurance amounted to a total of approximately NIS 423 million, as compared with a total of approximately NIS 493 million in the corresponding period last year. For additional details, see also section 3.1(a) above.

Additionally, as stated above, as part of the comprehensive data cleansing process in the systems of the long-term savings segment, the group updated its insurance liabilities with respect to members' rights in the amount of approximately NIS 96 million before tax, as stated above, with no impact in the corresponding period last year.

During the reporting period, redemption rates of life insurance policies from the average reserve for the period, in annual terms, amounted to approximately 2.7% (approximately 2.6% in the corresponding period last year).

Three month period ended on the reporting date

Gross premiums earned amounted to a total of approximately NIS 1,278 million, as compared with a total of approximately NIS 1,212 million in the corresponding period last year. The increase was primarily due to the increase in new sales of individual and managers' insurance products.

Comprehensive income amounted to a total of approximately NIS 115 million, as compared with comprehensive loss of approximately NIS 131 million in the corresponding period last year.

The decrease in loss and the transition to income were primarily due to the strengthening of insurance reserves in the amount of approximately NIS 101 million, as compared with a total of approximately NIS 32 million in the corresponding period last year, in light of the increase in the risk-free interest rate curve, the estimated rate of return in the portfolio of assets held against insurance liabilities, the decrease in pension reserves, following the reduction of estimate regarding expected income ("K factor") for deferred profit sharing annuity policies and the update to the interest rate used for the liability adequacy test (LAT).

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.)

Additionally, in light of the increase in investment income in the three month period ended on the reporting date, as compared with investment income in the corresponding period last year, collection of management fees was recorded in the amount of approximately NIS 20 million, as compared with repayment of variable management fees in the amount of approximately NIS 115 million in the corresponding period last year.

On the other hand, the total financial margin in life insurance amounted to a total of approximately NIS 126 million, as compared with a negative financial margin in the amount of approximately NIS 1 million in the corresponding period last year, as specified in section 3.1.1.2. For additional details, see also section 3.1(a) above.

During the three month period ended on the reporting date, the redemption rates of life insurance policies from the average reserve for the period, in annual terms, amounted to a rate of approximately 2.8% (rate of approximately 2.6% in the corresponding period last year).

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	2016	% of total	2015	% of total	% Change	2016	% of total	2015	% of total	% Change	2015	% of total
Variable management fees	**20**	**7**	59	18	(67)	**20**	**17**	(115)	#	#	168	31
Fixed management fees	**283**	**93**	276	82	3	**95**	**83**	93	#	3	369	69
Total management fees	**303**	**100**	335	100	(10)	**115**	**100**	(22)	100	#	537	100
Total financial margin and management fees	**423**		493		(14)	**126**		(1)		#	783	

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	2016	% of total	2015	% of total	% Change	2016	% of total	2015	% of total	% Change	2015	% of total
Current premiums	**3,567**	**97**	3,538	98	1	**1,237**	**97**	1,185	98	4	4,740	98
Non-recurring premiums	**121**	**3**	90	2	35	**43**	**3**	27	2	57	120	2
Total gross premiums earned	**3,688**	**100**	3,628	100	2	**1,279**	**100**	1,212	100	6	4,861	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.)

3.1.1.4 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	2016	% of total	2015	% of total	% Change	2016	% of total	2015	% of total	% Change	2015	% of total
Current premiums	**86**	**23**	102	17	(15)	**28**	**23**	32	16	(13)	132	17
Non-recurring premiums	**292**	**77**	505	83	(42)	**95**	**77**	166	84	(43)	668	83
Total gross premiums earned	**378**	**100**	607	100	(38)	**122**	**100**	198	100	(38)	800	100

3.1.1.5 Composition of total 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	2016	% of total	2015	% of total	% Change	2016	% of total	2015	% of total	% Change	2015	% of total
Current premiums	**3,653**	**90**	3,640	86	-	**1,264**	**90**	1,227	86	4	4,872	86
Non-recurring premiums	**413**	**10**	595	14	(31)	**137**	**10**	193	14	(29)	789	14
Total gross premiums earned	**4,066**	**100**	4,235	100	(4)	**1,401**	**100**	1,409	100	(1)	5,661	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)				
	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2016	2015	2016	2015	2015
Real return before payment of management fees *)	**0.89**	1.72	**1.32**	(2.53)	4.33
Real return after payment of management fees *)	**0.38**	1.09	**1.10**	(2.29)	3.19
Nominal return before payment of management fees	**0.89**	1.52	**1.73**	(2.24)	3.40
Nominal return after payment of management fees	**0.38**	0.89	**1.51**	(2.00)	2.26

	Policies issued beginning in 2004 (New Fund J)				
	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2016	2015	2016	2015	2015
Real return before payment of management fees	**0.74**	1.02	**1.12**	(2.77)	3.49
Real return after payment of management fees	**(0.1)**	0.28	**0.84**	(3.04)	2.45
Nominal return before payment of management fees	**0.74**	0.82	**1.53**	(2.48)	2.56
Nominal return after payment of management fees	**(0.1)**	0.08	**1.25**	(2.75)	1.53

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

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2016	2015	2016	2015	2015
Nominal income from investments applied to policyholders					
After management fees	**215**	228	**555**	(830)	787
Management fees	**302**	335	**116**	(22)	537

*) 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

Comprehensive income in the reporting period amounted to a total of approximately NIS 30 million, as compared with a total of approximately NIS 54 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 12 million, as compared with a total of approximately NIS 18 million in the corresponding period last year. The decrease in income was primarily due to a decrease in income from management fees, as a result of the competitive conditions in the segment and expenses with respect to the cleansing of data regarding members' rights. For additional details, see Note 7(a)(a4)(2) to the financial statements.

Subsequent to the reporting date, the company received approval from a provident fund for investment, and the activity is expected to commence in January 2017. For additional details, see Note 8(h).

3.1.1.8 Pension operations

Comprehensive income in the reporting period ended amounted to a total of approximately NIS 31 million, as compared with comprehensive income in the amount of approximately NIS 27 million in the corresponding period last year. The change in income relative to last year was primarily due to the amortization of the previous pension automation system in the amount of approximately NIS 5 million last year. Comprehensive income in the three month period ended on the reporting date amounted to a total of approximately NIS 13 million, as compared with a total of approximately NIS 12 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.)

3.1.2. 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	
	2016	**% of total**	2015	% of total	**2016**	**% of total**	2015	% of total	2015	% of total
NIS in millions	Unaudited								Audited	
Motor property insurance (see section 3.1.2.1 below)										
Gross premiums	**491**	**29**	510	27	**146**	**29**	147	24	639	27
Premiums on retention	**489**	**39**	507	37	**145**	**39**	146	32	635	37
Income (loss) before tax	**11**	1	(23)	#	**17**	**49**	2	4	(32)	#
Comprehensive income (loss) before tax	**10**	1	(29)	#	**14**	**1,400**	(1)	#	(36)	#
Loss ratio, gross	**71%**		80%		**64%**		72%		80%	
Loss ratio, on retention	**71%**		81%		**64%**		72%		79%	
Combined ratio, gross	**99%**		108%		**93%**		102%		108%	
Combined ratio, on retention	**100%**		108%		**93%**		102%		108%	
Motor property insurance (see section 3.1.2.2 below)										
Gross premiums	**346**	**20**	362	19	**108**	**21**	103	17	455	19
Premiums on retention	**334**	**27**	348	25	**104**	**28**	99	22	437	25
Income before tax before the estimated impact of the Winograd committee's recommendations and the discount rate	**159**	**99**	231	80	**18**	**51**	33	62	263	79
Comprehensive income before tax before the estimated impact of the Winograd committee's recommendations and the discount rate	**151**	**104**	196	92	**2**	**200**	14	127	231	86
The Pool's effect on results of operations	**(27)**		(18)		**(9)**		(5)		(22)	
Loss ratio, gross	**50%**		42%		**95%**		80%		47%	
Loss ratio, on retention	**48%**		43%		**92%**		84%		48%	
Combined ratio, gross	**68%**		58%		**115%**		96%		64%	
Combined ratio, on retention	**67%**		60%		**112%**		101%		66%	
Provision in the compulsory motor branch, estimated impact of the Winograd committee and the discount rate	**(76)**		(15)		**(1)**		-		-	
Income before tax including the estimated impact of the Winograd committee's recommendations and the discount rate	**83**		216		**17**		33		263	
Comprehensive income before tax including the estimated impact of the Winograd committee's recommendations and the discount rate	**75**		181		**1**		14		231	
Property branches (see section 3.1.2.3 below)										
Gross premiums	**559**	**33**	672	36	**163**	**32**	266	43	873	36
Premiums on retention	**211**	**17**	312	23	**62**	**17**	148	32	378	22
Income (loss) before tax	**(6)**	**12**	12	4	**16**	**46**	7	13	17	5
Comprehensive income (loss) before tax	**(8)**	**11**	5	2	**12**	**1,200**	3	27	11	4
Loss ratio, gross	**33%**		60%		**33%**		53%		57%	
Loss ratio, on retention	**60%**		59%		**41%**		55%		57%	
Combined ratio, gross	**65%**		91%		**66%**		82%		88%	
Combined ratio, on retention	**107%**		104%		**90%**		98%		101%	
Provisions in personal accidents with respect to the impact of the discount rate			(4)							
Income before tax including impact of the discount rate			8							
Income before tax including impact of the discount rate			2							
Credit insurance (see section 3.1.2.4 below)										
Gross premiums	**80**	**5**	77	4	**27**	**5**	27	4	103	4
Premiums on retention	**40**	**3**	40	3	**13**	**3**	13	3	54	3
Income before tax	**22**	**14**	24	8	**7**	**20**	8	15	25	7
Comprehensive income before tax	**23**	**16**	18	8	**5**	**500**	4	36	20	7
Loss ratio, gross	**46%**		59%		**37%**		67%		118%	
Loss ratio, on retention	**39%**		38%		**51%**		43%		48%	
Combined ratio, gross	**68%**		82%		**59%**		89%		141%	
Combined ratio, on retention	**51%**		51%		**65%**		54%		61%	

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.)

	For the period of nine months ended September 30				For the period of three months ended September 30				For the year ended December 31	
	2016	% of total	2015	% of total	2016	% of total	2015	% of total	2015	% of total
NIS in millions	Unaudited								Audited	
liabilities branches (see section 3.1.2.5_ below)										
Gross premiums	**241**	**14**	238	13	**66**	**13**	68	11	325	14
Premiums on retention	**165**	**13**	173	13	**48**	**13**	51	11	227	13
Income (loss) before tax before the estimated impact of the Winograd committee's recommendations and the discount rate	**(25)**	#	43	15	**(22)**	**#**	2	4	61	18
Comprehensive income (loss) before tax before the estimated impact of the Winograd committee's recommendations and the discount rate	**(30)**	#	22	10	**(32)**	**#**	(9)	#	42	16
Loss ratio, gross	**107%**		64%		**93%**		102%		48%	
Loss ratio, on retention	**94%**		69%		**130%**		94%		59%	
Combined ratio, gross	**139%**		94%		**128%**		133%		79%	
Combined ratio, on retention	**137%**		108%		**176%**		132%		99%	
Provision in the compulsory motor branch, estimated impact of the Winograd committee and the discount rate	**(50)**		(18)		**(3)**		-			
Income before tax including the estimated impact of the Winograd committee's recommendations and the discount rate	**(75)**		24		**(25)**		61			
Comprehensive income before tax including the estimated impact of the Winograd committee's recommendations and the discount rate	**(80)**		4		**(35)**		42			
Total in non-life insurance segments before estimating the implications of the Winograd committee and the discount rate										
Gross premiums	**1,717**	**100**	1,859	100	**509**	**100**	612	100	2,395	100
Premiums on retention	**1,239**	**100**	1,380	100	**374**	**100**	458	100	1,730	100
Income before tax before the estimated impact of the Winograd committee's recommendations and the discount rate	**160**	**100**	287	100	**35**	**100**	53	100	334	100
Comprehensive income before tax before the estimated impact of the Winograd committee's recommendations and the discount rate	**145**	**100**	213	100	**1**	**100**	11	100	268	100
Loss ratio, gross	**57%**		62%		**62%**		70%		63%	
Loss ratio, on retention	**65%**		63%		**74%**		74%		63%	
Combined ratio, gross	**85%**		89%		**91%**		97%		90%	
Combined ratio, on retention	**96%**		93%		**107%**		103%		93%	
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 and the discount rate **)	**(126)**		(37)		**(4)**		-		-	
Income before tax	**35**		249		**31**		**53**		334	
Comprehensive income before tax	**19**		176		**(3)**		11		268	
Loss ratio, gross	**66%**		65%		**62%**		70%		63%	
Loss ratio, on retention	**75%**		67%		**75%**		74%		63%	
Combined ratio, gross	**94%**		92%		**92%**		97%		90%	
Combined ratio, on retention	**106%**		88%		**87%**		90%		93%	

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

Combined Ratio (CR) = 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 / Premiums earned (gross/retention)

**) The provision during the reporting period includes the implications of the Winograd committee, and in the corresponding periods last year, includes the impact of the discount rate.

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 1,717 million, as compared with a total of approximately NIS 1,859 million in the corresponding period last year. The decrease in gross premiums in the amount of approximately NIS 142 million was primarily due to the non-renewal of a students personal accident insurance transaction and the non-renewal of losing business operations, including collective business operations, in the compulsory motor and property branches.

Comprehensive income before tax amounted to approximately NIS 19 million, as compared with income of approximately NIS 176 million in the corresponding period last year. The decrease in income was primarily due 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 126 million, as specified in section 3.1(b) above[4]; on the other hand, in the corresponding period last year, the discount rates used to calculate insurance liabilities in the compulsory motor, liabilities and personal accidents branches were updated, and accordingly, the reserve increased by approximately NIS 37 million. After neutralization of the provisions, income during the reporting period amounted to a total of approximately NIS 145 million, as compared with income of approximately NIS 213 million in the corresponding period last year.

The decrease in income, after neutralization of the aforementioned provisions, was primarily due to the following factors: lower positive development in claims, which was reflected in the actuarial model in the compulsory motor and third party liability branches, relative to the corresponding period last year. The deterioration in underwriting profitability during the reporting period was due to the negative development in claims, primarily in the employers' liability insurance branch in old years. This difference was partly offset by the improvement in underwriting results in the motor property branch, relative to the corresponding period last year, following the optimization of collective and importers business operations, and the underwriting improvement in individual business operations.

After neutralization of the aforementioned provisions, the loss ratio on retention increased in the reporting period to 65%, from 63% in the corresponding period last year. The combined ratio on retention increased in the reporting period to 96%, from 93%.

Three month period ended on the reporting date

Gross premiums amounted to a total of approximately NIS 509 million, as compared with a total of approximately NIS 612 million in the corresponding period last year.

Comprehensive loss before tax amounted to approximately NIS 3 million, as compared with income of approximately NIS 11 million in the corresponding period last year. In 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 4 million.

After neutralization of the aforementioned provision, in the three month period ended on the reporting date, income was recorded in the amount of approximately NIS 1 million, as compared with income of approximately NIS 11 million in the corresponding period last year.

The decrease in income during the reporting period was primarily due to the negative development of claims, which was reflected in the actuarial model in the employers' liability insurance branch, as compared with the positive development in the corresponding period last year.

[4] 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 interim reports.

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.)

After neutralization of the provision with respect to the Winograd committee, as stated above, the loss ratio on retention in the quarter amounted to a rate of 74%, similarly to the corresponding period last year (the combined ratio on retention increased during this period to a rate of 107%, from a rate of 103%).

3.1.2.1 Motor property

The reporting period

Gross premiums amounted to a total of approximately NIS 491 million, as compared with a total of approximately NIS 510 million in the corresponding period last year. The decrease in premiums was primarily due to the optimization of the portfolio, through the non-renewal of losing business operations, including collective business operations.

Comprehensive income amounted to a total of approximately NIS 10 million, as compared with loss of approximately NIS 29 million in the corresponding period last year.

The transition from loss to income was primarily due to the improvement in underwriting results in the branch, following the optimization of collective and importers business operations, and the underwriting improvement in individual business operations, as part of the company's strategy in recent years.

The loss ratio on retention decreased to a rate of 71%, from a rate of 81% in the corresponding period last year (the combined ratio on retention decreased in the reporting period to a rate of 100%, from a rate of 108%).

Three month period ended on the reporting date

Gross premiums amounted to a total of approximately NIS 146 million, as compared with a total of approximately NIS 147 million in the corresponding period last year.

Comprehensive income amounted to a total of approximately NIS 14 million, as compared with comprehensive loss of approximately NIS 1 million in the corresponding period last year. The transition from income to loss was primarily due to the improvement in underwriting results in the branch, as stated above.

The loss ratio on retention decreased to a rate of 64%, from a rate of 72% (the combined ratio on retention decreased during this period to a rate of 93%, from a rate of 102%).

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.)

3.1.2.2 Compulsory motor

The reporting period

Gross premiums amounted to a total of approximately NIS 346 million, as compared with a total of approximately NIS 362 million in the corresponding period last year. The decrease in gross premiums was primarily due to the optimization of the portfolio, through the non-renewal of losing business operations, including collective business operations.

Comprehensive income amounted to a total of approximately NIS 75 million, as compared with income of approximately NIS 181 million in the corresponding period last year. The decrease in income was primarily due to the provision in light of the possible implications of the amendment to the Discounting Regulations, due to the recommendations of the Winograd committee, in the amount of approximately NIS 76 million, as specified in section 3.1(b) above. On the other hand, in the corresponding period, a negative impact was recorded due to the reduction of the discount rate which is used to calculate insurance liabilities in the compulsory motor branch, in the amount of approximately NIS 15 million, with no similar impact during the reporting period. After neutralization of provisions, income during the reporting period amounted to a total of approximately NIS 151 million, as compared with a total of approximately NIS 196 million in the corresponding period last year. The decrease in income, after neutralizing the aforementioned provisions, is primarily due to smaller positive development, as reflected in the actuarial model, relative to the development in the corresponding period last year.

After neutralization of the aforementioned provisions, the loss ratio on retention increased to 48%, from 43% in the corresponding period last year (the combined ratio on retention increased during the reporting period to 67% from 60%).

Three month period ended on the reporting date

Gross premiums amounted to a total of approximately NIS 108 million, as compared with a total of approximately NIS 103 million in the corresponding period last year.

Comprehensive income in the reporting period amounted to a total of approximately NIS 1 million, as compared with a total of approximately NIS 14 million in the corresponding period last year. The decrease in income was primarily due to a lower positive development of claims relative to the corresponding period last year, as stated above.

The loss ratio on retention increased to a rate of 92%, from a rate of 84% (the combined ratio on retention increased during this period to a rate of 112%, from a rate of 101%).

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.)

3.1.2.3 Property and others branches

The reporting period

Gross premiums amounted to a total of approximately NIS 559 million, as compared with a total of approximately NIS 672 million in the corresponding period last year. The decrease in premiums was primarily due to the decrease in premiums in the apartments branch, in the amount of approximately NIS 22 million, which was due to the optimization of the portfolio by way of non-renewal of losing business operations and the non-renewal of a students personal accident insurance transaction in the amount of approximately NIS 80 million, as stated below in section 4.3.4.4.

Comprehensive loss amounted to a total of approximately NIS 8 million, as compared with comprehensive income of approximately NIS 2 million in the corresponding period last year. The transition from income to loss during the reporting period was primarily due to the increase in loss in the students personal accidents branch, following the negative development in claims with respect to past years, which was reflected in the actuarial model, as compared with the corresponding period last year.

The loss ratio on retention increased to a rate of 60%, from a rate of 58% in the corresponding period last year (the combined ratio on retention increased during the reporting period to a rate of 107%, from a rate of 103%).

Three month period ended on the reporting date

Gross premiums amounted to a total of approximately NIS 163 million, as compared with a total of approximately NIS 266 million in the corresponding period last year. The decrease in premiums was primarily due to the non-renewal of a students personal accident insurance transaction, as stated above.

Comprehensive income in the three month period ended on the reporting date amounted to a total of approximately NIS 12 million, as compared with comprehensive income of approximately NIS 3 million in the corresponding period last year. The increase in income was primarily due to the improvement in underwriting results in the fire and property branches, in the amount of approximately NIS 11 million, which was partly offset by the decrease in income in the apartments branch, following the negative development in claims with respect to a previous year.

The loss ratio on retention decreased to a rate of 41%, from a rate of 55% (the combined ratio on retention decreased during this period to a rate of 90%, from a rate of 98%).

3.1.2.4 Credit insurance

The reporting period

Gross premiums in the reporting period amounted to a total of approximately NIS 80 million, as compared with a total of approximately NIS 77 million in the corresponding period.

Comprehensive income in the reporting period ended amounted to a total of approximately NIS 22 million, as compared with comprehensive income in the amount of approximately NIS 18 million in the corresponding period last year. The increase in income during the reporting period was primarily due to the increase in income from premiums and investment income.

The loss ratio on retention increased in the reporting period to 39%, from 38% in the corresponding period last year (the combined ratio on retention remained the same as the rate in the corresponding period last year: 51%).

Three month period ended on the reporting date

Gross premiums amounted to a total of approximately NIS 27 million, similarly to the corresponding period last year.

The loss ratio on retention increased to a rate of 51%, from a rate of 43% (the combined ratio on retention increased to a rate of 65%, from a rate of 54%).

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.)

3.1.2.5 Other liability branches

The reporting period

Gross premiums amounted to a total of approximately NIS 241 million, as compared with a total of approximately NIS 238 million in the corresponding period last year.

Comprehensive loss in the reporting period amounted to a total of approximately NIS 80 million, as compared with income of approximately NIS 4 million in the corresponding period last year. The decrease in income and the transition to loss during the reporting period was primarily due to the provision in light of the possible implications of the amendment to the Discounting Regulations due to the recommendation of the Winograd committee, in the amount of approximately NIS 50 million, as specified in section 3.1(b) above. On the other hand, in the corresponding period, the discount rate used to calculate the insurance liabilities in the liabilities branches decreased in the amount of approximately NIS 18 million, with no similar impact in the reporting period. After the neutralization of provisions, loss amounted to a total of approximately NIS 30 million, as compared with income of approximately NIS 22 million in the corresponding period last year.

The deterioration in underwriting profitability during the reporting period was due to the negative development in claims, primarily in the branch for employers' liability insurance from old years, and in the third party branch, which was reflected in the actuarial model, as compared with the positive development in the corresponding period last year.

After the neutralization of the provision with respect to the Winograd committee, as stated above, the loss ratio on retention increased during the reporting period to a rate of approximately 94%, from a rate of approximately 69% in the corresponding period last year (the combined ratio on retention increased during the reporting period to a rate of 137%, from a rate of 108%).

Three month period ended on the reporting date

Gross premiums in the reporting period amounted to a total of approximately NIS 66 million, as compared with a total of approximately NIS 68 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 32 million, as compared with comprehensive loss of approximately NIS 9 million in the corresponding period last year.

The increase in loss in the current quarter, relative to the corresponding quarter last year, was primarily due to the negative development in the employers' liability insurance branch, as stated above.

The loss ratio on retention increased to a rate of 130%, from a rate of 94% (the combined ratio on retention increased during this period to a rate of 176%, from a rate of 132%).

3.1.3. Health insurance

The reporting period

Gross premiums earned amounted to a total of approximately NIS 1,352 million, as compared with a total of approximately NIS 1,255 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 loss before tax amounted to a total of approximately NIS 39 million, as compared with income of approximately NIS 129 million in the corresponding period last year. The decrease in income and the transition to loss were due to the liability adequacy test (LAT), which resulted in an increase in the reserve in the amount of approximately NIS 180 million during the reporting period (as of the reporting date, the balance of the reserve with respect to non-investment-linked contracts amounted to a total of NIS 81 million, and with respect to investment-linked contracts, a total of approximately NIS 99 million), with no impact 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.)

3.1.3. Health insurance (Cont.)

The reporting period (Cont.)

After the neutralization of this provision, comprehensive income before tax amounted to a total of approximately NIS 141 million, as compared with comprehensive income of approximately NIS 129 million in the corresponding period last year.

The increase in income, after neutralization of the provision, as stated above, was primarily due to the increase in investment income beyond what was required to cover the insurance liabilities, which was partly offset by the update to estimates in the corresponding period last year, primarily due to the change in the cancellation rate, which reduced the provision with respect to insurance risk in the amount of approximately NIS 30 million, with no impact during the reporting period.

Three month period ended on the reporting date

Gross premiums earned amounted to a total of approximately NIS 496 million, as compared with a total of approximately NIS 446 million in the corresponding period last year, primarily in the increase in individual business operations and the update to the reserve for participation of profit-sharing policies in collective business operations.

Comprehensive income amounted to a total of approximately NIS 130 million, as compared with comprehensive income in the amount of approximately NIS 18 million in the corresponding period last year. The increase in income was primarily due to the liability adequacy test (LAT) which resulted in a release of the reserve in the amount of approximately NIS 52 million in the three month period ended on the reporting date (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 in the corresponding period last year.

After the neutralization of this provision, comprehensive income before tax amounted to a total of approximately NIS 78 million, as compared with comprehensive income of approximately NIS 18 million in the corresponding period last year. The increase in income was primarily due to the increase in investment income beyond the amount required to cover the insurance liabilities.

Details regarding investment gains which were applied to holders of life insurance policies of the profit sharing long term care 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 millions	2016	2015	2016	2015	2015
Investment gains (losses) which were applied to policyholders	16	6	51	(81)	57

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

NIS in millions	For the period of nine months ended September 30 2016	2015	Rate of change in percent	For the period of three months ended September 30 2016	2015	Rate of change in percent	For the year ended December 31 2015
	Unaudited			Unaudited			Audited
Income from investments, net, and financing income	103	210	(51)	57	27	111	241
General and administrative expenses	(43)	(45)	(4)	(14)	(16)	(13)	(67)
Other income (expenses), net	1	(8)	#	3	(2)	#	(11)
Income (loss) before tax from continuing operations from adjustments and offset operations	5	(3)	#	3	6	(50)	-
Income (loss) before tax from continuing operations in other segments (excluding Clal Finance)	16	16	-	7	5	40	23
Other income before tax and items which are not included in the insurance branches	82	170	(52)	56	20	180	185
Other comprehensive income before tax and items not included in the insurance branches	81	47	72	44	(56)	#	87

The reporting period

Comprehensive income from items not included in the insurance branches amounted to a total of approximately NIS 81 million in the reporting period, as compared with comprehensive income of approximately NIS 47 million in the corresponding period last year. The increase in income was primarily due to investment income in the amount of approximately NIS 102 million in the reporting period, as compared with investment income in the amount of approximately NIS 87 million in the corresponding period last year.

In the three month period ended on the reporting date

Comprehensive income from items not included in the insurance branches amounted to a total of approximately NIS 44 million, as compared with comprehensive loss of approximately NIS 56 million in the corresponding period last year. The transition to income was primarily due to investment income in the amount of approximately NIS 45 million in the reporting period, as compared with investment loss in the amount of approximately NIS 49 million in the corresponding period last year.

3.1.5. General and administrative expenses

Other general and administrative expenses in the reporting period amounted to a total of approximately NIS 570 million, as compared with a total of approximately NIS 550 million last year, and a total of approximately NIS 189 million in the three month period ended on the reporting date, as compared with a total of approximately NIS 175 million in the corresponding period last year. The increase in the reporting period was primarily 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 last year.

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

3.1 Financial information by operating segments (Cont.)

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, and by debt raisings and repayments in Clal Holdings and in Clal Insurance.

For details regarding the change in the known index, see section 2.1.1.2 above.

Financing expenses in operations which are not allocated to segments

Financing expenses in the reporting period amounted to a total of approximately NIS 115 million, as compared with a total of approximately NIS 106 million last year. The increase in financing expenses was primarily due to the cost of replacement of deferred liability notes in the amount of approximately NIS 17 million during the reporting period, as compared with the cost of replacement of deferred liability notes in the amount of approximately NIS 10 million in the corresponding period last year. (For additional details, see Note 8(c) to the financial statements). Financing expenses for the three month period ended on the reporting date amounted to a total of approximately NIS 36 million, as compared with a total of approximately NIS 38 million in the corresponding period last year.

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	2016	2015	2016	2015	2015
Income (loss) for the period [1)]	**(349)**	345	**236**	(20)	480
Other comprehensive loss for the period [2)]	**(4)**	(214)	**(50)**	(88)	(193)
Comprehensive income (loss)	**(353)**	131	**187**	(108)	287
Comprehensive income (loss) to shareholders in the company	**(356)**	129	**186**	(108)	285
Comprehensive income attributable to non-controlling interests	**3**	2	**1**	-	2
Comprehensive income (loss)	**(353)**	131	**187**	(108)	287

1. During the reporting period, comprehensive loss was primarily impacted by the liability adequacy test (LAT) and the update to the K factor with respect to profit sharing policies. In the three month period ended on the reporting date, comprehensive income was affected by the decrease of the aforementioned provision. For additional details, see Note 8(a) to the financial statements, and section 3.1 above.
2. Other comprehensive income is primarily affected by income (loss) from the increase (decrease) in the fair value of financial assets (marketable financial assets and non-marketable capital assets) that are not included in the investment portfolios, against profit-sharing policies, from foreign currency translation differences in respect of foreign operations and from actuarial income (loss) in respect of employee benefits.

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

3.3 Principal data from the consolidated statements of financial position

3.3.1. Assets

NIS in millions	As of September 30 2016	2015	Rate of change %	As of December 31 2015	Rate of change since December %
Total assets	**96,492**	93,753	3	95,122	1
Main assets:					
Total assets with respect to investment-linked contracts in consolidated insurance companies	**57,140**	53,758	6	54,930	4
Other financial investments [1]	**30,346**	30,713	(1)	30,529	(1)
Assets managed for others (non-nostro) in the group (NIS in millions):					
For investment-linked insurance contracts and investment contracts	**57,140**	53,758	6	54,930	4
For provident fund members [1]	**34,157**	34,678	(2)	34,846	(2)
For pension fund members [*]	**52,057**	45,655	14	48,160	8
Total assets managed for others	**143,354**	134,091	7	137,936	4
*) Out of this amount, total assets managed by Atudot Havatika	**9,351**	8,219	14	9,013	4

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.

3.3.2. Liabilities

NIS in millions	As of September 30 2016	2015	Rate of change %	As of December 31 2015	Rate of Change since December %
Total liabilities	**92,257**	89,312	3	90,538	2
From liabilities:					
Liabilities in respect of non-investment-linked insurance contracts and investment contracts	**26,888**	29,939	(10)	29,794	(10)
Liabilities with respect to investment-linked insurance contracts and investment contracts	**59,691**	53,074	12	54,347	10
Total liabilities with respect to insurance contracts and investment contracts	**86,579**	83,013	4	84,141	3
Deferred liability notes [1]	**3,108**	3,228	(4)	3,220	(3)
Liabilities to banking corporations:					
The company	**70**	70	-	70	-
Clal Credit and Finance	**6**	36	(83)	26	(77)
Other liabilities					
Total loans	**76**	106	(28)	96	(21)
Liabilities with respect to derivative financial instruments and short sales	**213**	420	(49)	247	(14)
Total liabilities to banking corporations and others	**289**	526	(45)	343	(16)

1. For details regarding the replacement of deferred liability notes subsequent to the reporting period, see Note 8(c) to the financial statements.

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

3.3.3. Capital and capital requirements

NIS in millions	As of September 30 2016	As of December 31 2015	Rate of change %
The company			
Total capital attributable to shareholders in the company	**4,197**	4,548	(8)
Total capital required of the company [1]	**2,851**	2,851	-
Surplus	**1,346**	1,697	(21)
Rate of surplus over required capital	**47.2%**	59.5%	(21)
Clal Insurance [2]			
Total capital and required capital surplus	**4,751**	4,730	-
Total Tier 1 capital	**4,037**	4,402	(8)
Total Tier 2 and Tier 3 capital [3]	**2,691**	2,935	(8)
Total recognized capital	**6,728**	7,337	(8)
Surplus	**1,977**	2,606	(24)
Rate of surplus over capital and required capital surplus	**41.6%**	55.0%	(24)
Rate of Tier 2 and Tier 3 capital out of total recognized capital [4]	**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)(4) to the financial statements.
2. For additional details regarding the capital requirements for the group's member companies, including the Commissioner's letter on the subject of dividend distributions from August 2016, see Note 6 to the financial statements.
3. For details regarding the replacement of deferred liability notes during the reporting period, see Note 8(c) to the financial statements.
4. 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)3(b) to the annual financial statements, and accordingly, a total of approximately NIS 227 million was not recognized as capital as of September 30, 2016. The amount will be recognized against future repayments and against the recording of income, if any, which will be added to Tier 1 capital.

For details regarding the evaluation of the capital status, in accordance with guidelines for the performance of the IQIS5 study, as of December 31, 2015, see section 3.1 and Note 6(b) to the financial statements.

3.4. Cash flows

Primary data from the cash flow report

NIS in millions	For the period of nine months ended September 30 2016	For the period of nine months ended September 30 2015	For the period of three months ended September 30 2016	For the period of three months ended September 30 2015	For the year ended December 31 2015
Net cash flows from (used in) operating activities *)	**(745)**	1,526	**(1,548)**	(451)	2,168
Net cash flows used in investing activities	**(185)**	(202)	**(20)**	(70)	(309)
Net cash flows from (used in) financing activities	**(254)**	128	**(48)**	483	108
Impact of exchange rate fluctuations on cash balances	**(18)**	(20)	**(11)**	18	(32)
Total increase (decrease) in cash balances	**(1,201)**	1,432	**(1,627)**	(20)	1,935

*) The decrease in cash was mostly 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 indemnification letters which it provided for the liabilities of wholly owned investee companies (see Note 28(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 of 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 and credit facilities of the company and of its subsidiaries:

NIS in millions	Balance as of September 30, 2016	Proximate to the publication date of the report
Liquid resources of the company (solo)	102	102

*) During the reporting period, in accordance with the date specified in the agreement, the company's credit facility in the amount of NIS 60 million expired. the company chose not to renew the credit facility.

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

3.5. Financing sources (Cont.)

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 which were taken by the company and/or which were taken by subsidiaries guaranteed by the company, see Notes 28(b) and (d) to the financial statements for 2015. As of September 30, 2016, and proximate to the publication of the report, the company is fulfilling the financial covenants.

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 the capital requirements of the consolidated institutional entities and other companies in the group, see section 3.3.3 above and Note 6(b)(3) to the financial statements.

F. The following are details regarding the repayment of the company's liabilities to banks over the coming year:

	01.10.2016-31.03.2017			01.04.2017-30.09.2017		
NIS in millions	Principal	Interest	Total	Principal	Interest	Total
Loans from banks	-	1	1	-	1	1

For additional details, see the immediate report published by the company regarding a summary of the company's liabilities by maturity dates (T-126) (reference number 2016-01-132298).

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, and the capital requirements stipulated in the permit for control of institutional entities which is held by the company, and the Commissioner's letter from August 2016 regarding dividend distributions, see Note 6(c)(3) to the interim reports.

4.1.2 Strengthening of insurance reserves - for details regarding the strengthening of the insurance reserves in light of the low interest rate environment, see Note 8(a)(1) to the interim reports.

4.1.3 Replacement of liability certificates - for details regarding the replacement of liability certificates during the reporting period, see Note 8(c) to the interim reports.

4.1.4 Extension of the validity of the shelf prospectus in Clalbit Finance - for details regarding the extension of the validity of the shelf prospectus in Clalbit Finance, see Note 8(f) to the financial statements.

4.1.5 New employment agreement of the Chairman of the Board - for details regarding the signing of a new employment agreement with the Chairman of the Board, see Note 8(d).

4.1.6 Change in the corporate tax rate - for details regarding the change in the corporate tax rate, see Note 8(e) to the interim reports.

4.1.7 For details regarding the replacement of the operator with respect to provident funds which are managed by the company, see Note 8(g) to the interim reports.

4.1.8 Developments subsequent to the reporting date - for details regarding developments subsequent to the reporting date, including the increase of the discount rate, see Note 8(i) to the interim reports.

4.1.9 Structural change - for additional details, see Note 8(J) to the interim reports.

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 interim reports.

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

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 periodic report.

4.3.1. General

4.3.1.1 Establishment of the Capital Markets Authority

In August 2016, the Knesset approved the Proposed Control of Financial Services Law (Legislative Amendments), 5776-2016, which involves converting the Division of Capital Markets in the Ministry of Finance into an independent authority, to be called the "Capital Markets, Insurance and Savings Authority", which began its activity in September 2016. The authority would operate as an independent, separate government unit, with its own separate budget, subordinate to the Minister of Finance. The authority will be led by the Commissioner of Capital Markets, Insurance and Savings, who will be appointed by the Minister of Finance, with the approval of the government, for a 5 year term.

The authority's functions will include: protecting the interests of policyholders, ensuring stability and proper management of the institutional entities, promoting competition in the capital, insurance and savings market, and encouraging technological and business innovation. upon the establishment of the Capital Market, Insurance and Savings Authority, a significant part of the authorities which are currently conferred, in accordance with the control law, upon the Minister of Finance, were transferred to the Commissioner, who will be entitled to establish them by means of administrative provisions, and not through regulations, as stated in the law, due to the fact that the aforementioned authorities are professional in nature. The material issues which were submitted for the Commissioner's determination include: the issuance of directives with respect to the business of institutional entities, the determination of directives regarding the terms and phrasing of insurance contracts, the issuance of directives regarding the corporate governance in the institutional entities, and the determination of circumstances which constitute a conflict of interests between a pension adviser / agent and a customer, in which the pension adviser / agent must refrain from performing any action which constitutes a conflict of interests, as stated above. The law further determines that a petition against the Authority's decision pursuant to the Control laws, on certain matters, excluding a decision of the Commissioner which sets forth rules or guidelines which have legislative force pursuant to those laws, will be heard in the Administrative Matters Court.

The company is unable to estimate, at this stage, the implications of the law, inter alia, in light of the uncertainty in connection with the possible implications of the expansion of the Commissioner's authorities.

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.)

4.3.1.2. Compensation to corporate officers in financial corporations

In April 2016, the Compensation for Corporate Officers in Financial Corporations Law (Special Approval and Non-Permissibility of Expenses for Tax Purposes due to Exceptional Compensation), 5776-2016, was published, which is intended to restrict and reduce the salary of senior corporate officers in financial entities (hereinafter in this section: the "**Law**").

The law defines a corporate mechanism for the approval of agreements involving the provision of compensation to an employee of a financial corporation (financial entity or entity controlling or controlled by the financial entity) for which the projected expense, as calculated on the date of approval in accordance with generally accepted accounting principles, is expected to exceed NIS 2.5 million, and also determines that an agreement of this kind will not be approved unless the ratio between the expected expense with respect to the aforementioned compensation, and the expected expense with respect to the lowest compensation paid by the corporation to an employee of the corporation (including contract employees), directly or indirectly, in the year preceding the date of the agreement, is less than 35 (hereinafter: the "**Ratio Limit**").

In accordance with the mechanism specified in the law, the employment terms of the aforementioned employee will be presented for approval to the compensation (or audit) committee, the board of directors (by a special majority of outside directors), and the general meeting of that company, and in a public company, also by a special majority of minority shareholders in the general meeting. Additionally, the cost of salary of an employee in a financial corporation which exceeds NIS 2.5 million will not be permitted for deduction for tax purposes by the company. The aforementioned cost is after deducting accounting expenses recorded due to the allocation of shares or the right to receive shares, and after deducting the "excess cost of salary" (the difference between the cost of salary and NIS 2.5 million, if the cost of salary exceeds NIS 2.5 million).

In accordance with transitional provisions, beginning in October 2016, the provisions of the law apply to engagements which were approved before the publication of the law, or else they will not be valid.

In June 2016, The Association of Banks in Israel and the Israel Insurance Association each separately petitioned the Supreme Court, in its function as the High Court of Justice, against the law (hereinafter, jointly: the "**Petitioners**"). On September 29, 2016, the Supreme Court dismissed the assertions regarding the legality of various provisions of the Law. However, the Supreme Court determined that senior employees in financial corporations who announce resignation from their positions by January 1, 2017, will not lose their eligibility to receive all rights which would have been owed to them with respect to the termination of the employer - employee relationship or the conclusion of their tenure, had that relationship concluded within the aforementioned period.

For additional details regarding the company's announcement to corporate officers, and regarding the adjustment of the company's compensation policy, see Note 8(d) and section 6 below.

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 The Equal Rights for People with Disabilities Regulations (Notice of Insurer Regarding the provision of different Treatment to Individual or Regarding Refusal of Insurance)

In February 2016, The Equal Rights for People with Disabilities Regulations (Notice of Insurer Regarding the provision of different Treatment to Individual or Regarding Refusal of Insurance), 5776-2016 were published, which primarily include a provision regarding the wording of the notice which is to be given by an insurer to people with disabilities, regarding its refusal to insure an individual, or to treat the policyholder differently. For details regarding a class action against Clal Insurance on this matter, see Note 7(a)(a2) to the financial statements.

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

For details regarding instructions for the performance of an IQIS study for 2015, which was published in April 2016, as part of the preparation towards the implementation of a Solvency-II based solvency regime, see Note 6 to the interim reports.

4.3.1.5 Service level indicator for insurance companies

Further to previous publications, in April 2016, comparative figures were published on the website of the Capital Markets, Insurance and Savings Division regarding the service level indicator of insurance companies in each of the main insurance products in Israel for 2015, based on the method of claim payment, of handling customer inquiries, public complaints and telephone response times.

4.3.1.6 Letter from the Commissioner regarding dividend distributions by insurance companies

For details regarding a letter from the Commissioner with respect to dividend distributions by insurance companies, which pertains to restrictions on dividend distributions as a function of the solvency ratio, see Note 6 to the interim reports.

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.)

4.3.1.7 Proposed amendment to the Class Action Law

In July 2016, an amendment to the Class Action Law (Amendment No. 10) (Settlement and Withdrawal Arrangements), 5776-2016 was approved (hereinafter in this section: the "**Amendment to the Law**"). The amendment to the law includes several amendments to the Class Action Law, 5766 - 2006, which primarily involve regulation of the issue involving the withdrawal of a motion to approve a class action or of a class action, a settlement regarding the above, and the filing of objections. Inter alia, the amendment established considerations which the court is required to take into consideration in its approval of benefits to a petitioner, to a class action plaintiff, or to a plaintiff's representative, and to determine that the court, in its approval of a settlement before the claim has been approved as a class action, will evaluate whether the claim meets, in principle, the conditions for the filing of a class action.

According to the company's estimate, some of the changes which are proposed in the proposed law have been applied by the courts in the past, and in general, these provisions may impose difficulties on withdrawal and/or settlement arrangement proceedings in class actions.

The information presented on all matters associated with the amendment to the Class Action Law 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 interpretation which will be given for the provisions of the amendment, and the manner in which it is implemented in the future by the courts.

4.3.1.8 Amendment to the Income Tax Ordinance, Update to the Corporate Tax Rate, 5776-2016

The State budget proposal for the years 2017-2018, which passed the first reading in November 2016 includes a proposed amendment to the Income Tax Ordinance, inter alia, in a manner whereby the corporate tax rate will be gradually reduced from a rate of 25% to a rate of 23%, from 2017 to 2018.

Insofar as the amendment will be accepted as a binding version, it is expected to result in a reduction of the balance of tax reserve, on a one-time basis, in an immaterial sum.

The information presented on all matters associated with the proposed amendment to the Income Tax Ordinance (Update to the Corporate Tax Rate), 5776-2016, constitutes forward looking information. Actual implementation may differ significantly from the forecast, and is dependent both on the actual approval of the aforementioned amendment, and on the wording thereof.

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.)

4.3.1.9 Circular regarding addition to insurance plans

In July 2015, an addition to insurance circular was published (hereinafter: the "**Addition To Insurance Circular**"), in which the Commissioner established provisions regarding the regulation of the conduct of insurance companies and insurance agents when adding a potential policyholder to an insurance plan. The provisions of the circular apply to the motor, apartment and business insurance branches, as well as illness and hospitalization insurance (excluding foreign workers and international travel), personal accidents and risk of death insurance (without the savings component), and loss of working capacity insurance, which were sold through channels other than pension savings.

In accordance with the circular, the insurance company and insurance agent will evaluate the needs of the potential policyholder before adding them to the insurance, and will offer them insurance in accordance with their needs, inter alia, including reference to the existing insurance policies which are available to the potential policyholder, for the various types of insurance policies which are available from the insurance company, and for the various types of products marketed by the insurance agent (hereinafter: the "**Adjustment Process**"). The circular also formalizes the method used to market the insurance plans, including receipt of the potential policyholder's consent for marketing in case of initiated marketing by the insurance company or agent, as well as the sale process, and the information and details which an insurance company and insurance agent are required to submit to the potential policyholder in the various stages of the sale process.

In July 2016, an amendment was published to the addition to insurance circular, in which provisions was determined, inter alia, regarding the method used to perform the adjustment process in cases where it was discovered that an insurance applicant has other relevant insurance.

According to the company's estimate, the addition to insurance circular and the amendment thereto may have significant consequences regarding the sale process of insurance products, both through the direct sale channels and through the agents, inter alia, in light of the new requirements, including the need to ascertain the needs of the insurance applicant before the sale process, in a manner which is not currently set forth in the provisions of the law, and in light of the interpretation which will be given for the aforementioned obligations, with respect to the insurance companies, insurance agents, and the reciprocal relationship between them. Additionally, the provisions of the circular require appropriate operational preparations and may result in an increase in the cancellations of policies which were sold in the past. According to the company's estimate, the amendment to the addition to insurance circular will require operational adjustments within the framework of the within the framework of sale process.

The information presented on all matters associated with the circular regarding addition to insurance 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 circular, and the interpretation which will be given by the authorized entities in the future regarding the provisions which apply according to the circular, as well as on the conduct of customers, insurance agents and competing companies.

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.)

4.3.1.10 Circular regarding the investigation and settlement of claims and the handling of public inquiries

In July 2016, a final version of the annex to the circular regarding the investigation and settlement of claims and the handling of public appeals was published (hereinafter: the "**Annex**" and the "**Claim Settlement Circular**", respectively). The annex, which is intended to constitute an inseparable part of the claim settlement circular, includes detailed provisions regarding claim settlement, which are required for implementation during the claim settlement process.

The draft determines, inter alia, that an institutional entity will act to obtain relevant information regarding claim settlement if the data in its possession indicate that such information exists. Additionally, provisions were determined regarding explanations and reasons which should be given to policyholders in connection with rejection notices, restrictions were imposed on the ability of an insurer to bring claims in connection with non-disclosure in certain circumstances, and the offsetting from payments to third parties upon claim payment was made conditional on the provision of a detailed explanation, in a manner which was specified in the draft.

The annex includes provisions in connection with claim settlement in long term care insurance, including a provision which determined that a policyholder who, due to poor bladder response which is reflected, for example, in urgency or frequency of urination, and who, due to mobility problems, is incontinent, will be considered incapable of independently performing a significant part (at least 50% of the action) of the "continence" action, and that a policyholder who suffers from imbalance or instability, which cause repeated falls, will be considered incapable of independently performing a significant part (at least 50% of the action) of the "mobility" action, as defined in the long term care circular. Additionally, provisions and restrictions were established regarding the method used to evaluate the policyholder's functioning situation upon settlement of a long term care claim.

The annex will enter into effect on September 1, 2016, except with respect to certain provisions which involve operational preparations, whose date of entry into effect was set for January 2017.

The annex may have an impact on the entire claim settlement process, both in operational terms, and on all matters associated with claim settlement, inter alia, in light of the increased debts which apply to insurance companies with respect to the collection of information, and with respect to response to policyholders, and their effects on the claim settlement method, and regarding the claim per se. At this preliminary stage, the company is unable to estimate the entire impact of the annex.

In September 2016, a draft amendment was published to the circular regarding the investigation and settlement of claims and the handling of public inquiries, according to which, in cases where the public inquiry indicates a significant, systemic flaw, which may recur, in the conduct of the institutional entity, the institutional entity is required to evaluate whether the flaw is systemic, must work to identify similar cases in which similar flaws occurred, and, insofar as similar cases have been found - to learn lessons, to correct the flaws within a reasonable period of time, and to submit a report to the Commissioner once per year.

In September 2016, a draft circular was published regarding the conduct of insurers (see section 4.3.1.14 below), which includes the provisions of the annex and the proposed amendments thereto, including provisions according to which, as part of the process of approving the receipt of documents involving claims for insurance benefits, the insurer is required to specify for the policyholder the additional policies in which he is insured, and to initiate a claim also with respect to the additional policy which meets the definition of the insurance event, even if the policyholder did not specify it in the claim filing documents.

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.)

4.3.1.10 Circular regarding the investigation and settlement of claims and handling of public inquiries (Cont.)

The company is studying the implications of the aforementioned drafts.

The information presented on all matters associated with the possible implications of the annex constitutes forward looking information, which is based on the company's estimates and assessments, and actual results may differ significantly from the forecast, due to the manner of actual implementation, and its implications on the claim settlement process with respect to insurers and policyholders, and the costs thereof. For details regarding a class action which was filed on the matter, see Note 7 to the financial statements.

4.3.1.11 Payment by institutional entities to license holders

In January 2015, the Commissioner published an industry-wide position regarding payment by an institutional entity to a license holder (hereinafter: the "**Position Paper**"). In accordance with the position paper, the Commissioner objects to the situation whereby institutional entities will pay to license holders brokerage fees which are derived from the management fees that are paid by the member or the policyholder, in accordance with which the brokerage fees which will be paid to the license holder will be higher. The insurance companies have contacted the Commissioner in connection with the position expressed in the position paper, and the legality thereof. In March 2015, the Commissioner issued a notice and clarification stating that the position paper does not constitute a new positive arrangement regarding the method used to calculate the brokerage fees, that the Commissioner does not intend to exercise the enforcement authority which is available to her in accordance with the provisions of the law on all matters associated with the actions of institutional entities and insurance agents in the pension segment with respect to customers who were added to the institutional entities before the publication of the position paper, and also during the period shortly thereafter, according to the series of contracts which was in effect as of the date of its publication.

In June 2015, the Israel Insurance Association petitioned the District Court with a claim for declaratory relief, in which the Court was requested to declare and to determine that compensation which is derived from management fees, in itself, is not prohibited by law, and that the engagement of institutional entities in agreements which include compensation which is derived from management fees does not constitute a breach of legal duty, and in February 2016, the District Court decided that the authority to hear the claim belongs to the Supreme Court, and accordingly, ordered the summary dismissal of the claim, due to the District Court's absence of material jurisdiction to hear it. In March 2016, the Israel Insurance Association filed an appeal against the aforementioned decision with the Supreme Court.

In June 2016, the proposed Control of Financial Services (Provident Funds) (Amendment No. 17) (Prohibition Against Link Between Distribution Commissions and Management fees) Law, 5776-2016, was published, and in July 2016, the Proposed Control of Financial Services (Provident Funds) (Amendment - Disconnection of Calculation of Distribution Commissions from Management Fees) Law was published, in which it was proposed to determine that the distribution commissions may no longer be calculated in connection with the management fees which are collected from members.

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

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

4.3.1 General (Cont.)

4.3.1.11 Payment by institutional entities to license holders (Cont.)

The Commissioner's position and the proposed laws, insofar as they will not be changed, are expected to have implications on the pension savings segment in its entirety, on the amount of management fees collected from customers, on agreements with agents and marketers, and on the company, and on the company's ability to link income and expenses. The institutional entities in the group are studying the implications of the position paper and the proposed law, inter alia, on all matters associated with their impact on agreements with agents and marketers, in the past and in the future, including estimates in case the need arises to create a new compensation model in accordance with the decisions and/or the final directives which will be given, and the ability to create a link between income and expenses in these marketing channels.

In light of all of the proceedings specified above, the company is unable to estimate, at this stage, the entire implications of the Commissioner's position and the proposed law, in the past or in the future.

For details regarding a class action which was filed regarding the subject of the determination in principle, see Note 7 to the financial statements.

The information presented with respect to the implications of the position paper and the proposed law regarding payments by institutional entities to license holders constitutes forward looking information, which is based on the estimates and assumptions of the group, as of the publication date of the report, due, inter alia, to the uncertainty regarding the final version of the proposed laws, if and insofar as they will be accepted. Actual implementation may differ significantly from the forecast, and is dependent, inter alia, on the conduct of policyholders.

4.3.1.12 The Proposed Insurance Contract Law (Amendment No. 7) (Increase of Special Interest and Addition of Personal Insurance), 5776-2016

In November 2016, an amendment to the Insurance Contract Law was approved, which increased the special interest rate which a competent court is authorized to 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, which applied prior to the amendment ("**Special Interest**").

Additionally, the aforementioned amendment expands the types of insurance regarding which the Court is obligated to charge special interest, in such cases, also with respect to illness and hospitalization insurance (which includes long-term care insurance) and compulsory motor insurance.

The aforementioned amendment to the Insurance Contract Law may have an impact both on the claim settlement process and on its results, and may result in increased claim settlement costs.

The information presented on all matters associated with the possible implications of the aforementioned amendment 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 in which the amendment will be implemented by the courts.

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.)

4.3.1.13 Digital vision, integration of digital tools and online interface to identify insurance products

In August 2016, a draft circular was published on the subject of the integration of digital tools in customer service for institutional entities, which was intended to promote the integration of digital tools in order to improve the quality of customer service in the insurance and savings market. Additionally, in September 2016, the Division of Capital Markets published a "digital vision" document which outlined the vision of the Capital Markets, Insurance and Savings Division on the subject of digitization in the branch (hereinafter, jointly: the "**Provisions**").

The provisions refer to three layers of digitization as a means of achieving goals: the interface between institutional entities and customers; information systems in institutional entities; and effective oversight by the Division of Capital Markets with respect to the issue of digitization. The provisions included the determination of various parameters with which the digital service channels of the institutional entities are required to comply, including providing customers with the option to choose among several different human and digital channels, providing the option to perform a significant variety of core activities, as well as the receipt of information, reliability, security, up to date information and accessibility. These parameters will constitute a part of the service indicators which are used to measure the service given by the institutional entities to their customers.

As part of the trend described above, in October 2016, a circular was published on the subject of an online interface which will be created by the Control of Insurance Office, for the identification of insurance products, which is intended to allow any policyholder to obtain information regarding his insurance portfolio at all of the insurance companies, and to evaluate the terms of his insurance products.

According to the company's estimate, insofar as the aforementioned provisions will be implemented, they are expected to result in optimization of customer service, in increased transparency, and in increased availability of information for customers, and also in increased resources invested in digitization. Additionally, the increased use of the digital channels may result in an increase in direct inquiries by customers to perform actions and to receive information, and may encourage competition. The company is working to reinforce and improve the digital means, while adjusting the systems, with the aim of improving service quality and customer experience.

The information presented on all matters associated with the possible implications of the draft circular regarding the integration of digital tools in the customer service of institutional entities 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 final version of the circular, if and insofar as it will be accepted, and the uncertainty regarding the conduct of the agency entities, and the conduct of members and policyholders with respect to their products.

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.)

4.3.1.14 Provisions regarding the conduct of an insurer throughout the lifetime of a policy - draft

In September 2016, a draft circular was published on the subject of provisions regarding the conduct of an insurer throughout the lifetime of a policy (hereinafter: the "**Draft Circular**"), which combines provisions regarding the manner of conduct of insurers with respect to interfaces between it and the policyholder.

The draft circular includes, inter alia, the provisions of the circular "Provisions regarding the wording of insurance plans" (which is expected to be canceled once the draft circular becomes binding), which includes, inter alia, provisions pertaining to various restrictions on the exclusions which can be included in insurance plans, which signify an expansion of insurance coverage. It was further determined that the liability limits per insurance event in an individual insurance plan of the "reimbursement of expenses (indemnification" type and an insurance plan in the liabilities branch will be adjusted to the expected cost per policyholder upon the occurrence of the insurance event. With respect to health insurance, restrictions were established on the inclusion of an exception excluding a previously existing medical condition, in cases where an underwriting process was performed, as well as provisions regarding the mechanism used to calculate the compensation in disability policies and provisions regarding the extension of the time period between the date of the accident and the date when the disability materialized, from one year to three years.

The aforementioned draft, if and insofar as it will be published as a binding version, is expected to have an impact on the scope of insurance coverage which is given in insurance policies to which the draft applies, and to the expansion thereof, which may result in the need to perform a new pricing process which corresponds to the insured risk, including appropriate backup by reinsurers, which is not certain to be provided. Additionally, the publication of the draft as a binding version may result in increased obligations which apply to insurers on all matters associated with their conduct vis-à-vis policyholders, including in connection with the obligation to adjust the liability limits in insurance policies of the indemnification and liabilities types to the expected cost per policyholder, and may result in exposure for the insurer, in cases where the aforementioned adjustment was not implemented. At this stage, the company is unable to estimate the entire impact of the draft circular, if and insofar as it will become legally binding.

The information presented on all matters associated with the possible implications of the drafts constitutes forward looking information, which is based on the company's estimates and assessments, and actual results may differ significantly from the forecast, inter alia, due to the uncertainty surrounding the actual publication of the draft, and its final wording.

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.)

4.3.1.15 Circular regarding the involvement of salespeople in the process of marketing and selling insurance products - draft

In October, a draft circular was published on the subject of the "involvement of salespeople in the process of selling and marketing insurance products" (hereinafter: the "**Draft**"), which is intended to regulate the activities of salespeople, who are not license holders, by insurance agents, with the aim of marketing and selling insurance products (excluding pension products).The draft allows, on the one hand, the performance of certain actions when selling insurance products through salespeople, while on the other hand, to expands the obligations which apply to an employer who employs salespeople, including: the obligation for the agent to conduct followup discussions with the customer; direct supervision over the activities of salespeople; listening to 50% of the marketing calls which are made by salespeople, and preparing listening reports with respect to those calls; a prohibition against the provision of compensation to salespeople as derived from the premiums which are sold, or the characteristics of the sold policies; a restriction of the salesperson's activities to the agent's business, and charging according to a 1 to 5 ratio between the insurance agents and the salespeople in each agency.

The draft circular requires the insurance companies not to accept requests to join from an agent who employs salespeople in the sale process without receiving all of the recording of the sale calls.

Insofar as the draft circular becomes legally binding, it is expected to impose difficulties on the process of performing phone sales through agents (particularly non-life insurance policies and health policies), while on the other hand, it is expected to impose an operational burden on the institutional entities, and accordingly, to affect the sales volume through this distribution arm.

The information presented with respect to the draft circular regarding the "involvement of salespeople in processes involving the marketing and selling of insurance products" constitutes forward looking information. Actual results may differ significantly from the forecast, and are dependent, inter alia, on the final wording of the circular, on the estimates of agents regarding the sale process which will be required, and on the sale alternatives which will be formulated.

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

4.3.2.1 Circular regarding "provisions with respect to the selection of provident funds" and the process of establishing chosen default funds

In July 2016, following the decision of the Supreme Court regarding the petition which was filed by the Israel Insurance Association against the Commissioner, alleging, 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 on the subject of "provisions regarding the selection of provident funds". The circular is intended to establish provisions regarding the selection of provident funds for employees who have not selected a provident fund, despite having been given the opportunity to do so, and regarding the conditions applicable to 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 to 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 selected default fund will be two years), in which preference will be given to pension funds whose market share is less than 5%.

(2) The provident fund is a default provident fund for annuities 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, and in which the criteria will include service level indicator, returns and management fees. The default fund will be chosen for a period which will not exceed 5 years. 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.

In August 2016, the results of the chosen default funds selection process were published, in which two pension funds were selected to serve as chosen 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.

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.)

4.3.2.1 Circular regarding "provisions with respect to the selection of provident funds" and the process of establishing chosen default funds (Cont.)

The provisions of the default fund circular, including the provisions regarding the provision of an advantage with respect to the management of the default fund to small players in the market, and the competitive advantages given to the chosen default fund, may have a significant industry-wide impact on the market for pension funds and study funds. The provisions of the 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 pension products, in a change in the business model of the managing companies, in reduced profitability, and accordingly, may result in changes in the market shares of the current competitors, which may accordingly also affect Clal Pension and Provident Funds. For details regarding the average management fees which are collected by Clal Pension and Provident Funds, see section 6.1.2.2 to the chapter regarding the description of the corporation's business affairs, in the company's periodic reports for 2015. 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 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 services involving the monitoring of fund deposits and/or which markets 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 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 provisions of the law, as stated above, are significantly dependent on the following factors: the manner of implementation and the impact of the aforementioned arrangements from a long term perspective, the steps which will be taken by the member companies in the Group, including regarding 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 Restrictions and supervision of the corporation's business (Cont.)

4.3.2. Long term savings (Cont.)

4.3.2.2 Transfer of funds between provident funds

In July 2016, a circular was published on the subject of "Transfer of funds between provident funds - amendment", which amended the current circular on the matter, in order to simplify the process of transferring funds between provident funds, and shortening the timetable for its completion. The circular enters into effect on January 1, 2017.

In August 2016, the Draft Control of Finance Services Regulations (Provident Funds), (Transfer of Funds between Provident Funds), 5776-2016 (hereinafter: the "**Draft Amendment to the Transfer of Funds Regulations**") were published, in which it is proposed to amend the Control of Financial Services Regulations (Provident Funds) (Transfer of Funds Between Provident Funds), 5768 - 2008. The main proposed amendments include the cancellation of the current restriction against the transfer of funds by persons who have begun receiving an old age annuity; cancellation of the current restriction which prohibits the transfer of funds of members who have debit balances to provident funds, due to a loan which was given to the member; The provision of the possibility to transfer funds from a provident fund for investment to a provident fund for annuities, provided that the member has reached retirement age; shortening of the periods for the transfer of funds between provident funds; prohibition against the currently available possibility of canceling the transfer of funds after a detailed, signed and completed application has been submitted to the receiving fund.

According to the company's estimate, the entry into effect of the amendment to the circular regarding the transfer of funds between provident funds, and of the draft amendment to the Transfer of Funds Regulations (the "**Proposed Amendments**"), will result in the removal of current barriers in the market to the transfer of funds with respect to the provident funds, particularly in the stage after the receipt of the annuity, and accordingly, may result in increased competition, a decrease in the management fees collected from annuities, an increase in routine handling expenses, and changes in the demographic composition of annuity recipients, and accordingly, may result in decreased profitability. however, at this stage, while the manner of implementation of the aforementioned mobility with respect to the annuity recipients is not yet known, and in light of the precedence and preliminary status of the arrangement, the company is unable to estimate all of its implications, which could be significant.

The entry into effect of the proposed arrangements is expected to impose difficulties on the institutional entities in performing retention activities, and may have implications on the amount of management fees, on the average period of time during which members or policyholders will remain customers of the company, and on the increase of costs, including the company's operating costs and retention costs. In accordance with the proposed amendments, there may be a significant impact on the group's activities in the segment and/or on its future results, and it is expected to add o the pension funds which are transferable between the institutional entities, and to increase the competition in the segment.

According to the company's estimate, at this stage, it is not possible to estimate the full implications of the proposed amendments on the company's profitability, which, on the one hand, may have an impact on the management fees which are collected, and on the profitability in the segment, while on the other hand, it may result in an increase in accrued assets in the management of the institutional entities in the group, which is dependent, inter alia, on the competitive conditions which will be determined, and on the reciprocal effects between the proposed amendments and other regulatory changes, including the default fund circular, the circular regarding the consolidation of inactive accounts in pension funds and the addition to pension funds and provident funds, the Draft Control of Financial Services Regulations (Provident Funds) (Crediting of Returns in New Comprehensive Pension Fund), 5776-2016, and the final provisions which will be determined, if any, within the framework of the draft amendment to the agents and consultants circular regarding power of attorney to a license holder, from July 2016, which simplified the process by which agents may contact the pension clearing house for the purpose of receiving information regarding their 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 Transfer of funds between provident funds (Cont.)

The company's estimate in connection with the amendment to the circular regarding the transfer of funds between provident funds and the draft amendment to the Transfer of 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 are dependent, inter alia, on the final version of the proposed amendments (if and insofar as they will be passed as binding law) on the conduct of distributing entities, on the conduct of competing entities, and on the preferences of members and policyholders.

4.3.2.3 Consolidation of inactive accounts in pension funds and addition to pension funds and provident funds

Amendment 13 to the Provident Funds Law from December 2015 included, inter alia, a provision stipulating that when a new member joins a new pension fund, and so long as the member has not requested otherwise, the savings funds which are available to him in inactive accounts in other new pension funds, will be transferred to the new pension fund which he intends to join, while maintaining continuity of insurance, with the aim of creating savings in management fees and improving the member's control of the management of their savings funds. The amendment also established, by means of a transitional provision, a mechanism for the consolidation of such funds, also with respect to the existing inventory of funds which are currently managed in inactive accounts.

Further to the above, supplementary arrangements were published within the framework of the circular from September 2016, regarding the addition to a pension fund or provident fund, which regulates, inter alia, the consolidation of accounts with respect to members who will join in the future, and within the framework of the circular from June 2016, on the subject of the "consolidation of current accounts in new pension funds - transitional provision", which determines provisions with respect to the manner of consolidation of pension savings funds which are currently managed in inactive accounts, and the transfer thereof to active accounts, in several stages, which will be performed by the end of 2017.

The entry into effect of the circular regarding the addition to pension funds or provident funds will allow the transfer of funds in inactive accounts in pension funds to active accounts, in accordance with the provisions of Amendment 13 to the Provident Funds Law, with respect to inactive accounts of members who will open additional accounts in the future. Providing the possibility to transfer funds from inactive accounts in pension funds into active accounts may result in an increase in transfers from inactive accounts managed by the pension funds of Clal Pension and Provident Funds, and on the other hand, may result in the transfer of funds from inactive accounts managed by competing entities into active accounts managed by it. Additionally, the possibility to perform transfers, as stated above, may result, in the short term, in increased operating expenses, and in the long term, in decreased operating expenses with respect to inactive accounts, and is expected to result in increased competition, and to have a corresponding effect on the rate of management fees which are collected.

The combination of the provisions with respect to the consolidation of inactive accounts in pension funds, together with the provisions regarding the creation of a default fund, may 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.

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 Consolidation of inactive accounts in pension funds and addition to pension funds and provident funds (Cont.)

The information presented on all matters associated with the possible implications of the provisions of the law pertaining to the consolidation of inactive accounts in pension funds constitutes forward looking information, which is based on the group's estimates and assumptions as of the publication date of the report, and actual implementation may differ significantly from the forecast. The implications of the aforementioned provisions are significantly dependent upon the steps which will be taken by the company with respect to its dealing with the provisions with respect to the consolidation of accounts, and the preferences and conduct of members with respect to their products.

4.3.2.4 Task force regarding greater certainty in pension savings and draft regulations regarding the crediting of returns in new comprehensive pension funds

In December 2015, the task force regarding greater certainty in pension savings, led by the Director General of the Ministry of Finance, published a report, which includes, inter alia, recommendations for changes with respect to the allocation of designated bonds intended for pension funds, in a manner which increases the scope of allocation of designated bonds for retirees, due to the high level of certainty which they require when receiving annuities, and for adult savers approaching retirement age. In parallel, it was proposed to gradually decrease the scope of the allocation of designated bonds intended for young savers, due to the lengthy investment horizon which they are expected to have.

Further to the foregoing, in April 2016, the Draft Control of Financial Services Regulations (Provident Funds) (Crediting of Returns in New Comprehensive Pension Funds), 5776-2016, were published (hereinafter: the "**Designated Bond Return Regulations**"). The Draft Regulations include provisions regarding the manner by which returns are applied to members and retirees in a new comprehensive pension fund, and the application date thereof, including provisions regarding the application of returns of designated bonds ("Designated Bond Returns"). As opposed to the current situation, in which the crediting of returns from investments in designated bonds is implemented in a uniform manner for all members of the fund, in the aforementioned draft regulations, it is proposed to determine that a managing company will credit designated bond returns to members of a new comprehensive pension fund which is managed by it, as specified below:

(A) Annuity recipients - The crediting of designated bond returns to annuity recipients will be implemented according to a ratio of between 60% of the total assets of the annuity recipients, and the total fund assets which were invested in designated bonds (according to a quarterly calculation).

(B) Members aged 50 and higher - designated bond returns will be credited according to a ratio between 30% of the accrued balances in the fund for members of this group, and the total fund assets which were invested in designated bonds (according to a daily calculation).

(C) Other members - the crediting of designated bond returns will be implemented according to the balance of returns in the fund due to the investment in designated bonds after the returns have been credited to the previous two groups, as stated above (according to a daily calculation).

(Hereinafter: the "**Allocation Of Designated Bonds In Accordance With Age Groups**").

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 Task force regarding greater certainty in pension savings and draft regulations regarding the crediting of returns in new comprehensive pension funds (Cont.)

In August 2016, a second draft of the designated bond returns regulations was published, in which a transitional provision was added, according to which, until the end of 2023, the crediting of designated bond returns to members aged 50 or older and other members will be implemented according to the same ratio, in other words, the balance of the returns in the fund which is due to the investment in designated bonds will be credited to them, after designated bond returns were first credited, as stated above, to the group of annuity recipients. In the aforementioned draft, it was also proposed to determine that the Commissioner will be entitled to increase the rate at which designated bond returns are credited to the annuity recipients in the fund, if she has found that the guaranteed returns of the bonds which are credited to members aged 50 or older, and to other and higher, as specified in section (c) above, exceeds one quarter percent relative to another fund, and that the aforementioned difference may disrupt the actuarial balance between the fund members.

In accordance with the Draft Regulations, no change will be implemented to the rate of bonds which a managing company of a new comprehensive pension fund is entitled to acquire, which will remain 30% of the total fund assets.

In May 2016, the Israel Insurance Association filed a motion to join as an appellant the Supreme Court petition which was filed by the forum of pension savers in Israel and 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 motion to join, it was claimed that there is no justification for the significant preference of savers in the new pension funds, with respect to policyholders in managers insurance, and also with respect to provident fund members. In May 2016, the Supreme Court accepted the motion to join, and the proceedings are pending.

The entry into effect of the regulations regarding designated bond returns, according to their current wording, and the allocation of the designated bonds in accordance with age groups, may create variability in the manner of allocation of designated bonds between members who belong to the same age group in the various pension funds, and as a result, may create a preference for addition to certain funds, according to the mix of ages of the fund members, and particularly among members who are close to retirement age.

Additionally, a change in the allocation of designated bonds, as stated above, and insofar as a corresponding change will not occur in insurance products as well, will result in increased competition over the funds which are intended for the payment of annuities close to retirement age, while providing priority to pension products.

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 Task force regarding greater certainty in pension savings and draft regulations regarding the crediting of returns in new comprehensive pension funds
(Cont.)

The company's estimate in connection with the draft regulations regarding crediting of returns in new comprehensive pension funds 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 are dependent, inter alia, on the decision reached by the Supreme Court, on the final wording of the Designated Bond Return Regulations, on the reciprocal effects between the Designated Bond Return Regulations and other regulatory provisions which are currently in the definition or implementation stages, including the consolidation of inactive accounts in pension funds, provisions regarding the establishment of a default fund and the draft amendment to the Transfer of Funds Regulations, the conduct of competing entities, distributing entities and the choices of members and policyholders.

4.3.2.5 Draft provisions regarding payment of annuity from provident fund for savings

Amendment 13 to the Provident Funds Law, from December 2015, included, inter alia, the cancellation of the distinction between a paying fund and a non-paying fund, and provided the possibility of directly withdrawing funds from a non-paying provident fund (currently "fund for savings"), through a combination of an annuity (withdrawal of the accrued amount in payments), plus long life insurance coverage which will be acquired from an insurance company, as opposed to the current situation, according to which, in order to withdraw funds which are intended for annuities, from a provident fund for savings (which was a "non annuity paying fund"), the funds should be transferred to a provident fund for annuities (which was an "annuity paying fund").

Further to the foregoing, in April 2016, a draft circular was published which established provisions regarding the payment of annuities from provident funds for savings, as stated above, the applicable calculation method, and the long life insurance coverage which should be acquired in order to withdraw the amounts from such a fund and determined that the minimum age for the receipt of an annuity will be age 60. Additionally, conditions were determined in the draft circular regarding the marketing of insurance coverage by a managing company for long life coverage to its members.

The entry into effect of the circular regarding provisions for the payment of annuities from provident fund for savings will allow the direct withdrawal of amounts from provident funds for savings, and, as a result, will allow the retention of funds in provident funds for savings which are managed by the managing companies, including Clal Pension and Provident Funds, for long periods, and may expand the mix of pension products which are available on the market, and may result in an increase in sales of pension savings products marketed by Clal Insurance. On the other hand, the option to pay the aforementioned annuity is expected to increase the number of active players in the annuity payment segment, and to increase the mobility and competition in the segment.

The information presented on all matters associated with the possible implications of the provisions of the law pertaining to the payment of annuities from provident funds for savings constitutes forward looking information, which is based on assumptions and estimates made by the group as of the publication date of the report. Actual results may differ from the estimated results, and are dependent, inter alia, on the final wording of the circular, once published, on the conduct of competing entities, and on the preferences and choices of members with respect to their products and the alternatives on the market.

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 Provident fund for investment

In June 2016, Amendment No. 15 to the Provident Funds Law was published, which pertains to the creation of an additional savings product, to be called "provident fund for investment", which is intended to allow a capital savings track for individual funds, and which will include an incentive for the withdrawal of funds accrued therein as an annuity during the retirement period. In accordance with the amendment, a provident fund for investment allows the depositor to withdraw funds which will be deposited therein at any time, without tax benefits on the deposit, while paying capital gains tax only. Amounts which will be deposited in a provident fund for investment (whether as a routine deposit or as a one-time deposit) and withdrawn as an annuity during the retirement period (according to the rules for recognized annuities) will be exempt from capital gains tax and from income tax. The member is not required to reach the decision regarding the manner and time of withdrawal of funds when joining the provident fund for investment. It was further determined that the total payments which a member will be entitled to deposit in a provident fund for investment will not exceed NIS 70,000 per year.

In November 2015, an amendment was published to the National Insurance Law (Consolidated Version), 5755 - 1995, in which it was determined that the National Insurance Institute will transfer, with respect to each child for whom a child stipend is paid, a total of NIS 50 per month, with respect to the child's long-term savings, where the parent will be entitled to instruct the Institute to transfer an additional amount from the child stipend in favor of such savings.

In September 2016, the National Insurance Ordinance (Additional Savings Amounts) was published, according to which the additional savings amount which a parent is entitled to instruct the Institute to transfer, out of the child stipend, in favor of such savings, will amount to NIS 50.

Further to this amendment, in September 2016, the National Insurance Regulations (Long-Term Savings for Children), 5776-2016 were published, in which it was determined that the National Insurance Institute will deposit the long-term savings amount for the child, as stated above, in a provident fund for investment under the name of the child, or in a trust account in a bank, out of the list of funds and banks with which the state will engage. It was proposed to determine that if the parent has not chosen a provident fund or bank for the purpose of depositing the monthly savings amount of his child, from among the list of funds or banks with which the state has engaged, the monthly savings amount will be deposited, by default, in a provident fund which will be chosen by way of a fixed round between all of the provident funds which are included in the aforementioned list, according to a fixed and equal order among them, in a manner whereby another fund will be determined for each child, according to the aforementioned arrangement. With respect to children who are age 15 or older on January 1, 2017, the default for the purpose of depositing the monthly savings amount will be the bank to which the child stipend is paid with respect to the child. In accordance with the Regulations, it will be possible to transfer the monies which have been deposited in a provident fund for investment to other provident funds with which the state will engage.

In October 2016, standard (uniform) regulations for provident funds for investment were published; and in November 2016, standard (uniform) regulations for provident funds for investment in long term savings for children were published. In November 2016, a circular was published on the subject of the establishment of a provident fund for investment in long-term savings for children, which includes, inter alia, provisions with respect to the investment tracks which are permitted in such funds; announcements and reports to be given in connection with the foregoing; and the transfer and withdrawal of monies which are managed in the funds.

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 Provident fund for investment (Cont.)

In October 2016, the Ministry of Finance published a tender for the selection of entities to manage the provident funds within the framework of the "Savings for Every Child" savings plan, which defines the obligations of the managing entities for the National Insurance Institute, and whose main condition involves consent to the management fee rate which will be paid in the aforementioned plans, which will not exceed 0.23% of the accrual.

In October 2016, the company submitted a provident fund for investment to the Commissioner for approval, and in November 2016, approval was received from the Commissioner regarding the regulations of the aforementioned fund. The activities of the fund are expected to commence in January 2017.

According to the company's estimate, the aforementioned amendment to the Provident Funds Law is expected to cause the provident funds for investment to become alternative investment tracks (such as bank deposits, management of securities portfolios and individual savings policies which are managed by insurance companies), and it is expected to increase the deposits to provident funds of this kind. This amendment is also expected to constitute a suitable alternative for high salary earners, instead of deposits to pension plans with respect to the part of the salary which exceeds the recognized deposit limit. The amendment (and the entry into effect of the National Insurance Regulations (Long-Term Savings for Children)) is also expected to encourage the entry of additional entities into the provident fund market, and as a result, to increase competition in the market, and to affect the amount of management fees which are collected in alternative products. The establishment of standard regulations is expected to cause focusing of the competition between the provident funds for investment, on the level of management fees and returns.

The information presented on all matters associated with the possible future implications of the aforementioned amendment to the Provident Funds Law 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 from the forecast, and is largely dependent upon variables such as changes in the capital market and in interest rates, changes in management fees in long-term savings products, the conduct of various entities, including banks and investment houses, the conduct of competing institutional entities, and the preferences and conduct of members, as well as the rate of management fees which will be collected with respect to funds which have accrued over time in provident funds for investment in general, and in long term provident funds for investment for children in particular.

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 Explanatory document - postponement of effective date

Further to that stated in section 6.2.1.7 of the chapter regarding the description of the corporation's business in the company's financial statements for 2015, in connection with the explanatory document circular, which was intended to determine a uniform structure for the explanatory document, and to expand the obligation to perform the explanation process, in October 2016, a circular was published which postponed the date of entry into effect of most of the provisions of the explanatory document circular, to July 2017.

4.3.2.8 Provision by a license holder of operating services to an employer and marketing services to its employees

In November 2015, an amendment to the Pension Advice Law was approved, in which provisions were determined, inter alia, which stipulated that the possibility of a pension marketer to provide, in parallel, operating services to an employer, and marketing services to its employees, was made conditional upon the monthly collection from the employer of clearing fees with respect to the operating services, with respect to each employee, which will be no less than the determined amount or rate (hereinafter: the "**Clearing Fees**"), and on the condition that the distribution commission which will be paid to the license holder will be reduced in the amount of the clearing fees, and the management fees paid by the member will also be reduced accordingly. The option to provide services is also subject, beginning in December 2016, to the stipulation that the employer will choose a default fund for employees who have not actively chosen a fund. Further to the aforementioned amendment, in August 2016, a circular was published regarding "rules for the operation of pension products", which includes provisions with respect to the method for reporting to an institutional entity regarding the clearing fees which will be paid to pension insurance agents, the implementation of reductions in management fees by the institutional entity, and the presentation of information to employees. For this purpose, in September 2016, a draft circular was also published on the subject of a "uniform structure regarding the transfer of information and data in the pension savings market", which determines a uniform structure for the interface regarding reporting by a license holder to an institutional entity regarding the clearing fees which will be paid to it.

The determination of the conditions under which a pension marketer may give, in parallel, operating services to an operating services and marketing services to its employees, is expected to have an impact on the engagements and activities of agents, and particularly arrangement agencies, including arrangement agencies owned by the group, where a large part of their activities are based on engagement through the employer, with respect to its employees, while boosting the status of pension advisors, small and medium agents and banks. The preconditions which were determined in order to allow the agents to provide services, both to employees and to employers, may create significant operational difficulties, and may result in the reduction of the company's income from management fees, and may also have implications on the amount of commissions paid by the company to agents. Additionally, the provision requiring the collection of payment from the employer with respect to the operating services which will be paid by it, may result in increased competition over the provision of services to employers among the agents, and between the agents and other operating entities, and is expected to create operational difficulties, particularly in the initial stages of preparation, in light of the multiplicity of entities involved and the complex adjustments which are required on their part. The condition for the provision of services in parallel to an employer and to its employees, according to which the employer will add employees who have not chosen a pension product for a default fund, in combination with the provisions of the default fund circular (see section 4.3.2.1 above), may result in an additional increase in competition with respect to the management fees which will be offered to employees in the default products.

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.)

4.3.2.8 Provision by a license holder of operating services to an employer and marketing services to its employees (Cont.)

The information presented on all matters associated with the possible implications of the provisions of the law pertaining to the provision of operating services to an employer and marketing services to its employees by a license holder constitutes forward looking information, which is based on assumptions and estimates of the group as of the publication date of the report. In light of the fact that the arrangements are currently in the preliminary stages, and the fact that the full implementation thereof has not yet been commenced by all involved parties, actual implementation may differ significantly from the forecast. The aforementioned implications are largely dependent on the following factors: the current uncertainty regarding the manner of implementation of some of the provisions of the law, and the steps which will be taken by the member companies in the group, including as regards dealing with the various provisions aimed at increasing competition in the market; The conduct of competitors and the relationships of the institutional entities with the distributing entities, the agents and the banks which have not yet begun advising regarding insurance products; The conduct of employers and operating entities on their behalf; And the implications of other reforms in the segment, and their combined impact together with the provisions regarding restrictions on the provision of operating services by a license holder.

4.3.2.9 Standard pension and provident fund regulations

As part of amendment no. 12 to the Provident Funds Law, authorities were vested in the Commissioner to issue provisions with respect to the rights and obligations of provident fund members, which will be set forth in the regulations for all provident funds in the market. In this regard, in July 2015, a circular was published on the subject of provisions regarding the rights and obligations of members in provident fund regulations, and the phrasing thereof, and in September 2016, a circular was published on the subject of provisions regarding the rights and obligations of members in the regulations of comprehensive new pension funds, and the phrasing thereof. The aforementioned circulars stipulate that a managing company will determine the wording of the regulations of the provident funds and comprehensive pension funds which are managed by it in accordance with a standard wording which was attached as an annex to each of the aforementioned circulars.

According to the company’s estimate, the implementation of the provisions in connection with the uniform regulations for pension funds and provident funds is expected to result in the focusing of competition on the level of management fees and returns.

The information presented on all matters associated with the possible implications of the standard regulations in pension and provident funds constitutes forward looking information, which is based on assumptions and estimates made by the group, as of the reporting date. Actual implementation may differ significantly from the forecast. The implications are largely dependent upon, inter alia, the conduct of advisors, marketers, distributors and 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.)

4.3.2.10 Guidelines regarding loss of working capacity

Further to the Commissioner's intention to increase competition and transparency, and to cause the consolidation of insurance plans, thereby facilitating, for potential policyholders, the performance of comparisons between various insurance plans for the purpose of reaching an informed decision regarding the best plan for them, relative to the price offered in the plans, and also Further to the circular regarding the phrasing of insurance plans and to the Commissioner's position on the subject of "Principles regarding the phrasing of insurance plans", in September 2016, a circular was published on the subject of "Guidelines regarding loss of working capacity insurance plans" (hereinafter: the "**Circular**"), which established a standard and modular structure for loss of working capacity insurance plans. According to the circular, the plan structure includes basic loss of working capacity coverage (hereinafter: the "**Basic Coverage**"), to which riders can be added which allow expansion of the basic coverage, as chosen by the policyholder. The circular specifies conditions which may and may not be included in the basic coverage, as well as terms which can be added to the riders. The circular provides that only a plan which complies with the provisions of the circular will be defined as a loss of working capacity insurance which is recognized as preferred insurance in accordance with the Income Tax Ordinance (for the purpose of allowing deduction of the expense involving the purchase of insurance, out of taxable income).

The circular restricts the exceptions which can be included under the basic coverage, relative to the current situation, including cancellation of the possibility to change the premiums due to a deterioration in the risk of the policyholder's occupation, and also establishes additional provisions which must 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 which are received from other payment sources, out of the 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, beginning in May 2017.

According to the company's estimate, the scope of coverage given within the framework of the circular, and the reduction of exceptions, will result in the need for renewed pricing which corresponds to the insured risk, and in appropriate backups by reinsurers. The company estimates that the changes in the circular constitute a significant extension in the scope of insurance coverage, which may impose difficulties on the pricing ability and on the possibility to receive appropriate support for reinsurers, and therefore, may affect the profitability from the product, as well as the decisions of Clal Insurance to continue marketing it.

The information presented on all matters associated with the possible implications of the circular constitutes forward looking information, which is based on assumptions and estimates made by the group as of the publication date of the report. The company is unable to estimate the overall impact of the proposed changes on its financial statements and on its operations. Actual implementation may differ significantly from the forecast. The implications are largely dependent upon, inter alia, the method of product pricing according to the aforementioned restrictions, and the conduct of advisory entities, marketers, distributors 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.)

4.3.2.11 Extension order regarding the increase of pension deposit rates and amendment to Regulation 19 of the Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 5724-1964

Further to that stated in section 6.2.1.4(f)(2) to the chapter regarding the description of the corporation's business in the company's financial statements for 2015, in connection with the provisions of Amendment No. 12 to the Provident Funds Law regarding a prohibition against the placement of conditions by an employer upon the rates of deposit from the salary of the employee which it is required to deposit to a provident fund, and in connection with a general collective agreement which was signed between the Representation of Business Organizations and the Histadrut New General Federation of Labor, in which it was agreed to increase the minimum rates of deposit for all employees and employers in the economy - in May 2016, the Minister of the Economy signed an extension order which applied most of the provisions of the aforementioned collective agreement on all employees and employers in the economy.

Within the framework of the extension order, it was determined that the minimum deposit rates for all employees and employers in the economy will be gradually increased in a manner whereby, beginning on July 1, 2017, they will amount to a rate of 6% of the effective salary for the employee's compensation component, 6.5% of the effective salary for the employer's compensation component, and 6% of the effective salary for the severance pay component. It was further determined that the employer's payment, as stated above, will include the employer's payment to cover the acquisition of loss of working capacity coverage for the employee, however, in any case, the employer's provisions to the compensation component will not fall below 5% of the effective salary, and the employer's total costs with respect to the compensation component and the loss of working capacity coverage will not exceed 7.5% of the effective salary. "Effective salary" means the salary from which the provisions will be made in accordance with the employee's agreement, and no less than the guaranteed salary in accordance with the compulsory pension extension order.

In June 2016, amendment no. 16 to the Provident Funds Law was published, which primarily involves payment a determination, in law or agreement, according to which the employee will be entitled to a rate of deposit to the employer's payments component of no less than 6.25%, beginning on July 1, 2016, and 6.5% beginning on January 1, 2017, will not be considered an employer's stipulation regarding the rate of deposit for an employee, subject to the conditions which were determined in the law.

Further to the foregoing, in July 2016, a Draft Amendment to the Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 5724-1964, was published (hereinafter: the "**Draft Amendment to the Income Tax Regulations**"), in which it was proposed to amend Amendment 19, in a manner which removes the restriction which requires transferring all of the deposits with respect to the compensation component beyond 5% to that insurer, in order to allow the member to choose another provident fund for transfer of the increase in deposits. This amendment enters into effect on the publication date of the regulations, insofar as they will be approved.

It was further proposed to determine that the deposit to the severance pay component will become possible without a corresponding deposit to the compensation component in the same account in the fund, in cases where the additional deposit to severance pay cannot be made to the provident fund to which the employer makes the deposits for compensation and severance pay, or if monies have been deposited therein during the period from January 1, 2015 to November 4, 2015 (prior to the entry into effect of Amendment 13 to the Provident Funds Law). These amendments entered into effect on November 5, 2015.

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 Extension order regarding the increase of pension deposit rates and amendment to Regulation 19 of the Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 5724-1964 (Cont.)

According to the company's estimate, upon the entry into effect of the extension order, deposits to pension products in the economy are expected to increase, including to products managed by the company (which, in general, the company intends to allow in separate policies), which is expected to increase the company's income from management fees on the one hand, and to increase operating costs in low premium policies on the other hand. Insofar as the Draft Income Tax Regulations will be approved, it may result in increased competition over the increase in the aforementioned deposits, which will not necessarily be deposited in the same account at the same insurer, and accordingly, may affect management fees and profitability.

The information presented on all matters associated with the possible implications of the expansion order and of the Draft Income Tax Regulations constitutes forward looking information, which is based on assumptions and estimates made by the group as of the publication date of the report. The company is unable to estimate the overall impact of the proposed changes on its financial statements and on its operations. Actual implementation may differ significantly from the forecast, depending, inter alia, on the conduct of policyholders and employers, competing entities and distributing entities.

4.3.2.12 Compulsory pension for the self-employed

In August 2016, a law memorandum was published on the subject of enactment in law of an obligation for the self-employed to make payments to a provident fund for annuities, according to the rates specified in the proposal, in accordance with their income (hereinafter: "**Compulsory Pension For the Self Employed**"). According to the proposal, the deposit obligation will only apply to a salary up to the average salary in the economy, and will not apply to income beyond the average salary in the economy. The proposal also includes provisions regarding the provision of a possibility for the withdrawal of one third of the accrued amount or three times the minimum wage in the economy, whichever is lower, when unemployed.

The reform regarding compulsory pension for the self-employed, if and insofar as it will be accepted, is expected to result in provisions by the self-employed to pension savings products, and as a result, to an increase in the management fees which are collected by the managing company. On the other hand, the scope of salary for which the social provision is required is relatively low (up to the average salary in the economy), and the aforementioned deposits are accompanied, in parallel, by an increase in expenses with respect to the intake of members.

The information presented on all matters associated with the possible implications of the compulsory pension for the self-employed 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. The implications are significantly dependent upon, inter alia, the final version of the provisions of the law pertaining to compulsory pension for the self-employed (if and insofar as it will be accepted), the conduct of the distributing entities, the conduct of the competing institutional entities, and the preferences 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.)

4.3.2.13 Definition of severance pay funds as the employee's funds

Within the framework of the State's budget proposal for the years 2017-2018, which passed the first reading in November 2016, a proposal was included regarding the definition of severance pay funds as the employee's funds, and the correction of tax distortions (hereinafter: the "**Proposal**").

The proposal includes an amendment to the Severance Pay Law, 5723-1963 (hereinafter: the "**Law**"), in accordance with the following principles: (a) Payment to a provident fund for annuities will come in place of severance pay, and the employer will not be required to make any additional payment beyond what it has deposited, unless determined otherwise in an individual / collective labor agreement, or in a collective arrangement; (b) an employer will not be entitled to withdraw, seize or pledge the severance pay funds which were deposited in the provident fund for annuities, except in extraordinary circumstances as specified in the law, and during the period specified for this purpose in the law. Additionally, provisions were established in the proposal which entitle employees to receive severance pay funds which were set aside prior to the entry into effect of the amendment to the law and which will be not be required by the employer, during the period of time which was determined for this purpose in the proposal.

The proposal amends the Income Tax Ordinance in a manner whereby only employer's deposits with respect to the severance pay component, up to a limit of up to three times the average salary in the economy, will not be recognized as taxable income at the time of the deposit (hereinafter: the "**Limit**"). Employer's deposits with respect to the severance pay component above the limit will be subject to the withdrawal rules which apply to the severance pay funds, in other words, if they are withdrawn other than as annuities - they will be subject to capital gains tax only, and if they are withdrawn as annuities - they will be tax exempt; A capital bonus with respect to retirement will not be taxed on the work departure date if it remains in the provident fund for annuities.

The company is unable to estimate, at this stage, the fill implications of the provisions of the proposal in connection to it (if and insofar as it will be accepted), including regarding the scope of future withdrawals of the severance pay funds which are managed by it.

4.3.3 Health insurance

4.3.3.1 Memorandum of the National Health Insurance Law, 5776-2016

In March 2016, a memorandum in amendment of the National Health Insurance Law, 5776-2016, was published, in which it was proposed to cancel, in the National Health Insurance Law, 5754-1994, the prohibition which forbids health funds from offering life saving and life extending drugs to their members in Additional Health Services plans.

It is further proposed to amend the aforementioned plan in a manner whereby, with respect to the coverage for life saving and life extending drugs, the health fund will be able to take into consideration the member's economic situation, and to provide a discount or exemption from member fees, or the addition to member fees which refers to the drugs specified in the Additional Health Services.

In light of the preliminary stage of the memorandum, and inter alia, in light of the fact that the scope of the life saving and life extending drugs which may be added to the Additional Health Services is not yet known, it is not possible to estimate the entire implications of the memorandum, including as regards the extent of interchangeability of the services offered therein to the insurance coverage for drugs which is sold by the company.

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.)

4.3.3.2 The Control of Financial Services Regulations (Insurance) (Collective Health Insurance), 5776-2016 - Draft

In July 2016, a draft amendment was published to the Control of Financial Services Regulations (Insurance) (Collective Health Insurance), 5769-2009 (hereinafter: the "**Amendment to the Regulations**"), in which, inter alia, the list of entities which can be policyholders in collective health insurance was expanded, even if they have benefits due to their status as the policyholders, and even if there is no link between them and the group of policyholders, the above is subject to which were determined, including that the engagement in the collective health insurance agreement benefits the policyholders in the group over the individual health insurance policy. With respect to policyholders of this kind, it was determined that an insurer will be entitled to repay amounts to the policyholders, subject to the terms which will be determined.

At this preliminary stage, it is not possible to estimate the implications of the amendment to the Regulations, which is dependent, inter alia, on the final wording of the regulations, insofar as it will be published, on the company's decisions regarding the sale of policies of this kind, and on the choices of agents, policyholders, potential policyholders and competing entities in the market.

4.3.3.3 Provisions regarding the wording and marketing of international travel insurance plans - draft

In September 2016, a draft circular was published on the subject of "provisions regarding the wording and marketing of international travel insurance plans" (hereinafter: the "**Draft Circular**"), which determine provisions with respect to the wording and marketing of international travel insurance plans, and which primarily includes a determination stating that the plan structure must include basic coverage, with the option to purchase various extensions of coverage, as chosen by the policyholder. The draft circular specifies conditions which can and cannot be included under the basic coverage and the aforementioned extensions.

The draft circular includes reduction of the exceptions which can be included in the policy, which can be determined during the sale process, as compared with the situation today, including cancellation of the possibility to exclude an insurance event involving cancellation or shortening of the trip due to the death or hospitalization of the policyholder due to a prior medical condition, as well as the determination of additional provisions according to which the liability limits in the plan will allow policyholders to receive full coverage upon the occurrence of the insurance event in the destination country, provisions pertaining to the process of engaging in insurance contracts over the internet, regarding the extension of the insurance period after the engagement in the agreement, as well as provisions regarding documentation and monitoring by an insurer or insurance agent. The circular will apply to international travel insurance plans which will be sold or renewed beginning on March 1, 2017.

According to the company's estimate, the expansion of the scope of coverage which is given within the framework of the draft circular, and the reduction exceptions, including the obligation to adjust the liability limits in the policy, as stated above, will result in the need to re-price in a manner which corresponds to the insured risk, and is dependent, inter alia, on the competitive conditions which will be created, on the pricing of the policy, and also on the relationship between the company and the reinsurers. The aforementioned adjustment obligation may expose the company, in cases where it is found that the insurance coverage is insufficient.

The information presented on all matters associated with the possible implications of the draft circular constitutes forward looking information, which is based on the company's estimates and assessments, and actual results may differ significantly from the forecast, inter alia, due to the uncertainty surrounding the actual publication of the draft, its final wording, the pricing terms which will be determined, and the competitive conditions in the segment.

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 National Insurance annuity discount rate

See section 3.1(b) above for details regarding the recommendations of the Winograd committee.

4.3.4.2 Tariffs reform in compulsory motor insurance - maximum and variable (net) premiums to determine tariffs in the compulsory motor branch

The insurance companies determine the premiums using variables which were approved by the Commissioner as variables which an insurer will be entitled to use for the purpose of determining the tariff (hereinafter: the "**Variables**"). The variables are intended to adjust the risk premium to the insured risk. Until recently, as specified below, premiums in the compulsory motor insurance branch for vehicles other than motorcycles cannot exceed the maximum rate, which is 90% of the net premiums for that policyholder, within the framework of the residual insurance tariffs which are published from time to time by the Commissioner (the "**Tariff Restriction**").

In January 2016, the Commissioner published an amendment to the provisions of the consolidated circular in the compulsory motor insurance branch, which entered into effect in March 2016 (the "**2016 Amendment to the Compulsory Motor Insurance Circular**"). As part of the 2016 Amendment to the Compulsory Motor Insurance Circular, the residual insurance premiums for private and commercial vehicles which are sold by the managing company of the residual insurance arrangement (the "**Pool**") were updated in a manner which reduces the cost of compulsory insurance which is sold by the "Pool", and makes us of additional variables which were previously not used by the "Pool". As part of the amendment to the compulsory motor insurance circular, the possibility of determining unique net premiums for vehicle fleets and collectives was canceled beginning in January 2017, the mechanism for automatic linkage of premiums to the CPI, according to the approved tariff, was canceled, and the option for reimbursement of premiums for all vehicles at the end of the insurance period was expanded, which serves as an incentive due to a lack of claims during the insurance period (as opposed to the situation prior to the amendment, which allowed this with respect to vehicle fleets only). Additionally, as part of the amendment to the compulsory motor insurance circular, the tariff limit was temporarily canceled until the end of 2016.

Following a petition which was filed by the Israel Insurance Association and the "Pool" to the Supreme Court on the matter, in April 2016, the Ministry of Finance agreed to cancel the tariff restriction, and in August 2016, the Commissioner published an additional amendment to the provisions of the consolidated circular in the compulsory motor insurance branch, which officially canceled the tariff restriction.

In September 2016, the Commissioner published an amendment to the provisions of the consolidated circular in the compulsory motor insurance branch, in which an update was implemented to the residual insurance premiums for private vehicles, beginning in January 2017 (hereinafter: the "**2017 Amendment to the Compulsory Motor Insurance Circular**"). The 2017 amendment to the compulsory motor insurance circular is expected to result in an increase in the Pool's tariffs for 2016, in light of the offsetting implications of the Winograd committee's recommendations on compulsory motor insurance tariffs, as specified in Note 8 to the financial statements.

As of the publication date of the report, it appears that the 2016 amendment to the compulsory motor insurance circular resulted in a significant reduction to the "Pool" tariffs" in 2016, and to a certain reduction of the tariffs of some of the companies in the market, with respect to some of the policyholders; however, at this stage, it is not yet possible to estimate the entire impact on profitability.

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 Tariffs reform in compulsory motor insurance - maximum and variable (net) premiums to determine tariffs in the compulsory motor branch (Cont.)

At this stage, the company is holding discussions with the Commissioner in connection with the compulsory motor tariffs for 2017.

The 2016 amendment to the compulsory motor insurance circular and the 2017 amendment to the compulsory motor insurance circular may affect the market share of the "Pool" and increase it in a manner whereby the "Pool" will no longer serve as insurance for exceptional risk cases only. Accordingly, the aforementioned amendments may have an impact on premiums in the entire compulsory motor branch, and may result in the reduction thereof, and as a result, may result in reduced profitability in the branch, and may also affect the group's market share.

The company's estimate in connection with the implications of the 2016 amendment to the compulsory motor insurance circular, the cancellation of the tariff limit in the consolidated circular, and the 2017 amendment to the compulsory motor insurance circular, 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, inter alia, in accordance with the policy of the Commissioner at the time of the approval of the tariffs, changes in the share of the "Pool" in the compulsory insurance, in the conduct of competitors and customers, in the underwriting results which will materialize in the future, and in the impact of the Discounting Regulations, including the postponement of their date of application or cancellation.

4.3.4.3 Joint letter from the Ministry of Transport and the Ministry of Finance regarding arrangement garages, the list of loss adjusters and the Draft Vehicle Services Licensing Regulations (Vehicle Loss Adjustment), 5776- 2016.

Further to discussions which were held between the Ministry of Finance and the Ministry of Transport (hereinafter, jointly: "**Ministries**"), in light of the proceedings regarding the enactment of the Licensing of Services and Professions in the Vehicle Branch Law (hereinafter: the "**Vehicle Services Licensing Law**"), in June 2016, a joint letter from the Ministry of Transport and the Ministry of Finance was sent, which was addressed to the Chairman of the Finance Committee, in which were specified the principles which the ministries intend to implement, including: cancellation of the companies' list of loss adjusters, which include a list of loss adjusters, from which the insurer can choose a loss adjuster, and replacement thereof with a national list of loss adjusters, which will include all of the licensed loss adjusters, excluding "home loss adjusters" on behalf of the insurance company; determination of a provision stipulating that repairs may not be performed on a vehicle before approval has been given by the insurance company for the loss adjuster's report or for the appointment of a loss adjuster on its behalf; cancellation of the current lists of arrangement garages (garages with which the insurance companies have engaged for the purpose of handling the damages of policyholder vehicles) and expansion of the lists of arrangement garages to include all garages which meet the requirements which will be determined by the ministries; the insurance companies will be required to publish conditions for recognition as an arrangement garage, and will allow each garage which meets those conditions to engage with them as an arrangement garage (hereinafter: the "**Statement Of Principles**");

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.)

4.3.4.3 Joint letter from the Ministry of Transport and the Ministry of Finance regarding arrangement garages, the list of loss adjusters and the Draft Vehicle Services Licensing Regulations (Vehicle Loss Adjustment), 5776- 2016 (Cont.)

The letter further specified that the ministries had agreed that the provisions and regulatory amendments regarding the issues specified above will be performed in collaboration and consultation between them, and that an intra-governmental professional staff will be established, including representatives on behalf of the ministries (hereinafter: the "**Joint Staff**") to evaluate the implementation of the aforementioned principles. The joint staff will also evaluate the imposition of oversight on the prices of the main replacement parts which are used in vehicle repairs following accidents, and the implications thereof on the conditions for engagement with arrangement garages; the pricing of premiums; the differentiation in deductibles between policyholders who have their cars treated in arrangement garages and policyholders who have their cars treated in non-arrangement garages; as well as additional issues which will promote competition and contribute to increased professionalism, while protecting customers. It was further determined that the staff will submit its findings to the Chairman of the Finance Committee by November 1, 2016.

In August 2016, the Draft Vehicle Services Licensing Regulations (Vehicle Loss Adjustment), 5776-2016, was published (hereinafter, in this section: the "**Draft Regulations**"), which regulates the activities of loss adjusters, and which refers, inter alia, to the pricing method per garage work hour by the loss adjuster, to the timing of the loss adjustment process (before the vehicle has been repaired), and to the prohibition against influence on the judgment of the vehicle loss adjuster by interested parties.

The Draft Regulations, insofar as they will be published as binding regulations, may have an effect on the claim settlement costs in the motor property insurance segment, in a manner which could remove controls, and as a result, could lead to an increase in claim settlement costs. However, at this preliminary stage, before the publication of the comprehensive settlement, in accordance with the statement of principles, and before the formulation of a statement of principles of the joint staff, in light of the discussions which it is holding, it is not possible to estimate the impact of the Draft Regulations and the implementation of the statement of principles, insofar as it will be implemented.

The company's estimate in connection with the implications of the statement of principles and the Vehicle Licensing Services Regulations (Vehicle Loss Adjustment), 5776-2016, 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, due to the reasons specified above.

4.3.4.4 The Students Personal Accidents Insurance Law (Legislative Amendments), 5776-2016

Further to that stated in section 7.1.3(d) of the chapter regarding the description of the corporation's business in the company's financial statements for 2015, in connection with students personal accidents insurance and Clal's winning, in 2015, of a tender which was conducted by Local Government Economic Services Ltd., for a period of three years (hereinafter: the "**2015 Tender**"), in July 2016, the Students Personal Accidents Insurance Law (Legislative Amendments), 5776-2016, was approved (hereinafter: "**Legislative Amendment**") in which legislative amendments were implemented to the Compulsory Education Law, 5709 - 1949, and to the Municipalities Ordinance, inter alia, in order to determine uniform premiums for all students in Israel, which will be determined by the Minister of Education, subject to the approval of the Education, Culture and Sports Committee.

Subsequently, in July 2016, the Education, Culture and Sports Committee approved the Minister of Education's determination to set the premiums in the tender in the amount of NIS 49 (as compared with NIS 75 today), and the maximum commission to the insurance agency in the amount of 3% of the premiums, and accordingly, Local Government Economic Services Ltd. published a public tender, with respect to the basic insurance amounts in the policy (the "New Tender").

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.)

4.3.4.3 Joint letter from the Ministry of Transport and the Ministry of Finance regarding arrangement garages, the list of loss adjusters and the Draft Vehicle Services Licensing Regulations (Vehicle Loss Adjustment), 5776- 2016.

Shortly after the publication of the new tender, in August 2016, a letter was received from Local Government Economic Services Ltd. stating that, in light of the legislative amendment and the publication of the new tender, the company's winning of the 2015 tender will be canceled. The aforementioned cancellation entered into effect with respect to students personal accidents insurance which entered into effect in September 2016. According to the company's estimate, the cancellation of the tender will not have a significant effect on Clal Insurance.

The company's estimate in connection with the students personal accident insurance tender 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.

5. Exposure to and Management of Market Risks

Effect of market risks on business results

According to the Securities Regulations (Immediate And Periodic Reports), 5730-1970, 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, 2016

NIS in thousands	Israeli currency		Foreign currency				Non-monetary items	Insurance company in Israel	Total
	Unlinked	CPI-linked	USD	EUR	GBP	Other			
Intangible assets	-	-	-	-	-	-	45,756	1,449,896	1,495,652
Deferred tax assets	-	-	-	-	-	-	8,147	5,708	13,855
Deferred acquisition costs	-	-	-	-	-	-	-	1,855,616	1,855,616
Property, plant and equipment	-	-	-	-	-	-	16,101	239,561	255,662
Investments in associates	-	-	-	-	-	-	876	240,286	241,162
Investment property for investment-linked contracts	-	-	-	-	-	-	-	2,702,316	2,702,316
Other investment property	-	-	-	-	-	-	-	1,170,473	1,170,473
Reinsurance assets	-	-	-	-	-	-	-	2,136,914	2,136,914
Current tax assets	-	3,582	-	-	-	-	-	202,504	206,086
Other accounts receivable	14,302	-	1,597	-	-	-	2,166	357,731	375,796
Outstanding premiums	1,251	-	-	-	-	-	-	897,862	899,113
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	50,787,542	50,787,542
Other financial investments									
Marketable debt assets	19,632	26,488	-	-	-	-	-	5,658,104	5,704,224
Non-marketable debt assets	149	18,954	-	-	-	-	-	21,338,638	21,357,741
Stocks	-	-	-	-	-	-	701	1,082,614	1,083,315
Other	-	-	-	-	-	-	-	2,200,449	2,200,449
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	3,111,435	3,111,435
Other cash and cash equivalents	132,563	-	149	278	4	-	-	761,521	894,515
Total assets	167,897	49,024	1,746	278	4	-	73,747	96,199,170	96,491,866

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

Effect of market risks on business results (Cont.)

Linkage bases report - as of September 30, 2016 (Cont.)

	Israeli currency		Foreign currency					Insurance company	
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	Non-monetary items	in Israel	Total
Liabilities									
Liabilities in respect of non-investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	30,109,938	30,109,938
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	56,468,850	56,468,850
Deferred tax liabilities	-	-	-	-	-	-	1,822	295,483	297,305
Liabilities with respect to employee benefits, net	20,110	-	-	-	-	-	-	63,882	83,992
Deferred liability notes	-	-	-	-	-	-	-	3,107,666	3,107,666
Other accounts payable	38,504	15	-	-	-	-	-	1,960,832	1,999,351
Current tax liabilities	-	1,214	-	-	-	-	-	54	1,268
Liabilities to banking corporations and others	70,000	6,237	-	-	-	-	-	111,908	188,145
Total liabilities	128,614	7,466	-	-	-	-	1,822	92,118,613	92,256,515
Total exposure	39,283	41,558	1,746	278	4	-	71,925	4,080,557	4,235,351

6. Update to the Executive Salary Compensation Policy

Further to sections 10.2.11 and 10.7.5 of Chapter A of the periodic report, and to that stated in Note 8(g) to the company's financial statements as of June 30, 2016, regarding discussions with respect to the approval of an updated compensation policy in the company, on November 7, 2016, the Company's Board of Directors and the Board of Directors of Clal Holdings approved, following the recommendation of their compensation committees, an updated compensation policy (the "Updated **Compensation Policy**"), further to the provisions of the Commissioner's circular from April 2014 on the subject of "compensation policy in institutional entities", the amendment thereto from October 2015, and the provisions of the Executive Salary Law (for additional details, see section 4.3.1.2 of the board of directors' report).
The current compensation policy is subject to the approval of the general shareholders' meeting, which was convened for December 2016.

Within the framework of the current compensation policy, the principles of the company's compensation policy were consolidated with the compensation policies of the institutional entities in the Group, and various provisions were updated, including regarding the following subjects: Determination of a restriction on compensation in accordance with the executive salary provisions and the interpretation which was given for it, directors' compensation (including the Chairman of the Board), balancing between the variable component and the fixed component, the minimum conditions for the payment of variable compensation, the minimum conditions for the release of variable compensation whose payment has been postponed, the payment of a variable component which is not contingent upon minimum conditions, conditions for the repayment of the variable bonus, provisions with respect to the provision of exemptions, indemnification and insurance. For details regarding the main differences between the company's current compensation policy and the updated compensation policy, see the immediate report regarding the convention of the meeting which was published by the company on November 8, 2016 (reference number 2016-01-074181).

It is noted that on May 26, 2016, the general meeting of the company's shareholders approved a new agreement with the Chairman of the Board, which corresponds to the company's compensation policy (see Note 8(d) to the interim financial statements, including with respect to a proposed amendment to the agreement, which will also be presented to the general meeting for approval in December 2016).

The company is working to adjust the compensation agreements in the company in accordance with the updated compensation policy, which will be approved by the general meeting of the company's shareholders and the provisions of the compensation circular. Accordingly, the previous employment agreements between the company and its corporate officers will be adjusted accordingly and on the date required in accordance with the relevant provisions of the law. Within the framework of the aforementioned adjustment proceedings, on October 9, 2016, following the entry into effect of the Executive Compensation in Financial Corporations Law (special approval and Non-Permissibility of Expenses for Tax Purposes Due to Extraordinary Compensation), 5776-2016, the company notified the company's CEO and additional corporate officers (who are subordinate to the CEO) that beginning on the date of entry into effect of the Executive Compensation Law, on October 12, 2016, the compensation to which they are entitled will be reduced, in a manner which will comply with the Executive Compensation Law. With respect to the CEO - the company's Board of Directors notified the CEO that until the end of the agreement established with him, his compensation terms will be adjusted in accordance with the Executive Compensation Law, in a manner whereby, beginning on October 12, 2016, he will receive fixed compensation only, which will be restricted in any manner whereby he will not be entitled to compensation regarding which the forecasted annual expense, in accordance with generally accepted accounting principles, exceeds NIS 2.5 million, with the addition of a provision for severance pay and compensation in accordance with the law. For the avoidance of doubt, no change will be implemented to the aforementioned conditions in order to harm any rights which accrued prior to that date. On November 7, 2016, the company's CEO notified the Chairman of the Board that he accepts the company's letter, while reserving his rights in accordance with the law and the agreement.

6. Update to the Executive Salary Compensation Policy (Cont.)

Additionally, on November 7, 2016 , the Compensation Committee and Board of Directors of the company and of Clal Insurance approved an updated compensation policy which complies with the provisions of the law, and which is subject to the approval of the general shareholders' meeting which was convened for December 2016.

It is further noted that subject to the approval of the updated compensation policy, the Compensation Committee and Board of Directors approved, subject to the approval of the shareholders' meeting, an update to the terms of release of a variable component which is paid in cash, relative to the parts of the variable bonus which were distributed in the past, but which have not yet been paid, to corporate officers, including the company's CEO (and excluding the Chairman of the Board), and the provision of letters of exemption to directors and corporate officers who currently hold office in the company and/or who will hold office in it from time to time, who are not controlling shareholders, including the company's CEO. It is hereby clarified that the aforementioned exemption will not apply to any decision or transaction in which the controlling shareholder or any controlling shareholder in the company (including a different corporate officer from the one to whom the letter of exemption is provided) has a personal interest.

The approval of compensation policy, as stated above, is subject to the approval of the general meeting, and there is no certainty that such approval will be received.

7. Disclosure Regarding the Corporation's Financial Reporting

7.1. 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 interim reports.

7.2. Contingent liabilities

The review report presented by the auditors to the company's shareholders refers the reader's attention to that stated in Note 7 to the interim reports, regarding the exposure to contingent liabilities.

7.3. Internal control over financial reporting and disclosure

7.3.1. The Securities Regulations

In December 2009, The Securities Regulations (Periodic and Immediate Reports) (Amendment No. 3), 5770-2009, 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.

7.3.2 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 companies managing 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.

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

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

7.3.3. 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 previous reports published by Clal Insurance's board of directors, Clal Insurance acted and currently acts to implement the process required pursuant to the above provisions, including an evaluation of the work and internal control processes 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, including the update which was implemented to the model and is required beginning on December 15, 2014.

The management of Clal Insurance (the institutional entity), in collaboration with the CEO, the Executive VP, the Investments, Finance, and Financial Services Division Manager and Senior VP, and the Deputy CEO and 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 regarding disclosure of Clal Insurance. On the basis of this evaluation, the CEO of Clal Insurance and the Executive VP, the Investments, Finance, and Financial Services Division Manager and Senior VP, and the Chief Accountant of Clal Insurance have concluded that, as of the end of this period, the controls and procedures relating to the disclosure of Clal Insurance are effective for the purpose of recording, processing, summarizing and reporting the information that Clal Insurance is required to disclose in the quarterly report, in accordance with the provisions of the law, and the reporting directives set forth by the Commissioner, and by the date stipulated in those directives.

During the quarter ended September 30, 2016, 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 contributions to the group's achievements.

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

Tel Aviv, November 27, 2016

Quarterly Report Regarding the Effectiveness of Internal Control over Financial Reporting and Disclosure in Accordance with Regulation 38c(a)

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 Financial Services 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, Senior VP of Clal Insurance, internal auditor;
6. Avi Rosenbaum, Executive VP of Clal Insurance, Joint Manager of the long-term savings division;
7. Yaron Shamay, Executive VP of Clal Insurance, Joint Manager of the Long-Term Savings Division;
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;

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, and 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 disclosed.

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, 2016 (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 2016 (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 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), 5770 - 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 27, 2016

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Izzy Cohen
CEO

Executive Certification
Certification by 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 2016 (hereinafter: the "**Reports**").

2. To the best of my knowledge, the interim financial statements and the other financial information which is included in the interim 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 reports for the interim period, 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), 5770 - 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 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 27, 2016

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Anath Levin
Investments, Finance, and Financial Services Division Manager
Executive VP

Executive Certification
Certification of the 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 2016 (hereinafter: the "**Reports**").

2. To the best of my knowledge, the interim financial statements and the other financial information which is included in the interim 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 reports for the interim period, 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), 5770 - 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 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 27, 2016

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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, 2016 (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 reports 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 provided disclosure in the report for any change in the company's internal control over financial reporting which took place during this quarter and which 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 27, 2016

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, 2016 (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 reports 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 provided disclosure in the report for any change in the company's internal control over financial reporting which took place during this quarter and which 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 27, 2016

Anath Levin
Investments, Finance, and Financial Services Division Manager
Executive VP

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, 2016 (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 reports 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 provided disclosure in the report for any change in the company's internal control over financial reporting which took place during this quarter and which 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 27, 2016

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Tal Cohen
Chief Accountant
Senior VP

Clal Insurance Enterprises Holdings Ltd.

Condensed Interim Consolidated Financial Statements
As of September 30, 2016

(Unaudited)

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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, 2016, 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 Insurance Commissioner, pursuant to the Control of Financial Services (Insurance) Law, 5741-1981, 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), 5730-1970, 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 an associate company accounted by the equity method, the investment in which amounted to approximately NIS 15 million as of September 30, 2016, and where the group's share in its income amounted to approximately NIS 177 thousand and approximately NIS 74 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 financial information with respect to those companies, 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. A 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 Insurance Commissioner, pursuant to the Control of Financial Services (Insurance) Law, 5741-1981.

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), 5730-1970, 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 Note 7 to the financial statements, concerning the exposure to contingent liabilities.

Tel Aviv, November 27, 2016	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 2016	As of September 30 2015	As of December 31 2015
	Unaudited		Audited
Assets			
Intangible assets	**1,495,652**	1,459,433	1,503,630
Deferred tax assets	**13,855**	28,163	25,460
Deferred acquisition costs	**1,855,616**	1,794,240	1,850,218
Property, plant and equipment	**255,662**	261,749	270,287
Investments in investee companies accounted by the equity method	**241,162**	198,284	213,668
Investment property for investment-linked contracts	**2,702,316**	2,696,342	2,750,076
Other investment property	**1,170,473**	1,188,635	1,205,819
Reinsurance assets	**2,136,914**	2,228,567	2,318,475
Current tax assets	**206,086**	165,861	156,273
Other accounts receivable	**375,796**	364,210	349,114
Outstanding premiums	**899,113**	1,030,563	898,231
Financial investments for investment-linked contracts	**50,787,542**	46,920,265	47,844,720
Other financial investments:			
Marketable debt assets	**5,704,224**	6,431,904	6,488,224
Non-marketable debt assets	**21,357,741**	21,276,526	20,980,578
Stocks	**1,083,315**	867,646	974,810
Others	**2,200,449**	2,136,870	2,085,210
Total other financial investments	**30,345,729**	30,712,946	30,528,822
Cash and cash equivalents for investment-linked contracts	**3,111,435**	3,572,299	3,767,810
Other cash and cash equivalents	**894,515**	1,131,228	1,439,358
Total assets	**96,491,866**	93,752,785	95,121,961
Total assets for investment-linked contracts	**57,140,027**	53,758,421	54,930,139

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

Interim Consolidated Statements of Financial Position (Cont.)

NIS in thousands	As of September 30 2016	As of September 30 2015	As of December 31 2015
	Unaudited		Audited
Capital			
Share capital	**143,216**	143,216	143,216
Premium on shares	**977,031**	976,329	976,329
Capital reserves	**458,658**	444,728	460,554
Retained earnings	**2,617,669**	2,839,051	2,967,929
Total capital attributable to shareholders in the Company	**4,196,574**	4,403,324	4,548,028
Non-controlling interests	**38,777**	37,265	35,877
Total capital	**4,235,351**	4,440,589	4,583,905
Liabilities			
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**30,109,938**	29,938,595	29,794,233
Liabilities with respect to investment-linked insurance contracts and investment contracts	**56,468,850**	53,073,922	54,346,549
Deferred tax liabilities	**297,305**	427,668	439,348
Liabilities with respect to employee benefits, net	**83,992**	84,283	81,030
Deferred liability notes	**3,107,666**	3,227,749	3,219,656
Other accounts payable	**1,999,351**	2,031,334	2,312,501
Current tax liabilities	**1,268**	2,974	1,530
Liabilities to banking corporations and others	**188,145**	525,671	343,209
Total liabilities	**92,256,515**	89,312,196	90,538,056
Total capital and liabilities	**96,491,866**	93,752,785	95,121,961

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

November 27, 2016				
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
	2016	2015	2016	2015	2015
NIS in thousands	Unaudited				Audited
Gross premiums earned	**6,791,074**	6,789,189	**2,352,191**	2,286,956	9,054,725
Premiums earned by reinsurers	**783,810**	802,587	**262,594**	268,976	1,057,382
Premiums earned on retention	**6,007,264**	5,986,602	**2,089,597**	2,017,980	7,997,343
Investment income (loss), net, and financing income	**1,592,123**	1,931,689	**1,248,280**	(597,601)	3,010,393
Income from management fees	**655,832**	710,779	**235,762**	104,574	1,039,397
Income from commissions	**176,823**	197,766	**58,278**	72,997	238,723
Other income	**1,362**	3,034	**1,284**	2,956	2,095
Total income	**8,433,404**	8,829,870	**3,633,201**	1,600,906	12,287,951
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**7,349,646**	6,743,743	**2,710,968**	1,104,866	9,542,339
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(422,617)**	(524,488)	**(120,406)**	(181,242)	(742,620)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**6,927,029**	6,219,255	**2,590,562**	923,624	8,799,719
Commissions, marketing expenses and other acquisition costs	**1,376,317**	1,368,240	**468,281**	461,998	1,830,230
General and administrative expenses	**570,014**	550,105	**188,824**	175,061	753,126
Impairment of intangible assets	**3,134**	4,235	**549**	400	4,634
Other expenses	**8,542**	28,902	**(404)**	13,504	32,777
Financing expenses	**123,264**	113,245	**39,257**	47,669	139,188
Total expenses	**9,008,300**	8,283,982	**3,287,069**	1,622,256	11,559,674
Share in the results of investee companies accounted by the equity method, net	**6,213**	13,281	**3,929**	(366)	26,792
Income (loss) before taxes on income	**(568,683)**	559,169	**350,061**	(21,716)	755,069
Taxes on income (tax benefit)	**(219,396)**	214,035	**113,635**	(2,064)	274,630
Income (loss) for the period	**(349,287)**	345,134	**236,426**	(19,652)	480,439
Attributable to:					
Shareholders in the Company	**(352,084)**	342,109	**235,612**	(20,701)	477,285
Non-controlling interests	**2,797**	3,025	**814**	1,049	3,154
Income (loss) for the period	**(349,287)**	345,134	**236,426**	(19,652)	480,439
Earnings (loss) per share attributable to shareholders in the Company:					
Basic earnings (loss) per share (in NIS)	**(6.35)**	6.18	**4.25**	(0.37)	8.62
Diluted earnings (loss) per share (in NIS)	**(6.35)**	6.16	**4.25**	(0.37)	8.60
Number of shares used to calculate earnings per share:					
Basic	**55,412**	55,383	**55,412**	55,410	55,390
Diluted	**55,412**	55,507	**55,412**	55,410	55,484

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

Interim Consolidated Statements of 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
	2016	2015	2016	2015	2015
NIS in thousands	Unaudited				Audited
Income (loss) for the period	**(349,287)**	345,134	**236,426**	(19,652)	480,439
Other comprehensive income:					
Other components of comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to income:					
Foreign currency translation differences for foreign operations applied to capital reserves	**(26,080)**	(517)	**(11,875)**	11,415	(6,024)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**135,670**	65,870	**(1,018)**	(58,290)	100,050
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	**(188,274)**	(441,245)	**(75,304)**	(107,005)	(451,734)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	**68,361**	30,853	**14,021**	17,072	38,318
Other comprehensive loss for the period which has been or will be transferred to profit and loss, before tax	**(10,323)**	(345,039)	**(74,176)**	(136,808)	(319,390)
Tax benefit with respect to components of other comprehensive income for the period which have been or will be transferred to profit and loss	**(8,539)**	(130,219)	**(25,208)**	(53,034)	(120,521)
Other comprehensive loss which, after initial recognition under comprehensive income, has been transferred or will be transferred to profit and loss, net of tax	**(1,784)**	(214,820)	**(48,968)**	(83,774)	(198,869)
Components of other comprehensive income which will not be transferred to profit and loss:					
Actuarial income (loss) from defined benefit plan	**(3,150)**	2,006	**(940)**	(6,316)	9,166
Other comprehensive income for the period, before tax	**(3,150)**	2,006	**(940)**	(6,316)	9,166
Tax (tax benefit) with respect to components of other comprehensive income which will not be transferred to profit and loss	**(926)**	830	**(301)**	(1,898)	2,935
Other comprehensive income (loss) which will not be transferred to profit and loss, net of tax	**(2,224)**	1,176	**(639)**	(4,418)	6,231
Other comprehensive loss for the period	**(4,008)**	(213,644)	**(49,607)**	(88,192)	(192,638)
Total comprehensive income (loss) for the period	**(353,295)**	131,490	**186,819**	(107,844)	287,801
Attributable to:					
Shareholders in the Company	**(356,195)**	129,270	**186,216**	(108,306)	285,310
Non-controlling interests	**2,900**	2,220	**603**	462	2,491
Total comprehensive income (loss) for the period	**(353,295)**	131,490	**186,819**	(107,844)	287,801

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

Interim Consolidated Statements of Changes in Equity

	Attributable to shareholders in the Company								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 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 (loss) 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 plan	-	-	-	-	-	-	(3,136)	(3,136)	(14)	(3,150)
Tax benefit (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 (loss) 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.)

NIS in thousands	Attributable to shareholders in the Company								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, 2015 (unaudited)										
Balance as of January 1, 2015 (Audited)	143,164	969,381	20,650	497,073	180,329	(39,309)	2,495,533	4,266,821	35,045	4,301,866
Income for the period	-	-	-	-	-	-	342,109	342,109	3,025	345,134
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(517)	-	-	-	-	(517)	-	(517)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	66,263	-	-	-	66,263	(393)	65,870
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(440,338)	-	-	-	(440,338)	(907)	(441,245)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	30,845	-	-	-	30,845	8	30,853
Actuarial income from defined benefit plan	-	-	-	-	-	-	2,006	2,006	-	2,006
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	151	129,581	-	-	(830)	128,902	487	129,389
Other comprehensive income (loss) for the period, net of tax	-	-	(366)	(213,649)	-	-	1,176	(212,839)	(805)	(213,644)
Total comprehensive income for the period	-	-	(366)	(213,649)	-	-	343,285	129,270	2,220	131,490
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	52	6,948	-	-	-	-	(7,000)	-	-	-
Share-based payments	-	-	-	-	-	-	7,233	7,233	-	7,233
Balance as of September 30, 2015	143,216	976,329	20,284	283,424	180,329	(39,309)	2,839,051	4,403,324	37,265	4,440,589

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	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 shareholders in the Company									
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 gains (losses) from defined benefit plan	-	-	-	-	-	-	(942)	(942)	2	(940)
Tax benefit with respect to components of comprehensive income (loss)	-	-	2,912	22,177	-	-	302	25,391	118	25,509
Other comprehensive loss for the period, net of tax	-	-	(8,963)	(39,793)	-	-	(640)	(49,396)	(211)	(49,607)
Total comprehensive income (loss) 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	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 shareholders in the Company									
For the period of three months ended September 30, 2015 (unaudited)										
Balance as of July 1, 2015	143,206	975,537	11,767	375,141	180,329	(39,309)	2,861,610	4,508,281	36,803	4,545,084
Income for the period	-	-	-	-	-	-	(20,701)	(20,701)	1,049	(19,652)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	11,415	-	-	-	-	11,415	-	11,415
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	(57,708)	-	-	-	(57,708)	(582)	(58,290)
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(106,661)	-	-	-	(106,661)	(344)	(107,005)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	17,068	-	-	-	17,068	4	17,072
Actuarial losses from defined benefit plan	-	-	-	-	-	-	(6,295)	(6,295)	(21)	(6,316)
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	(2,898)	55,584	-	-	1,890	54,576	356	54,932
Other comprehensive income (loss) for the period, net of tax	-	-	8,517	(91,717)	-	-	(4,405)	(87,605)	(587)	(88,192)
Total comprehensive income for the period	-	-	8,517	(91,717)	-	-	(25,106)	(108,306)	462	(107,844)
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	10	792	-	-	-	-	(802)	-	-	-
Share-based payments	-	-	-	-	-	-	3,349	3,349	-	3,349
Balance as of September 30, 2015	143,216	976,329	20,284	283,424	180,329	(39,309)	2,839,051	4,403,324	37,265	4,440,589

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

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to shareholders in the Company								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 year ended December 31, 2015 (audited)										
Balance as of January 1, 2015	143,164	969,381	20,650	497,073	180,329	(39,309)	2,495,533	4,266,821	35,045	4,301,866
Income for the period	-	-	-	-	-	-	477,285	477,285	3,154	480,439
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(6,024)	-	-	-	-	(6,024)	-	(6,024)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	100,217	-	-	-	100,217	(167)	100,050
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(450,808)	-	-	-	(450,808)	(926)	(451,734)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	38,308	-	-	-	38,308	10	38,318
Actuarial income from defined benefit plan	-	-	-	-	-	-	9,139	9,139	27	9,166
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	1,607	118,511	-	-	(2,925)	117,193	393	117,586
Other comprehensive income (loss) for the period, net of tax	-	-	(4,417)	(193,772)	-	-	6,214	(191,975)	(663)	(192,638)
Total comprehensive income for the period	-	-	(4,417)	(193,772)	-	-	483,499	285,310	2,491	287,801
Cumulative effect as of December 31, 2015 of the cancellation of the recording of accrual and the initial application of best practices in non-life insurance	-	-	-	-	-	-	(14,905)	(14,905)	(1,659)	(16,564)
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	52	6,948	-	-	-	-	(7,000)	-	-	-
Share-based payments	-	-	-	-	-	-	10,802	10,802	-	10,802
Balance as of December 31, 2015	143,216	976,329	16,233	303,301	180,329	(39,309)	2,967,929	4,548,028	35,877	4,583,905

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
		2016	2015	2016	2015	2015
NIS in thousands		Unaudited				Audited
Cash flows from operating activities						
Before taxes on income	(A)	**(792,972)**	1,704,461	**(1,554,571)**	(305,338)	2,385,840
Income tax received (paid)		**48,382**	(178,005)	**6,211**	(145,542)	(217,875)
Net cash from (used in) operating activities		**(744,590)**	1,526,456	**(1,548,360)**	(450,880)	2,167,965
Cash flows from investing activities						
Consideration from disposal of property, plant and equipment		**240**	2,957	-	2,728	5,991
Consideration from disposal of investments in other investee companies		**3,947**	-	**1,002**	-	22,754
Consideration from disposal of investment in available for sale financial assets by companies which are not insurance and finance companies		**47,058**	35,749	**37,000**	30,724	40,782
Investment in available for sale financial assets by companies that are not insurance and finance companies		**(36,998)**	(62,126)	-	(30,499)	(62,126)
Repayment of investment (investment) in shares and loans in investee companies		**(36,621)**	23,240	**(138)**	(398)	(3,798)
Investment in property, plant and equipment		**(17,324)**	(32,546)	**(7,560)**	(4,895)	(53,128)
Investment in intangible assets		**(145,271)**	(169,603)	**(50,790)**	(67,460)	(259,203)
Net cash used in investing activities		**(184,969)**	(202,329)	**(20,486)**	(69,800)	(308,728)
Cash flows from financing activities						
Repayment of liabilities to banks and others *)		**(19,724)**	(122,319)	**(5,540)**	(20,819)	(133,442)
Costs of issue and exchange of deferred liability notes *)		**(1,729)**	(5,695)	-	(5,695)	(5,695)
Consideration from issue of deferred liability notes *)		**186,391**	700,728	-	588,791	700,728
Repayment of deferred liability notes		**(288,997)**	(325,446)	-	(36,838)	(325,446)
Interest paid on bonds and deferred liability notes		**(129,709)**	(119,207)	**(42,453)**	(42,195)	(128,438)
Net cash from (used in) financing activities		**(253,768)**	128,061	**(47,993)**	483,244	107,707
Impact of exchange rate fluctuations on cash and cash equivalent balances		**(17,891)**	(20,453)	**(10,572)**	17,535	(31,568)
Net increase (decrease) in cash and cash equivalents		**(1,201,218)**	1,431,735	**(1,627,411)**	(19,901)	1,935,376
Cash and cash equivalents at beginning of period	(B)	**5,207,168**	3,271,792	**5,633,361**	4,723,428	3,271,792
Cash and cash equivalents at end of period	(C)	**4,005,950**	4,703,527	**4,005,950**	4,703,527	5,207,168

*) For details regarding the replacement of deferred liability notes, see Note 8(c).

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

Financial Statements

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
		2016	2015	2016	2015	2015
	NIS in thousands	Unaudited				Audited
(A)	**Cash flows from operating activities before taxes on income** [1) 2)]					
	Income for the period	**(349,287)**	345,134	**236,426**	(19,652)	480,439
	Adjustments:					
	The Company's share in the income of investee companies accounted by the equity method	**(6,213)**	(13,281)	**(3,929)**	366	(26,792)
	Dividends received from investee companies accounted by the equity method	**277**	3,508	**50**	175	3,508
	Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	**315,705**	305,358	**(64,270)**	117,704	160,996
	Change in liabilities with respect to investment-linked insurance contracts and investment contracts	**2,122,301**	2,165,584	**1,064,225**	(335,721)	3,391,290
	Change in deferred acquisition costs	**(5,398)**	(35,863)	**(409)**	(24,647)	(91,841)
	Change in reinsurance assets	**181,561**	(21,790)	**42,056**	9,408	(112,879)
	Depreciation of property, plant and equipment	**31,667**	31,752	**10,890**	10,246	42,274
	Amortization of intangible assets	**150,115**	137,406	**51,855**	47,010	186,866
	Impairment of assets	**3,134**	4,235	**549**	400	4,634
	Loss (gain) from disposal of property, plant and equipment	**42**	(803)	**-**	(951)	(853)
	Interest and linkage differences accrued with respect to deferred liability notes	**92,261**	103,038	**35,258**	38,030	129,239
	Interest accrued and revaluation of liabilities to banking corporations and others	**(115,579)**	138,306	**(91,635)**	259,129	(21,923)
	Change in fair value of investment property for investment-linked contracts	**72,683**	(7,923)	**32,645**	(18,754)	(63,148)
	Change in fair value of other investment property	**27,635**	(6,168)	**10,615**	(392)	(26,767)
	Share-based payment transactions	**4,741**	7,233	**1,268**	3,349	10,802
	Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts	**392,264**	520,081	**(589,346)**	1,404,984	(493)
	Taxes on income	**(219,396)**	214,035	**113,635**	(2,064)	274,630
	Net income from other financial investments:					
	Marketable debt assets	**(45,650)**	(2,399)	**(5,307)**	7,443	54,927
	Non-marketable debt assets	**(171,454)**	(253,165)	**(198,365)**	(260,384)	(317,974)
	Stocks	**2,716**	(224,968)	**(2,238)**	(48,257)	(230,257)
	Others	**(60,788)**	(96,021)	**(79,512)**	63,133	(129,364)
	Financial investments and investment property for investment-linked contracts:					
	Acquisition of investment property	**(24,924)**	(32,358)	**(6,968)**	(12,588)	(30,867)
	Receipts from sales (acquisitions), net, of financial investments	**(3,335,086)**	(965,285)	**(2,055,201)**	(1,082,292)	(1,369,166)
	Receipts (investments) from the sale of (investment in) available for sale financial assets and investment property in insurance business operations:					
	Marketable debt assets	**792,389**	176,476	**(201,328)**	(404,456)	80,419
	Non-marketable debt assets	**(226,359)**	(602,603)	**12,873**	(19,280)	(259,123)
	Stocks	**(102,631)**	185,506	**(7,024)**	147,578	90,501
	Others	**(21,241)**	(50,540)	**118,720**	(30,597)	36,070
	Acquisition of other investment property	**(9,068)**	(13,406)	**(2,099)**	(5,097)	(14,563)
	Consideration from the sale of other investment property	**-**	700	**-**	700	169

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
		2016	2015	2016	2015	2015
	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	**21,718**	54,348	**5,036**	14,802	71,609
	Other accounts receivable	**(26,682)**	(47,864)	**40,129**	3,196	(35,768)
	Outstanding premiums	**(882)**	(64,637)	**26,431**	(78,902)	67,695
	Other accounts payable	**(283,355)**	(244,241)	**(48,619)**	(88,220)	32,567
	Liabilities with respect to employee benefits, net	**(188)**	(4,924)	**(982)**	(737)	(1,017)
	Total cash flows from operating activities before taxes on income	**(792,972)**	1,704,461	**(1,554,571)**	(305,338)	2,385,840
(B)	**Cash and cash equivalents at beginning of period:**					
	Cash and cash equivalents for investment-linked contracts	**3,767,810**	1,891,753	**4,324,526**	3,454,532	1,891,753
	Other cash and cash equivalents	**1,439,358**	1,380,039	**1,308,835**	1,268,896	1,380,039
	Cash and cash equivalents in the statement of financial position	**5,207,168**	3,271,792	**5,633,361**	4,723,428	3,271,792
(C)	**Cash and cash equivalents at end of period:**					
	Cash and cash equivalents for investment-linked contracts	**3,111,435**	3,572,299	**3,111,435**	3,572,299	3,767,810
	Other cash and cash equivalents	**894,515**	1,131,228	**894,515**	1,131,228	1,439,358
	Balance of cash and cash equivalents at end of period	**4,005,950**	4,703,527	**4,005,950**	4,703,527	5,207,168
(D)	**Cash flows with respect to interest and dividends received, included under operating activities:**					
	Interest received	**1,435,095**	1,460,132	**299,071**	366,728	1,766,411
	Dividend received	**230,829**	254,433	**95,435**	102,554	351,826
(E)	**Operations which are not associated with cash flows**					
	Investment in intangible assets against other accounts payable	**-**	1,781	**-**	795	6,237
	Sale of property, plant and equipment against other accounts receivable	**-**	(3,000)	**-**	(3,000)	-

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, 2016 (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, 51% 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 3.9% of the Company's issued capital at full dilution, and a total of 54.9% of the issued capital[1] (approximately 53.3% at full dilution).

To the best of the Company's knowledge, as of the publication date of the report, and in accordance with the amendment to the debt settlement in IDB Holdings Corporation Ltd. (which held, in the past, the entire issued capital of IDB Development) (hereinafter: "**IDB Holdings**"), which was approved by the Court in March 2016, upon the completion of the implementation of the amendment, IDB Development became, at the end of March 2016, 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. ("**IFISA**"), a private company registered in Uruguay (hereinafter, jointly and/or severally: the "**Dolphin Group**")). IDB Development constitutes a reporting corporation, since its bonds are listed for trading on the Tel Aviv Stock Exchange.

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

1. Going concern remark regarding IDB Development

Beginning in the first quarter of 2013, the financial statements of IDB Development and the independent auditors' review/audit reports (as applicable) include a note and reference, respectively, regarding significant doubts as to the continued existence of IDB Development as a going concern.

The financial statements of IDB Development as of June 30, 2016 include a note and reference by the auditors of IDB Development, concerning the existence of significant doubts as to its continued existence as a going concern. This is due to the financial position of IDB Development and the cash which it requires for the repayment of liabilities, and to the fact that there is uncertainty regarding its ability to execute its business plans in an orderly and/or timely manner, and regarding its continued ability to repay its liabilities in an adequate and/or timely manner.

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[1] On May 2, 2012, IDB Development reported that it had engaged, inter alia, in a loan agreement with a financial entity. To the best of the Company's knowledge, as of the reporting date, the aforementioned loan is secured, inter alia, by a pledge on approximately 4% (approximately 3.88% at full dilution) of the Company's shares which are held by IDB Development.

Note 1- General (Cont.)

B. **Developments during the reporting period with respect to the controlling shareholders in the Company (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 51% of the issued share capital and voting rights in the Company, which are held 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.

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") and to protect the interests of policyholders and savers, 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. Additionally, the Commissioner formalized the trustee's activities through various letters.

Additionally, in the months January and March 2015, 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 agreed-upon outline for the sale of IDB's control and holding of the Company (see section 1(b)(3) below), 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, 5741 - 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 controlling shareholders in the Company (Cont.)**

2. (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 meeting for 2015, will be done according to the mechanisms which were used to appoint directors in Clal Insurance until now, and not according to the aforementioned mechanisms.

Accordingly, in November 2015, the trustee informed the Company that he was requesting to convene a general meeting whose agenda will include, inter alia, the appointment of ordinary directors, in accordance with the recommendation of the committee regarding candidates for tenure as directors in the Company. A list of 5 recommended candidates was submitted to the Company by the trustee, in order for it to act accordingly. In the general meeting which was held in December 2015, 3 new directors was appointed in the Company, instead of two serving directors, and the Chairman of the Board was re-appointed.

In April 2016, the committee announced that it had called upon candidates to offer their candidacy for tenure as outside directors in the Company and in Clal Insurance, for the purpose of replacing outside directors in the Company and in Clal Insurance, who are expected to conclude their third period of tenure in the group in the months October 2016 to May 2017. Accordingly, in October 2016, the general meeting appointed an outside director, in accordance with the recommendation of the committee for the selection of candidates for service as outside directors in the Company.

3. 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

Further to the request of the controlling shareholders in IDB Development (at the time) from June 2014, for the receipt of 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 agreed-upon 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.

As noted in the letter, the evaluation of the request for joint control of the Company by Messrs. Elsztain and Ben Moshe, through IDB Development, will no longer be evaluated (the request for joint control was filed before the completion of the buy me buy you process in IDB Development, after which Mr. Ben-Moshe ceased being a controlling shareholder in IDB Development through C.A.A. Extra Holdings Ltd., a company wholly owned by him, which was party to a shareholders' agreement with respect to the holding and control of IDB Development together with the Dolphin Group), primarily in light of the fact that IDB Development does not fulfill the criteria which were determined in the policy document for the control of an institutional entity, which was published by the Commissioner in February 2014 (the "Control Policy"). 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:

Note 1- General (Cont.)

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

3. (Cont.)

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.

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.

Note 1- General (Cont.)

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

3. 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 (Cont.)

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, in theory, the Commissioner does not consider it necessary to restrict IDB Development from selling the control also to any or all of its controlling shareholders (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 that time, will be evaluated, inter alia, also in light of the provisions of the Law to Promote Competition and Reduce Concentration, 5774-2013 (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 directives 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.

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.

Note 1- General (Cont.)

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

3. 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 (Cont.)

   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.

The sale process which was conducted by IDB Development in 2015, in connection with a possible transaction for the sale of the control of the Company, was unsuccessful, and in light of the fact that IDB Development did not fulfill 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.

In its financial statements as of December 31, 2015, IDB Development reported that it 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. However, if and insofar as may be required for the purpose of servicing the cash flows of IDB Development, and insofar as IDB Development does not have other sources to service its cash flows, IDB Development intends to work to exercise some of the holdings in the Company, in consideration of the timing of the sale, and the market conditions, while maximizing the consideration which will be received with respect to the sale of those holdings. In parallel, IDB Development intends to continue working towards selling the control core of the Company.

Additionally, on February 11, 2016, IDB Development received a copy of a letter which was sent on behalf of the trustees for its bondholders (the "Trustees"), which was sent to the Commissioner. In their letter, the trustees raised various assertions and requested that, for the purpose of preventing the tremendous and disproportional harm which would be caused to the Israeli public which holds (independently or through institutional entities or banks) the debt of IDB Development (damages which is estimated by the trustees as hundreds of millions of NIS), the Commissioner order the postponement of the terminating event for the maximum possible period with respect to the aforementioned sale, in accordance with the Concentration Law. The trustees further stated, inter alia, in their letter, that all of the objectives which served as the basis for the publication of the outline from the outset have been realized and implemented, and that furthermore, it is possible, also today, to achieve additional objectives required by the Commissioner, by various means, while minimizing the tremendous damage which may be caused to the savers, as stated above (the trustees also attached to their letter an annex including calculations and an economic analysis which was prepared the possible implications of the sale of the shares of the Company, as well as reference to solutions which were proposed in place of the aforementioned sale of shares).

Note 1- General (Cont.)

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

3. 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 (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. For additional details, see the immediate report dated February 11, 2016, reference number 2016-01-027244.

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). The plaintiff is requesting to stay the aforementioned sale process until a final and non-appealable ruling has been issued regarding the claim. The main cause of action noted in the motions to stay the sale processes are that the exercise of the shares in accordance with the aforementioned outline, before the claim has been heard, may cause irreversible damage to IDB Development and to its bond holders.

On March 2, 2016, IDB Development filed with the Court its response to the motion for a temporary injunction, in which, inter alia, it claimed that in light of the current market circumstances, it would not be appropriate to move forward with the sale of the Company's shares in accordance with the Commissioner's outline; 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 involving the sale of the control core, or any other outline which will prevent the destruction of value which would be caused to IDB Development if the Commissioner's outline is implemented; that the implementation of the provisions in the outline and the implementation of the forced sale are expected to cause a tremendous, disproportional and unnecessary destruction of value, with far-reaching implications on IDB Development and other entities, as specified in the response; and that the circumstances of the matter justify an evaluation of whether, in light of the entire set of considerations, the aforementioned sale of shares is reasonable in a manner which correctly balances between the needs and benefits of the Company's policyholders on the one hand, and the real and severe harm which the Company's shareholders, IDB Development, IDB Development's shareholders and its creditors are expected to incur.

On the same date, the Company also responded to the motion for a temporary injunction, in which it objected to the response, in light of the existence of weighty claims which justify the dismissal of the motion to approve the claim as a class action on the merits, and the connection between the two proceedings.

Note 1- General (Cont.)

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

3. 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 (Cont.)

On March 28, 2016, the Commissioner filed her response to the motion for an injunction, in which the Court was requested to summarily dismiss the motion for an injunction due to a lack of material jurisdiction, or alternatively, to dismiss it on the merits, for various reasons. In the response, the Commissioner noted, inter alia, that the sale of 5% of the Company's shares once every four months can be discontinued at any time if the Commissioner becomes convinced that a serious alternative to the outline has become available, in the form of an agreement for the sale of the control of the Company. The Commissioner further stated in the response that the trustee, by virtue of his duty of loyalty towards IDB Development, will be required to try to sell the shares in accordance with the outline, at a price which exceeds their price on the stock exchange, before addressing the alternative of selling the shares on the stock exchange, according to the share price on the stock exchange.

On May 2, 2016, the Commissioner filed a response to the petitioner's answer to her aforementioned response to the motion for a temporary injunction, in which she reasserted her claims with respect to the summary dismissal of the motion, and added that the outline proposed by the petitioner, with respect to the sale, in parts, of the assets of Clal Insurance, effectively constitutes a motion for the liquidation of Clal Insurance, which is an active insurance company, with no reasons given other than improving the status of the shareholders, and that the outline is impractical, and does not take into account significant relevant issues. The Commissioner also presented, in her response, comparative figures with respect to the market value of insurance companies relative to their equity, which prove that the market value of Clal is not irregular in comparison to other insurance groups.

On May 4, 2016, a hearing was held in Court, in which the plaintiff was given a period of 45 days to announce whether it wishes to withdraw the claim (the motion for an injunction), in which case the claim will be struck out without expenses being ordered, or whether it intends to continue conducting the claim, in which case the respondents will be given the opportunity to respond to the claim (insofar as they have not done so until now), and to file motions in their discretion. Additionally, it was determined, in accordance with the Court's decision, that due to the fact that issues arose in the hearing which have the potential to justify an attempt at additional negotiations between all of the parties which are involved in the search for a different outline than the current one, during this period, it would be appropriate for the parties to exhaust the period of time which was given to the petitioner, as stated above, and notify the Court regarding their position with respect to an additional outline, in accordance with the positions and proposals which were raised by the respondents in the hearing.

On June 19, 2016, the District Court of Tel Aviv-Yafo ordered the striking of the motion for an injunction.

On May 9, 2016, IDB Development announced that it had received a letter from the Commissioner, which referred to the proposals of IDB Development regarding an alternative outline for the sale of the means of control of Clal Group, and in which the Commissioner stated that the issue involving the sale of control of Clal Group has not been completed, and that until an acquisition offer has been presented to the Commissioner which justifies the consideration of suspending the current outline, the Commissioner does not consider it appropriate, for the time being, to stop the current outline. The Commissioner further clarified that she is open and willing to hear alternative proposals regarding the regulation of the control of Clal Group, and that every proposal will be evaluated on its own merits.

As part of the above, the Commissioner sent, on May 9, 2016, a letter to the trustee, in which she notified him that due to the fact that on May 7, 2016, four months passed since the date of the occurrence of the terminating event, as defined in the outline, and IDB Development had not fulfilled all of its obligations, and had not acted in accordance with the outline, he was required to act in accordance with the outline in place of IDB Development, and in accordance with all of the authorities which were vested in him (by virtue of the provisions of the deed of trust and the irrevocable authorization which IDB Development signed in January 2015).

Note 1- General (Cont.)

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

3. 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 (Cont.)

In accordance with the public reports of IDB Development, on June 16, 2016, the CEO of IDB Development received a letter from the trustee (the "Letter"), in which the trustee stated, inter alia, that in light of the Commissioner's instructions in the letter from May 2016, he implemented preparations for the implementation of the sale, and received written offers for the acquisition of 5% of the Company's shares, which include various techniques for the sale of the shares. In the letter, IDB Development was requested by the trustee to submit its reference to its preferred sale technique by June 26, 2016, and insofar as IDB Development fails to do so, the trustee will sell according to a technique which, in his discretion, meets the criteria for sale at the maximum price, at a high level of certainty, and according to the timetables specified in the outline.

IDB Development reported that it intends to respond to the aforementioned letter, and to note that, according to its position, as stated in its public reports, according to which, inter alia, in May 2016, IDB Development received a written offer for the acquisition of the control of the Company (see section 4 below), and further to the above, the Board of Directors of IDB Development also approved an alternative outline, according to which IDB Development will conduct a competitive process for the sale of the control of the Company (see section 4 below) - in light of the current circumstances, and inter alia, in consideration of the competitive process, as stated above; in consideration of the concrete and tangible offer which is available to IDB Development, as stated above; in consideration of the limits of the trustee's authority, in accordance with the deed of trust and the Commissioner's position (as raised in her response within the framework of a motion for a temporary injunction - see above), in which she stated that the minimum value for the aforementioned sale is the market price, which is the Company's share price on the stock exchange; and in consideration of the quality of offers which have allegedly been presented to the trustee - any technique among those specified in the trustee's letter would cause IDB Development to incur significant and irreversible damage. IDB Development also believes that the sale of shares by the trustee, as proposed by him in his letter, deviates from his authorities and permission, and also constitutes a breach of his obligations as trustee.

On July 13, 2016, 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 bidder; 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.

In July 2016, the Commissioner responded to the motion. In her response, the Commissioner stated, inter alia, that according to her position, the Court is required to order the trustee, in some manner, to work towards realizing the means of control on the date specified in the Commissioner's outline, and that she leaves to the Court's discretion the determination regarding the method of sale with respect to the shares which are the subject of the motion. In August 2016, IDB Development objected to the motion. In IDB Development's response to the motion, the Court was requested, inter alia, to dismiss the trustee's requests in the motion, to allow the Company's holding of the shares given the current situation, and to order the trustee not to sell, at the present time, Company shares, until IDB Development has sold its holdings in the Company to a potential buyer (while completing the competitive sale process which IDB Development is currently conducting), and in any case, so long as there remains a significant gap between the value of the shares in accordance with the Company's equity and their price according to the stock prices, and so long as it has not been explicitly ordered otherwise by the Court (in which case also, not to sell them for any consideration which is lower than the sale value of the shares on the stock exchange at that time). The Court was also requested to clarify to the trustee that, in the exercise of the authorities which are conferred upon him by virtue of the holdings in the means of control in the Company, he is required to exercise independent judgment, not in accordance with the Commissioner's directives, and to take into account all of the circumstances and the Company's best economic interests.

Note 1- General (Cont.)

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

4. Offer for the acquisition of the control of the Company

In accordance with the public reports of IDB Development, on May 25, 2016, IDB Development received a written offer entitled "Non-Binding Indicative Offer" from Ashkenazy Acquisition Corporation (the "Bidder"), for the acquisition of the control of the Company. The offer includes a proposal to acquire from IDB Development, in consideration of cash, 25% to 30% of the issued and paid-up share capital of the Company, or alternatively, all of IDB Development's holdings in the Company, at a price which reflects a value of NIS 2.85 billion for the Company. According to the offer, the offer is not subject to due diligence, and the bidder declares that it is able to finance the acquisition out of its own sources, with no need for financing. Furthermore, according to the offer, the completion of the transaction is conditional upon the engagement in a binding purchase agreement and in a shareholders agreement, as applicable, and is also conditional on the receipt of a permit for the control of Clal Insurance from the Commissioner. It is noted that the offer is non-binding, and that as of the present date, there is no certainty that IDB Development will engage in a transaction for the sale of its holdings in the Company, nor that such a transaction will be completed, either based on the aforementioned offer, or in any other way. (The aforementioned offer is no longer in effect - see below).

On May 26, 2016, the Board of Directors of IDB Development convened in order to evaluate and discuss the offer and the appropriate process for the sale of its holdings in the Company, in light of the offer which was received. Further to the discussion regarding the offer, and to the indications regarding the possibility of the receipt of additional offers for the acquisition of the control of the Company, and further to the decision of the District Court of Tel Aviv-Jaffa, in a hearing which was held on May 4, 2016 (see above), IDB Development reported that the Board of Directors of IDB Development had resolved as follows:

1. IDB Development will initiate a competitive process for the sale of the control of the Company. As part of the sale process, IDB Development will also evaluate the offer which was received, and the following steps will take place:

   1.1. IDB Development will work to engage with a reputable investment bank. The investment bank will accompany the sale process, and will advise IDB Development on all matters associated with the structure and terms of the sale.
   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.

   1.2. IDB Development will formulate an outline for the sale process, inter alia, based on the advice which will be received from the aforementioned investment bank, with the intention of completing the sale process as soon as possible.

2. IDB Development will contact the Commissioner in order to coordinate the aforementioned sale process, and to adopt the aforementioned sale process (the "New Outline") as an alternative to the current outline from December 30, 2014. In parallel, IDB Development will petition the Court and present the new outline as an alternative outline to the Commissioner's current outline.

3. During the period of conducting the sale process, and until the completion of the sale of control by IDB Development, the following provisions will continue to apply: (a) the trustee, Mr. Moshe Terry, will continue serving in his position, in accordance with the provisions of the current deed of trust and power of attorney (in accordance with the new outline), and IDB Development will not exercise its voting rights which are associated with the means of control in the Company, and will refrain from taking any action which could constitute, either directly or indirectly, guidance of the Company, including by way of tenure as a corporate officer in the Company; and (b) directors will be appointed in the Company in accordance with the mechanisms which were determined in the current outline for this purpose.

Note 1- General (Cont.)

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

4. Offer for the acquisition of the control of the Company (Cont.)

4. According to the new outline, IDB Development will be able to pledge Company shares in favor of financial creditors, in any manner considered appropriate in its discretion, subject to the receipt of the approvals which are required by law, including the Commissioner's approval.

On July 27, 2016, IDB Development reported that the bidder notified it that the initial offer was no longer valid. The parties are continuing to conduct negotiations between them regarding the evaluation of a possible transaction for the acquisition of the control of the Company by the bidder. At this stage, no understandings or agreements whatsoever have been reached in connection with the aforementioned transaction.

IDB Development announced that it is continuing the competitive process for the sale of the control of the Company with the accompaniment of the investment bank with which it has engaged, as stated above, and as part of the above, that it received inquiries from additional potential buyers.

It is noted that there is no certainty regarding the progress of the negotiations with the bidder, or with any other entity, and accordingly, there is no certainty that IDB Development will engage in a transaction for the sale of its holdings in the Company, or that the aforementioned transaction will be completed, whether with this bidder or with another bidder.

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 Clal Holdings 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 shares of Clal Holdings in favor of a third party. A pledge on the shares within 180 days from the date of receipt of the issuance consideration is a condition for the transfer of the issuance consideration to IDB Development. It is noted that in accordance with the shelf offering report, the pledged shares, if any, will be subject to the Commissioner's directives, including the Commissioner's letter from December 2014, as well as additional directives, insofar as any will be received, from time to time, from the Commissioner, including, inter alia with respect to the possibility of their sale by the trustee and/or IDB Development at any time, the voting rights with respect to them, and the selection of members of the Company's Board of Directors, and the bondholders of IDB Development and/or the trustee for the bondholders of IDB Development and/or any other party on their behalf will not be entitled to prevent, in any manner whatsoever (including from the trustee) from acting in accordance with the provisions the outline, including for the purpose of selling the pledged shares.

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, IDB Development reported on September 16, 2016 that on September 15, 2016, the Supreme Court gave a partial ruling and decision. The Supreme Court decided, in the partial ruling, inter alia, to dismiss the petition for the most part, and to issue a conditional order instructing the Commissioner to appear and demonstrate a reason for her objection to the petitioner's request to pledge up to 5% (fractionless) of the Company's shares, as requested by the petitioner in its petition, and subject to the outline which was agreed upon at the time by the petitioner, in light of the provisions of section 32 of the Control Law, 5727-1967, including section 3(b) therein. A further hearing regarding the petition has been scheduled for January 2017.

On October 13, 2016, IDB Development reported, in a report which was subsequently corrected on October 20, 2016 and October 27, 2016, that on October 13, 2016, the Board of Directors of IDB Development had decided to implement a partial early redemption of the bonds (Series K) of IDB Development, to be performed on November 1, 2016. The early redemption constitutes approximately 73.68305% of the unpaid balance of the principal of the bonds, which is also the original balance of the bond series.

Note 1- General (Cont.)

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

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. In its financial statements for 2014, and in its financial statements for 2015, IDB Development reported that the alternatives which it is evaluating include, inter alia: (A) Converting IDB Development or DIC into a private company which is a non-reporting corporation (and, as a result, also not a "tier company"); and (B) a merger between IDB Development and DIC. The Board of Directors of DIC has appointed an advisory committee with a similar function. Additionally, IDB Development clarified that as of the date of approval of its quarterly and annual financial statements for 2015 (i.e., most recently, as of the end of March 2016), the above constitutes an evaluation only of the aforementioned alternatives, and there is no certainty regarding the performance of any of the aforementioned structural changes, and the execution of an alternative which will be adopted may take several years. Additionally, IDB Development reported, in its quarterly and annual financial statements for 2015, that based on an analysis which was performed, IDB Development estimates that it is more likely than not the completion of one of the aforementioned alternatives will be successful and will constitute a solution for dealing with the restriction on the pyramid holding structure, while allowing IDB Development to retain control of DIC, and DIC to retain control of Shufersal Ltd. and of Cellcom Israel Ltd., also after December 2019.

In accordance with transitional provisions which were determined in the Concentration Law, after the aforementioned date, a significant real corporation, or the controller of such a corporation, may not control 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. Implications

As of the reporting date, the Company is unable to estimate the entire impact of the results of the aforementioned events on the Company. For details regarding the implications of the foregoing, see section 1(b)(6) to the annual financial statements.

For details regarding 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, 5741-1981, 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, 2015 (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), 5730-1970, to the extent to which these regulations apply to a corporation that consolidates insurance companies.

The interim reports were approved for publication by the Board of Directors on November 27, 2016.

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), 5730-1970, 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:

In percent	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, 2016	-	-	**(1.0)**	**(3.7)**	**(15.8)**
September 30, 2015	(0.6)	(0.2)	(6.8)	0.9	(1.8)
For the period of three months ended					
September 30, 2016	-	**0.4**	**(1.9)**	**(2.3)**	**(5.8)**
September 30, 2015	(0.4)	0.3	4.4	4.1	0.4
For the year ended December 31, 2015	(1.0)	(0.9)	(10.1)	0.3	(4.6)

	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
As of September 30, 2016	**4.203**	**3.758**	**4.872**
As at September 30, 2015	4.404	3.923	5.952
As of December 31, 2015	4.247	3.902	5.784

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(e) below.

C. Impact of new standards before their application:

Amendment to IFRS 2, Share-Based Payment - classification and measurement of share-based payment transactions

- **The amendment includes reference to the following subjects:**

  A. The fair value measurement of shared-based payment transactions which are settled in cash;
  B. The treatment method to be applied with respect to changes in share-based payments with respect to which a liability bonus becomes a capital bonus; and the treatment method with respect to a company's undertaking to hold part of the capital instruments which are offered to an employee for the purpose of deducting tax at source, with respect to the bonus.

- **The standard will be applied prospectively with respect to annual periods beginning on January 1, 2018. Early adoption is possible. Retrospective adoption is possible only if the required information is available.**

- **The group has not yet begun evaluating the implications of the amendment on the financial statements.**

Amendment to IFRS 4, Insurance Contracts: Adoption of IFRS 9, Financial Instruments, Together with IFRS 4

The amendment presents two optional easements regarding the expected adoption of IFRS 9 by insurers:

- Postponement of the application date of IFRS 9 to January 1, 2021 (or to an earlier date, if the application date of the new standard which is expected to be published in connection with insurance contracts is earlier) for companies whose main activities involve the issuance of insurance contracts which fall under IFRS 4, and which have not yet adopted an earlier version of IFRS 9. During the postponement period, the Company will continue implementing the provisions of IAS 39, Financial Instruments, Recognition And Measurement. Additionally, a company which implements the postponement option will be required to include various disclosures in its financial statements. These disclosures include, inter alia, disclosure regarding the fair value and the change in fair value of various groups of financial assets, in accordance with the method of classification under IFRS 9, as well as disclosure regarding the exposure to credit risks.

- The adjustment of the results regarding the implementation of IFRS 9 with respect to financial assets which refer to insurance contracts and which are measured at fair value through profit and loss in accordance with IFRS 9.

The implementation of the easements in the amendment is as of the application date of IFRS 9, and is voluntary for companies which comply with the criteria which were defined in the amendment.

The group is evaluating the implications of the amendment 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

The segmental division basis and the measurement basis of segmental results are as specified in Note 5 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 affected 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 of 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 seniority 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, with respect to 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 demonstrate 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
	2016	2015	2015	2016	2015	2015	2016	2015	2015	2016	2015	2015
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	-	-	-	-	-	-	**3,686,292**	3,627,862	4,860,632	**3,686,292**	3,627,862	4,860,632
Premiums earned by reinsurers	-	-	-	-	-	-	**127,102**	131,035	163,571	**127,102**	131,035	163,571
Premiums earned on retention	-	-	-	-	-	-	**3,559,190**	3,496,827	4,697,061	**3,559,190**	3,496,827	4,697,061
Income (loss) from investments, net, and financing income	**99,599**	95,302	112,571	**968**	290	(483)	**1,229,344**	1,379,198	2,350,605	**1,329,911**	1,474,790	2,462,693
Income from management fees	**147,352**	175,490	232,186	**205,081**	199,260	269,791	**302,772**	335,473	536,524	**655,205**	710,223	1,038,501
Income from commissions	-	-	-	-	-	-	**33,432**	34,400	26,939	**33,432**	34,400	26,939
Total income	**246,951**	270,792	344,757	**206,049**	199,550	269,308	**5,124,738**	5,245,898	7,611,129	**5,577,738**	5,716,240	8,225,194
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**93,890**	89,525	104,878	-	-	-	**5,016,631**	4,582,191	6,710,204	**5,110,521**	4,671,716	6,815,082
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	**(69,059)**	(81,893)	(147,652)	**(69,059)**	(81,893)	(147,652)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**93,890**	89,525	104,878	-	-	-	**4,947,572**	4,500,298	6,562,552	**5,041,462**	4,589,823	6,667,430
Commissions, marketing expenses and other acquisition costs	**45,394**	49,360	64,689	**78,918**	80,546	109,266	**487,739**	488,325	645,433	**612,051**	618,231	819,388
General and administrative expenses	**73,401**	72,941	98,450	**95,908**	88,363	118,423	**266,793**	246,864	341,315	**436,102**	408,168	558,188
Impairment of intangible assets	-	-	-	-	-	-	**2,585**	3,018	3,018	**2,585**	3,018	3,018
Other expenses	**3,778**	4,500	5,896	-	1,585	1,585	**397**	1,656	1,801	**4,175**	7,741	9,282
Financing expenses (income)	**(2)**	4	2	**(10)**	(21)	376	**1,985**	350	1,562	**1,973**	333	1,940
Total expenses	**216,461**	216,330	273,915	**174,816**	170,473	229,650	**5,707,071**	5,240,511	7,555,681	**6,098,348**	5,627,314	8,059,246
Share in the results of investee companies accounted by the equity method, net	-	-	-	**(511)**	(835)	(392)	**1,925**	1,055	4,167	**1,414**	220	3,775
Income (loss) before taxes on income	**30,490**	54,462	70,842	**30,722**	28,242	39,266	**(580,408)**	6,442	59,615	**(519,196)**	89,146	169,723
Other comprehensive income (loss) before taxes on income	-	-	-	**38**	(1,273)	(681)	**(8,664)**	(119,089)	(124,907)	**(8,626)**	(120,362)	(125,588)
Total comprehensive income (loss) before taxes on income	**30,490**	54,462	70,842	**30,760**	26,969	38,585	**(589,072)**	(112,647)	(65,292)	**(527,822)**	(31,216)	44,135
	As of September 30, 2016		As of December 31	As of September 30, 2016		As of December 31	As of September 30, 2016		As of December 31	As of September 30, 2016		As of December 31
	2016	2015	2015	2016	2015	2015	2016	2015	2015	2016	2015	2015
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**2,342,471**	2,372,640	2,351,594	-	-	-	**19,302,314**	18,800,004	18,786,560	**21,644,785**	21,172,644	21,138,154
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	**52,947,161**	49,935,072	51,104,369	**52,947,161**	49,935,072	51,104,369

1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).	**4,064,145**	4,234,850	5,660,535	**4,064,145**	4,234,850	5,660,535

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

NIS in thousands	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
	2016	2015	2015	2016	2015	2015	2016	2015	2015
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	**1,352,106**	1,254,975	1,674,136	**1,754,655**	1,908,136	2,522,324	-	-	-
Premiums earned by reinsurers	**154,568**	140,865	186,941	**502,140**	530,687	706,870	-	-	-
Premiums earned on retention	**1,197,538**	1,114,110	1,487,195	**1,252,515**	1,377,449	1,815,454	-	-	-
Income from investments, net, and financing income	**45,117**	60,269	116,238	**112,817**	191,730	203,070	**5,483**	7,550	9,705
Income from management fees	-	-	-	-	-	-	**4,481**	4,481	5,974
Income from commissions	**2,844**	15,523	18,425	**100,243**	107,844	140,143	**88,941**	85,685	115,288
Other income	-	-	-	**65**	68	85	**1,297**	1,735	1,746
Total income	**1,245,499**	1,189,902	1,621,858	**1,465,640**	1,677,091	2,158,752	**100,202**	99,451	132,713
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**1,085,318**	838,088	1,153,321	**1,156,462**	1,236,115	1,578,083	-	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(136,244)**	(123,765)	(159,246)	**(217,314)**	(318,830)	(435,722)	-	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**949,074**	714,323	994,075	**939,148**	917,285	1,142,361	-	-	-
Commissions, marketing expenses and other acquisition costs	**300,171**	275,168	372,821	**442,742**	453,775	610,444	**68,107**	65,741	87,747
General and administrative expenses	**40,989**	39,158	53,368	**50,010**	49,817	65,699	**9,986**	10,387	15,962
Impairment of intangible assets	-	-	-	**549**	-	-	-	1,217	1,616
Other expenses (income)	-	(100)	116	-	7,033	7,033	**4,965**	4,854	3,294
Financing expenses (income)	**5,748**	5,534	4,382	**(1,266)**	6	(670)	**1,335**	1,690	1,803
Total expenses	**1,295,982**	1,034,083	1,424,762	**1,431,183**	1,427,916	1,824,867	**84,393**	83,889	110,422
Share in the results of investee companies accounted by the equity method, net	**183**	133	843	-	-	-	**197**	289	341
Income (loss) before taxes on income	**(50,300)**	155,952	197,939	**34,457**	249,175	333,885	**16,006**	15,851	22,632
Other comprehensive income (loss) before taxes on income	**11,626**	(26,841)	(20,423)	**(15,037)**	(73,231)	(65,960)	**(1,014)**	(768)	1,124
Total comprehensive income (loss) before taxes on income	**(38,674)**	129,111	177,516	**19,420**	175,944	267,925	**14,992**	15,083	23,756
	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2016	2015	2015	2016	2015	2015	2016	2015	2015
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**1,959,753**	1,744,574	1,750,868	**6,507,090**	7,024,344	6,907,609	-	-	-
Liabilities with respect to investment-linked insurance contracts and investment contracts	**3,540,469**	3,157,706	3,260,969	-	-	-	-	-	-

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
	2016	2015	2015	2016	2015	2015	2016	2015	2015
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	-	-	-	(1,979)	(1,784)	(2,367)	6,791,074	6,789,189	9,054,725
Premiums earned by reinsurers	-	-	-	-	-	-	783,810	802,587	1,057,382
Premiums earned on retention	-	-	-	(1,979)	(1,784)	(2,367)	6,007,264	5,986,602	7,997,343
Income (loss) from investments, net, and financing income	98,616	197,521	219,331	179	(171)	(644)	1,592,123	1,931,689	3,010,393
Income from management fees	-	-	-	(3,854)	(3,925)	(5,078)	655,832	710,779	1,039,397
Income from commissions	-	-	-	(48,637)	(45,686)	(62,072)	176,823	197,766	238,723
Other income	-	730	261	-	501	3	1,362	3,034	2,095
Total income	98,616	198,251	219,592	(54,291)	(51,065)	(70,158)	8,433,404	8,829,870	12,287,951
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	-	-	-	(2,655)	(2,176)	(4,147)	7,349,646	6,743,743	9,542,339
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	(422,617)	(524,488)	(742,620)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	-	-	-	(2,655)	(2,176)	(4,147)	6,927,029	6,219,255	8,799,719
Commissions, marketing expenses and other acquisition costs	-	-	-	(46,754)	(44,675)	(60,170)	1,376,317	1,368,240	1,830,230
General and administrative expenses	42,688	45,363	63,512	(9,761)	(2,788)	(3,603)	570,014	550,105	753,126
Impairment of intangible assets	-	-	-	-	-	-	3,134	4,235	4,634
Other expenses	(812)	8,323	11,619	214	1,051	1,433	8,542	28,902	32,777
Financing expenses (income)	115,337	105,607	132,066	137	75	(333)	123,264	113,245	139,188
Total expenses	157,213	159,293	207,197	(58,819)	(48,513)	(66,820)	9,008,300	8,283,982	11,559,674
Share in the results of investee companies accounted by the equity method, net	4,419	12,639	21,833	-	-	-	6,213	13,281	26,792
Income (loss) before taxes on income	(54,178)	51,597	34,228	4,528	(2,552)	(3,338)	(568,683)	559,169	755,069
Other comprehensive income before taxes on income	448	(121,820)	(102,709)	(870)	(11)	3,332	(13,473)	(343,033)	(310,224)
Total comprehensive income (loss) before taxes on income	(53,730)	(70,223)	(68,481)	3,658	(2,563)	(6)	(582,156)	216,136	444,845
	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2016	2015	2015	2016	2015	2015	2016	2015	2015
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	(1,690)	(2,967)	(2,398)	26,887,938	29,938,595	29,794,233
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	(18,780)	(18,856)	(18,789)	59,690,850	53,073,922	54,346,549

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	
	2016	2015	2016	2015	2016	2015	2016	2015
NIS in thousands	Unaudited							
Gross premiums earned	-	-	-	-	**1,278,131**	1,211,741	**1,278,131**	1,211,741
Premiums earned by reinsurers	-	-	-	-	**41,549**	43,433	**41,549**	43,433
Premiums earned on retention	-	-	-	-	**1,236,582**	1,168,308	**1,236,582**	1,168,308
Income (loss) from investments, net, and financing income	**42,758**	40,629	**94**	266	**1,015,641**	(666,800)	**1,058,493**	(625,905)
Income (expenses) from management fees	**48,802**	58,408	**70,638**	69,797	**116,080**	(21,791)	**235,520**	106,414
Income from commissions	-	-	-	-	**10,681**	10,195	**10,681**	10,195
Total income	**91,560**	99,037	**70,732**	70,063	**2,378,984**	489,912	**2,541,276**	659,012
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**40,849**	38,705	-	-	**2,007,277**	403,990	**2,048,126**	442,695
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	**(22,169)**	(29,422)	**(22,169)**	(29,422)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**40,849**	38,705	-	-	**1,985,108**	374,568	**2,025,957**	413,273
Commissions, marketing expenses and other acquisition costs	**14,867**	15,908	**24,331**	26,563	**163,842**	162,895	**203,040**	205,366
General and administrative expenses	**22,754**	24,873	**32,617**	29,639	**89,903**	82,519	**145,274**	137,031
Other expenses	**1,087**	1,400	-	-	**121**	146	**1,208**	1,546
Financing expenses (income)	**(4)**	2	**(9)**	(10)	**3,141**	(1,917)	**3,128**	(1,925)
Total expenses	**79,553**	80,888	**56,939**	56,192	**2,242,115**	618,211	**2,378,607**	755,291
Share in the results of investee companies accounted by the equity method, net	-	-	**(220)**	(110)	**1,707**	254	**1,487**	144
Income (loss) before taxes on income	**12,007**	18,149	**13,573**	13,761	**138,576**	(128,045)	**164,156**	(96,135)
Other comprehensive income before taxes on income	-	-	**(502)**	(1,660)	**(24,009)**	(3,203)	**(24,511)**	(4,863)
Total comprehensive income (loss) before taxes on income	**12,007**	18,149	**13,071**	12,101	**114,567**	(131,248)	**139,645**	(100,998)

1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).	**1,399,938**	1,409,240	**1,399,938**	1,409,240

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
NIS in thousands	Unaudited											
Gross premiums earned	**495,870**	445,611	**578,850**	630,144	**-**	-	**-**	-	**(660)**	(540)	**2,352,191**	2,286,956
Premiums earned by reinsurers	**58,392**	46,840	**162,653**	178,703	**-**	-	**-**	-	**-**	-	**262,594**	268,976
Premiums earned on retention	**437,478**	398,771	**416,197**	451,441	**-**	-	**-**	-	**(660)**	(540)	**2,089,597**	2,017,980
Income (loss) from investments, net, and financing income	**69,129**	(75,827)	**63,635**	73,610	**1,974**	2,995	**54,952**	27,538	**97**	(12)	**1,248,280**	(597,601)
Income from management fees	**-**	-	**-**	-	**1,494**	1,494	**-**	-	**(1,252)**	(3,334)	**235,762**	104,574
Income from commissions	**1,173**	13,844	**33,841**	34,979	**30,378**	28,513	**-**	-	**(17,795)**	(14,534)	**58,278**	72,997
Other income	**-**	-	**23**	11	**1,261**	1,635	**-**	809	**-**	501	**1,284**	2,956
Total income	**507,780**	336,788	**513,696**	560,041	**35,107**	34,637	**54,952**	28,347	**(19,610)**	(17,919)	**3,633,201**	1,600,906
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**302,269**	220,239	**361,401**	443,005	**-**	-	**-**	-	**(828)**	(1,073)	**2,710,968**	1,104,866
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(50,903)**	(41,384)	**(47,334)**	(110,436)	**-**	-	**-**	-	**-**	-	**(120,406)**	(181,242)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**251,366**	178,855	**314,067**	332,569	**-**	-	**-**	-	**(828)**	(1,073)	**2,590,562**	923,624
Commissions, marketing expenses and other acquisition costs	**107,411**	102,994	**150,631**	145,455	**24,318**	22,361	**-**	-	**(17,119)**	(14,178)	**468,281**	461,998
General and administrative expenses	**13,968**	12,473	**18,196**	16,278	**2,155**	3,576	**14,192**	15,554	**(4,961)**	(9,851)	**188,824**	175,061
Impairment of intangible assets	**-**	-	**549**	-	**-**	400	**-**	-	**-**	-	**549**	400
Other expenses	**-**	-	**-**	7,033	**1,405**	1,551	**(3,074)**	2,423	**57**	951	**(404)**	13,504
Financing expenses (income)	**459**	3,577	**(672)**	5,878	**151**	1,713	**36,051**	38,360	**140**	66	**39,257**	47,669
Total expenses	**373,204**	297,899	**482,771**	507,213	**28,029**	29,601	**47,169**	56,337	**(22,711)**	(24,085)	**3,287,069**	1,622,256
Share in the results of investee companies accounted by the equity method, net	**410**	(11)	**-**	-	**46**	95	**1,986**	(594)	**-**	-	**3,929**	(366)
Income (loss) before taxes on income	**134,986**	38,878	**30,925**	52,828	**7,124**	5,131	**9,769**	(28,584)	**3,101**	6,166	**350,061**	(21,716)
Other comprehensive income (loss) before taxes on income	**(4,693)**	(20,405)	**(33,838)**	(41,537)	**59**	(1,168)	**(11,717)**	(71,893)	**(416)**	(3,258)	**(75,116)**	(143,124)
Total comprehensive income (loss) before taxes on income	**130,293**	18,473	**(2,913)**	11,291	**7,183**	3,963	**(1,948)**	(100,477)	**2,685**	2,908	**274,945**	(164,840)

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 other 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
	2016	2015	2015	2016	2015	2015
NIS in thousands	Unaudited		Audited	Unaudited		Audited
Gross premiums	**345,714**	361,793	454,704	**241,444**	238,159	325,391
Reinsurance premiums	**11,642**	13,444	17,389	**76,683**	65,008	98,739
Premiums on retention	**334,072**	348,349	437,315	**164,761**	173,151	226,652
Change in unearned premium balance, on retention	**(20,633)**	15,785	40,123	**(1,417)**	(245)	4,585
Premiums earned on retention	**313,439**	364,134	477,438	**163,344**	172,906	231,237
Income from investments, net, and financing income	**56,970**	93,289	99,809	**34,908**	55,838	59,170
Income from commissions	**-**	-	-	**9,997**	9,055	10,031
Total income	**370,409**	457,423	577,247	**208,249**	237,799	300,438
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**249,182**	183,414	230,109	**328,534**	181,313	160,623
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(21,654)**	(2,451)	(735)	**(124,649)**	(43,715)	(23,215)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**227,528**	180,963	229,374	**203,885**	137,598	137,408
Commissions, marketing expenses and other acquisition costs	**52,187**	53,728	76,018	**74,071**	71,297	95,789
General and administrative expenses	**7,594**	7,173	9,257	**5,305**	4,723	6,624
Impairment of intangible assets	**-**	-	-	**63**	-	-
Financing expenses (income)	**-**	-	-	**33**	(29)	(70)
Total expenses	**287,309**	241,864	314,649	**283,357**	213,589	239,751
Income (loss) before taxes on income	**83,100**	215,559	262,598	**(75,108)**	24,210	60,687
Other comprehensive loss before taxes on income	**(7,794)**	(34,579)	(31,857)	**(4,776)**	(20,657)	(18,841)
Total comprehensive income (loss) before taxes on income	**75,306**	180,980	230,741	**(79,884)**	3,553	41,846
	As of September 30		As of December 31	As of September 30		As of December 31
	2016	2015	2015	2016	2015	2015
	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to insurance contracts						
Gross	**2,426,308**	2,671,967	2,566,840	**2,478,830**	2,526,872	2,419,866
Reinsurance	**108,949**	114,395	103,484	**927,765**	905,024	873,100
Retention	**2,317,359**	2,557,572	2,463,355	**1,551,065**	1,621,848	1,546,766

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, 2015, constituted approximately 67%, approximately 70% and approximately 66%, 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
	2016	2015	2015	2016	2015	2015	2016	2015	2015	2016	2015	2015
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums	**491,260**	510,047	639,097	**79,768**	76,659	103,121	**558,528**	672,326	872,976	**1,716,714**	1,858,984	2,395,289
Reinsurance premiums	**2,416**	2,570	4,446	**39,616**	36,803	49,572	**347,466**	360,807	495,004	**477,823**	478,632	665,150
Premiums on retention	**488,844**	507,477	634,651	**40,152**	39,856	53,549	**211,062**	311,519	377,972	**1,238,891**	1,380,352	1,730,139
Change in unearned premium balance, on retention	**(22,751)**	11,574	45,527	**166**	(14)	(103)	**58,259**	(30,003)	(4,817)	**13,624**	(2,903)	85,315
Premiums earned on retention	**466,093**	519,051	680,178	**40,318**	39,842	53,446	**269,321**	281,516	373,155	**1,252,515**	1,377,449	1,815,454
Income from investments, net, and financing income	**8,668**	17,780	19,242	**534**	4,432	3,394	**11,737**	20,391	21,455	**112,817**	191,730	203,070
Income from commissions	**17**	(75)	(10)	**12,384**	12,152	16,366	**77,845**	86,712	113,756	**100,243**	107,844	140,143
Other income	**-**	-	-	**65**	68	85	**-**	-	-	**65**	68	85
Total income	**474,778**	536,756	699,410	**53,301**	56,494	73,291	**358,903**	388,619	508,366	**1,465,640**	1,677,091	2,158,752
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**331,070**	419,567	546,742	**36,769**	45,421	121,699	**210,907**	406,400	518,910	**1,156,462**	1,236,115	1,578,083
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**159**	(1,662)	(8,274)	**(20,936)**	(30,422)	(95,916)	**(50,234)**	(240,580)	(307,582)	**(217,314)**	(318,830)	(435,722)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**331,229**	417,905	538,468	**15,833**	14,999	25,783	**160,673**	165,820	211,328	**939,148**	917,285	1,142,361
Commissions, marketing expenses and other acquisition costs	**121,605**	125,195	172,760	**6,337**	6,352	8,470	**188,542**	197,203	257,407	**442,742**	453,775	610,444
General and administrative expenses	**10,791**	10,112	13,011	**10,907**	11,305	14,812	**15,413**	16,504	21,995	**50,010**	49,817	65,699
Impairment of intangible assets	**282**	-		**-**			**204**			**549**		
Other expenses	**-**	7,033	7,033		-	-	**-**	-	-	**-**	7,033	7,033
Financing expenses (income)	**(92)**	(111)	(216)	**(1,449)**	(531)	(977)	**242**	677	593	**(1,266)**	6	(670)
Total expenses	**463,815**	560,134	731,056	**31,628**	32,125	48,088	**365,074**	380,204	491,323	**1,431,183**	1,427,916	1,824,867
Income (loss) before taxes on income	**10,963**	(23,378)	(31,646)	**21,673**	24,369	25,203	**(6,171)**	8,415	17,043	**34,457**	249,175	333,885
Other comprehensive income (loss) before taxes on income	**(1,410)**	(5,197)	(4,304)	**712**	(6,021)	(4,895)	**(1,769)**	(6,777)	(6,063)	**(15,037)**	(73,231)	(65,960)
Total comprehensive income (loss) before taxes on income	**9,553**	(28,575)	(35,950)	**22,385**	18,348	20,308	**(7,940)**	1,638	10,980	**19,420**	175,944	267,925
	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
	2016	2015	2015	2016	2015	2015	2016	2015	2015	2016	2015	2015
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to insurance contracts												
Gross	**499,987**	502,096	505,939	**85,720**	80,577	144,868	**1,016,245**	1,242,832	1,270,097	**6,507,090**	7,024,344	6,907,609
Reinsurance	**1,490**	1,695	8,323	**45,871**	53,830	99,764	**482,307**	621,306	666,086	**1,566,380**	1,696,250	1,750,757
Retention	**498,497**	500,401	497,616	**39,849**	26,747	45,104	**533,938**	621,526	604,011	**4,940,708**	5,328,094	5,156,852

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, 2015, constitutes approximately 72%, approximately 63% and approximately 65%, 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
NIS in thousands	Unaudited											
Gross premiums	**107,833**	103,409	**65,508**	68,492	**146,013**	146,902	**26,942**	26,596	**162,804**	266,143	**509,100**	611,542
Reinsurance premiums	**3,747**	4,283	**17,345**	17,826	**600**	637	**13,176**	12,920	**100,429**	118,273	**135,297**	153,939
Premiums on retention	**104,086**	99,126	**48,163**	50,666	**145,413**	146,265	**13,766**	13,676	**62,375**	147,870	**373,803**	457,603
Change in unearned premium balance, on retention	**4,249**	18,440	**5,326**	6,043	**10,185**	22,530	**43**	(141)	**22,591**	(53,034)	**42,394**	(6,162)
Premiums earned on retention	**108,335**	117,566	**53,489**	56,709	**155,598**	168,795	**13,809**	13,535	**84,966**	94,836	**416,197**	451,441
Income from investments, net, and financing income	**30,687**	34,217	**18,774**	20,255	**6,134**	5,937	**1,052**	3,355	**6,988**	9,846	**63,635**	73,610
Income from commissions	**-**	-	**3,510**	4,591	**8**	19	**4,085**	4,227	**26,238**	26,142	**33,841**	34,979
Other income	**-**	-	**-**	-	**-**	-	**23**	11	**-**	-	**23**	11
Total income	**139,022**	151,783	**75,773**	81,555	**161,740**	174,751	**18,969**	21,128	**118,192**	130,824	**513,696**	560,041
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**105,741**	97,235	**79,416**	85,529	**99,673**	122,251	**9,954**	17,577	**66,617**	120,413	**361,401**	443,005
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(5,321)**	1,734	**(6,736)**	(32,064)	**(347)**	(113)	**(2,852)**	(11,718)	**(32,078)**	(68,275)	**(47,334)**	(110,436)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**100,420**	98,969	**72,680**	53,465	**99,326**	122,138	**7,102**	5,859	**34,539**	52,138	**314,067**	332,569
Commissions, marketing expenses and other acquisition costs	**18,630**	17,565	**26,089**	24,561	**41,545**	40,320	**2,198**	2,255	**62,169**	60,754	**150,631**	145,455
General and administrative expenses	**2,954**	2,100	**1,878**	1,390	**4,060**	2,982	**3,698**	3,390	**5,606**	6,416	**18,196**	16,278
Impairment of intangible assets	**-**	-	**63**	-	**282**		**-**	-	**204**	-	**549**	-
Other expenses	**-**	-	**-**	-	**-**	7,033	**-**	-	**-**	-	**-**	7,033
Financing expenses (income)	**-**	-	**40**	101	**(51)**	65	**(537)**	1,141	**(124)**	4,571	**(672)**	5,878
Total expenses	**122,004**	118,634	**100,750**	79,517	**145,162**	172,538	**12,461**	12,645	**102,394**	123,879	**482,771**	507,213
Income (loss) before taxes on income	**17,018**	33,149	**(24,977)**	2,038	**16,578**	2,213	**6,508**	8,483	**15,798**	6,945	**30,925**	52,828
Other comprehensive income (loss) before taxes on income	**(16,104)**	(18,741)	**(9,875)**	(11,163)	**(2,778)**	(2,952)	**(1,562)**	(4,524)	**(3,519)**	(4,157)	**(33,838)**	(41,537)
Total comprehensive income (loss) before taxes on income	**914**	14,408	**(34,852)**	(9,125)	**13,800**	(739)	**4,946**	3,959	**12,279**	2,788	**(2,913)**	11,291

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 72% and 84% (including personal accidents), 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 78% and approximately 75%, 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 ended September 30, 2016 (unaudited)

NIS in thousands	Life insurance policies which include a savings component (including appendices) 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:	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	1,896,886	189,485	62,649	5,016,485
Payments and changes in liabilities with respect to investment contracts	-	-	10	134	-	-	143

Data for the period of three months ended September 30, 2016 (unaudited)

NIS in thousands	Life insurance policies which include a savings component (including appendices) 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	683,362	66,081	20,535	1,998,523
Payments and changes in liabilities with respect to investment contracts	-	-	15	8,733	-	-	8,748

Data for the year ended December 31, 2015

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:	281,251	1,657,848	19,220	2,196,512	558,492	147,060	4,860,383
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	799,903	-	-	799,903
Financial margin including management fees [2)]	250,530	363,428	(874)	169,681	-	-	782,765
Payments and changes in liabilities with respect to insurance contracts, gross	1,096,277	2,871,090	19,044	2,390,017	174,780	163,183	6,714,391
Payments and changes in liabilities with respect to investment contracts	-	-	78	(4,269)	-	-	(4,190)

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 ended September 30, 2016 (unaudited)

NIS in thousands	Long term care		Health other *)		Total
	Individual	Collective	Long term	Short term	
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	61,879	8,061	,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, 2016 (unaudited)

NIS in thousands	Long term care		Health other *)		Total
	Individual	Collective	Long term	Short term	
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, 2015 (Audited)

NIS in thousands	Long term care		Health other *)		Total
	Individual	Collective	Long term	Short term	
Gross premiums	231,664	708,074	588,026	150,610	1,678,374
Payments and changes in liabilities with respect to insurance contracts, gross	99,456	37,009	36,567	0,289	,153,321

*) Of which, individual premiums in the amount of NIS 493,553 thousand and collective premiums in the amount of NIS 245,083 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 2016	As of September 30 2015	As of December 31 2015
	Unaudited		Audited
Investment property *)	**2,702,316**	2,696,342	2,750,076
Financial investments			
Marketable debt assets	**21,443,686**	19,624,681	19,942,157
Non-marketable debt assets	**6,546,464**	6,799,229	6,617,456
Stocks	**8,277,990**	8,431,089	8,662,467
Other financial investments	**14,519,402**	12,065,266	12,622,640
Total financial investments *)	**50,787,542**	46,920,265	47,844,720
Cash and cash equivalents	**3,111,435**	3,572,299	3,767,810
Other	**538,734**	569,515	567,533
Total assets for investment-linked contracts	**57,140,027**	53,758,421	54,930,139

*) Measured at fair value through profit and loss.

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 statements.

	As of September 30, 2016			
NIS in thousands	Level 1	Level 2	Level 3	Total
	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**

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, 2015			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	18,244,048	1,380,633	-	19,624,681
Non-marketable debt assets	-	6,585,208	214,021	6,799,229
Stocks	8,279,412	-	151,677	8,431,089
Other financial investments *)	9,233,660	438,083	2,393,523	12,065,266
Total financial investments	35,757,120	8,403,924	2,759,221	46,920,265
*) Of which, with respect to derivatives	206,298	75,808	434	282,540

	As of December 31, 2015			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Audited			
Financial investments:				
Marketable debt assets	18,513,512	1,428,645	-	19,942,157
Non-marketable debt assets	-	6,396,894	220,562	6,617,456
Stocks	8,499,741	-	162,726	8,662,467
Other financial investments *)	9,794,031	496,436	2,332,173	12,622,640
Total financial investments	36,807,284	8,321,975	2,715,461	47,844,720
*) Of which, with respect to derivatives	116,133	123,442	691	240,266

B. Assets measured at fair value level 3

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Unaudited			
As of January 1, 2016 (Audited)	**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**
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.

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			
As of January 1, 2015 (Audited)	208,027	151,346	2,116,767	2,476,140
Total income recognized in the statement of income	8,568	12,756	215,383	236,707
Acquisitions	-	-	459,992	459,992
Sales	-	(8,348)	(391,021)	(399,369)
Redemptions	(62,462)	-	-	(62,462)
Interest and dividend receipts	(10,872)	(4,077)	(7,598)	(22,547)
Transfers to level 3 *)	70,760*)	-	-	70,760
As of September 30, 2015	214,021	151,677	2,393,523	2,759,221
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2015	8,568	10,313	215,351	234,232

*) 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			
As of July 1, 2016	**140,806**	**151,686**	**2,325,593**	**2,618,085**
Total income 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**
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.

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
	Unaudited			
As of July 1, 2015	140,868	159,151	2,261,230	2,561,249
Total income recognized in the statement of income	7,576	730	119,382	127,688
Acquisitions	-	-	160,681	160,681
Sales	-	(8,204)	(146,388)	(154,592)
Redemptions	(2,281)	-	-	(2,281)
Interest and dividend receipts	(2,902)	-	(1,382)	(4,284)
Transfers to level 3 *)	70,760*)	-	-	70,760
As of September 30, 2015	214,021	151,677	2,393,523	2,759,221
Total income (loss) for the period included under profit and loss in respect of held financial assets as of September 30, 2015	7,576	(1,713)	119,292	125,155

*) 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.)

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Audited			
As of January 1, 2015	208,027	151,346	2,116,767	2,476,140
Total income recognized in the statement of income	6,387	31,481	173,820	211,688
Acquisitions	10,240	-	581,839	592,079
Sales	-	(12,478)	(531,017)	(543,495)
Redemptions	(63,155)	-	-	(63,155)
Interest and dividend receipts	(12,448)	(7,623)	(9,236)	(29,307)
Transfers to level 3 *)	71,511	-	-	71,511
As of December 31, 2015	220,562	162,726	2,332,173	2,715,461
Total income for the period included under profit and loss with respect to held financial assets as of December 31, 2015	6,387	29,188	176,247	211,822

*) 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.)

B. Other financial investments

1. Non-marketable debt assets - composition and fair value

	As of September 30, 2016	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and deposits with the Ministry of Finance	**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)	**87,366**	

	As of September 30, 2015	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and deposits with the Ministry of Finance	15,272,401	22,769,360
Other non-convertible debt assets	5,011,746	5,452,364
Deposits in banks	992,379	1,141,018
Total non-marketable debt assets	21,276,526	29,362,742
Impairment applied to income statement (cumulative)	83,607	

	As of December 31, 2015	
	Book value	Fair value
NIS in thousands	Audited	
Government bonds		
HETZ bonds and deposits with the Ministry of Finance	15,044,358	22,366,471
Other non-convertible debt assets	4,974,848	5,439,118
Deposits in banks	961,372	1,109,084
Total non-marketable debt assets	20,980,578	28,914,673
Impairment applied to income statement (cumulative)	86,207	

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 statements.

	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**

	As of September 30, 2015			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	6,255,181	176,723	-	6,431,904
Non-marketable debt assets	-	12,583	-	12,583
Stocks	792,240	-	75,406	867,646
Other financial investments *)	1,028,744	80,940	1,027,186	2,136,870
Total financial investments	8,076,165	270,246	1,102,592	9,449,003
*) Of which, with respect to derivatives	3,833	14,902	495	19,230

	As of December 31, 2015			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Audited			
Financial investments:				
Marketable debt assets	6,331,551	156,673	-	6,488,224
Non-marketable debt assets	-	11,477	-	11,477
Stocks	893,927	-	80,883	974,810
Other financial investments *)	977,898	93,904	1,013,408	2,085,210
Total financial investments	8,203,376	262,054	1,094,291	9,559,721
*) Of which, with respect to derivatives	3,388	24,524	563	28,475

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

NIS in thousands	Stocks	Other financial investments	Total
		Unaudited	
As of January 1, 2016 (Audited)	**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**

NIS in thousands	Stocks	Other financial investments	Total
		Unaudited	
As of January 1, 2015 (Audited)	6,190	791,748	797,938
Total income (loss) which was recognized:			
Under profit and loss	2,151	25,659	27,810
Under other comprehensive income	(2,434)	54,095	51,661
Acquisitions	72,500	270,018	342,518
Sales	(1,201)	(110,730)	(111,931)
Interest and dividend receipts	(1,800)	(3,604)	(5,404)
As of September 30, 2015	75,406	1,027,186	1,102,592
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2015	1,827	25,629	27,455

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**

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, 2015	77,865	936,091	1,013,956
Total income (loss) which was recognized:			
Under profit and loss	1,183	8,886	10,069
Under other comprehensive income	(1,641)	39,087	37,446
Acquisitions	-	77,420	77,420
Sales	(1,201)	(33,803)	(35,004)
Interest and dividend receipts	(800)	(495)	(1,295)
As of September 30, 2015	75,406	1,027,186	1,102,592
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2015	826	8,886	9,711

NIS in thousands	Stocks	Other financial investments	Total
		Audited	
As of January 1, 2015	6,190	791,748	797,938
Total income (loss) which was recognized:			
Under profit and loss	3,251	33,187	36,438
Under other comprehensive income	3,043	30,469	33,512
Acquisitions	72,500	308,958	381,458
Sales	(1,201)	(146,682)	(147,883)
Interest and dividend receipts	(2,900)	(4,272)	(7,172)
As of December 31, 2015	80,883	1,013,408	1,094,291
Total income for the period included under profit and loss with respect to held financial assets as of December 31, 2015	3,584	33,231	36,815

Note 5- Financial Instruments (Cont.)

C. Financial liabilities

1. Composition and fair value:

NIS in thousands	As of September 30 2016 Book value	As of September 30 2016 Fair value	As of September 30 2015 Book value	As of September 30 2015 Fair value	As of December 31 2015 Book value	As of December 31 2015 Fair value
	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	71,882	70,000	71,800
Clal Credit and Finance	**6,237**	**6,248**	35,732	35,885	25,853	25,899
Total liabilities presented at amortized cost	**76,237**	**78,048**	105,732	107,768	95,853	97,699
Financial liabilities resented at fair value through profit and loss:						
Liabilities with respect to derivative financial instruments and short sales *)	**111,908**	**111,908**	419,944	419,944	247,356	247,356
Total liabilities to banking corporations and others	**188,145**	**189,956**	525,676	527,712	343,209	345,055
Deferred liability notes **)	**3,107,666**	**3,367,607**	3,227,749	3,495,635	3,219,656	3,519,275
*) Of which, with respect to investment-linked liabilities	**81,895**	**81,895**	316,079	316,079	196,983	196,983

**) For details regarding the replacement of deferred liability notes, see Note 8(c).

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 statements.

NIS in thousands	As of September 30, 2016 Level 1	Level 2	Level 3	Total
	Unaudited			
Derivatives	**1,532**	**110,376**	-	**111,908**
Total financial liabilities	**1,532**	**110,376**	-	**111,908**

NIS in thousands	As of September 30, 2015 Level 1	Level 2	Level 3	Total
	Unaudited			
Derivatives	6,365	413,579	-	419,944
Total financial liabilities	6,365	413,579	-	419,944

NIS in thousands	As of December 31, 2015 Level 1	Level 2	Level 3	Total
	Audited			
Derivatives	3,851	243,505	-	247,356
Total financial liabilities	3,851	243,505	-	247,356

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),(4) to the annual financial statements.

Note 6 – Capital Management and Requirements

A. Capital management and requirements in the group

For details regarding the management of capital requirements in the Company, see section B below. As of the end of the reporting period, Clal Insurance achieved its target capital, as determined by the Board of Directors of Clal Insurance. Additionally, as of the end of the reporting period, managing companies under the control of Clal Insurance have a capital surplus relative to the minimum equity required pursuant to the Equity Regulations. For additional details, see Note 16(d) to the annual financial statements.

B. Capital requirements for insurance companies in the group

1. For additional details regarding the capital requirements for insurance companies in the group, see Note 16(e) to the annual financial statements.

2. Details regarding capital requirements

Presented below are details pertaining to capital requirements in accordance with the Control of Insurance Business Regulations (Minimum Capital Required of Insurer), 5758-1998, including the amendments thereto (hereinafter: the "**Capital Regulations**"), and directives issued by the Commissioner which are applicable to consolidated companies that are insurance companies:

	As of September 30, 2016		As of December 31, 2015	
	Clal Insurance	Clal Credit Insurance	Clal Insurance	Clal Credit Insurance
NIS in thousands	Unaudited		Audited	
Minimum capital:				
Amount required pursuant to the amended Equity Regulations [1]	4,619,044	33,906	4,607,129	36,235
Current amount as calculated pursuant to the Capital Regulations:				
Basic Tier 1 capital	4,036,808	190,445	4,401,932	175,968
Tier 2 subordinated capital [2]	128,303	-	222,360	-
Tier 2 hybrid capital	2,450,964	-	2,600,322	-
Tier 3 capital	111,938	-	111,938	-
Total Tier 2 and Tier 3 capital	2,691,205	-	2,934,620	-
Total current capital, calculated according to the Capital Regulations [3]	6,728,013	190,445	7,336,552	175,968
Surplus *)	2,108,969	156,539	2,729,423	139,733
Capital operations subsequent to the reporting date:				
Amortization of Tier 2 subordinated capital	-	-	(14,992)	-
Surplus in consideration of operations which were performed subsequent to the reporting date	2,108,969	156,539	2,714,431	139,733
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	132,177	-	123,232	-
Required capital reduction with respect to original difference	203,513	-	205,329	-
Tax reserve with respect to the acquisition of provident funds	97,898	-	90,032	-
Surplus in consideration of operations which were performed subsequent to the reporting date and after deducting tied-up surplus	1,871,177	156,539	2,475,902	139,733
1) Total required amount, including capital requirements with respect to:				
Non-life insurance operations / required Tier 1 capital	554,909	29,792	577,724	29,792
Long term care insurance operations	110,277	-	106,447	-
Extraordinary risks in life insurance	420,000	-	419,001	-
Deferred acquisition costs in life insurance and illness and hospitalization insurance	1,302,154	-	1,297,140	-
Requirements with respect to guaranteed return plans	2,989	-	4,128	-
Non-recognized assets, as defined in the Capital Regulations	52,990	174	65,731	343
Investment in consolidated insurance and managing companies (including acquired management operations)	753,738	-	760,341	-
Required capital reduction with respect to original difference	(203,513)	-	(205,329)	-
Capital required with respect to investments	1,110,175	1,819	1,054,125	3,203
Catastrophe risks in non-life insurance	119,350	-	129,831	-
Operational risks	282,048	2,121	282,132	2,897
Guarantees	113,927	-	115,858	-
Total required capital	4,619,044	33,906	4,607,129	36,235

*) See section B(3) below for details regarding the Commissioner's letter in connection with a dividend distribution.
2) Issued until December 31, 2009.
3) See section B(3) below.

Note 6 - Capital Management and Requirements (Cont.)

B. Capital requirements for insurance companies in the group (Cont.)

3. Clal Insurance -

Solvency II-based solvency regime

Further to that stated in Note 16(e)(3)(d) to the annual financial statements, in recent years, several letters have been sent by the Commissioner to the managers of the insurance companies, regarding the outline for implementation of a new Solvency II-based solvency regime. In September 2016, several additional letters were sent by the Commissioner on the matter (hereinafter: the "**Letters**").

In accordance with the letters, the Commissioner intends to change the application date of the aforementioned regime to January 1, 2017; however, the insurance companies will be required to provide disclosure regarding economic capital, "capital required for solvency" and "SCR" as of December 31, 2016 in the financial statements for the first quarter of 2017. On this matter, the letter specified the following: "SCR" will be the required capital for solvency in accordance with the instructions for implementation of the new solvency regime. The letters further stated that the Commissioner intends to determine that MCR ("minimum capital requirement") will be equal to the amount required in accordance with the current Capital Regulations; however:

A. If the amount required in accordance with the current Capital Regulations is higher than 60% of SCR, MCR will be equal to 60% of SCR.
B. If the amount required in accordance with the current Capital Regulations is higher than 40% of SCR, MCR will be equal to 40% of SCR.

The letters included updates to the transitional provisions which were determined in the previous letter, in a manner whereby, in addition to the transitional provisions regarding the capital requirement with respect to stock risk, it was also determined that the required capital for the solvency of an insurance company as of January 1, 2017 will be 60% of SCR (hereinafter: the "**First Milestone**"); the required capital for solvency of an insurance company as of December 31, 2017 will be 80% of SCR; beginning on December 31, 2018, the required capital for solvency of an insurance company will be SCR.

In October and November 2016, preliminary drafts were sent by the Commissioner regarding parts of the directive with respect to the implementation of Pillar 1 of the new solvency regime, including directives, inter alia, with respect to rules for the preparation of the balance sheet, the calculation capital requirements, the composition of recognized capital, including the conditions for the recognition of various capital instruments, the supervisory intervention hierarchy (which includes, inter alia, a requirement for supervisory intervention already at the stage when the insurer's capital decreases below SCR), and the frequency of the calculations which will be required. The Company is still in the stage of studying the drafts in advance of a discussion with the Capital Market, Insurance and Savings Authority regarding them, and is also evaluating the effect of the drafts on the calculation of the solvency ratio, and at this stage, it is unable to estimate whether the drafts, insofar as they will be adopted as final directives, will have an impact on the solvency ratio, with respect to the instructions regarding the performance of IQIS5 (for details regarding the instructions regarding the performance of the quantitative impact study IQIS5, see below). Additionally, an evaluation is being performed regarding the implications of the drafts on financial and business preparations, including regarding the impact of the drafts on the ability to issue capital instruments, and the conditions thereof, and on the operational preparations for the performance of the calculations within the determined timetables. A complete draft of the instructions for the implementation of Pillar 1 of the new solvency regime has not yet been published.

Note 6 - Capital Management and Requirements (Cont.)

B. Capital requirements for insurance companies in the group (Cont.)

3. Clal Insurance (Cont.)

Solvency II-based solvency regime (Cont.)

Evaluation of the capital status in accordance with the guidelines for the performance of the IQIS study for 2015

On April 21, 2016, a circular was published regarding "Instructions for the performance of IQIS for 2015" (hereinafter: the "**Circular**"), according to which Clal Insurance performed, during the reporting period, an additional quantitative impact study based on the data for December 2015 (hereinafter: the "**IQIS5 Study**").

The circular was set forth by way of reference to European legislation, and includes additional amended adjustments for the local market, as compared with those which were given within the framework of previous instructions regarding the implementation of quantitative impact studies. The changes primarily pertain to the stabilization of risk-free interest rate curves through extrapolation until the ultimate forward rate point, composition of recognized capital, reduced capital requirement with respect to investment in infrastructure (capital and debt), adjustment of capital requirements with respect to managing companies, and updates to the capital requirement calculation formula with respect to premium and reserve risk in non-life insurance.

In accordance with the provisions of the circular, Clal Insurance performed an assessment of the ratio between its current capital and required capital (hereinafter: "**Solvency**") as of December 31, 2015 (hereinafter: the "**Calculation Date**"). In accordance with the results of the estimate, as of the calculation date, Clal Insurance has current capital exceeding required capital, according to the new solvency regime, in consideration of the transitional provisions which pertain to the gradual increase of the capital requirements with respect to stock risk. Without taking into account the aforementioned transitional provisions, there is an immaterial capital deficit. The results of IQIS5 were submitted to the Commissioner on August 23, 2016.

In consideration of the update to the transitional provisions, and based on the data for December 2015, the Company would have presented a significant capital surplus (based on the first milestone in the updated transitional provision). However, given the decrease in the interest rate, as compared with the end of 2015, and the proposed outline for implementation, as stated above, there is uncertainty regarding the implications of the new capital regime at the end of the transition period.

The solvency ratio as of the date of initial application of the new solvency regime may differ from the capital status as of the calculation date, in light of the inherent sensitivity of the model used to calculate current capital and required capital to additional changes in market variables, demographic variables and other variables, as well as developments in the Company's business operations, which may result in significant fluctuations in the solvency ratio from one period to another.

The decrease which was recorded in the risk-free interest rate curve relative to the end of 2015, insofar as the curve will not improve, may have a negative impact on the future solvency ratio of Clal Insurance. However, the aforementioned update to the transitional provisions positively affects the solvency ratio of the Company as of the date of initial application, which has an offsetting effect on the interest effect. It is noted that an increase in the long term risk-free interest rate curve may prevent or moderate the negative impact on the solvency ratio, as stated above. As stated above, the final guidelines have not yet been published, and insofar as the guidelines will include changes with respect to the implementation of IQIS5, the solvency ratio of Clal Insurance may change relative to the current assessment.

The implementation of the provisions of the solvency regime may change both the recognized regulatory capital and the required regulatory capital, and based on a complete calculation, according to the currently available indications, is expected to result in a significant decrease in the solvency ratio of Clal Insurance, relative to the solvency ratio according to the current capital regime, and in certain conditions, subject to the final regulatory arrangements which will be determined, may be relevant to the definition of suspending circumstances in some of the deferred liability notes which were issued in the group (for details regarding suspending circumstances, see Note 25 to the annual financial statements). However, in general, the capital requirements in the solvency regime are intended to represent an absorption cushion for more severe events, with a lower probability, than the capital requirements under the current governance.

Note 6 - Capital Management and Requirements (Cont.)

B. Capital requirements for insurance companies in the group (Cont.)

3. Clal Insurance (Cont.)

Dividends

According to the Companies Law, a dividend distribution out of the capital surplus of 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, as specified below.

Further to that stated in Note 16(e)(3)(d)to the annual financial statements, in August 2016, the Commissioner sent a letter to the managers of the insurance companies regarding “Dividend distributions by insurance companies” (hereinafter: the “**Letter**”). The letter constitutes an update to a previous letter from December 2011. In accordance with the letter, an insurance company is not entitled to distribute dividends unless, after the performance of the distribution, the insurer has a ratio of recognized capital to required capital (hereinafter: “**Solvency Ratio**”) of at least 115%, in accordance with the current Capital Regulations, and additionally, a solvency ratio in accordance with the updated quantitative impact study regarding the implementation of a new solvency regime (IQIS5), or in accordance with the guidelines regarding the implementation of Pillar 1 of the new solvency regime, as applicable, calculated without the transitional provisions, according to the rates specified below:

Reporting date	Up to and including the financial statements with respect to December 31, 2017	Up to and including the financial statements with respect to December 31, 2018	From the financial statements with respect to March 31, 2019
Required solvency ratio	115%	120%	130%

In light of the capital status of Clal Insurance as of December 31, 2015, as reflected in the results of IQIS5, as specified above, Clal Insurance may not distribute dividends until its capital ratio according to this regime exceeds the required rate, as specified above. The scope of the distribution which Clal Insurance will be entitled to implement after its solvency ratio has exceeded the aforementioned threshold will also be affected by the requirement to maintain the aforementioned threshold immediately after the distribution.

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.

The Company -

The balance of distributable earnings as of the reporting date, in accordance with the “profit test” in the Companies Law, and in accordance with the capital requirements in accordance with the permit for control of institutional entities which are held by the Company (which was canceled on May 8, 2014, as specified in section 4 below), amounted to a total of approximately NIS 1.2 billion. A dividend distribution in the Company will require taking into account the impacts which will result on the level of the institutional entities from the application of a new Solvency II-based solvency regime, as described above, and is significantly affected by the ability of investee companies to distribute dividends, in light of their capital requirements and liquidity requirements, as stated above.

Note 6 - Capital Management and Requirements (Cont.)

B. Capital requirements for insurance companies in the group (Cont.)

4. 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 2.9 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 cushion 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 2015.

   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 financial statements for 2015.

5. For details regarding the replacement of deferred liability notes, see Note 8(c).

6. For details regarding the extension of the validity of the shelf prospectus of Clalbit Finance until May 29, 2017, see Note 8(f).

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 year, until its signing date, other material claims and derivative claims against the group's member companies.

The following claims 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, 5766-2006 (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 with respect to which a motion may be filed for approval as a class action against the group's member companies is broad, and includes any matter arising between a company and a customer, whether or not they have entered into a contractual agreement.

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 winning 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 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 defined 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, while others are in appeal proceedings.

[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 31 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 Clal Insurance determined, in a 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, Clal Insurance collected and continues 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 plaintiffs, in 2001, or proximate thereto, Clal Insurance 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 added 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 these circumstances, the Court issued a decision stating that the position of the Insurance Commissioner is required.	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, 5768 - 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 to allow him 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 of Clal Insurance and a fixed-payment policy (whether of Clal Insurance or of another insurance company), and to whom, following the aforementioned amendment to the law, an annuity factor[4] was not guaranteed in the capital policy, or to whom an 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, that 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 within the framework of conducting the claim, and an examiner was appointed for the case.	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] An 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 Clal Insurance in advance, Clal Insurance does not reimburse to policyholders the surplus proportional share of the insurance premium with respect to that month, or alternatively, reimburses 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, 5741 - 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 against Clal Insurance only with respect to the motion to approve regarding a claim of non-payment of proportional 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 Reimbursement Claim”). In September 2016, a settlement arrangement was filed with the District Court (the “Settlement Arrangement”), in which the defendants undertook to donate to public causes amounts which had been overcollected by virtue of the proportional reimbursement claim, as well as additional amounts by virtue of the nominal reimbursement claim, according to the partial rates which were determined in the specified in the agreement, and in accordance with the determination of an examiner who will be appointed by the court within the framework of the settlement agreement. The settlement agreement is subject to the approval of the Court, the issuance of which is uncertain.	As a class action, 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, 5741-1981, 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 is 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 damage amount for each defendant, which reflects full repayment, on an estimated basis, which will be paid with the addition of linkage differentials and interest, to the plaintiffs who made contact, and to whom the payment of insurance benefits was delayed due to a legal restriction against payment. Any remaining amounts which have not been demanded will be transferred for donations. Additionally, within the framework of the settlement arrangement, future mechanisms were established regarding the revaluation of insurance benefits, the transfer of which will be delayed due to foreclosures. The entry into force of the settlement agreement is conditional upon the receipt of approval from the Court.	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 Clal Insurance breaches its obligation to attach linked interest and duly calculated linkage differentials, with respect to the insurance benefits which it pays. 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 Clal Insurance 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 Clal Insurance, to which duly calculated interest (the "**First Class**") and duly calculated linkage differentials (the "**Second Class**") were not added.	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 added, 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 August 2016, the defendants withdrew, with the approval of the Supreme Court, the 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 which was made by the Company regarding a similar issue, does not give rise to a final judgment blocking the filing of the motion to approve, and does not make any defense available to the defendants, and the parties reserved all of their claims regarding the main proceeding.	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

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, Clal Insurance charges 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 respondents, 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 added 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 regarding the case, at the request of the Court, according to which, in general, no restriction exists which would prevent the collection of the sub-annual installments component, with respect to the collection components. 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. Clal Insurance is studying the decision.	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, Clal Insurance collects from policyholders, without any basis in the policies and without their 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, when the current claim was filed, the Court 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 to it were filed with the Court, according to which the defendants were required to pay a total of NIS 100 million with respect to the past (of which the share of Clal Insurance was 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, due to its opinion that it does not constitute an appropriate, reasonable and fair arrangement, in consideration of the interests of the class members. Additionally, the Court decided to partially approve the management of the claim as a class action, only with respect to life insurance policies combined with savings which were prepared between the years 1992 and 2003 (with respect to Clal Insurance, in policies of the “Preferred”, “Meitav” and “Profile” types), in which the savings which accrued for policyholders in those policies were harmed 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 prior to the filing date of the claim, in April 2011. The claim was not approved with respect to the other types of policies (hereinafter, jointly: the “Decision”). The claimed remedies, as defined in the Court’s decision, include curing the breach by way of implementing an update to the savings accrued for policyholders by the additional savings amount which would have accrued in their favor, had the policy factor not been collected, or compensation to the policyholder in the aforementioned amount, and discontinuation of the collection of the policy factor from this point forward. Payment of legal fees was also ruled for the representatives of the class action plaintiffs 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 claim with respect to the savings component in the relevant policies is estimated as a total of approximately NIS 700 million with respect to 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, or the collection amounts with respect to the policy factor, which are expected to be received in the future. Clal Insurance is studying the decision, and intends to appeal it, 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 made by the plaintiffs with respect to the collection of the policy factor in the last seven years 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.)

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
1.	4/2010 District - Center	Clal Insurance and 3 additional insurance companies	The plaintiff contends that the defendant breaches its obligations and does not act to identify policyholders and beneficiaries and to repay funds which are held by it and are unclaimed, and, inter alia, avoids the performance of the location and information delivery actions, does not contact the Population Registry, and does not transfer the funds to the Administrator General on the required date. The plaintiff contends that the rights holders are not receiving their funds, and also that the defendant is receiving management fees above the permissible rate, as well as commissions and returns generated for it by the unclaimed assets.	To order the defendant to transfer the funds to the entities holding rights thereto, and to order the defendant to perform all of the required actions. To order the defendants to compensate the class members and to repay the funds, with the addition of duly calculated linkage differentials and interest. To repay the commissions and management fees which were collected with respect to these funds, to appoint a functionary for the purpose of enforcing the orders, or alternatively, to order any other remedy in favor of the class or the public.	Any person who holds rights to the assets held by the defendant, or to assets which are under its responsibility or control, and who were not informed by the defendant regarding the fact that they were the owners of assets held by it, as it was required to do according to the duties which applied to it.	In September 2012, the position of the Attorney General of Israel was filed, in which he clarified that, in light of the new arrangement which was published on the matter, and from its commencement date, a previous arrangement which had been determined on the matter was canceled, and the remedy requested by the plaintiff, according to which the Court should order the defendants to establish a separate fund for monies which were not demanded, contracts the provisions of the new arrangement. In February 2016, a settlement arrangement and a motion to approve it were filed with the District Court (hereinafter: the "**Settlement Arrangement**") according to which the defendants undertake to take certain actions to locate the class members which were defined in the claim, according to the alternatives the settlement arrangement, and that they are required to pay to the plaintiff and her representatives compensation and professional fees, in immaterial amounts. Approval of the settlement agreement, subject to the approval of the Court, the issuance of which is uncertain. In September 2016, the Attorney General of Israel filed his position regarding the settlement arrangement, in which he stated that he does not object to the approval of the settlement arrangement, and that he leaves the determination regarding whether or not to approve the settlement arrangement to the discretion of the Court. However, he believes that in the absence of a significant advantage or benefit for the class members by virtue of the proposed arrangement, and in light of the regulatory changes which have occurred since the filing of the claim, and in accordance with the provisions of the regulatory arrangement which is currently in effect, the claim has become unnecessary, and the most appropriate proceedings to conclude it is an withdrawal arrangement in accordance with section 16 of the Class Action Law.	The plaintiff is unable to estimate the amount of the claim.

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.	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 funds, 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 addition to the settlement agreement, and for the addition of a third group, which includes all of the holders of the Respondent's life insurance policies which include a sub-annual installments component, of the "individual insurance" and "pure risk" types, including "compensation for the self-employed", as well as all of the holders of the Respondent's health and long-term care insurance policies which include a sub-annual installments component, in whose policies, until the effective date, the Respondent increased the rate of sub-annual installments. In December 2015, the Court appointed an examiner for the settlement agreement, who filed his opinion both regarding the settlement agreement and regarding the aforementioned addendum to the settlement agreement, in September 2016. The settlement agreement and the aforementioned addendum are subject to the approval of the Court, and there is no certainty that such approval will be received, nor that the suspensory conditions specified therein 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
3.	4/2013 District - Tel Aviv	Clal Insurance	According to the plaintiff, whose deceased wife (the “**Policyholder**”) was insured under the 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
4.	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, 5741 - 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 added 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. It is noted that, at this stage, there is no certainty regarding the Court's decision on the Motion, and the proceedings are currently in the stage involving 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 473.8 million.
5.	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 from 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
6.	6/2014 District - Jerusalem	Clal Insurance and additional insurance companies	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, supported the position of the defendants, and determined that there is no regulatory arrangement which establishes an obligation for the insurance companies to inform, at their own initiative, from time to time, the amount insured in the policy, and that the insurance company is not entitled to introduce changes to the policy terms, including to the insurance amount, without receiving explicit instructions to do so by the policyholder. In November 2014, a motion to approve an additional class action was filed against Clal Insurance, on the same matter, in an immaterial sum.[5] The parties agreed to conduct 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 NIS 97 million.

[5] The claim was filed against Clal Finance Mortgages Ltd., a company which no longer exists, with respect to life insurance for mortgage takers, which was 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.A2.(6).

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
7.	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. The Court is required to reach a decision regarding whether it insists on accepting the position of the Control of Insurance Office.	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
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.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	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.)

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
9.	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.	Mediation proceedings are being conducted between the parties.	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
10.	11/2014 District - Economic Department of Tel Aviv	Bank of Jerusalem Ltd. (hereinafter: "**Bank of Jerusalem**") and against 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[6].	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 breach of the law. The plaintiff contends that Clal Batucha breached its obligation to inform its customers regarding any conflict of interests which it has regarding 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.	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 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.

[6] Clal Finance Ltd. is not party to the claim; however, it received notice regarding the filing of the claim from Bank of Jerusalem, in accordance with the agreement for the sale of Clal Batucha to Bank of Jerusalem, according to which Clal Finance, a wholly owned subsidiary of the Company, has an undertaking to indemnify, which the Company accepted upon itself, as specified in Notes 27(b)(1) and 27(b)(2) to the annual financial statements. The aforementioned undertaking to indemnify may be activated if and insofar as Bank of Jerusalem is given orders by law in connection with the aforementioned claim, and subject to the terms of the agreement between the parties. Additionally, some of the directors who served in Clal Batucha during the period when it was controlled by the Company and defendants in the claim hold letters of indemnity towards the Company and/or Clal Finance and/or Clal Batucha.

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
11.	1/2015 District - Economic Department in Tel Aviv	Harel Pia Mutual Funds Ltd. (hereinafter: "**Harel Pia**") and against additional defendants which are management 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**")[7]	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 fees (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 effectively 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, 5754-1994 (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 is 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 charged and/or from whom payment for operating services was directly or indirectly charged.	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 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 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.

[7] The Company is not a party to the claim; however, it received notice regarding the filing of the claim from Harel Finance Holdings Ltd., in accordance with an 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(b)(1)(a) to the annual financial statements, the Company accepted upon itself an undertaking to indemnify Harel within the framework of a capital reduction in Clal Finance, see Note 27(b)(1) to the annual statements. The aforementioned undertaking to indemnify may be activated if and insofar as Harel Pia owes funds by law, in connection with the aforementioned claim, and subject to the terms of the agreement between the parties.

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.	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.	Mediation proceedings are being conducted between the parties.	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.
13.	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.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. Following the dismissal of the motion to transfer the hearing which was filed by the plaintiff with the Magistrate's Court, where he is conducting a personal claim with the same cause of action, and with additional causes of action, and the continuation of the proceedings in the personal claim, the petitioners filed with the Court, in September 2016, a motion to replace them with the organization "Public Trust".	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.

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
14.	5/2015 District - Jerusalem	Clal Insurance and an additional insurance company	According to the plaintiff, after many 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 added 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
15.	5/2015 District - Center Lod	Clal Insurance	According to the plaintiff, the holder of a health insurance policy of Clal Insurance, the insurance coverage for tests for pregnant women, with respect to married policyholders, is contingent upon the stipulation that "both partners must be insured by the insurance company, except in cases where the other partner is insured through his workplace, or in an individual personal framework" (hereinafter: the "**Condition**"). The plaintiff contends that the condition is discriminatory and is in breach of the prohibition set forth in the Prohibition Against Discrimination in Products, Services and Entrance to Places of Entertainment and Public Places Law, 5761 - 2000.	To order Clal Insurance to pay, to each one of the class members, insurance benefits in accordance with the provisions of the relevant policy, with respect to the pregnancy tests which she performed, which the policyholder did not receive due to the condition, with the addition of interest and linkage, and with the addition of compensation for the non-monetary damages which were caused to her, and to order the cancellation of the condition.	Any policyholder who did not contact Clal Insurance with respect to the condition, or who contacted Clal Insurance and was rejected, in part or in full, by Clal Insurance, in an attempt to realize her health insurance policy due to the condition, including by claiming that her partner is not insured by Clal Insurance, or is not insured through his workplace, or in a individual personal framework, or where the foregoing has not been proven to the satisfaction of Clal Insurance.	The parties are currently conducting negotiations regarding a settlement.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of over NIS 2.5 million.
16.	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
17.	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 alleges 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 6 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.
18.	8/2015 District - Tel Aviv	Clal Insurance	According to the plaintiff, for the purpose of determining the occurrence of a long term care insurance event, Clal Insurance applies a method of evaluation which separates the activities of daily living, 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 activities, 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.	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
19.	9/2015 Regional Labour Court of Tel Aviv	Clal Insurance	The plaintiff contends that, in a motion to approve the claim as a class action, and in the answer to the defendant's response, Clal Insurance performed an incorrect, faulty and deficient calculation of the interest and linkage applicable to the amounts which are 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.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. Clal Insurance's motion to remove sections and annexes from the plaintiff's response to its response to the motion to approve was accepted, and its motion for disclosure and review of documents was dismissed. With respect to these two decisions, the plaintiff filed a motion for leave to appeal with the National Labor Court. The Court has decided to hear the appeal against the decisions.	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.
20.	9/2015 District - Center	Clal Insurance and four other insurance companies	The plaintiffs contend that Clal Insurance, 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 bladder, 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
21.	9/2015 District - Tel Aviv	Clal Pension and Provident Funds Ltd. and four additional companies which are manage 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.
22.	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 striking of the claim and then reneged, 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 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
23.	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.
24.	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 decreased 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
25.	1/2016 District - Center Lod	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), 5724 - 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.	In November 2016, a decision was given by the Court according to which the hearing regarding the motion to approve would be transferred to the Regional Labor Court of Tel Aviv. 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[8].
26.	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 it 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.

[8] The claim also alleges that the plaintiff incurred additional damages, 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
27.	2/2016 District - Center Lod	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 plaintiff, the association Financial Justice (R.A.), 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 damages which they incurred, due to the overpayment which was imposed on them through excess management fees which were collected from them, or alternatively, to issue any other remedy in favor of the class.	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 claim.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The class action amount specified in the statement of claim, with respect to the damages incurred by the class members, amounts to a total of approximately NIS 368 million against all defendants, of which, approximately NIS 109 million was attributed to Tmura.

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
28.	2/2016 District - Tel Aviv	The Company and the Company's directors[9].	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 "Temporary 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. 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 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.

[9] It is noted that directors in the Company have letters of indemnity from the Company.

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.	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 as 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
30.	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 defendants 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
31.	8/2016 District - Center Lod (1) 10/2016 Regional Labor Court of Jerusalem (2) 11/2016 Regional Court of Jerusalem (3)	Clal Pension and Provident Funds	The three claims involved an allegation that the defendant collects from members in the pension funds, in the Tamar provident funds and in the study fund which are managed by it, in addition to the management fees, also “investment management expenses” (hereinafter: “Direct Expenses”), although there is no contractual provision which allows it to collect those expenses, and in breach of the fund regulations.	The plaintiffs in the three claims are requesting to order the defendant to repay the investment management amounts which were overcollected from them. Additionally, some of the plaintiffs are requesting to order the defendant to pay the additional differential returns which the overcollected amounts would have generated had they been invested in the pension fund, while others are requesting to charge the defendant duly calculated NIS interest differences, from the date of the overcollection until the date of actual payment.	Members of the pension funds, study fund and “Clal Tamar” provident fund which are managed by the defendant, from whom investment management expenses were collected during the seven years preceding the filing of the claim.	The proceedings are currently being heard within the framework of the motions to approve the claims as class actions.	In claim 1, with respect to the pension funds, the amount of the class action against the defendant amounts to a total of 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, with respect 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, with respect 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.

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
32.	9/2016 District - Tel Aviv	Clal Insurance and three other insurance companies	The claim involves an assertion that the respondents collected and continue to collect, allegedly, from 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, deliberately and intentionally, health insurance policies which include coverages which the policyholders do not need, since they hold supplementary health insurance on behalf of the health fund to which they belong, and that they also made a certain service conditional upon another service, in the absence of a possibility to purchase a limited policy which will include only coverages which are not included in the supplementary health insurances of the health fund, thereby creating “double insurance”.	Reimbursement of the excess premium amounts which were allegedly unlawfully overcollected, issuance of a mandamus order instructing the respondents 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.	Any person who is or was a holder of health insurance policies of any of the respondents which include fully or partially overlapping coverages to the coverages which are included in the supplementary health insurance 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 sum of NIS 4.45 billion, where the share of Clal Insurance out of this sum as calculated by the plaintiffs, amounts to 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
33.	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 pertains to the allegation that Clal Insurance places conditions on the release of the severance pay component which accrued in managers insurance policies (hereinafter: the "Policies") by virtue of the extension order for compulsory pension (hereinafter: the "Extension Order"), with the employer's consent. Clal Insurance thereby cooperates with the employer, allows the employer to make claims over years against the transfer of the severance pay accrual to the employees, and during this period, continued collecting management fees out of the funds which remain accrued in the policies.	A declaratory relief primarily including a determination stating that the class members are entitled to receive the accrual of severance pay which the employer deposited to the pension arrangement in their name by virtue of the extension order, with no conditions or restrictions. The plaintiff is also petitioning to order Clal Insurance to notify the class members regarding their right to withdraw the severance pay component without conditions, and to determine the way in which the notice will be delivered to the class members.	All holders of pension insurance in Clal Insurance, for whom severance pay accrued in the pension arrangement beginning on January 1, 2008, the date of entry into effect of the extension order, who concluded their employment, and whose employer's approval was not given for the release of the severance pay which is registered in their names. The plaintiff estimates that the number of class members includes 70,500 policyholders.	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 defendant was set as a total of NIS 479 million.
34.	9/2016 District - Center Lod	Clal Insurance	The claim pertains to the assertion that Clal Insurance allegedly adopts wrongful commercial practices in its collection of premiums with respect to insurance policies which were created without the awareness of customers, explicitly or implicitly, by creating a proposal form for the engagement in an insurance policy which allows, on the one hand, performing the sale discussion by telephone, while on the other hand, does not require, allegedly and as defined therein, to record and/or to save 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.	Any person in whose name an insurance policy was recorded, directly from Clal Insurance and/or through other parties who are authorized on its behalf, including through insurance agents, during the seven years preceding the filing date of the claim, without his express consent - either written or in a properly recorded telephone call - and in any case, without his knowledge and/or from whom premiums were collected with respect to the aforementioned policies, in 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 claimed for all of the class members is estimated by the plaintiff, at this stage, as within the range from millions of NIS to tens of millions of NIS. The plaintiff is also claiming non-monetary damages, for herself and for the class members, with respect to harm to the autonomy of will, and with respect to 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
35.	11/2016 District - Center Lod (1) 09/2016 District Tel Aviv-Yafo (2)	Clal Insurance and an additional insurance company	The claims pertain to the allegation that, due to "unawareness" as a result of the non-presentation and publication of a students personal accidents insurance policy (the "Policy"), for the policyholder and their families, the policyholders do not exercise 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, inter alia, request the appointment of a committee with the participation of external representatives, which will be authorized to discuss and determine regarding all of the claims, and to transfer the burden of proof to the insurer. The plaintiffs in claim (2) request, inter alia, mandamus orders for compensation with respect to the trouble and cost of printing, in a total amount of NIS 1.5, for each class member, as well as 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 are between the ages of 3 and 19 (whose period of education in Israel began from kindergarten until the completion of their studies in 12th or 13th grade), who suffered an accident, which caused them to suffer physical injury, and who did not receive insurance benefits under the policy, as follows: (1) The "tooth fracture" group, and (2) the "medical expenses" group; (3) the "disability" group; (4) the "cases of death" group. The plaintiff is also requesting to establish an additional sub-group for each of the groups of the plaintiffs specified above, whose members include people and/or their parents and/or their inheritors who were born and/or who studied in Israel between the years 1974 and 1995, and who were injured after 1992, and who did not claim because they were unaware of the scope of the policy, and also on behalf of the group of all policyholders - all students and their parents from 1992 until today - who were injured. The plaintiff in claim (2) is requesting to represent all school or kindergarten students in the State of Israel who were insured with the policy and who did not receive it at their home, beginning with the academic year which commenced in September 2006 and/or any student whose cause of action against the insurance company was 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), the alleged personal damages 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, in the amount of approximately estimated damages for the other groups. The plaintiffs in claim (2) contend that the alleged damage claimed for all of the class members amounts to approximately NIS 23 million, plus interest and linkage, beginning with the academic year which commenced in September 2006.

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.	4/2007 District - Tel Aviv	Clal Batucha, and against several other stock exchange member companies, including Bank Hapoalim Ltd., Bank Leumi Le-Israel Ltd., Israel Discount Bank Ltd., First International Bank of Israel Ltd., Harel Investment House Ltd. and the Central Company for Stock Exchange Services Ltd.[10]	The claim and the motion to approve involve brokerage fees which, as alleged by the plaintiffs, were paid as a practice of Clal Mutual Funds Management Ltd. (which held, during part of the period which is relevant to the claim, control of Clal Batucha, hereinafter: "**Clal Mutual Funds Management**") as the manager of the mutual funds, to pay to Israel Discount Bank Ltd. (hereinafter: "**Discount Bank**") and to Clal Batucha, with respect to actions involving the purchase and sale of securities and/or foreign currency, which Discount Bank and/or Clal Batucha performs on its behalf, as a member of the Stock Exchange. The plaintiffs contend that some of the defendants unlawfully collected brokerage fees from the mutual funds which are managed by their subsidiaries, at rates which are higher than the rates collected from other customers of the defendants, in frameworks other than the mutual funds, who had lower scopes of activity and caused the reduced profit of each investor. The plaintiffs further contend that the continued collection of the aforementioned high fee is due to various agreements which Clal Finance Batucha reached with Discount Bank, within the framework of the sale of control in Clal Funds Management.	To repay the commissions that were allegedly overcharged since 2004, and a mandamus order requiring the defendants to change their conduct on all matters associated with the collection of commissions.	Holders of participation units in various mutual funds which were managed in the past by the banks' subsidiaries, including by Clal Mutual Funds, which was sold to Clal Finance.	In May 2016, the District Court gave a ruling in which it dismissed the motions to approve.	The damage alleged for the class was estimated by the petitioners, against all defendants, in the amount of approximately NIS 386.15 million. The petitioners contend that, out of this amount, Clal Finance Batucha is liable for a sum of approximately NIS 50.3 million, where with respect to part of the aforementioned amount, it is the sole defendant, and with respect to another part, it is a defendant jointly and severally with Bank Discount.

[10] Clal Finance Ltd. is not party to the claim; however, it received notice regarding the filing of the claim from Bank of Jerusalem, in accordance with the agreement for the sale of Clal Batucha to Bank of Jerusalem, according to which Clal Finance, a wholly owned subsidiary of the Company, has an undertaking to indemnify, which the Company accepted upon itself, as specified in Notes 27to the annual financial statements. The aforementioned undertaking to indemnify may be activated if and insofar as Bank of Jerusalem is given orders by law in connection with the aforementioned claim, and subject to the terms of the agreement between the parties.

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.	8/2008 District - Tel Aviv	Clal Insurance	According to the plaintiff, Clal Insurance acts in breach of the provisions of Section 1 of the Addendum to the Insurance Business (Control) Regulations (Terms of Private Motor Vehicle Insurance Contract), 5758-1998 (hereinafter: the "**Standard Policy**") by not reimbursing motor vehicle insurance policyholders of the defendant with respect to damages caused to the protective components which had been installed in the vehicle at their request, and signs the policyholders on a letter of settlement in breach of the Commissioner's directives.	Payment of the amount which constitutes, according to the plaintiff, the cost value of the protective measures in the vehicle for the class members, whether directly or by means of compensation to the public.	All holders of Clal motor property insurance policies and/or all holders of motor property insurance policies who were insured by Clal during the effective period, excluding policyholders belonging to vehicle fleets, regarding which all of the following conditions are met: 1. They installed in their private vehicles protective measures in accordance with Clal's requirements and/or in whose private vehicle protective measures were installed, in accordance with Clal's requirements; 2. The insurance event occurred to them during the effective period; 3. They were insured by Clal at the time of the occurrence of the insurance event. They did not receive full or partial indemnification from Clal with respect to the protective measures which were installed in their vehicles, as stated above, including by way of dismantling the protective measures.	In June 2016, the Court approved and gave force of ruling to an amended settlement arrangement which was signed between the plaintiff (and additional plaintiffs) and Clal Insurance (and additional insurance companies). The settlement arrangement establishes a mechanism for partial reimbursement due to total loss of the protective measures of policyholders who are included in the class of entitled parties according to the settlement arrangement, and who did not receive indemnification for them, and who will contact Clal Insurance through the methods set forth in the arrangement. It was further determined in the settlement arrangement that a minimum amount will be determined (hereinafter: the "**Minimum Amount**") regarding which, if the total payment amount to the eligible class members is lower than that amount, then Clal Insurance will contribute the difference, up to the minimum amount. The amended settlement agreement which was filed, inter alia, following the findings of a supplementary evaluation by the examiner and the position of the Attorney General of Israel, includes several changes which refer, inter alia, to the method used to implement the reimbursement, and to the amounts which will be paid within the framework of the settlement agreement, including with respect to the increase of the minimum payment rate which Clal Insurance will be required to pay within the framework of the settlement agreement, and which will be donated to public causes, if it is not effectively reimbursed to the class members.	According to the plaintiff, based on data from the defendant's financial statements, and on the assumption that the total sum of unreimbursed protective components amounts to approximately 2% of the total insurance benefits paid by Clal Insurance in each year, the plaintiff sets the damage amount for the entire class, as defined above, at approximately NIS 48.8 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
3.	7/2015 District - Tel Aviv	Clal Insurance and an additional insurance company	The plaintiff contends that Clal Insurance allegedly does not take into account, in its determination of premiums in comprehensive motor insurance, subjective historical data regarding the policyholder's vehicle, which affect its value, but does take into account these data when calculating the amount of compensation to which the policyholder is entitled, and also does not specify in the insurance policy the value of the vehicle as the basis for the calculation of the compensation, upon the occurrence of an entitling event.	To order Clal Insurance to cease determining insurance rates without taking into account the history of the insured vehicle, to repay to the class members the amounts which were unlawfully overcollected by it, with the addition of duly calculated linkage differentials and interest, from the date of collection until the date of its actual reimbursement; to order it to change the insurance agreements in a manner whereby, from now on, they will include the values of the insured vehicles, as the basis for the calculation of the premiums.	Policyholders who, during the last seven years, or during a certain part thereof, insured their vehicles in comprehensive insurance, and where there is a difference, with respect to the insured vehicle, between the basic price list price and the weighted price list price.	In July 2016, Clal Insurance was erased from the motion to approve, due to procedural reasons.	The personal damage claimed by the plaintiff with respect to Clal Insurance amounts to NIS 1,300 for each year during which his vehicle was insured by Clal Insurance. According to the plaintiffs' estimate, the total alleged damage claimed for all of the members of the class which they wish to represent amounts to NIS 1,170 million. The plaintiffs have not specified the amount claimed from Clal Insurance only, if the claim is approved as a class action.
4.	5/2012 District - Jerusalem	Clal Insurance, Clal Health an additional insurance company and three health funds	The plaintiffs contend that Clal Insurance refuses to insure the plaintiffs, persons with disabilities, in long term care insurance (or alternatively, establishes terms which are impossible for them), thereby injuring the right of the class members to equality and dignity, in breach of the provisions of the law, including, inter alia, the Equal Rights for Persons with Disabilities Law, 5758 - 1988 (the "Equal Rights Law").	To determine that the defendants breached the provisions of the law, including, inter alia, the Equal Rights Law, and to order them to stop discriminating against the class members, and to establish clear policies regarding individual, specific and egalitarian treatment towards persons with disabilities, and to provide retroactive coverage to the class members who are found eligible to receive insurance and/or to the class members who were insured and removed from insurance by the insurance companies.	All persons with disabilities (according to the definition of "person with disabilities" in the Equal Rights Law) who were customers of the defendants, and whose long term care insurance contracts were canceled by the defendants, as well as all persons with disabilities who applied for long term care insurance, but were refused insurance by the defendants, as well as all persons with disabilities who applied for long term care insurance, but did not contact the defendants, due to the knowledge that they would refuse them to insure them.	In April 2016, the plaintiffs filed with the Court a motion to withdraw from the motions to approve (hereinafter: the "**Motion to Withdraw**"). In September 2016, the Court approved the motion to withdraw, without ruling compensation for the plaintiffs or professional fees for their legal counsel.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 660 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
5.	5/2012 District - Jerusalem	Clal Insurance, Clal Health, Thorne Insurance Agencies and additional insurance companies	The plaintiffs contend that Clal Insurance discriminates against the class members by refusing to cover them in individual insurance policies, such as health, travel, pension, personal accidents, life, long term care and loss of working capacity insurance (the "Individual Insurance").	To determine and declare that the defendants have breached the provisions of the law, including the Equal Rights Law, and to order the defendants to stop discriminating against the class members, and to establish clear policies regarding the specific, unique and egalitarian treatment, without prejudice, of all persons with disabilities; to present an orderly policy on all matters pertaining to the refusal to provide insurance and to implement it with respect to insurance for persons with disabilities; and to provide retroactive coverage to the class members who will be found eligible to receive insurance after an egalitarian underwriting process.	The plaintiffs estimate the size of the class as approximately 700,000 people, which includes the entire group of people who requested insurance from the defendants during the effective period, and who were refused coverage under one of the individual insurance types by the defendants, due to an illness or disability which affect them, as well as persons with disabilities (as defined in the Equal Rights Law) who did not contact or will not in the future contact the defendants with a request for insurance, due to the knowledge that the defendants would refuse to cover them, due to their disability.	See section 4 above.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 934 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
6.	1/2013 District - Center	Clal Insurance, the Israeli Compulsory Motor Insurance Database (hereinafter: the “**Pool**”) and additional insurance companies.	According to the plaintiff, the defendants collect insurance premiums in compulsory motor insurance for a period of one full year, even in cases where the certificate of insurance is paid by the policyholder on a date later than the date specified in the certificate of insurance, despite the fact that the policy entered into effect only on the actual payment date, and not on the date specified in the certificate of insurance.	Repayment of the unlawfully overcollected premiums, with the addition of linkage and interest.	Policyholders of the defendants in compulsory motor insurance, who paid the premiums in arrears, in other words, after the date specified in the certificate of insurance which was issued to them, during the 7 year period which preceded the filing of the claim. Alternatively, the class which the plaintiff seeks to represent includes only the group of above policyholders who are insured as part of the Pool.	In April 2016, a ruling was given by the District Court, which dismissed the motions to approve, and in June 2016, an appeal was filed with the Supreme Court on behalf of the plaintiffs against this ruling. In October 2016, the appellants accepted the Court’s recommendation and withdrew the appeal, and the appeal was struck out, without an order for expenses.	The estimated aggregate damage of all of the respondents together amounted to approximately NIS 26.7 million, where out of this amount, a total of approximately NIS 2.7 million is attributed to the Israeli Compulsory Motor Insurance Database (the “Pool”).

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 year, as described in Note 7(a)(a3), there are pending against the Company and/or its subsidiaries motions to approve class actions which are immaterial, and regarding which a detailed description was therefore not included in the financial statements. As of the reporting date, there are 13 claims of this kind 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 192 million[11].

2. In addition to the aforementioned legal proceedings, from time to time there are also potential exposures which, at this stage, cannot be estimated or quantified, with respect to alerts regarding the intention to file class actions on certain matters, or specific legal proceedings which may in the future develop into class actions, and there is also potential exposure, which at this stage cannot be estimated or quantified, of the filing of additional class actions 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 activities of the group's member companies, which may result in disputes with customers 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 2 claims in which the plaintiffs did not specify the claim amount. For additional information regarding all class actions, see section 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.)

Along with the aforementioned considerations, in January 2015, an amendment to the Control of Financial Services (Insurance) Law, 5741 - 1981, entered into effect, which reflects a significant reform regarding the approval of insurance plans, and additionally, in February 2015, an insurance plan and provident fund regulations implementation circular was published, in which a policy was established regarding the submission of notice concerning a new insurance plan or regulations or changes therein, and in April 2015, an insurance circular was published on the subject of "Instructions regarding the phrasing of insurance plans", as well as a position paper on the subject of principles for the phrasing of insurance plans which include additional instructions which are to be included in insurance plans, and additional instructions which are not to be included in those insurance plans, and additionally, the exceptions which may be included in insurance policies were reduced, relative to the prior situation. In September 2016, a draft circular was published on the subject of instructions regarding the conduct of an insurer throughout the lifetime of the policy (hereinafter: the "**Conduct Of Insurer Circular**"), which includes the provisions of the circular on the subject of "Instructions regarding the phrasing of insurance plans" (which is expected to be canceled once the draft circular becomes binding), which includes, inter alia, instructions pertaining to additional restrictions on exceptions which can be included in insurance plans, and which signify an expansion of the insurance coverage (hereinafter: the "**Insurance Plan Reform**"). The insurance plan reform 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, also 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 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 regarding conflicting instructions issued by them or by 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.

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.)

The entry into effect of the Control of Finance Services Regulations (Provident Funds) (Payments to Provident Funds), 5774-2014 (the "Payment Regulations"), in general, and the update to the fund collection and intake interface in particular, are expected, in the short term, to increase the aforementioned complexity, although in the long term, they are expected to reduce it.

Additionally, further to the provisions of the Commissioner's circular from November 2012, regarding data cleansing 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, and are moving forward on a comprehensive process of data cleansing with respect to the systems in the long-term savings segment, which is expected to continue in the coming months as well. The institutional entities in the group performed provisions as required in their financial statements, and during the reporting period, in the amount of NIS 70 million. However, at this stage, the member companies in the group are unable to estimate the total scope and costs involved in the aforementioned handling and data cleansing procedures, including with respect to their past activities, or the exposure which will remain also after the completion of the process.

The exposure to unfiled claims against 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 sector-wide determinations, 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 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 September 2016, a draft amendment was published to the circular regarding the investigation and settlement of claims and the handling of public inquiries, according to which, in cases where the public inquiry indicates a significant, systemic flaw, which may recur, in the conduct of the institutional entity, the institutional entity is required to work to identify similar cases in which similar flaws occurred, and, insofar as similar cases have been found - to learn lessons, to correct the flaws within a reasonable period of time, and to submit a report to the Commissioner once per year. The adoption of the draft as a binding document may expand the group's exposure to the broad implications with respect to the aforementioned deficiencies, and could have a significant impact, 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 to an industry-wide determination, or 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 such claims.
The group has the ability to estimate the potential exposure which may be created if a class action is filed, as stated above.

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 the 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 issuance of 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 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. The cancellation ruling 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 force majeure. 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 was added as a plaintiff in the claim.

Note 7 - Contingent Liabilities and Claims (Cont.)

B. Material claims and derivative claims (Cont.)

B1. Current or concluded material claims which are not in the ordinary course of business or exposure to such claims (Cont.)

3. 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(b)(1)(b) to the Company's consolidated financial statements as of December 31, 2015. The aforementioned undertaking to indemnify may be activated if and insofar as Bank of Jerusalem will be subject to obligations by law in connection with the aforementioned claim, and subject to the terms of the agreement between the parties. It is noted, in this regard, that in accordance with the provisions of the agreement dated October 2002, according to which Clal Finance Batucha Investment Management Ltd. was acquired, IDB Development Corporation Ltd. and Discount Investment Corporation Ltd. are required to indemnify Clal Finance for any direct damage, expense or loss which may be incurred by Clal Finance (or by any of its subsidiaries), including due to claims or demands whose cause of action arose before the date set forth in the aforementioned agreement.

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, 5759-1999 (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.

Note 7 - Contingent Liabilities and Claims (Cont.)

B. Material claims and derivative claims (Cont.)

B2. Material derivative claims (Cont.)

<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”)[12]</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 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 of liabilities 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, through monetary reimbursement to policyholders, with the addition of avoiding absorbing by themselves the realization of risk with respect to eh 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, 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. Inter alia, it was determined that the plaintiffs are not entitled to file a derivative claim on behalf of the health funds, and therefore, there is no reason to hear the motion on the merits.</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”)[13]</td></tr>
</table>

[12] In April and October 2014, decisions were given by the Court ordering the consolidation of the Clalit and Maccabi cases, and the filing of a consolidated letter of claim regarding the motions and the claims.
[13] See note 12 above.

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.		Beyond what is necessary, and as to the case in question, the Attorney General of Israel believes that it would not be appropriate, in light of the circumstances, to approve a motion to file a derivative claim of this kind, and stated that this issue is currently in the process of regulation by government ministries, and that the various ministries intend to address the issue soon, meaning that it is possible that the eventual conclusion will be that there is no justification for establishing a "subrogation" mechanism, for all its complexity and costs, and with respect to the public basket, which is included the National Health Insurance Law, in the opinion of the State, it would be inappropriate to consider creating a subrogation mechanism vis-à-vis the commercial insurance, or between it and the field of additional health services.	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.	1/2014 District - Tel Aviv	DIC, directors and corporate officers of DIC, and against 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**")[14]	Claim regarding an unlawful dividend distribution by DIC.	In February 2015, the parties who filed the motion filed an appeal with the Supreme Court against the decision of the District Court from December 2014, for the issuance of an anti-suit injunction preventing the parties who filed the motion from conducting derivative claim proceedings, as stated above, against IDB Development and against the additional respondents. In July 2016, the Supreme Court accepted the appeal with respect to most of the respondents in the appeal, including the Company and Clal Finance Ltd. (while dismissing the appeal with respect to IDB Development Corporation Ltd.). The Supreme Court further determined that the motion to approve the derivative claim will be heard by the Court hearing the creditors' settlement in IDB Holdings. In September 2016, the District Court ordered the striking of the motion to approve, after accepting the position of the petitioners, according to which it would be appropriate to file a new derivative claim on the matter which is the subject of the motion to approve, while removing IDB Development Corporation Ltd. as a respondent from the proceedings, in light of the anti-suit injunction which was given regarding it.	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).

[14] 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[15].

Type of claim	Number of claims	Amount claimed, NIS in millions
A. Claims approved as class actions		
1. An amount referring to the Company was presented	4	2,144
2. The claim was filed against a number of entities, with no specific amount attributed to the Company	1	225
3. Claim amount not presented [16]	1	-
4. An annual amount has been specified (and accordingly, the total amount is period-dependent)	1	107 [17]
B. Pending motions to approve claims as class actions		
1. An amount referring to the Company was presented	33	5,910
2. The claim was filed against a number of entities, with no specific amount attributed to the Company	9	11,689
3. Claim amount not presented [18]	9	-
C. Other material claims		
1. An amount referring to the Company was presented	1	86 *)
2. The claim was filed against a number of entities, with no specific amount attributed to the Company	-	-
3. Claim amount not presented	-	-
D. Derivative claims		
1. An amount referring to the Company was presented	-	-
2. The claim was filed against a number of entities, with no specific amount attributed to the Company	2	5,232
3. Claim amount not presented	-	-

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.

*) For details regarding an undertaking to indemnify towards Clal Finance, see section 7(b)(b1)(2) above.

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.

[15] 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.
[16] The plaintiff did not specify a claim amount in the motion, although an estimate was given of hundreds of millions of NIS.
[17] The specified amount refers to one year only. The claim was filed in March 2010, with respect to a legislative amendment from 2008.
[18] These motions include three motions, of which 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 as many millions of NIS, and a third motion which was estimated as tens of millions of NIS.

Note 7 - Contingent Liabilities and Claims (Cont.)

D. Exposure due to regulatory provisions and position papers (Cont.)

The institutional entities in the group are evaluating the need to perform provisions in the financial statements, in connection with the aforementioned processes, based on the opinion of their legal counsel, and/or are currently evaluating the implications of the aforementioned processes, as required and as appropriate. Presented below are details regarding the Commissioner's position or determinations in principle which have or may have an impact on the class, as follows:

1. In April 2016, a determination in principle was published regarding the method for marketing of personal accidents policies (hereinafter: "**Determination**"). The determination refers to the holders of individual personal accident policies, for periods exceeding one year, who joined personal accident insurance at insurers, after they had a previous 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 is required to conduct an evaluation in which it evaluates the method used to market the insurance, and in accordance with the results, to contact policyholders and to obtain 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 Company is currently in the stages of implementing the determination and is holding discussions with the Commissioner regarding the outline for implementation.

2. The Company has held discussions with the Commissioner in connection with a draft determination which pertains 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.

E. With respect to the costs that may arise due to the claims and exposures described in Notes 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 of handling, 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.

The assessments of the Company and of the consolidated companies concerning the risk are based on the opinions of their legal counsel and/or on the estimates of the relevant companies 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.

It is hereby clarified that if the hearing of a claim (it is hereby clarified, for the avoidance of doubt, that the hearing of a legal claim does not include a determination regarding motions to recognize class actions and other interim motions) in a certain instance is decided against the group's member companies, a provision will be recognized or updated in the financial statements which are published for the first time after the date of the determination, even if, in the opinion of group management, based on the opinion of its legal counsel, the result in an appeal to a higher instance will be different, and that at the end of the proceedings, no orders will be imposed on the group.

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)(30), 7(a)(a2)(31), 7(a)(a2)(32), 7(a)(a2)(33), 7(a)(a2)(33), 7(a)(a2)(34), and 7(a)(a2)(35) 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 as of September 30, 2016 with respect to all of the legal claims specified in Note 7(a), 7(b) and 7(c) above amounts to a total of approximately NIS 94 million.

Note 8 - Additional Events During and After the Reporting Period

A. Actuarial estimates

1. Strengthening of insurance reserves in light of the low interest environment, and its effect on discount rates in life, non-life and long term care insurance

Further to that stated in Note 41(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, an additional 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. This decrease was partially lessened during the three month period ended on the reporting date. 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 paid pension and annuity reserves (2.2%-3.28%, as compared with 2.0%-3.28% as of June 30, 2016 and 2.3%-3.4% as of December 31, 2015), updated the K factor for guaranteed return policies (0.88%, as compared with 0.83% on June 30, 2016 and 0.96% on December 31, 2015) and the value of the liability adequacy test (LAT), while implementing the provisions of the LAT circular.

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
	2016	2015	2016	2015	2015
NIS in millions	Unaudited				Audited
Life insurance					
Change in the discount interest rate used in the calculation of the liabilities to supplement the annuity and paid pension reserves	**62**	11	**(12)**	8	35
Change in pension reserves following the decreased forecast of future income (K factor)	**114**	44	**(74)**	3	86
Liability adequacy test (LAT)	**328**	117	**(15)**	(43)	144
Life insurance - total impact of the low interest rate environment before tax	**504**	172	**(101)**	(32)	265
Non-life insurance*	**2**	37	**-**	-	-
Long term care insurance in the health segment	**180**	-	**(52)**	-	-
Total income (loss) before tax	**686**	209	**(153)**	(32)	265
Total (income) loss after tax	**440**	130	**(98)**	(20)	166

*) During the reporting period, with respect to the impact of the interest rate on the liability adequacy test (LAT); in the corresponding period last year, with respect to the discount rate for outstanding claims.

2. Changes in estimates with respect to the calculation of outstanding claims in non-life insurance

National Insurance annuity discount rate

In June 2014, an inter-ministerial committee led by the Hon. Judge (Emeritus) Dr. Eliyahu Winograd was appointed in order to evaluate a correction to the life expectancy tables and the interest rate which is used to discount annuities in accordance with the National Insurance Regulations (Discounting), 5738-1978 (the "**Discounting Regulations**" and the "**Committee**"). In June 2016, an amendment to the Regulations (hereinafter: the "**Amendment**") was published which includes, inter alia, updates to the mortality tables and the discount rates which are used to calculate the aforementioned annuities.

The Discounting Regulations formalize, inter alia, the discount rate which is used to calculate the subrogation claims which are submitted by National Insurance towards third parties, in accordance with the right which is conferred upon it by virtue of the National Insurance Law (Consolidated Version), 5755 - 1995 (hereinafter: the "**Law**"), in cases where the event constitutes grounds to charge the third party in accordance with the Civil Wrongs Ordinance or the RAVC law.

In accordance with the amendment, the interest rate, for the purpose of the discounting of the annual annuity, will amount to 2% instead of 3%, as specified in the Discounting Regulations prior to their amendment.

The amendment also determines that the mortality tables and annuity discount rates will be updated again on January 1, 2020, and every four years thereafter.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

A. Actuarial estimates (Cont.)

2. Change in estimates used in the calculation of outstanding claims in non-life insurance (Cont.)

National Insurance annuity discount rate (Cont.)

In September 2016, an amendment was published to the aforementioned amendment, according to which the application date was postponed by one year.

The Company estimated the total possible impact due to the foregoing, including amounts which the insurance companies may be required to pay in other disability and death claims, while taking into account the uncertainty regarding its actual impact and the manner of its occurrence, if any, and accordingly, increased the insurance liabilities as of and for the period of nine months ended September 30, 2016, in the compulsory motor and liabilities branches, by approximately NIS 126 million, on retention and before tax, and by a total of approximately NIS 79 million after tax. In the three month period ended on the reporting date, insurance liabilities increased by approximately NIS 5 million before tax (approximately NIS 3 million after tax).

B. Rating

Further to that stated in Note 28(f) to the annual financial statements, regarding the rating of member companies in the group, in October 2016, 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 September 2016, 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.

In April 2016, Midroog announced a rating of (Aa3), stable outlook, for the new liability certificates which will be issued within the framework of the exchange specified in section C below, and left unchanged the ratings of the deferred liability certificates of Clal Insurance and Clalbit Finance, with a stable outlook.

C. Replacement of deferred liability notes in Clal Insurance through Clalbit Finance

Further to that stated in Note 45(i) to the annual financial statements, in March 2016, Clalbit Finance published a shelf offering report which also constitutes a specification for a partial exchange offer, according to which an offer was made to the holders of liability certificates (Series F) of Clalbit Finance, to acquire from them up to NIS 600 million par value of bonds (Series F) which are traded on the stock exchange, by way of a partial exchange offer, in consideration of an issuance of up to approximately NIS 628 million par value of liability certificates (Series J) of Clalbit Finance, by way of a series extension, which reflects an exchange ratio of 1.04682; i.e., with respect to each NIS 1 par value of liability certificates (Series F), Clalbit Finance will issue NIS 1.04682 par value of liability certificates (Series J).

There was overdemand for the exchange offer which was published in April 2016, which was accepted by the holders of approximately NIS 669 million par value of liability certificates (Series F) of Clalbit Finance. Accordingly, Clalbit Finance allocated to the participants approximately NIS 628 million par value of liability certificates (Series J) of Clalbit Finance, in a manner whereby the holders of the liability certificates (Series F) of Clalbit Finance who accepted the exchange offer, accepted it in a partial manner. The liability certificates (Series J) which were issued, as stated above, were recognized (subject to restrictions) as Tier 2 hybrid capital of Clal Insurance, in place of liability certificates (Series F) which were exchanged, and which were recognized as Tier 2 hybrid capital.

The terms of some of the liability certificates (Series J) are different from the terms of the liability certificates (Series J), and accordingly, were treated as an exchange of debt instruments with significantly different terms, where the cost of their exchange, as stated above, amounted to a total of approximately NIS 17 million.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

D. Employment agreement - Chairman of the Board

Mr. Danny Naveh (hereinafter: "**Mr. Naveh**") has served as the Chairman of the Board of Directors of the Company and of Clal Insurance in a 85% position since June 5, 2013. Further to the approval of the Company's Compensation Committee and Board of Directors, on July 14, 2013, the general meeting of the Company's shareholders approved an agreement regarding the tenure of Mr. Naveh for a period of three years, until June 5, 2016 (hereinafter: the "**Old Agreement**"). On April 17 and 18, 2016, the Company's Compensation Committee and the Company's Board of Directors, respectively, approved the Company's engagement in a new employment agreement with Mr. Naveh, beginning on June 5, 2016, for an undefined period (hereinafter: the "**New Employment Agreement**"), for the purpose of his continued tenure as the Acting Chairman of the Board of the Company and of Clal Insurance, in a 85% position, as specified below. The agreement was approved in the general meeting, for the sake of caution, by a special majority, on May 26, 2016.

It is noted that the new employment agreement was approved as required in accordance with the Compensation to Corporate Officers in Financial Corporations Law (Special Approval and Non-Permissibility of Expenses for Tax Purposes due to Exceptional Compensation), 5776-2016 (hereinafter: the "**Executive Compensation Law**"), which was published on April 12, 2016, in accordance with the Commissioner's directives from October 2015 with respect to the compensation to the Chairman of the Board of institutional entities, within the framework of an amendment to the circular regarding compensation in institutional entities from April 2014 (hereinafter: the "**Amendment to the Compensation Circular**"), and in accordance with the compensation policy of the Company and of Clal Insurance.

During the period of the new employment agreement, the Chairman of the Board is entitled to engage, whether as an employee or as a service provider, in other position/s, subject to the scope of position stated above, which will be dedicated to members of the group of companies owned by the Company, subject to restrictions regarding avoidance of conflict of interests and/or competition with the Company's business and/or the Commissioner's directives, as agreed upon between the parties on the date of the initial appointment.

In accordance with the new employment agreement, the monthly salary of Mr. Naveh as the Chairman of the Board will amount to a total of NIS 131,750, linked to the CPI for June 2016, In accordance with the definition of "linkage to the CPI" in the Company's compensation policy. The annual employment cost of Mr. Naveh is expected to amount to approximately NIS 2.37 million. Mr. Naveh will not be entitled to any variable component (in cash or in capital) or to a 13th salary. The aforementioned employment cost (translated to terms of a full time position) will not exceed a ratio of 35 of the lower employment cost of any employee in the Company (including a contract employee who is employed directly by the Company, or who is employed by a directly or indirectly service provider which is employed by the Company), directly or indirectly.

Within the framework of the amendment to the compensation circular, it was determined, inter alia, that the compensation paid to the Chairman of the Board will be determined as a multiplication ratio of the compensation paid to an outside director, as defined below, in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses of External Director), 5760-2000 and Institutional Entities Circular 2009-9-4 (hereinafter: the "**Multiplication Ratio**"), in a manner whereby the maximum compensation paid to the Chairman of the Board will not exceed the result obtained by multiplying the compensation paid to an outside director by the multiplication ratio. The Compensation Committee and the Board of Directors determined that the aforementioned multiplication ratio, with respect to a full time position, may not exceed 12.5 times the compensation to an outside director which is calculated, for this purpose, according to the minimum number of meetings of the Board of Directors and its committees, as required in the Company in one year (hereinafter: "**Compensation to Outside Directors**"). The employment terms of the Chairman of the Board fulfill the multiplication ratio which was determined as stated above. The actual multiplication ratio, in accordance with the salary of the Chairman of the Board, in accordance with the new employment agreement and the scope of his position, is approximately 10.4 [19], and the multiplication ratio according to the salary of the Chairman of the Board in accordance with the new employment agreement in terms of a full time position, is approximately 12.2 [20].

Note 8 - Additional Events During and After the Reporting Period (Cont.)

D. Employment agreement - Chairman of the Board (Cont.)

Additionally, Mr. Naveh is entitled to receive repayment of expenses spent in connection with the fulfillment of his position, according to the conventional practice in the Company, for the cellphone and vehicle which will be used by Mr. Naveh during the entire period of the agreement, and the Company will also bear all expenses involved in the vehicle's maintenance, including the grossing-up of crediting the benefit with respect to the vehicle and the cellphone for tax purposes.

The new employment agreement includes various provisions with respect to eligibility for annual holiday, convalescence pay, sick pay and social benefits in accordance with the Company's conventional practice. In case of the termination of the employer - employee relationship, excluding under extraordinary circumstances, Mr. Naveh will be entitled to release and/or to transfer to his ownership all of the which were funds accumulated on his behalf in the managers' insurance and in the study fund, including their accumulated profits. Additionally, if and inasmuch as the amount accumulated in the severance pay component of the managers' insurance policy does not reach the severance pay amount to which Mr. Naveh would be entitled by law in the event that of dismissal, the Company will supplement the difference owed to Mr. Naveh.

The new employment agreement determines that the cancellation of the engagement will be implemented by providing written notice three months in advance, a period which the Company will be entitled to shorten subject to the payment of all rights until the end of the advance notice period.

The new employment agreement stipulates non-competition restrictions during the agreement period. The aforementioned restrictions will apply to Mr. Naveh during a period of six months after the end of the advance notice period.

Further to that stated in Note 8(d) to the Company's financial statements as of June 30, 2016, regarding the Company's engagement in a new agreement with Mr. Naveh, beginning on June 5, 2016, for an unspecified period, which was approved on May 26, 2016 in the general meeting (the "**Meeting's Approval**"), the Company's Compensation Committee and Board of Directors approved, on November 7, 2016, the modification and adjustment of the compensation update restriction of Mr. Naveh, as specified below, and in accordance with the Company's new compensation policy (see section G below), and to the clarifications which were received in connection with the interpretation of the Executive Compensation Law, as follows:

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[19] The aforementioned ratio includes the employment cost in accordance with the new employment agreement for an 85% position, without the non-recurring components by virtue of the old agreement: annual bonus and deferred bonus, adjustment bonus and options. For additional details regarding these components, see Note 42(b)(4) to the annual financial statements.

[20] See footnote 19.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

D. Employment agreement - Chairman of the Board (Cont.)

1. In accordance with the approval which was given by the meeting, it was determined that the monthly salary of the Chairman of the Board will amount to a total of NIS 131,750 for an 85% position [21], linked to the CPI for June 2016, in accordance with the definition of "linkage to the CPI" in the Company's compensation policy, including provisions for the components with respect to severance pay, compensation, study fund, loss of working capacity insurance, National Insurance and vacation days. It was further determined that the aforementioned employment cost (translated according to the terms of a full time position) will not exceed a ratio of 35 times the lowest employment cost of any employee in the Company (including a contract employee who is employed directly by the Company, or who is employed by a service provider which is employed by the Company), directly or indirectly (hereinafter: the "**Compensation Limit of Mr. Naveh**").

2. Within the framework of the meeting's approval, it was determined that the aforementioned compensation terms (monthly salary of NIS 131,750, with an expected annual cost of approximately NIS 2.371 million) are in accordance with the Company's current compensation policy, and the Compensation Committee and the Board of Directors are entitled to increase them at a rate of up to 5% (i.e., an addition of up to approximately NIS 6,500 to the monthly salary), provided that, in any case, the total employment cost does not exceed NIS 2.5 million, or an amount exceeding 85% of 35 times the employment cost of the lowest paid employee or contract employee in the Company, whichever is lower, insofar as will be possible to increase it in case of an increase of the payment limit, as a result of the increase in the employment cost of the lowest paid employee, or as a result of an interpretation which will be received regarding the provisions of the Executive Compensation Law, in connection with the method used to calculate the employment cost (hereinafter: "**Update Limit**").

3. The Company wishes to change and adjust the compensation limit of Mr. Naveh and the update limit, as stated above, in a manner whereby the total employment cost will not exceed 85% of NIS 2.5 million, plus the provisions for severance pay and compensation 22, in accordance with the law (hereinafter, jointly: the "**Updated Limits**").

4. Following the aforementioned amendment, at this stage, no change will be implemented to the salary of the Chairman of the Board, in the amount of NIS 131,750 for a 85% position, linked to the CPI for June 2016, as stated above; however, in accordance with the meeting's approval, the Company's Compensation Committee and Board of Directors will be entitled to approve an increase of up to 5% of the aforementioned salary (i.e., an addition of up to approximately NIS 6,500 to the %), in accordance with the updated limits, insofar as they will be approved by the general meeting of the Company's shareholders which was convened for December 2016.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

E. Update to the corporate tax rate

A. In January 2016, the Law in Amendment of the Income Tax Ordinance (No. 216) (Reduction of Corporate Tax Rate), 5776 - 2016, was approved, in which the corporate tax rate was reduced from 26.5% to 25%, effective beginning on January 1, 2016.

Presented below are the statutory tax rates which apply to financial institutions, including the Company, following the aforementioned change:

Year	Corporate tax rate	Capital gains tax rate	Overall tax rate in financial institutions
		%	
2015	26.5	17.75 *)	37.58 **)
2016 and thereafter	25.0	17.00	35.90

*) Weighted rate.
**) As compared with a tax rate of 37.71%, prior to the publication of the amendment.

B. The balances of deferred taxes as of December 31, 2015 and September 30, 2015 were calculated according to the previous tax rate. The balances of deferred taxes which were included in the financial statements as of September 30, 2016 were calculated according to the new tax rate, as stated above. The change in the tax rate had an immaterial effect on the balances of liabilities and of deferred tax assets.

[21] This cost is equivalent to a salary of NIS 155,000, calculated according to a full time position.
[22] Including loss of working capacity.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

F. Shelf prospectus in Clalbit Finance

In May 2016, Clalbit Finance received notice from the Israel Securities Authority stating that, by virtue of its authority in accordance with section 23a(b) of the Securities Law, 5728-1968, 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 May 29, 2014, by an additional 12 months, in other words, until May 29, 2017.

G. Replacement of operator in provident fund activities

In June 2016, the Company engaged in an operating agreement with Bank Leumi Le-Israel Ltd. and Leumi Capital Market Services Ltd. (hereinafter, jointly: the "**Bank**"), according to which the bank will provide to the Company operating services with respect to the provident funds which are managed by it.

In accordance with the agreement, with respect to the operation of the provident funds, a consideration will be paid to the bank at an annual rate out of the fund assets, and with respect to the operation of the study fund, a consideration will be paid to the Company in a fixed monthly amount. The commencement date of operation by the bank was set as January 1, 2017, excluding the provident fund "Bar Gemulim Fund", whose operation commencement date was set as January 1, 2018.

The agreement will be in effect for 5 years, where the Company will be entitled to terminate the Agreement by providing notice 6 months in advance, and the bank will be entitled to terminate the agreement by providing notice 12 months in advance.

Accordingly, in January 2017, the provident funds and study funds which are currently operated by Bank Hapoalim and Dov Sinai (excluding the provident fund "Bar", which is expected to be transferred to the operation of the bank in January 2018), are expected to be transferred to the operation of the bank.

H. Regulatory directives regarding pension and provident activities

1. Directives regarding the selection of provident funds

In July 2016, a letter from the Commissioner was published regarding a circular with respect to "provisions regarding the selection of provident funds", concerning the process of determining chosen default funds by the Ministry of Finance, which is intended to determine provisions regarding the selection of a provident fund for an employee who has not chosen a provident fund, despite having been given the opportunity to do so, and regarding the conditions which are required of such a provident fund. In accordance with the letter, two default funds will be chosen, where the only criterion for their selection will be the management fees offered therein (a formula combining the rate of management fees from accrual and the rate of management fees from deposits). The management fees from deposits may not exceed 2%.

In August 2016, the results of the chosen default funds selection process were published, in which two pension funds were selected to serve as chosen 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.

The provisions of the circular, including the competitive advantages which are available to a chosen default fund, may have a significant broad impact on the market for pension and provident funds. The provisions of the 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 pension funds, in the provident funds, and in the study funds, in a change in the business model of the managing companies, in reduced profitability, in changes to the market shares of the current competitors, and accordingly, also affect the Company. The related party restriction specified in the circular may have an impact on the Company's competitive conditions, competitive conditions employers' tenders.

Note 8 - Additional Events During and After the Reporting Period (Cont.)

H. Regulatory directives regarding pension and provident activities (Cont.)

1. Provident fund for investment

For the purpose of creating and launching a new provident fund of the "provident fund for investment" type, on October 30, 2016, the Company submitted to the Commissioner, for approval, regulations of a provident fund for investment. Approval for the provident fund was received on November 10, 2016, and the activity is expected to begin in January 2017.

2. Provident goodwill

Following the aforementioned regulatory directives, and the decrease in income from management fees, as a result of the competitive conditions in the segment, the Company evaluated the need for the recording of a provision for goodwill impairment with respect to the activity involving the management of the provident funds through an internal valuation which is based on the discounted cash flow forecast approach which is due to the activity (value in use), which are based, inter alia, on the Company's forecast regarding the management fee rate, until the provident fund for investment commences operation. In accordance with the valuation, the recoverable amount of the provident fund activity was higher than the value of this activity in the books, and therefore, impairment loss with respect to goodwill was not recorded.

3. Provident goodwill (Cont.)

Presented below are the key assumptions which were used to calculate the recoverable value:

	As of September 30, 2016	As of December 31, 2015
Valuation methodology	**DCF**	DCF
Operational discount rate WACC before tax	**13.20%**	13.20%
Long-term growth rate	**0%**	0%
Effective marginal tax	**35.9%**	35.9%
Minimal management fees	**Minimum total of NIS 6 per month**	Minimum total of NIS 6 per month
Maximum management fees from the accrual	**1.05%**	1.05%
Number of years in the cash flow forecast	**5**	5

I. Developments subsequent to the reporting date

Subsequent to the reporting date, the risk-free interest rate curve increased. Further to that stated in Note 41(e)(e1) and (e2) to the annual financial statements, an increase in interest rates may lead to a decrease in insurance liabilities in non-life insurance in the compulsory, liabilities and personal accidents branches, to a decrease in life and long-term care insurance liabilities, in the liability to supplement annuity reserves, and in the liabilities for paid pension liabilities in life insurance, and also as part of the liability adequacy test (LAT) and changes to the K factor.

At this stage, it is not possible to estimate the implications of the increase of the risk-free interest rate curve during this period on the results for the fourth quarter of 2016, inter alia, due to the uncertainty regarding the effect that the aforementioned developments will have on the estimated insurance liabilities of Clal Insurance, with respect to the impact of the increased interest rate curve on the fair value of debt assets, and with respect to continuing developments in the financial markets until the end of the third quarter of 2016, and the above does not constitute any estimate regarding the Company's expected financial results for the fourth quarter of 2016.

For details regarding sensitivity tests to market risks, see Note 41(c)(2) to the annual financial statements.

J. Structural change

On November 27, 2016, the Company decided to separate, beginning on January 1, 2017, the long-term savings division into two divisions: The life insurance division, led by Mr. Yaron Shamay, and the pension, provident and pension products division, led by Mr. Avi Rosenbaum, for the purpose of placing a separate business focus on each of the two areas, in light of the significant regulatory changes which have taken place in recent years.

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:

NIS in thousands	As of September 30 2016	As of September 30 2015	As of December 31 2015
	Unaudited	Unaudited	Audited
Investment property *)	**2,702,316**	2,696,342	2,750,076
Financial investments			
Marketable debt assets	**21,443,686**	19,624,681	19,942,157
Non-marketable debt assets	**6,546,464**	6,799,229	6,617,456
Stocks	**8,277,990**	8,431,089	8,662,467
Other financial investments	**14,519,402**	12,065,266	12,622,640
Total financial investments *)	**50,787,542**	46,920,265	47,844,720
Cash and cash equivalents	**3,111,435**	3,572,299	3,767,810
Other	**538,734**	569,515	567,533
Total assets for investment-linked contracts	**57,140,027**	53,758,421	54,930,139

*) Presented at fair value through profit and loss.

2. Details of other financial investments

NIS in thousands	Fair value through profit and loss	Available for sale	Loans and receivables	Total
	As of September 30, 2016			
	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**

NIS in thousands	Fair value through profit and loss	Available for sale	Loans and receivables	Total
	As of September 30, 2015			
	Unaudited			
Marketable debt assets (a)	205,591	6,164,007	-	6,369,598
Non-marketable debt assets (b)	12,583	-	21,221,701	21,234,284
Stocks (c)	-	866,887	-	866,887
Others (d)	424,774	1,712,096	-	2,136,870
Total other financial investments	642,948	8,742,990	21,221,701	30,607,639

NIS in thousands	Fair value through profit and loss	Available for sale	Loans and receivables	Total
	As of December 31, 2015			
	Audited			
Marketable debt assets (a)	275,187	6,155,775	-	6,430,962

	As of September 30, 2016			
	Fair value through profit and loss	Available for sale	Loans and receivables	Total
Non-marketable debt assets [b]	11,477	-	20,940,755	20,952,232
Stocks [c]	-	973,992	-	973,992
Others [d]	287,918	1,797,292	-	2,085,210
Total other financial investments	574,582	8,927,059	20,940,755	30,442,396

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, 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)	**53,588**	

	As of September 30, 2015	
	Book value	Amortized cost 1)
NIS in thousands	Unaudited	
Government bonds	3,918,710	3,849,038
Other debt assets		
Other non-convertible debt assets	2,445,056	2,439,035
Other convertible debt assets	5,832	6,176
	2,450,888	2,445,211
Total marketable debt assets	6,369,598	6,294,249
Impairment applied to income statement (cumulative)	71,598	

	As of December 31, 2015	
	Book value	Amortized cost 1)
NIS in thousands	Audited	
Government bonds	4,057,390	3,972,204
Other debt assets		
Other non-convertible debt assets	2,371,501	2,355,761
Other convertible debt assets	2,071	2,463
	2,373,572	2,358,224
Total marketable debt assets	6,430,962	6,330,428
Impairment applied to income statement (cumulative)	67,257	

1) Amortized cost - Cost less principal payments plus (less) cumulative amortization using the effective interest method with respect to 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

NIS in thousands	As of September 30, 2016 Book value	As of September 30, 2016 Fair value
	Unaudited	
Government bonds		
HETZ bonds and deposits with the Ministry of Finance	**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)	**66,652**	

NIS in thousands	As of September 30, 2015 Book value	As of September 30, 2015 Fair value
	Unaudited	
Government bonds		
HETZ bonds and deposits with the Ministry of Finance	15,272,401	22,769,360
Other non-convertible debt assets, excluding deposits in banks	4,969,504	5,410,122
Deposits in banks	992,379	1,141,018
Total non-marketable debt assets	21,234,284	29,320,500
Impairment applied to income statement (cumulative)	57,618	

NIS in thousands	As of December 31, 2015 Book value	As of December 31, 2015 Fair value
	Audited	
Government bonds		
HETZ bond and deposits with the Ministry of Finance	15,044,358	22,366,471
Other non-convertible debt assets, excluding deposits in banks	4,946,502	5,410,772
Deposits in banks	961,372	1,109,084
Total non-marketable debt assets	20,952,232	28,886,327
Impairment applied to income statement (cumulative)	65,422	

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

NIS in thousands	As of September 30, 2016 Book value	As of September 30, 2016 Cost
	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**	

NIS in thousands	As of September 30, 2015 Book value	As of September 30, 2015 Cost
	Unaudited	
Marketable stocks	791,482	835,929
Non-marketable stocks	75,405	107,488
Total stocks	866,887	943,417
Impairment applied to income statement (cumulative)	181,967	

NIS in thousands	As of December 31, 2015 Book value	As of December 31, 2015 Cost
	Audited	
Marketable stocks	893,109	909,343
Non-marketable stocks	80,883	107,489
Total stocks	973,992	1,016,832
Impairment applied to income statement (cumulative)	155,092	

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, 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 September 30, 2015	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	1,090,099	1,062,756
Non-marketable financial investments	1,046,771	860,565
Total other financial investments	2,136,870	1,923,321
Impairment applied to income statement (cumulative)	84,424	

	As of December 31, 2015	
	Book value	Cost
NIS in thousands	Audited	
Marketable financial investments	1,042,690	991,789
Non-marketable financial investments	1,042,520	857,200
Total other financial investments	2,085,210	1,848,989
Impairment applied to income statement (cumulative)	82,388	

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, 2016 (Regulation 38D)

Unaudited

<u>**Clal Insurance Enterprises Holdings Ltd.**</u>

**Financial Data from the Consolidated Interim Financial Statements
Attributed to the Company Itself as of September 30, 2016
(Regulation 38D)**

<u>**Unaudited**</u>

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Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of September 30, 2016

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Attn.:

The Shareholders of Clal Insurance Enterprise Holdings Ltd.

Re: Auditors' Special Report Regarding Separate Interim Financial Information Pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

Introduction

We have reviewed the separate interim financial information presented pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 for Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") as of September 30, 2016, 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 information. Our responsibility is to express a conclusion with respect to the separate 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 15 million as of September 30, 2016, and where the group's share in their income amounted to approximately NIS 176 thousand and approximately NIS 74 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 financial information with respect to those companies, is based on the review reports prepared by the other auditors.

Scope of the Review

We 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 separate interim financial information includes making inquiries, particularly with the people responsible for financial and accounting matters, and performing analytic and other review procedures. A review is significantly limited in scope in comparison to an audit, which is conducted in accordance with generally accepted accounting standards in Israel, and therefore does not allow us to reach an assurance that we have become aware of all material issues which may have been 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 information has not been presented, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Tel Aviv, November 27, 2016	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, 2016

Interim Data Regarding the Company's Financial Position

	As of September 30		As of December 31
	2016	**2015**	**2015**
NIS in thousands	**Unaudited**		**Audited**
Assets			
Investments in investee companies	**4,167,780**	4,401,106	4,537,681
Loans and balances of investee companies	**403**	3,406	51
Other accounts receivable	**185**	2,525	149
Other financial investments:			
Marketable debt assets	**46,120**	62,306	57,261
Stocks	**701**	759	818
Total other financial investments	**46,821**	63,065	58,079
Cash and cash equivalents	**55,196**	7,831	25,631
Total assets	**4,270,385**	4,477,933	4,621,591
Capital			
Share capital	**143,216**	143,216	143,216
Premium on shares	**977,031**	976,329	976,329
Capital reserves	**458,658**	444,728	460,554
Retained earnings	**2,617,669**	2,839,051	2,967,929
Total capital	**4,196,574**	4,403,324	4,548,028
Liabilities			
Other accounts payable	**1,989**	1,637	1,741
Balances of investee companies	**-**	1,150	-
Deferred tax liabilities	**1,822**	1,822	1,822
Liabilities to banking corporations and others	**70,000**	70,000	70,000
Total liabilities	**73,811**	74,609	73,563
Total capital and liabilities	**4,270,385**	4,477,933	4,621,591

The attached supplementary information constitutes an inseparable part of the company's separate interim financial data.

November 27, 2016				
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, 2016

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
	2016	**2015**	**2016**	**2015**	**2015**
NIS in thousands	**Unaudited**		**Unaudited**		**Audited**
Company's share in the income (loss) of investee companies, net of tax	**(348,621)**	347,762	**236,782**	(19,090)	483,827
Income from investments, net, and financing income					
from investee companies	**29**	80	**6**	27	100
Others	**274**	118	**131**	32	101
Total income	**(348,318)**	347,960	**236,919**	(19,031)	484,028
General and administrative expenses	**2,440**	1,762	**853**	629	2,201
Financing expenses	**1,289**	3,489	**436**	441	3,932
Other expenses	**37**	600	**18**	600	610
Total expenses	**3,766**	5,851	**1,307**	1,670	6,743
Income (loss) before taxes on income	**(352,084)**	342,109	**235,612**	(20,701)	477,285
Taxes on income (tax benefit)	**-**	-	**-**	-	-
Income (loss) for the period	**(352,084)**	342,109	**235,612**	(20,701)	477,285

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, 2016

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
	2016	**2015**	**2016**	**2015**	**2015**
NIS in thousands	**Unaudited**		**Unaudited**		**Audited**
Income (loss) for the period	**(352,084)**	342,109	**235,612**	(20,701)	477,285
Other comprehensive income:					
Other components of 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?#	**(129)**	373	**(197)**	86	405
Change, net, in the fair value of available-for-sale financial assets transferred to profit and loss?#	**(2)**	5	-	5	5
Other comprehensive income (loss) with respect to investee companies which has been or will be transferred to profit and loss, net of tax	**(1,765)**	(214,393)	**(48,559)**	(83,291)	(198,599)
Other comprehensive income (loss) for the period which has been or will be transferred to profit and loss, before tax	**(1,896)**	(214,015)	**(48,756)**	(83,200)	(198,189)
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	**(1,896)**	(214,015)	**(48,756)**	(83,200)	(198,189)
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	**(2,215)**	1,176	**(640)**	(4,405)	6,214
Other comprehensive income for the period which will not be transferred to profit and loss, net of tax	**(2,215)**	1,176	**(640)**	(4,405)	6,214
Other comprehensive income (loss) for the period	**(4,111)**	(212,839)	**(49,396)**	(87,605)	(191,975)
Total comprehensive income for the period	**(356,195)**	129,270	**186,216**	(108,306)	285,310

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, 2016

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
	2016	**2015**	**2016**	**2015**	**2015**
NIS in thousands	**Unaudited**		**Unaudited**		**Audited**
Cash flows from operating activities					
Income (loss) for the period	**(352,084)**	342,109	**235,612**	(20,701)	477,285
Adjustments:					
Company's share in the income (loss) of investee companies	**348,621**	(347,762)	**(236,782)**	19,090	(483,827)
Dividends from investee companies	**17,300**	18,384	**2,000**	3,960	23,829
Interest accrued with respect to liabilities to banking corporations	**1,260**	3,403	**412**	437	3,842
Income from other financial investments	**1,067**	(200)	**134**	260	(215)
	368,248	(326,175)	**(234,236)**	23,747	(456,371)
Changes to other items in the data regarding financial position, net:					
Change in other accounts receivable	**(36)**	2,637	**(20)**	58	5,013
Change in other accounts payable	**248**	(2,805)	**(43)**	338	999
	212	(168)	**(63)**	396	6,012
Cash which were received during the period for:					
Net cash from operating activities with respect to transactions with investee companies	**4,389**	7,132	**1,171**	823	12,878
Interest received	**29**	345	**24**	4	349
Net cash from operating activities	**20,794**	23,243	**2,508**	4,269	40,153
Cash flows from investing activities					
Repayment of loans to investee companies	-	21,811	-	-	21,811
Investment in available for sale financial assets	**(36,998)**	(62,126)	-	(30,499)	(62,126)
Consideration from sale of available for sale financial assets	**47,058**	35,749	**37,000**	30,724	40,782
Net cash from (used in) investing activities	**10,060**	(4,566)	**37,000**	225	467
Cash flows from financing activities					
Repayment of liabilities to banking corporations	-	(75,000)	-	-	(75,000)
Interest paid with respect to liabilities to banking corporations	**(1,289)**	(3,489)	**(431)**	(441)	(7,632)
Net cash used in financing activities	**(1,289)**	(78,489)	**(431)**	(441)	(82,632)
Increase (decrease) in cash and cash equivalents	**29,565**	(59,812)	**39,077**	4,053	(42,012)
Cash and cash equivalents at beginning of period	**25,631**	67,643	**16,119**	3,778	67,643
Cash and cash equivalents at end of period	**55,196**	7,831	**55,196**	7,831	25,631

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of September 30, 2016

Additional Information

1. General

The separate interim financial information is presented pursuant to Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and does not contain all of the information which is required according to Regulation 9C and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, regarding a corporation's separate financial information. The separate interim financial information should be read in conjunction with the separate financial information as of and for the year ended December 31, 2015, and with the condensed consolidated interim financial statements as of June 30, 2016 (hereinafter: the "**Consolidated Interim Statements**").

2. Additional material information required to understand the separate interim financial information

A. For details regarding the new employment agreement which was signed with the Chairman of the Board during the reporting period, see Note 8(d) the consolidated interim reports.

B. For details regarding the update to the corporate tax rate in January 2016, see Note 8(e) to the consolidated interim reports.

3. The Commissioner's letter regarding dividend distributions

In August 2016, the Commissioner published a letter regarding dividend distributions in insurance companies which may have a significant impact on the Company's ability to distribute dividends, mainly as dependent on dividend distributions from Clal Insurance to the Company. For details, see Note 6(b)(3) to the financial statements.

4. Credit facility in the Company

During the reporting period, in accordance with the date which was determined in the agreement, the Company's credit facility expired. The Company chose not to renew the credit facility (for additional details, see Note 28 to the annual statements).