# Clal Insurance Enterprises Holdings Ltd.

# As of March 31, 2018

**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.**

# Updates to the Chapter "Description of the Corporation's Business"

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## 1. Description of the Company's controlling shareholders

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

| | As of March 31, 2018 | | Proximate to the publication date of the report | |
|---|---|---|---|---|
| Shareholder | Holding of voting rights | Holding of voting rights At full dilution[1] | Holding of voting rights | Holding of voting rights At full dilution [1] |
| | | % | | |
| IDB Development Corporation Ltd. | 39.79 | 39.40 | 34.81 | 34.47 |
| Bank Hapoalim | 9.47 | 9.38 | 9.47 | 9.38 |

It is noted that IDB Development holds the Company's shares directly and indirectly, through a trustee who was appointed to hold the Company's control shares.
For additional details regarding IDB Development's holdings in the Company, and IDB Development's obligation to sell shares of Clal Holdings, see Note 1 to the financial statements.

## 2. Description of the Business Environment

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

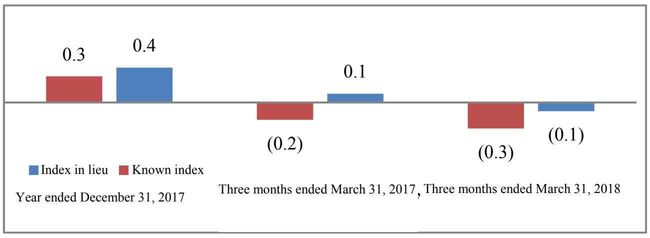
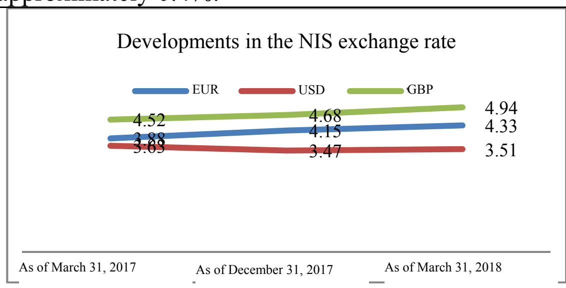
The total impact of the market developments specified below on the Group's results during the reporting period was reflected both in decreases, both in the value of financial assets held against capital and insurance liabilities, primarily due to the decrease in the stock and bond markets, and the increase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

| Parameter | Effect on the Group's activities | Data for the period |
|---|---|---|
| **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. | In accordance with the first estimate which was published by the Central Bureau of Statistics, the Israeli economy grew by around 4.2% in the first quarter of 2018 (in annual terms), a similar growth rate to the previous two quarters.<br>Private consumption increased at a rate of 10%; public consumption increased at a rate of 11.3%; investments in fixed assets increased at a rate of 12.8%; and exports increased at a rate of 11.4%. The increases in private consumption and in investments were primarily affected by the significant increase in vehicle imports.<br><br>According to the assessment of the Bank of Israel's research division, in 2018, GDP is expected to grow at a rate of 3.4%, and in 2019, it is expected to grow at a rate of 3.5%. The inflation rate in the coming year is expected to amount to 1.1%. The monetary interest rate is expected to remain at its current level (0.1%) in the first three quarters of the year, and to rise to a rate of 0.25% in the last quarter. |
| | | According to the workforce survey conducted by the Central Bureau of Statistics, in the first quarter of 2018, the unemployment rate among those aged 15 or older is 3.7% (relative to 4.1% in the fourth quarter of 2017), the employment rate (the percentage of employed individuals out of the total population) among those aged 15 or older is 63.8% (relative to 64% in the fourth quarter of 2017), among those in working ages (25-64) the unemployment rate is 3.2% (relative to 3.6% in the fourth quarter of 2017), and the employment rate among those aged 25-64 is 77.4% (unchanged relative to the fourth quarter of 2017). |

[1] The holding rate, at full dilution, was prepared based on the theoretical assumption that all options would be exercised. For additional details, see Note 41 to the annual financial statements.

## 2. Description of the Business Environment (Cont.)

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

<table>
<tr><th>Parameter</th><th>Effect on the Group’s activities</th><th>Data for the period</th></tr>
<tr><td>Inflation data</td><td>The inflation rate may affect the Company’s business results, primarily through 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.</td><td>
<br><br>During the quarter, in summary, there was a slight decline in inflation relative to the corresponding period in 2017. Expectations based on the capital market increased in all ranges.<br><br>After the balance sheet date, the Central Bureau of Statistics published the price index for April, which rose by approximately 0.4%.</td></tr>
<tr><td>Exchange rates</td><td>Changes in exchange rates have the potential to directly affect foreign assets in the nostro portfolio and in the members portfolio, and to affect premiums and claims which are linked to foreign currencies. Changes in exchange rates also have the potential to affect other market factors.</td><td>
<br><br>During the first quarter, the NIS fell vs. the USD at a rate of 1.4%, and fell vs. the EUR at a rate of 4.2%.<br>The Bank of Israel continued its involvement in the foreign currency market, while some of the foreign currency purchases were performed as part of the plan to offset the effect of natural gas.<br>Balances of foreign currency at the Bank of Israel, as of the end of the first quarter of 2018, amounted to approximately USD 116 billion.</td></tr>
</table>

## 2. Description of the Business Environment (Cont.)

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

<table>
<tr><th>Parameter</th><th>Effect on the Group’s activities</th><th>Data for the period</th></tr>
<tr><td>Development of interest rate and yields</td><td>A decrease in the interest rate curve and changes in the curve’s steepness could result, under certain conditions, in an increase to the Company’s insurance liabilities following an adjustment of the discount rate which is used to calculate certain reserves, and following the liability adequacy test in life insurance and nursing insurance. On the other hand, a decrease of this kind may result in capital gains on the assets side. On the other hand, an increase in the interest rate curve and changes in its steepness may lead to the opposite. The combined impact is dependent upon the structure of the assets and liabilities, and on the characteristics of the change in the curve. The low interest rate in the market may impose difficulties on achieving guaranteed rates of return in guaranteed-return products in life and health insurance, on achieving the discount interest rate in the compulsory, liabilities and personal accidents branches in non-life insurance, and on achieving returns which will be used to price other insurance products, and may also result in a renewed evaluation of the actuarial estimates regarding the Group’s insurance liabilities. For additional details, see Note 8(a) to the financial statements.</td><td>The risk-free interest rate curve decreased during the quarter.<br><br>For details the impact of the low interest rate environment, see Note 8(a) to the financial statements.<br><br>The Bank of Israel left the interest rate unchanged during the first quarter of 2018, at 0.1%.</td></tr>
<tr><td>Developments in the Israeli capital market</td><td>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.</td><td>
<table>
<tr><th colspan="4">Stock indices</th></tr>
<tr><td></td><td colspan="2">Q1</td><td>Year</td></tr>
<tr><td>In percent</td><td>2018</td><td>2017</td><td>2017</td></tr>
<tr><td>Tel Aviv 35</td><td>(4.9)</td><td>(5.0)</td><td>2.7</td></tr>
<tr><td>Tel Aviv 90</td><td>(1.7)</td><td>8.4</td><td>21.2</td></tr>
<tr><td>Tel Aviv 125</td><td>(3.9)</td><td>(2.4)</td><td>6.4</td></tr>
<tr><td>Tel Aviv Growth</td><td>(0.8)</td><td>6.5</td><td>4.5</td></tr>
</table>
<table>
<tr><th></th><th colspan="3">Bond indices</th></tr>
<tr><td></td><td colspan="2">Q1</td><td>Year</td></tr>
<tr><td>In percent</td><td>2018</td><td>2017</td><td>2017</td></tr>
<tr><td>General</td><td>(0.1)</td><td>0.6</td><td>4.7</td></tr>
<tr><td>Telbond CPI-linked</td><td>(0.3)</td><td>1.1</td><td>5.6</td></tr>
<tr><td>Telbond NIS-linked</td><td>(1.1)</td><td>2.0</td><td>7.5</td></tr>
<tr><td>Government CPI-linked</td><td>0.3</td><td>(0.6)</td><td>3.4</td></tr>
<tr><td>Government NIS-linked</td><td>0.2</td><td>0.6</td><td>3.7</td></tr>
</table>
</td></tr>
</table>

## 2. Description of the Business Environment (Cont.)

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

| Parameter | Effect on the Group's activities | Data for the period |
|---|---|---|

**Global stock markets**

| | In local currency | | | In NIS | | |
|---|---|---|---|---|---|---|
| | Q1 | | Year | Q1 | | Year |
| In percent | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| Dow Jones | **(2.8)** | 4.6 | 25.1 | **(1.5)** | (1.2) | 12.8 |
| NASDAQ | **1.6** | 9.8 | 28.2 | **3.0** | 3.7 | 15.6 |
| Nikkei Tokyo | **(7.1)** | (1.1) | 19.1 | **(0.5)** | (2.3) | 11.6 |
| CAC - Paris | **(2.3)** | 5.4 | 9.3 | **1.8** | 1.1 | 12.2 |
| FTSE - London | **(7.7)** | 2.5 | 7.6 | **(2.5)** | (1.8) | 6.6 |
| DAX - Frankfurt | **(6.1)** | 7.2 | 12.5 | **(2.1)** | 3.0 | 15.5 |
| MSCI WORLD | **(2.8)** | 5.9 | 20.3 | **(1.5)** | 0.0 | 8.5 |

**Global economic developments**

The global economy is continuing a trend of above-average growth, although a trend of moderation has been apparent in recent months.

**USA** - GDP in the United States grew in the first quarter at a rate of 2.3% in annual terms, with a forecast of accelerated growth later subsequently, to an annual rate of 2.8%, thanks to the tax reform, which will constitute an important economic incentive, and thanks to the significant recovery in the American manufacturing segment, in addition to the strength of global growth. The Fed raised the monetary interest rate to a level of 1.5%-1.75% in March. The Fed is also expected to continue its balance sheet reduction program by reducing the scope of its reinvestments, following the ongoing sale of the bonds in its balance sheet.

**Europe** - The European economy grew by 2.5% in the first quarter of the year. Despite the encouraging economic figures coming from Europe, the rate of improvement in leading activity indices is decelerating.
The Central Bank is expected to continue the quantitative easing program until September 2018, while gradually reducing its scope from January 2018 to September 2018.

**Japan** - Estimated growth in the first quarter of the year is at 1.7%. Uncertainty regarding the continued tenure of Prime Minister Shinzo Abe raises many questions regarding the continuation of reforms in the country, and governmental stability.

**Emerging markets** - Estimated growth in the first quarter of the year amounts to 5.4% in emerging economies. Continued recovery in trade activities is evident, in light of the resumption of demand from developed countries. The economy of **Brazil** is continuing to benefit from recovery in growth, a significant decline in inflation, although the presidential elections later this year impose difficulties on the implementation of reforms in the country. The economy of **India** is continuing to undergo significant structural changes, and is expected to grow, in the first quarter of the year, at an annual rate of 7.3%, following the imposition of tax on services and consumption, exchange of bills, and strengthening the capital structure of the country's banking system.

**China** - Growth in the Chinese economy is in a downtrend, in light of structural changes which are due to the transition from a manufacturing economy to an economy driven by local demand. Growth in the first quarter was 6.8% in annual terms, and is expected to decrease to a rate of 6.3%-6.4% in the coming year.

## 2. Description of the Business Environment (Cont.)

### 2.2. Developments in the Israeli insurance market

2.2.1 **Assets in long-term savings** - Presented below are data regarding 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 March 31, 2018 | | | As of March 31, 2017 | | | As of December 31, 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| 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 | **38,957** | **167,839** | **23.2** | 36,608 | 159,800 | 22.9 | 38,862 | 168,320 | 23.1 |
| Profit sharing life insurance - policies beginning from January 1, 2004 | **21,530** | **135,452** | **15.9** | 19,107 | 110,436 | 17.3 | 21,140 | 130,647 | 16.2 |
| **Total profit sharing life insurance assets** | **60,487** | **303,291** | **19.9** | 55,715 | 270,236 | 20.6 | 60,002 | 298,967 | 20.1 |
| **New pension assets** | **52,654** | **311,039** | **16.9** | 46,244 | 264,416 | 17.5 | 51,665 | 303,549 | 17.0 |
| Compensation and individual severance pay funds | **22,808** | **218,611** | **10.4** | 23,321 | 203,824 | 11.4 | 23,071 | 218,024 | 10.6 |
| Study funds | **7,517** | **207,767** | **3.6** | 7,206 | 187,566 | 3.8 | 7,510 | 206,768 | 3.6 |
| Central severance pay funds | **2,823** | **15,121** | **18.7** | 3,104 | 16,287 | 19.1 | 2,937 | 16,225 | 18.1 |
| Provident fund for investment **) | **130** | **4,665** | **2.8** | 15 | 1,019 | 1.4 | 102 | 3,559 | 2.9 |
| Provident fund for investment - savings for each child ***) | **-** | **3,404** | **-** | - | 491 | - | - | 2,954 | - |
| **Total provident fund assets *)** | **33,277** | **449,568** | **7.4** | 33,645 | 409,187 | 8.2 | 33,620 | 447,529 | 7.5 |
| **Total profit sharing life insurance, new pension, provident* and life insurance assets** | **146,417** | **1,063,898** | **13.8** | 135,604 | 943,839 | 14.4 | 145,286 | 1,050,045 | 13.8 |

*) Excluding provident funds for other purposes.
**) The Company has marketed the provident fund for investment since January 2017.
***) The Company does not market provident funds for investment as part of the government plan "savings for each child".

2.2.2. **Total contributions in pension funds and provident funds on the Israeli market in accordance with the Commissioner's publications:**

| | For the period ended March 31 | | | | | | For the year ended December 31 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | | 2017 | | |
| NIS in millions | Company | Market | % Company of the market | Company | Market | % Company of the market | Company | Market | % Company of the market |
| **New pension funds** | **1,412** | **9,174** | **15.4** | 1,375 | 8,055 | 17.1 | 5,702 | 35,402 | 16.1 |
| Compensation and individual severance pay funds | **94** | **2,810** | **3.4** | 154 | 2,927 | 5.3 | 394 | 11,202 | 3.5 |
| Study funds | **261** | **5,380** | **4.9** | 245 | 4,881 | 5.0 | 1,103 | 23,081 | 4.8 |
| Severance pay funds | **0** | **21** | **1.8** | 0 | 23 | 0.5 | 1 | 93 | 1.5 |
| Provident fund for investment **) | **32** | **1,225** | **2.6** | 15 | 530 | 2.8 | 103 | 3,049 | 3.4 |
| Provident fund for investment - savings for each child ***) | **-** | **479** | **-** | - | 487 | - | - | 2,833 | - |
| **Total provident funds *)** | **388** | **9,914** | **3.9** | 414 | 8,848 | 4.7 | 1,601 | 40,258 | 4.0 |
| **Total contributions** | **1,800** | **19,088** | **9.4** | 1,789 | 16,903 | 10.6 | 7,303 | 75,660 | 9.7 |

*) Excluding provident funds for other purposes.
**) The Company has marketed the provident fund for investment since January 2017.
***) The Company does not market provident funds for investment as part of the government plan "savings for each child".

# 3. Restrictions and supervision of the corporation's business

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

## 3.1. General

### 3.1.1 Capital requirements

Further to that stated in sections 10.2.1 and 10.3.1.2 of the chapter "description of the corporation's business", and in Note 16(e) to the annual financial statements, in April 2018, the Control of Financial Services Regulations (Insurance) (Minimum Equity Required to Receive Insurer License), 2018 were published (hereinafter: the "**Minimum Equity Regulations**"), which canceled the Control of Financial Services Regulations (Insurance) (Minimum Equity Required of Insurer), 1998, which were in effect until that date. The aforementioned regulations include the determination of the minimum equity required to receive a license in branches featuring long insurance periods and claim periods (the life, long term health and liabilities branches), in the amount of NIS 15 million (as compared with a total of NIS 52 million, which was required until then) and the minimum Tier 1 capital required to receive a license in branches featuring short insurance periods and claim periods (non-life insurance and short term health insurance), in the amount of NIS 10 million (as compared with a total of NIS 59 million, which was required until then).

Additionally, further to the publication of the Minimum Equity Regulations, the terms "equity" and "required capital", which appear in hybrid capital instruments issued by Clalbit Finance prior to the publication of the provisions of the economic solvency regime, in accordance with the provisions of the "Commissioner's position - definition of recognized capital and required capital in hybrid capital instruments" (for additional details, see section 10.2.1 of the chapter "description of the corporation's business", and Note 25(b) to the annual financial statements).

The Regulations are expected to increase competition in the insurance market, due to the reduction of the equity requirement required to receive an insurance company license. The company is unable to predict the full implications of the regulations at this stage.

**The information presented on all matters associated with the possible implications of the Minimum Equity Regulations constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, inter alia, due to the uncertainty regarding the actions which will be taken by different market entities.**

### 3.1.2 Expansion of obligations to customers

In May 2018, the Commissioner published several directives involving an expansion of the obligations which apply to license holders and institutional entities all matters pertaining to information when marketing products to customers:

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

## 3.1 General (Cont.)

### 3.1.2 Expansion of obligations to customers (Cont.)

- Circular on the subject of "guidelines regarding loss of working capacity insurance plan and circular on the subject of "marketing of loss of working capacity insurance plans"

  Further to the circular which was published in September 2016, on the subject of "guidelines regarding loss of working capacity insurance plan" (hereinafter: the "**Guidelines Circular**") (as specified in section 6.1.3 of the chapter "description of the corporation's business" regarding the Company for 2017), which determined a uniform and modular structure for loss of working capacity insurance plans, to which policyholders are entitled to attach riders which allow the expansion of the basic coverage, an amendment was published to the guidelines circular, in which supplementary provisions were determined regarding the scope of coverage which will be included in the pension fund umbrella, and the expansions which can be offered thereunder. In accordance with the amendment, the provision regarding the pension fund umbrella will not apply to members of old pension funds.

  Additionally, a circular was published regarding the marketing of loss of working capacity insurance plans (hereinafter: the "**Circular Regarding the Marketing of Loss of Working Capacity Plans**"), in which it was determined that an institutional entity, license holder or insurance agent are required to verify, before selling loss of working capacity insurance plans, including the sale of collective insurance plans, and excluding the determined exceptions, through the clearing house, whether the insurance applicant already has loss of working capacity coverage. Provisions were also determined regarding the provision of information to customers, as well as a restriction limiting the sale of loss of working capacity insurance coverage only to policyholders who have income which is not already covered by existing loss of working capacity insurance coverage. The provisions of the circular regarding the marketing of loss of working capacity plans will apply, jointly and severally, to the insurance company, and to the license holder or insurance agent who are acting on its behalf. The provisions of the circular regarding the marketing of loss of working capacity plans will fully enter into effect by April 1, 2019, and will mostly enter into effect in May 2018.

  At this stage, it is not possible to estimate the full implications of the amendment to the guidelines circular and the circular regarding the marketing of loss of working capacity plans, which, in general, will reduce the scope of loss of working capacity insurance coverage which can be purchases for pension fund members, and will expand the required obligations with respect to the sale process. The overall impact may only be known over time, and will be affected, inter alia, by the volume and types of sales, and by the product's profitability.

  **At this stage, it is not yet possible to estimate the implications of the aforementioned circulars, including with respect to current and future engagements of Clal Insurance with employers and their employees, customers' choices of alternative products, and the long term effects of the foregoing on the company's revenues and profits; the matter is dependent, inter alia, on the product's profitability, sales volume, the conduct of competitors and distributing entities, and the long term choices of policyholders and employers.**

# 3. Restrictions and supervision of the corporation’s business (Cont.)

## 3.1 General (Cont.)

### 3.1.2 Expansion of obligations to customers (Cont.)

- Draft amendment to the explanatory document circular -
  The draft amendment to the explanatory document circular includes, inter alia, provisions increasing the number of cases in which a license holder will be required to fill out a complete explanatory document, in any case involving the provision of recommendations to customers. Inter alia, it was determined that in case of cancellation of a license holder’s recommendation, as part of the retention process, the license holder will be required to fill out a complete explanatory document, instead of a call summary only, as was required in the past. It was further determined that in case an employer requests to increase the deposits to an employee’s products up to the maximum rates which are recognized for it in accordance with the tax laws, the license holder will be required to fill out a complete explanatory document, whereas until then, the license holder was exempt from having to fill out an explanatory document, or preparing a call summary. At the same time, the number of cases in which a summary explanatory document and call summary can be prepared was reduced.

  The draft also includes provisions with respect to the expansion of information and details regarding the considerations which the license holder is required to submit to the customer when giving a recommendation, as well as provisions determining uniform discounts, to be used by all institutional entities, and with respect to all pension products, which will be used when presenting the accrued balance at the end of the savings period, the expected annuity at retirement age, and the reduction of the balance of savings, due to various factors which affect that balance.

  The Company estimates that the provisions of the draft, insofar as it becomes a binding circular, are expected to prolong, impose difficulties and impose additional costs on the process of providing customer service, and are also expected to impose difficulties on the customer retention process, in case of requests to transfer funds out of the Company.

  **The Company’s estimate in connection with the draft amendment to the explanatory document circular constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the final version of the amendment, insofar as it will be published as a binding circular, and on the conduct of competing entities, distributing entities and the choices of members and policyholders.**

- Service provided by agents and advisors to customers (hereinafter: the “Agent Service Circular”) -
  The agent service circular determines that a license holder will establish a service charter pertaining to its customers’ rights in connection with the receipt of service from it, including response times to customer inquiries, which must be within a reasonable period of time after the time of the customer inquiry, and the establishment of an obligation to conduct a service inquiry to evaluate the correspondence of the pension product to the customer’s needs, each time it is made aware, including by the institutional entity, that a change has occurred in the customer’s situation, and at least once every two years. It was also determined that an pension insurance agent who collects from a customer fees or reimbursement of expenses, will prepare a written agreement between him and the customer, which will address the amounts which will be charged to the customer, as well as the service period. The agent service circular will enter into effect in January 2019.

  The Company estimates that the agent service circular is expected to increase the service requirements applicable to insurance agents towards customers, including the insurance agencies which are owned by Clal Holdings Group, and accordingly, it may have indirect effects, in both operational and business terms, on the institutional entities themselves.

  **The information presented on all matters associated with the agent service circular 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 depends, inter alia, on the conduct of customers and insurance agents.**

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

### 3.2. Long term savings

#### 3.2.1 Regulations Regarding Direct Expenses due to Performance of Transactions

For additional details, see Note 7(d)(3) to the financial statements.

#### 3.2.2. Draft amendment to the circular regarding conditions in pension arrangements which include insurance coverage

In May 2018, a draft amendment was published to the circular regarding conditions in pension arrangements which include insurance coverage, in which it was proposed to amend the circular, in a manner whereby a prohibition will be determined on the provision of a discount on management fees in a pension product (or other benefit), which is conditional upon the purchase of insurance coverage; as well as a prohibition on making a discount or benefit (either in cash or cash equivalent) on insurance coverage, conditional on the policyholder's purchase of a pension product from the same institutional entity.

The draft includes a proposal for the amendment to apply to institutional entities with respect to individual and collective loss of working capacity or life insurance policies, which will be marketed or renewed, or the benefit for which will be renewed, after the date of the circular's entry into effect.

The draft amendment to the circular regarding conditions in pension arrangements which include insurance coverage, insofar as it will be published as a binding circular, will affect the engagement structure of institutional entities, including engagements with employers with respect to pension arrangements, in a manner which is intended to increase competition in the segment.

**The information presented on all matters associated with the possible implications of the draft amendment to the circular regarding conditions in pension arrangements which include insurance coverage 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 final wording of the draft, and due to the actions of employers and competing entities.**

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

### 3.3 Health insurance

#### 3.3.1 Collective long-term care insurance for health fund members

In May 2018, a draft amendment was published to the Control of Financial Services Provisions (Insurance) (Collective Long-Term Care Insurance for Health Fund Members) (hereinafter: the "**Provisions of Collective Long-Term Care Insurance for Health Fund Members**" or the "**Provisions**"). The provisions of collective long-term care insurance for health fund members determine a standard policy and formalize the conditions in collective long-term care insurance which is prepared for health fund members, and the instructions for insurers of such insurance policies. The draft amendment to the provisions includes, inter alia, a proposal to give an additional window of opportunity, in order to allow individuals who were health fund members, and whose long-term care insurance for health fund members was canceled due to cancellation the cancellation of his registration at the health fund (for example, newly drafted soldiers), to join the collective long-term care insurance for health fund members, without requiring an evaluation of their prior medical condition. It was further proposed to determine that health fund members will automatically be added, at birth, to collective long-term care insurance for health fund members, and that the minimum age for the payment of insurance premiums will be set as age 5. It is also proposed that premiums begin to be collected only subject to the receipt of consent. It was further proposed to determine an outline for continuity of long-term care insurance in case of non-renewal of collective long-term care insurance for health fund members for all group members, according to which the insurance company which covered the group of policyholders before the cancellation will be obligated to transfer all policyholders to individual policies, the terms of which will be determined with the Commissioner's approval, and the insurance risk therein will be financed, in its entirety, through the funds of the policyholder fund which have accrued for this purpose. It is further proposed to determine various provisions, mostly operational, in connection with the mechanism for the transition of policyholders between health funds, while maintaining their rights.

Further to that stated in section 8.1.2 to the chapter "description of the corporation's business" in the Company's financial statements for 2017, Clal Insurance engaged in agreements for collective long-term care insurance for members of the health funds Maccabi and Leumit, which are set expire in December 2018 and March 2019, respectively. In May 2018, Maccabi and Clalit health funds published new tenders for the selection of a collective long-term care insurance insurer for health fund members. The framework for engagement in the tenders is different from the current framework for engagement. In accordance with the Commissioner's directives, an insurance company may serve as an insurer in long-term care insurance for one or more health funds (with respect to all or some of the members), provided that the total number of policyholders insured by it, as stated above, does not exceed 50% of the total number of policyholders in all of the current long-term care insurance agreements for health fund members, unless the Commissioner has approved otherwise.

# Board of Directors’ Report

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The board of directors' report regarding the state of the corporation's affairs for the period ended March 31, 2018 (hereinafter: the "**Board of Directors' Report**") reviews the principal changes which occurred in the operations of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") in the first quarter of 2018 (hereinafter: the "**Reporting Period**").

The board of directors' report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, with respect to insurance business operations, in accordance with the Insurance Business Control Regulations (Particulars of Report), 1998, and in accordance with circulars issued by the Commissioner of the Capital Markets, Insurance and Savings (hereinafter: the **"Commissioner"**).

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

**1.1** **Financial information by operating segments** (for details regarding operating segments, see Note 4 to the financial statements).

## A. Reporting period

Gross premiums earned in the reporting period amounted to a total of approximately NIS 2,475 million, as compared with a total of approximately NIS 2,444 million in the corresponding period last year. The increase in premiums from insurance business operations, in the amount of approximately NIS 58 million, was mostly due to the increase in individual product sales.

Comprehensive loss after tax attributable to the company's shareholders in the reporting period amounted to a total of approximately NIS 116 million, as compared with comprehensive income of approximately NIS 140 million in the corresponding period last year. The results in the reporting period and in the corresponding period last year include the effects of the interest rate environment, as specified below:

1. **Impact of the interest rate environment in life and long-term care insurance**

Life insurance

Reserves with respect to life insurance contracts increased in the amount of approximately NIS 139 million (total of approximately NIS 91 million after tax), as compared with the release of reserves in the amount of approximately NIS 72 million (total of approximately NIS 47 million after tax) in the corresponding period last year. The aforementioned increase was primarily due to the update to the K factor for profit sharing policies (0.86% on March 31, 2018, as compared with 0.88% on December 31, 2017), and the update to the results of the liability adequacy test (LAT), in light of the decrease of the risk-free interest rate curve.

Long-term care insurance in the health segment

Reserves with respect to long-term care insurance increased by approximately NIS 63 million (a total of approximately NIS 41 million after tax), with no effect in the corresponding period last year. The aforementioned increase was due to the update to liability adequacy test (LAT).

The total increase in reserves with respect to life insurance and long-term care insurance contracts in the health segment amounted to approximately NIS 202 million (total of approximately NIS 133 million after tax), as compared with the release of reserves in life insurance in the amount of approximately NIS 72 million (total of approximately NIS 47 million after tax) in the corresponding period last year.

It is noted that Clal Insurance has a balance of the provision with respect to the liability adequacy test (LAT) as of March 31, 2018 in life insurance and in the health and long-term care segment in the amount of approximately NIS 332 million and NIS 63 million, respectively.

After the reporting date, the risk-free interest rate curve increased. For additional details, see section B below.

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

## 1.1 Financial information by operating segments (Cont.)

2. **Winograd committee**

The Company reduced the insurance liabilities as of March 31, 2018 in the compulsory motor and liabilities branches by approximately NIS 27 million, on retention and before tax (a total of approximately NIS 18 million after tax), as compared with an increase of the insurance liabilities in the amount of approximately NIS 6 million on retention before tax in the corresponding period last year (a total of approximately NIS 4 million after tax). The decrease in the reporting period was due to the increase in returns of investment instruments which were used to calculate the estimate.

It is noted that the total provision with respect to the Winograd committee's recommendations, from the date of their publication until the reporting date, amounts to approximately NIS 192 million. for additional details regarding the Winograd committee, see Note 39(e)(e2)(4)(f) to the annual financial statements.

Subsequent to the reporting date, the returns of investment instruments which were used to calculate the estimated provision increased. For additional details, see section B below.

**A. Reporting period**

After neutralizing the effects of the interest rate environment, as specified above, comprehensive income after tax amounted to approximately NIS 0 million, as compared with comprehensive income after tax of approximately NIS 97 million in the corresponding period last year. The decrease in income after neutralizing these effects was primarily due to the impact of the capital market, as reflected both in the decrease of investment income, and in the collection of variable management fees relative to the corresponding period last year.

During the reporting period, gross real returns in profit sharing policies amounted to a rate of 0.38%, as compared with a rate of return of 1.82% 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 13 million, as compared with collection of approximately NIS 77 million in the corresponding period last year.

The total financial margin in life insurance[1] amounted to a total of approximately NIS 162 million, as compared with a total of approximately NIS 233 million in the corresponding period last year.

Return on equity in annual terms during the reporting period amounted to a negative rate of 9.2%, as compared with a positive rate of 12.0% in the corresponding period last year.

**B. Developments subsequent to the reporting period**

During the period after the reporting date, the risk-free interest rate curve increased. Further to that stated in Note 39(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 liabilities in life and long-term care insurance with respect to the supplementation of annuity reserves, and in paid pension liabilities in life insurance, and also as part of the liability adequacy test (LAT) and changes to the K factor.

It is further noted that, in light of the risk-free interest rate curve as of May 18, 2018, the Company was not required to perform the provisions which it performed with respect to the low interest rate environment during the reporting period in life and long-term care insurance liabilities.

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[1] 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. 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.

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

### 1.1 Financial information by operating segments (Cont.)

The returns of investment instruments which were used to calculate the estimated provision with respect to the Winograd committee's recommendations in non-life insurance also increased.

At this stage, it is not possible to estimate the implications of the increased risk-free interest rate curve and in the returns of the aforementioned investment instruments on the results for the second quarter of 2018, 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 second quarter of 2018, and the above does not constitute any estimate regarding the Company's expected financial results as of the end of the second quarter of 2018.

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

| NIS in millions | For the period of three months ended March 31 | | Rate of change in percent | For the year ended December 31 |
|---|---|---|---|---|
| | 2018 | 2017 | | 2017 |
| | Unaudited | | | Audited |
| **Long term savings** | | | | |
| Gross earned life insurance premiums | **1,408** | 1,443 | (2) | 5,535 |
| Income from life insurance management fees | **118** | 175 | (33) | 760 |
| Impact of the decrease of interest rate on reserves in life insurance | **(139)** | 72 | # | (259) |
| Update to the discount rate used to calculate liabilities for paid pensions | **-** | - | - | 88 |
| Special provisions in life insurance | **-** | - | - | (53) |
| Financial margin including management fees | **162** | 233 | (30) | 1,016 |
| Income (loss) before tax in life insurance | **(141)** | 202 | # | 236 |
| Total comprehensive income (loss) before tax in life insurance | **(155)** | 170 | # | 267 |
| Income from pension management fees | **70** | 69 | 1 | 282 |
| Total pre-tax profit in pension | **3** | 4 | (25) | 7 |
| Total comprehensive income before tax in pension | **2** | 5 | (60) | 11 |
| Income from provident fund management fees | **45** | 47 | (4) | 183 |
| Amortization of goodwill - provident funds | **-** | - | - | (108) |
| Total pre-tax profit in provident funds | **3** | 10 | (70) | (102) |
| Total comprehensive income before tax in provident | **3** | 10 | (70) | (102) |
| **Total pre-tax profit (loss) in long-term savings** | **(136)** | 216 | # | 141 |
| **Total comprehensive income (loss) before tax in long-term savings** | **(150)** | 184 | # | 177 |
| **Non-life insurance segments** | | | | |
| Gross premiums earned | **563** | 555 | 1 | 2,279 |
| Premiums earned on retention | **347** | 393 | (12) | 1,519 |
| Provision with respect to the Winograd committee | **27** | (6) | # | (78) |
| **Total income (loss) before tax in the non-life insurance segment** | **76** | 11 | 591 | 14 |
| **Total comprehensive income (loss) before tax in the non-life insurance segment** | **73** | 13 | 462 | 62 |
| **Health insurance segment** | | | | |
| Gross premiums earned | **505** | 447 | 13 | 1,917 |
| Premiums earned on retention | **431** | 389 | 11 | 1,655 |
| Impact of the decreased interest rate on reserves in long-term care insurance in the health segment | **(63)** | - | # | - |
| **Total income (loss) before tax in the health insurance segment** | **(33)** | 8 | # | 129 |
| **Total comprehensive income (loss) before tax in the health insurance segment** | **(42)** | 8 | # | 184 |
| **Total income (loss) before tax from insurance segments** | **(93)** | 235 | # | 284 |
| **Total comprehensive income (loss) before tax from insurance segments** | **(119)** | 205 | # | 423 |
| **Financing expenses** | **27** | 29 | (7) | 125 |
| **Total comprehensive income before tax and items not included in the insurance branches** | **(34)** | 41 | # | 249 |
| **Total income (loss) before tax** | **(116)** | 249 | # | 286 |
| **Total comprehensive income (loss) before tax** | **(180)** | 217 | # | 547 |
| **Taxes (tax benefit) on comprehensive income** | **(65)** | 74 | # | 171 |
| **Total comprehensive income (loss) for the period, net of tax** | **(115)** | 141 | # | 376 |
| Total comprehensive income (loss) for the year attributable to company shareholders | **(116)** | 140 | # | 370 |
| Total comprehensive income for the year attributable to non-controlling interests | **1** | 1 | - | 5 |
| **Return on equity in annual terms (in percent) *)** | **(9.2)** | 12.0 | # | 7.9 |
| **Impact of the low interest rate environment** | **(115)** | 43 | # | (219) |
| **Total income (loss) after neutralizing the effects of the low interest rate environment** | **-** | 97 | # | 589 |

***)** 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.

### 1.1.1. Long term savings

#### 1.1.1.1. Life insurance operations

| Life insurance | Q1 2018 | Q1 2017 | Note |
|---|---|---|---|
| Gross premiums earned | 1,408 | 1,443 | The decrease in the reporting period was primarily due to the decrease in non-recurring premiums relative to the corresponding quarter last year. |
| Comprehensive income (loss) | (155) | 170 | The decrease in income and the transition to loss during the reporting period was primarily due to the increase of reserves with respect to the low interest rate environment in the amount of approximately NIS 139 million during the reporting period, as compared with the release of reserves in the amount of approximately NIS 72 million in the corresponding period last year (see section A above). |
| Comprehensive income (loss) after neutralization of the interest rate environment | (16) | 98 | The decrease in income and the transition to loss during the reporting period was primarily affected by the decrease in investment income during the reporting period, relative to the corresponding period last year.<br>During the reporting period, gross real returns in profit sharing policies amounted to a rate of 0.38%, as compared with a rate of 1.82% in the corresponding period last year, such that, during the reporting period, variable management fees were collected in the amount of approximately NIS 13 million, as compared with collection of approximately NIS 77 million in the corresponding period last year,<br>as specified in section 1.1.1.2 below. The total financial margin in life insurance amounted to a total of approximately NIS 162 million, as compared with a total of approximately NIS 233 million in the corresponding period last year. |
| The redemption rates of life insurance policies from the average reserve, in annual terms | 2.0% | 2.3% | |
| Investment income applied to policyholders after management fees | (109) | 534 | |
| Management fees (fixed and variable) | 119 | 175 | |

#### 1.1.1.2 Data regarding premiums earned, management fees and financial margin:

| | Q1 | | | | Year | |
|---|---|---|---|---|---|---|
| NIS in millions | 2018 | % of total | 2017 | % of total | 2017 | % of total |
| Variable management fees | **13** | 11 | 77 | 44 | 352 | 46 |
| Fixed management fees | **105** | 89 | 98 | 56 | 408 | 54 |
| **Total management fees** | **119** | **100** | **175** | **100** | **760** | **100** |
| **Total financial margin and management fees** | **162** | | 233 | | 1,016 | |
| Current premiums | **1,342** | 95 | 1,359 | 96 | 5,226 | 94 |
| Non-recurring premiums | **66** | 5 | 84 | 4 | 309 | 6 |
| **Total gross premiums earned** | **1,408** | **100** | **1,443** | **100** | **5,535** | **100** |
| Current premiums | **17** | 19 | 23 | 23 | 82 | 28 |
| Non-recurring premiums | **74** | 81 | 78 | 77 | 209 | 72 |
| **Total premiums with respect to pure savings** | **91** | **100** | **101** | **100** | **291** | **100** |

### 1.1.1. Long-term savings (Cont.)

### 1.1.1.2 Data regarding premiums earned, management fees and financial margin: (Cont.)

Details regarding the rates of return in profit-sharing policies

| | Policies issued during the years 1992 to 2003 (Fund J) | | | Policies issued beginning in 2004 (New Fund J) | | |
|---|---|---|---|---|---|---|
| | Q1 | | Year | Q1 | | Year |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| **Real return** | | | | | | |
| Before payment of management fees *) | **0.38** | 1.82 | 8.50 | **0.31** | 1.64 | 8.12 |
| After payment of management fees | **0.20** | 1.43 | 6.72 | **0.04** | 1.36 | 6.93 |
| **Nominal return** | | | | | | |
| Before payment of management fees | **0.08** | 1.62 | 8.82 | **0.01** | 1.44 | 8.45 |
| After payment of management fees | **(0.10)** | 1.23 | 7.04 | **(0.26)** | 1.16 | 7.25 |

*) For details regarding the change in the consumer price index, see section 2.1 above in the updates to the chapter regarding the description of the corporation's business.

### 1.1.1.3 Provident fund operations

| Provident fund operations | Q1 2018 | Q1 2017 | Note |
|---|---|---|---|
| **Comprehensive income (loss)** | 3 | 10 | The decrease in income was primarily due to the decrease in income from management fees due to the competitive conditions in the segment, which resulted in erosion in the management fee rate, and a decrease in the average balance of assets during the period. Operating expenses also increased.<br>It is noted that, by virtue of the returns of the provident funds which are managed by the managing company last year, net negative transfers significant decreased during the reporting period. |

### 1.1.1.4 Pension operations

| Pension activity | Q1 2018 | Q1 2017 | Note |
|---|---|---|---|
| **Comprehensive income (loss)** | 2 | 5 | The decrease in income was primarily due to the erosion in the management fee rate, due to the competitive conditions in the segment and the increase in operating expenses, which were partly offset by the increase in routine deposits. |

### 1.1.2. Non-life insurance - presented below is the distribution of premiums and comprehensive income:

| | Q1 | | | | | |
|---|---|---|---|---|---|---|
| **Gross premiums** | **2018** | **% of total** | **2017** | **% of total** | **2017** | **% of total** |
| **Motor property** | **222** | **33** | 227 | 33 | 727 | 32 |
| **Compulsory motor** | **144** | **21** | 147 | 21 | 473 | 21 |
| **Property branches** | **195** | **29** | 198 | 28 | 666 | 29 |
| **Credit insurance** | **27** | **4** | 28 | 4 | 110 | 5 |
| **Liability branches** | **93** | **14** | 99 | 14 | 324 | 14 |
| **Total** | **681** | **100** | **698** | 100 | **2,299** | 100 |

| | Q1 | | | | | |
|---|---|---|---|---|---|---|
| **Premiums on retention** | **2018** | **% of total** | **2017** | **% of total** | **2017** | **% of total** |
| **Motor property** | **222** | **53** | 226 | 44 | 724 | 50 |
| **Compulsory motor *)** | **61** | **14** | 143 | 28 | 252 | 18 |
| **Property branches** | **57** | **14** | 65 | 13 | 194 | 14 |
| **Credit insurance** | **13** | **3** | 14 | 3 | 56 | 4 |
| **Liability branches** | **68** | **16** | 69 | 13 | 211 | 15 |
| **Total** | **421** | **100** | **517** | 100 | **1,437** | 100 |

*) As specified in the annual financial statements, in the chapter "description of the corporation's business affairs", section 10.6, in 2017, the Company signed a proportional reinsurance treaty.

| **Comprehensive income (loss) before tax** | | | **Q1 2018** | **Q1 2017** | **Change in %** | **2017** |
|---|---|---|---|---|---|---|
| **Motor property** | | | **12** | 0 | # | 27 |
| **Compulsory motor** | | | **42** | 0 | # | 1 |
| **Property branches** | | | **(3)** | 12 | # | 11 |
| **Credit insurance** | | | **8** | 7 | 13 | 41 |
| **Liability branches** | | | **15** | (7) | # | (19) |
| **Total** | | | **73** | **13** | **483** | **62** |

| **Comprehensive income (loss) before tax without the estimated provision with respect to the implications of Winograd** | | | **Q1 2018** | **Q1 2017** | **Change in %** | **2017** |
|---|---|---|---|---|---|---|
| **Compulsory motor** | | | **27** | 4 | 568 | 46 |
| **Liability branches** | | | **2** | (4) | # | 14 |
| **Total** | | | **47** | **19** | **147** | **140** |

| | **Q1 2018** | | **Q1 2017** | | **2017** | |
|---|---|---|---|---|---|---|
| **The ratios are presented after neutralization of the Winograd committee's effects.** | **LR gross** | **LR on retention** | **LR gross** | **LR on retention** | **LR gross** | **LR on retention** |
| **Motor property** | **68%** | **69%** | **75%** | **75%** | **70%** | **70%** |
| **Compulsory motor** | **82%** | **64%** | **90%** | **86%** | **98%** | **93%** |
| **Property branches** | **51%** | **60%** | **74%** | **42%** | **70%** | **52%** |
| **Credit insurance** | **21%** | **16%** | **31%** | **36%** | **23%** | **22%** |
| **Liability branches** | **72%** | **70%** | **154%** | **77%** | **98%** | **77%** |
| **Total** | **64%** | **65%** | **87%** | **72%** | **78%** | **72%** |
| **CR on retention** | | **CR on retention** | | **CR on retention** | | **CR on retention** |
| **Motor property** | | **95%** | | **101%** | | **99%** |
| **Compulsory motor** | | **72%** | | **103%** | | **111%** |
| **Property branches** | | **109%** | | **88%** | | **104%** |
| **Credit insurance** | | **35%** | | **56%** | | **42%** |
| **Liability branches** | | **111%** | | **118%** | | **120%** |
| **Total** | | **93%** | | **100%** | | **103%** |

### 1.1.2. Non-life insurance - presented below is the distribution of premiums and comprehensive income: (Cont.)

| Non-life insurance | Q1 2018 | Q1 2017 | Note |
|---|---|---|---|
| **Gross premiums** | **681** | **698** | |
| **Comprehensive income** | **73** | **13** | During the reporting period, a decrease in was recorded in 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 27 million, as compared with an increase in the provision in the amount of approximately NIS 6 million in the corresponding period last year. |
| **Comprehensive income neutralized by the Winograd provision** | **47** | **19** | The increase in income, after neutralization of the aforementioned provision, was primarily due to the increase in income in the motor property and compulsory motor branches, and the transition from loss to income in the liabilities branches, due to the improvement in underwriting results relative to the corresponding period last year. |
| **LR on retention After neutralizing the provision with respect to Winograd** | **65%** | **72%** | The decrease was due to the underwriting improvement in the motor property and compulsory motor branches and liabilities, as stated above. |
| **CR on retention After neutralizing the provision with respect to Winograd** | **93%** | **100%** | |
| **Motor property** | | | |
| Gross premiums | 222 | 227 | |
| Comprehensive income before tax | 12 | - | The increase in income was primarily due to the continued underwriting improvement in individual business operations, along with business growth. |
| LR on retention after neutralizing the Winograd provision | 69% | 75% | The decrease was primarily due to underwriting improvement |
| CR on retention after neutralizing the Winograd provision | 95% | 101% | |

| | | | |
|---|---|---|---|
| **Compulsory motor** | | | |
| Gross premiums | 144 | 147 | |
| Comprehensive income (loss) | 42 | - | During the reporting period, a decrease in was recorded in 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 15 million, as compared with an increase in the provision in the amount of approximately NIS 4 million in the corresponding period last year. |
| Comprehensive income neutralized by the Winograd provision | 27 | 4 | The increase in income, after neutralizing the aforementioned provisions, was due, inter alia, to the improvement in surplus investment income over the income required to cover the increase in insurance liabilities, and the underwriting improvement relative to the corresponding period last year. |
| LR on retention after neutralizing the provision with respect to Winograd | 64% | 86% | Most of the improvement was due to the above. |
| CR on retention after neutralizing the Winograd provision | 72% | 103% | |

### 1.1.2. Non-life insurance - presented below is the distribution of premiums and comprehensive income: (Cont.)

| | | | |
|---|---|---|---|
| **Property and others branches** | | | |
| Gross premiums | 195 | 198 | |
| Comprehensive income (loss) | (3) | 12 | The transition from income to loss during the reporting period was primarily due to the deterioration of claims in fire and property branches in the current quarter. |
| LR on retention | 60% | 42% | The increase was primarily due to the above. |
| CR on retention | 109% | 88% | |
| **Credit insurance** | | | |
| Gross premiums | 27 | 28 | |
| Comprehensive income | 8 | 7 | |
| LR on retention | 16% | 36% | The increase in underwriting profit was mostly due to the decrease in claims relative to the corresponding period last year. |
| CR on retention | 35% | 56% | |
| **Liability branches** | | | |
| Gross premiums | 93 | 99 | |
| Comprehensive income | 15 | (7) | During the reporting period, a decrease in was recorded in 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 12 million, as compared with an increase in the provision in the amount of approximately NIS 2 million in the corresponding period last year. |
| Comprehensive income neutralized by the Winograd provision | 2 | (4) | The transition from loss last year to income this year was primarily due to the improvement in surplus investment income over the income which is required to cover the increase in insurance liabilities, and underwriting improvement. |
| LR on retention | 70% | 77% | |
| CR on retention | 111% | 118% | |

### 1.1.3. Health insurance

| | Q1 2018 | Q1 2017 | Note |
|---|---|---|---|
| **Gross premiums earned** | **505** | 447 | The increase in premiums was primarily due to the increase in individual business operations. |
| **Comprehensive income (loss)** | **(42)** | 8 | The decrease in income and the transition to loss, relative to the corresponding period last year, was primarily due to the impact of the low interest rate environment, which resulted, during the reporting period, in an increase of the reserve in the amount of approximately NIS 63 million, due to the liability adequacy test (LAT), with no effect in the corresponding period last year. |
| **Comprehensive income neutralized by the impact of the low interest rate environment** | **20** | 8 | The increase in comprehensive income, neutralized by the impact of the low interest rate environment, was primarily due to the negative development in the long-term care branch during the corresponding period last year. |

For details regarding the publication of new tenders for the selection of an insurer for collective long-term care insurance of the Maccabi and Clalit health funds, see section 3.3.1 in the updates to the chapter "description of the corporation's business".

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

| | Profit sharing long-term care policies of the individual and collective types | | |
|---|---|---|---|
| | Q1 | | |
| **NIS in millions** | **2018** | **2017** | **2017** |
| Investment income (loss) credited to policyholders | **(6)** | 42 | 282 |

### 1.1.4. Other and items not included in the insurance branches

| NIS in millions | Q1 2018 | Q1 2017 | Note |
|---|---|---|---|
| | Unaudited | | |
| Income from investments, net, and financing income | 24 | 59 | |
| General and administrative expenses | (20) | (17) | |
| Other income (expenses) | - | 1 | |
| **Total income before tax** | 4 | 43 | |
| **Other comprehensive income (mostly investment losses)** | (38) | (2) | |
| **Total comprehensive income (loss) before tax** | (34) | 41 | The decrease in comprehensive income and the transition to loss during the reporting period were primarily due to investment losses in the amount of approximately NIS 14 million during the reporting period, as compared with investment income in the amount of approximately NIS 57 million in the corresponding period last year. |

### 1.1.5. General and administrative expenses

Other general and administrative expenses amounted to a total of approximately NIS 227 million, as compared with a total of approximately NIS 205 million last year. The increase was primarily due to payroll expenses, inter alia, with respect to the new collective agreement, the increase in operating and collection activities in long-term savings, and the creation of new units, mainly for business development.

### 1.1.6. Financing expenses in operations which are not allocated to segments

The Group’s financing expenses are affected primarily by the change in the known consumer price index, see section 2.1 in the updates to the chapter regarding the description of the corporation’s business, and by raisings and repayments of debt.

Financing expenses in the reporting period amounted to a total of approximately NIS 27 million, as compared with approximately NIS 29 million in the corresponding period last year.

## 1.2 Principal data from the consolidated statements of financial position

### 1.2.1. Assets

| NIS in millions | As of March 31 2018 | As of March 31 2017 | Rate of change % | As of December 31 2017 | Rate of change since December % |
|---|---|---|---|---|---|
| Other financial investments [1] | **31,234** | 30,493 | 2 | 31,457 | (1) |
| **Assets managed for others (non-nostro) in the group (NIS in millions):** | | | | | |
| For investment-linked insurance contracts and investment contracts | **64,773** | 59,117 | 10 | 64,310 | 1 |
| For provident fund members [1] | **33,277** | 33,645 | (1) | 33,620 | (1) |
| For pension fund members *) | **62,783** | 55,626 | 13 | 61,751 | 2 |
| **Total assets managed for others** | **160,833** | 148,388 | 8 | 159,681 | 1 |
| **Total managed assets** | **192,067** | 178,881 | 7 | 191,138 | - |
| *) Out of this amount, total assets managed by Atudot Havatika | **10,129** | 9,386 | 8 | 10,086 | - |

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.

### 1.2.2. Financial liabilities

As of the balance sheet date, the Group has no balances of debt which are not for capital purposes in the insurance companies.

### 1.2.3. Capital and capital requirements

The Board of Directors of Clal Insurance has not yet determined the solvency ratio target based on the provisions of the economic solvency regime, as stated above. This determination constitutes a precondition for a dividend 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.

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

**A. Capital requirements according to the accounting solvency regime**

| NIS in millions | As of March 31 2018 | As of December 31 2017 | Rate of change % |
|---|---|---|---|
| **Company** | | | |
| Total capital attributable to Company shareholders | **4,930** | 5,047 | (2) |
| Total capital required of the company | **2,860** | 2,862 | - |
| Surplus | **2,070** | 2,185 | (5) |
| Rate of surplus over required capital | **72.4%** | 76.3% | (5) |
| **Clal Insurance** | | | |
| Total capital and required capital surplus | **4,791** | 4,777 | - |
| Total Tier 1 capital | **4,751** | 4,870 | (2) |
| Total Tier 2 and Tier 3 capital | **3,167** | 3,170 | - |
| Total recognized capital | **7,918** | 8,040 | (2) |
| Surplus | **3,127** | 3,263 | (4) |
| Rate of surplus over capital and required capital surplus | **65.3%** | 68.3% | (4) |
| Rate of Tier 2 and Tier 3 capital out of total recognized capital | **40.0%** | 39.4% | - |

**B. Capital requirements in accordance with the provisions for implementation of an economic solvency regime** 1)2)3)

**1. Solvency ratio -**

| NIS in millions | As of December 2016<br>Unaudited and unreviewed |
|---|---|
| **Without taking into account the provisions for the distribution period, and including adjustment of the stock scenario:** | |
| Equity for the purpose of the solvency capital requirement | 8,866 |
| Solvency capital requirement | 7,969 |
| Surplus (deficit) | 897 |
| Solvency ratio | 111% |
| **Fulfillment of milestones, in consideration of the provisions for the distribution period and the adjustment of the stock scenario:** | |
| Equity for the purpose of the solvency capital requirement | 7,887 |
| Solvency capital requirement | 4,418 |
| Surplus (deficit) | 3,469 |

### 1.2.3. Capital and capital requirements (Cont.)

**2. Minimum capital requirement (MCR)**

| NIS in millions | As of December 2016<br>Unaudited and unreviewed |
|---|---|
| Equity for the purpose of MCR | 6,009 |
| MCR | 1,655 |

1) The capital requirement applies to Clal Insurance, including the consolidation of Clal Credit Insurance.
2) The data presented above have not been audited or reviewed by the auditors as part of the audit of the financial reports.
3) In accordance with the provisions during the distribution period, the solvency capital requirement as of December 31, 2016 amounts to 60% of the solvency capital requirement which is calculated in accordance with the adjustment of the stock scenario. The Company is expected to calculate the economic solvency ratio as of December 31, 2017 until the publication date of the financial statements with respect to the second quarter of 2018. For additional details, see Note 16(e)(3) to the annual financial statements.

## 1.3. 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 current liabilities, guarantees and letters of indemnity which it provided for the liabilities of wholly owned investee companies (see Note 39(d)(1) to the annual financial statements), and also to support, insofar as required, the capital needs of Clal Insurance and the liquidity needs with respect to the operations of other investee companies in the Group. Additional financing sources include, inter alia, dividend distributions from investee companies and the option to dispose investments in investee companies, debt raisings from the banking system and/or from the public, and capital raisings.

### 1.3.1. Liquid resources and credit facilities *)

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

| NIS in millions | Balance as of March 31, 2018 | Proximate to the publication date of the report |
|---|---|---|
| Liquid resources of the Company (solo) | 43 | 43 |

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

### 1.3.2. 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.

B. The company’s operations (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 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.

D. For details regarding the Company’s distributable earnings, which are adjusted to the Company’s capital requirements, and regarding capital and capital requirements in the consolidated institutional entities and other companies in the Group, see Note 6 to the financial statements.

## 2. Exposure to and Management of Market Risks

**Effect of market risks on business results**

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

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

**Linkage bases report - as of March 31, 2018**

| | Israeli currency | | Foreign currency | | | | Non-monetary items | Insurance company | |
|---|---|---|---|---|---|---|---|---|---|
| **NIS in thousands** | **Unlinked** | **CPI-linked** | **USD** | **EUR** | **GBP** | **Other** | | **in Israel** | **Total** |
| Intangible assets | - | - | - | - | - | - | 47,942 | 1,331,919 | 1,379,861 |
| Deferred tax assets | - | - | - | - | - | - | 6,538 | 1,737 | 8,275 |
| Deferred acquisition costs | - | - | - | - | - | - | - | 1,971,700 | 1,971,700 |
| Property, plant and equipment | - | - | - | - | - | - | 13,614 | 209,316 | 222,930 |
| Investments in associates | - | - | - | - | - | - | - | 294,958 | 294,958 |
| Investment property for investment-linked contracts | - | - | - | - | - | - | - | 2,931,870 | 2,931,870 |
| Other investment property | - | - | - | - | - | - | - | 1,240,486 | 1,240,486 |
| Reinsurance assets | - | - | - | - | - | - | - | 2,809,159 | 2,809,159 |
| Current tax assets | - | 2,887 | - | - | - | - | - | 203,091 | 205,978 |
| Other accounts receivable | 9,584 | - | 241 | - | - | - | 1,697 | 966,304 | 977,826 |
| Outstanding premiums | 2,888 | - | - | - | - | - | - | 1,007,427 | 1,010,315 |
| Financial investments for investment-linked contracts | - | - | - | - | - | - | - | 56,583,659 | 56,583,659 |
| Other financial investments | | | | | | | | | |
| Marketable debt assets | 9,727 | 17,328 | - | - | - | - | - | 4,976,569 | 5,003,624 |
| Non-marketable debt assets | 548 | 3,867 | - | - | - | - | - | 22,270,212 | 22,274,627 |
| Stocks | - | - | - | - | - | - | 45 | 1,379,361 | 1,379,406 |
| Other | - | - | - | - | - | - | - | 2,576,187 | 2,576,187 |
| Cash and cash equivalents for investment-linked contracts | - | - | - | - | - | - | - | 4,085,699 | 4,085,699 |
| Other cash and cash equivalents | 130,310 | - | 197 | 282 | 4 | - | - | 1,031,060 | 1,161,853 |
| **Total assets** | 153,057 | 24,082 | 438 | 282 | 4 | - | 69,836 | 105,870,714 | 106,118,413 |

## 2. Exposure to and Management of Market Risks (Cont.)

### Effect of market risks on business results (Cont.)

**Linkage bases report - as of March 31, 2018 (Cont.)**

| NIS in thousands | Israeli currency | | Foreign currency | | | | Non-monetary items | Insurance company in Israel | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Unlinked | CPI-linked | USD | EUR | GBP | Other | | | |
| **Liabilities** | | | | | | | | | |
| Liabilities with respect to non-investment-linked insurance contracts and investment contracts | - | - | - | - | - | - | - | 30,119,135 | 30,119,135 |
| Liabilities with respect to investment-linked insurance contracts and investment contracts | - | - | - | - | - | - | - | 64,027,050 | 64,027,050 |
| Deferred tax liabilities | - | - | - | - | - | - | - | 452,355 | 452,355 |
| Liabilities with respect to employee benefits, net | 19,728 | - | - | - | - | - | - | 64,647 | 84,375 |
| Other accounts payable | 65,733 | - | - | - | - | - | - | 2,717,134 | 2,782,867 |
| Current tax liabilities | - | 635 | - | - | - | - | - | 1,666 | 2,301 |
| Financial liabilities | - | - | - | - | - | - | - | 3,674,464 | 3,674,464 |
| **Total liabilities** | 85,461 | 635 | - | - | - | - | - | 101,056,451 | 101,142,547 |
| **Total exposure** | 67,596 | 23,447 | 438 | 282 | 4 | - | 69,836 | 4,814,263 | 4,975,866 |

# 3. Disclosure Regarding the Corporation’s Financial Reporting

## 3.1. Report concerning critical accounting estimates

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

## 3.2. Contingent liabilities

The auditors’ report to the Company’s shareholders includes reference to that stated in Note 7 to the financial statements, regarding the exposure to contingent liabilities.

## 3.3 Effectiveness of internal control over financial reporting and disclosure

### 3.3.1. The Securities Regulations

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

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

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

### 3.3.2 The Commissioner’s directives regarding internal control over financial reporting and disclosure

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

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

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

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

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

**During the quarter ended March 31, 2018, no changes 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.**

The Company continues working to improve and increase the efficiency of various work processes, including with reference to aspects of internal control and customer service, and as part of the above, it is continuing the process of developing, upgrading and/or replacing several information systems.

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

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

| Danny Naveh<br>Chairman of the Board | Izzy Cohen<br>Chief Executive Officer |
|---|---|

**Tel Aviv, May 29, 2018**

# Clal Insurance Enterprises Holdings Ltd.

# Condensed Interim Consolidated Financial Statements As of March 31, 2018

# (Unaudited)

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

**Introduction**

We have reviewed the enclosed condensed financial information of Clal Insurance Enterprises Holdings Ltd. and its subsidiaries (hereinafter: the "**Group**"), which includes the interim consolidated statement of financial position as of March 31, 2018, as well as the interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods of three months then ended. The board of directors and management are responsible for preparing and presenting the financial information for this interim period, in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements set by the Commissioner of Capital Markets, Insurance and Savings, pursuant to the Control of Financial Services Law (Insurance), 1981, and are also responsible for compiling financial information for this interim period in accordance with Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent that these regulations apply to a corporation which consolidates insurance companies. Our responsibility is to express a conclusion with respect to the financial information for these interim periods, based on our review.

We have not reviewed the condensed interim financial information of an associate company which is accounted by the equity method, the investment in which amounted to approximately NIS 16 million as of March 31, 2018, and where the Group's share in its income amounted to approximately NIS 81 thousand for the three month period then ended. The condensed interim financial information of that company was reviewed by other auditors, whose review report was provided to us, and our conclusion, insofar as it pertains to the amounts which were included with respect to that company, is based on the review report which was prepared by the other auditors.

**Scope of the Review**

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

**Conclusion**

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

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

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

| | | |
|---|---|---|
| Tel Aviv, | Somekh Chaikin | Kost Forer Gabbay and Kasierer |
| May 29, 2018 | Certified Public Accountants | Certified Public Accountants |

Joint Auditors

**Interim Consolidated Statements of Financial Position**

| NIS in thousands | As of March 31 2018 | As of March 31 2017 | As of December 31 2017 |
|---|---|---|---|
| | Unaudited | | Audited |
| **Assets** | | | |
| Intangible assets | **1,379,861** | 1,492,450 | 1,391,753 |
| Deferred tax assets | **8,275** | 8,823 | 8,637 |
| Deferred acquisition costs | **1,971,700** | 1,955,170 | 1,944,574 |
| Property, plant and equipment | **222,930** | 243,892 | 231,670 |
| Investments in investee companies accounted by the equity method | **294,958** | 243,537 | 296,172 |
| Investment property for investment-linked contracts | **2,931,870** | 2,773,464 | 2,869,967 |
| Other investment property | **1,240,486** | 1,184,679 | 1,212,109 |
| Reinsurance assets | **2,809,159** | 2,387,290 | 2,801,776 |
| Current tax assets | **205,978** | 86,372 | 176,496 |
| Other accounts receivable | **977,826** | 496,318 | 507,089 |
| Outstanding premiums | **1,010,315** | 1,060,387 | 893,842 |
| Financial investments for investment-linked contracts | **56,583,659** | 53,252,757 | 56,230,961 |
| Other financial investments: | | | |
| Marketable debt assets | **5,003,624** | 5,558,057 | 5,532,612 |
| Non-marketable debt assets | **22,274,627** | 21,413,005 | 21,833,094 |
| Stocks | **1,379,406** | 1,123,310 | 1,367,841 |
| Others | **2,576,187** | 2,398,980 | 2,723,604 |
| Total other financial investments | **31,233,844** | 30,493,352 | 31,457,151 |
| Cash and cash equivalents for investment-linked contracts | **4,085,699** | 2,431,671 | 4,529,446 |
| Other cash and cash equivalents | **1,161,853** | 1,419,619 | 1,405,863 |
| **Total assets** | **106,118,413** | 99,529,781 | 105,957,506 |
| Total assets for investment-linked contracts | **64,772,580** | 59,116,749 | 64,310,320 |

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

## Interim Consolidated Statements of Financial Position

| NIS in thousands | As of March 31 2018 Unaudited | As of March 31 2017 Unaudited | As of December 31 2017 Audited |
|---|---|---|---|
| **Capital** | | | |
| Share capital | **143,381** | 143,230 | 143,367 |
| Premium on shares | **1,004,859** | 980,527 | 1,001,880 |
| Capital reserves | **607,509** | 460,099 | 649,964 |
| Retained earnings | **3,174,710** | 3,231,410 | 3,251,608 |
| **Total capital attributable to Company shareholders** | **4,930,459** | 4,815,266 | 5,046,819 |
| Non-controlling interests | **45,407** | 39,921 | 44,382 |
| **Total capital** | **4,975,866** | 4,855,187 | 5,091,201 |
| | | | |
| **Liabilities** | | | |
| Liabilities with respect to non-investment-linked insurance contracts and investment contracts | **30,119,135** | 29,931,853 | 30,184,292 |
| Liabilities with respect to investment-linked insurance contracts and investment contracts | **64,027,050** | 58,418,976 | 63,346,079 |
| Deferred tax liabilities | **452,355** | 429,760 | 511,333 |
| Liabilities with respect to employee benefits, net | **84,375** | 73,900 | 84,252 |
| Other accounts payable | **2,782,867** | 2,356,345 | 3,322,132 |
| Current tax liabilities | **2,301** | 671 | 5,163 |
| Financial liabilities | **3,674,464** | 3,463,089 | 3,413,054 |
| | | | |
| **Total liabilities** | **101,142,547** | 94,674,594 | 100,866,305 |
| | | | |
| **Total capital and liabilities** | **106,118,413** | 99,529,781 | 105,957,506 |

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

| May 29, 2018 | | | | |
|---|---|---|---|---|
| Approval date of the financial statements | Danny Naveh<br>Chairman of the Board | Izzy Cohen<br>Chief Executive Officer | Anath Levin<br>Executive VP, Investments, Credit and Finance Division Manager | Tal Cohen<br>Senior VP<br>Chief Accounting Division Manager |

## Interim Consolidated Statements of Income

| NIS in thousands | For the period of three months ended March 31 2018 | For the period of three months ended March 31 2017 | For the year ended December 31 2017 |
|---|---|---|---|
| | Unaudited | | Audited |
| Gross premiums earned | **2,475,118** | 2,444,144 | 9,729,203 |
| Premiums earned by reinsurers | **334,460** | 262,242 | 1,190,281 |
| Premiums earned on retention | **2,140,658** | 2,181,902 | 8,538,922 |
| Income from investments, net, and financing income | **295,523** | 1,169,733 | 6,234,548 |
| Income from management fees | **233,508** | 291,053 | 1,226,483 |
| Income from commissions | **77,174** | 55,727 | 267,113 |
| Other income | **19** | 25 | 3,558 |
| **Total income** | **2,746,882** | 3,698,440 | 16,270,624 |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross | **2,372,741** | 3,042,221 | 14,008,748 |
| Share of reinsurers in payments and change in liabilities with respect to insurance contracts | **(235,855)** | (288,883) | (1,103,954) |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention | **2,136,886** | 2,753,338 | 12,904,794 |
| Commissions, marketing expenses and other acquisition costs | **468,120** | 464,713 | 1,956,552 |
| General and administrative expenses | **224,595** | 204,893 | 872,061 |
| Impairment of intangible assets | **-** | - | 121,637 |
| Other expenses | **4,399** | 3,164 | 23,773 |
| Financing expenses | **30,080** | 26,742 | 134,455 |
| **Total expenses** | **2,864,080** | 3,452,850 | 16,013,272 |
| Share in the results of investee companies accounted by the equity method, net | **1,345** | 3,559 | 25,581 |
| **Income (loss) before taxes on income** | **(115,853)** | 249,149 | 282,933 |
| Taxes (tax benefit) on income | **(42,030)** | 84,983 | 75,247 |
| **Income (loss) for the period** | **(73,823)** | 164,166 | 207,686 |
| **Attributable to:** | | | |
| Company shareholders | **(75,141)** | 163,346 | 203,096 |
| Non-controlling interests | **1,318** | 820 | 4,590 |
| **Income (loss) for the period** | **(73,823)** | 164,166 | 207,686 |
| **Earnings (loss) per share attributable to shareholders in the company:** | | | |
| Basic earnings (loss) per share (in NIS) | **(1.35)** | 2.95 | 3.66 |
| Diluted earnings (loss) per share (in NIS) | **(1.35)** | 2.95 | 3.65 |
| **Number of shares used to calculate earnings per share:** | | | |
| Basic | **55,576** | 55,413 | 55,447 |
| Diluted | **55,576** | 55,431 | 55,618 |

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

## Interim Consolidated Statements of Comprehensive income

| NIS in thousands | For the period of three months ended March 31 2018 | For the period of three months ended March 31 2017 | For the year ended December 31 2017 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| **Income (loss) for the period** | **(73,823)** | 164,166 | 207,686 |
| **Other comprehensive income:** | | | |
| **Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to profit and loss:** | | | |
| Foreign currency translation differences for foreign operations applied to capital reserves | **7,669** | (21,291) | (31,982) |
| Change, net, in the fair value of available for sale financial assets applied to capital reserves | **12,000** | 27,295 | 521,858 |
| Change, net, in the fair value of available for sale financial assets transferred to profit and loss | **(95,239)** | (44,888) | (245,258) |
| Impairment loss with respect to available for sale financial assets transferred to profit and loss | **9,275** | 6,288 | 14,277 |
| Other comprehensive income (loss) for the period which has been or will be transferred to profit and loss, before tax | **(66,295)** | (32,596) | 258,895 |
| Tax (tax benefit) with respect to available-for-sale financial assets | **(25,304)** | (3,841) | 99,492 |
| Tax (tax benefit) with respect to other components | **1,763** | (4,786) | (7,169) |
| Tax (tax benefit) with respect to components of other comprehensive income for the period which have been or will be transferred to profit and loss | **(23,541)** | (8,627) | 92,323 |
| **Other comprehensive income (loss) which, following initial recognition under comprehensive income, have been or will be transferred to profit and loss, net of tax** | **(42,754)** | (23,969) | 166,572 |
| **Components of other comprehensive income which will not be transferred to profit and loss:** | | | |
| Actuarial income from defined benefit plan | **1,809** | 1,328 | 1,932 |
| Other comprehensive income for the period, before tax | **1,809** | 1,328 | 1,932 |
| Tax with respect to components of other comprehensive income which will not be transferred to profit and loss | **438** | 419 | 753 |
| **Other comprehensive income which will not be transferred to profit and loss, net of tax** | **1,371** | 909 | 1,179 |
| **Other comprehensive income (loss) for the period** | **(41,383)** | (23,060) | 167,751 |
| **Total comprehensive income (loss) for the period** | **(115,206)** | 141,106 | 375,437 |
| **Attributable to:** | | | |
| Company shareholders | **(116,231)** | 140,202 | 370,072 |
| Non-controlling interests | **1,025** | 904 | 5,365 |
| **Total comprehensive income (loss) for the period** | **(115,206)** | 141,106 | 375,437 |

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

## Interim Consolidated Statements of Changes in Equity

| | Attributable to Company shareholders | | | | | | | | Non-controlling interests | Total capital |
|---|---|---|---|---|---|---|---|---|---|---|
| NIS in thousands | Share capital | Premium on shares | Translation reserve | Capital reserve with respect to available for sale assets | Other capital reserves | Capital reserve from transactions with non-controlling interests | Retained earnings | Total | | |
| **For the period of three months ended March 31, 2018 (unaudited)** | | | | | | | | | | |
| **Balance as of January 1, 2018 (Audited)** | 143,367 | 1,001,880 | (24,429) | 533,373 | 180,329 | (39,309) | 3,251,608 | 5,046,819 | 44,382 | 5,091,201 |
| **Income (loss) for the period** | - | - | - | - | - | - | (75,141) | (75,141) | 1,318 | (73,823) |
| **Components of other comprehensive income (loss):** | | | | | | | | | | |
| Foreign currency translation differences for foreign operations applied to capital reserves | - | - | 7,669 | - | - | - | - | 7,669 | - | 7,669 |
| Change, net, in the fair value of available for sale financial assets applied to capital reserves | - | - | - | 12,196 | - | - | - | 12,196 | (196) | 12,000 |
| Change, net, in the fair value of available for sale financial assets transferred to profit and loss | - | - | - | (94,977) | - | - | - | (94,977) | (262) | (95,239) |
| Impairment loss with respect to available for sale financial assets transferred to profit and loss | - | - | - | 9,273 | - | - | - | 9,273 | 2 | 9,275 |
| Actuarial gains from defined benefit plan | - | - | - | - | - | - | 1,800 | 1,800 | 9 | 1,809 |
| Tax benefit (tax) with respect to components of comprehensive income (loss) | - | - | (1,763) | 25,147 | - | - | (435) | 22,949 | 154 | 23,103 |
| **Other comprehensive income (loss) for the period, net of tax** | - | - | 5,906 | (48,361) | - | - | 1,365 | (41,090) | (293) | (41,383) |
| **Total comprehensive income (loss) for the period** | - | - | 5,906 | (48,361) | - | - | (73,776) | (116,231) | 1,025 | (115,206) |
| **Transactions with shareholders which were applied directly to equity:** | | | | | | | | | | |
| Exercise and expiration of warrants for senior employees | 14 | 2,979 | - | - | - | - | (2,993) | - | - | - |
| Share-based payments | - | - | - | - | - | - | (129) | (129) | - | (129) |
| **Balance as of March 31, 2018** | 143,381 | 1,004,859 | (18,523) | 485,012 | 180,329 | (39,309) | 3,174,710 | 4,930,459 | 45,407 | 4,975,866 |

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

## Interim Consolidated Statements of Changes in Equity (Cont.)

| | Attributable to Company shareholders | | | | | | | | Non-controlling interests | Total capital |
|---|---|---|---|---|---|---|---|---|---|---|
| NIS in thousands | Share capital | Premium on shares | Translation reserve | Capital reserve with respect to available for sale assets | Other capital reserves | Capital reserve from transactions with non-controlling interests | Retained earnings | Total | | |
| **For the period of three months ended March 31, 2017 (unaudited)** | | | | | | | | | | |
| **Balance as of January 1, 2017 (Audited)** | 143,216 | 977,898 | 384 | 342,761 | 180,329 | (39,309) | 3,068,909 | 4,674,188 | 39,017 | 4,713,205 |
| **Income for the period** | - | - | - | - | - | - | 163,346 | 163,346 | 820 | 164,166 |
| **Components of other comprehensive income (loss):** | | | | | | | | | | |
| Foreign currency translation differences for foreign operations applied to capital reserves | - | - | (21,291) | - | - | - | - | (21,291) | - | (21,291) |
| Change, net, in the fair value of available for sale financial assets applied to capital reserves | - | - | - | 27,141 | - | - | - | 27,141 | 154 | 27,295 |
| Change, net, in the fair value of available for sale financial assets transferred to profit and loss | - | - | - | (44,844) | - | - | - | (44,844) | (44) | (44,888) |
| Impairment loss with respect to available for sale financial assets transferred to profit and loss | - | - | - | 6,259 | - | - | - | 6,259 | 29 | 6,288 |
| Actuarial gains (losses) from defined benefit plan | - | - | - | - | - | - | 1,338 | 1,338 | (10) | 1,328 |
| Tax benefit (tax) with respect to components of comprehensive income (loss) | - | - | 4,786 | 3,883 | - | - | (416) | 8,253 | (45) | 8,208 |
| **Other comprehensive income (loss) for the period, net of tax** | - | - | (16,505) | (7,561) | - | - | 922 | (23,144) | 84 | (23,060) |
| **Total comprehensive income (loss) for the period** | - | - | (16,505) | (7,561) | - | - | 164,268 | 140,202 | 904 | 141,106 |
| **Transactions with shareholders which were applied directly to equity:** | | | | | | | | | | |
| Exercise and expiration of warrants for senior employees | 14 | 2,629 | - | - | - | - | (2,643) | - | - | - |
| Share-based payments | - | - | - | - | - | - | 876 | 876 | - | 876 |
| **Balance as of March 31, 2017** | 143,230 | 980,527 | (16,121) | 335,200 | 180,329 | (39,309) | 3,231,410 | 4,815,266 | 39,921 | 4,855,187 |

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 Company shareholders | | | | | | | | | |
| **For the year ended December 31, 2017 (Audited)** | | | | | | | | | | |
| **Balance as of January 1, 2017** | 143,216 | 977,898 | 384 | 342,761 | 180,329 | (39,309) | 3,068,909 | 4,674,188 | 39,017 | 4,713,205 |
| **Income for the period** | - | - | - | - | - | - | 203,096 | 203,096 | 4,590 | 207,686 |
| **Components of other comprehensive income (loss):** | | | | | | | | | | |
| Foreign currency translation differences for foreign operations applied to capital reserves | - | - | (31,982) | - | - | - | - | (31,982) | - | (31,982) |
| Change, net, in the fair value of available for sale financial assets applied to capital reserves | - | - | - | 520,436 | - | - | - | 520,436 | 1,422 | 521,858 |
| Change, net, in the fair value of available for sale financial assets transferred to profit and loss | - | - | - | (244,979) | - | - | - | (244,979) | (279) | (245,258) |
| Impairment loss with respect to available for sale financial assets transferred to profit and loss | - | - | - | 14,246 | - | - | - | 14,246 | 31 | 14,277 |
| Actuarial gains from defined benefit plan | - | - | - | - | - | - | 1,929 | 1,929 | 3 | 1,932 |
| Tax benefit (tax) with respect to components of comprehensive income (loss) | - | - | 7,169 | (99,091) | - | - | (752) | (92,674) | (402) | (93,076) |
| **Other comprehensive income (loss) for the period, net of tax** | - | - | (24,813) | 190,612 | - | - | 1,177 | 166,976 | 775 | 167,751 |
| **Total comprehensive income (loss) for the period** | - | - | (24,813) | 190,612 | - | - | 204,273 | 370,072 | 5,365 | 375,437 |
| **Transactions with shareholders which were applied directly to equity:** | | | | | | | | | | |
| Exercise and expiration of warrants for senior employees | 151 | 23,982 | - | - | - | - | (24,133) | - | - | - |
| Share-based payments | - | - | - | - | - | - | 2,559 | 2,559 | - | 2,559 |
| **Balance as of December 31, 2017** | 143,367 | 1,001,880 | (24,429) | 533,373 | 180,329 | (39,309) | 3,251,608 | 5,046,819 | 44,382 | 5,091,201 |

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

## Interim Consolidated Statements of Cash Flows

| NIS in thousands | | For the period of three months ended March 31 2018 | For the period of three months ended March 31 2017 | For the year ended December 31 2017 |
|---|---|---|---|---|
| | | Unaudited | Unaudited | Audited |
| **Cash flows from operating activities** | | | | |
| Before income tax | (A) | **(582,721)** | (351,529) | 2,303,725 |
| Income tax received (paid) | | **(25,841)** | (19,857) | (115,122) |
| **Net cash from operating activities** | | **(608,562)** | (371,386) | 2,188,603 |
| **Cash flows from investing activities** | | | | |
| Consideration from disposal of property, plant and equipment | | **5** | 12 | 81 |
| Consideration from the disposal of intangible assets | | **-** | - | 1,107 |
| Consideration from disposal of investments in other investee companies | | **-** | 20,740 | 24,082 |
| Consideration from disposal of investment in available for sale financial assets by companies which are not insurance and finance companies | | **15,598** | 18,431 | 28,380 |
| Investment in available for sale financial assets by companies that are not insurance and finance companies | | **(15,054)** | (9,916) | (9,916) |
| Repayment of investment (investment) in shares and loans in investee companies | | **6,375** | 1,132 | (34,050) |
| Investment in property, plant and equipment | | **(1,279)** | (1,366) | (20,017) |
| Investment in intangible assets | | **(39,433)** | (41,948) | (229,698) |
| **Net cash used in investing activities** | | **(33,788)** | (12,915) | (240,031) |
| **Cash flows from financing activities** | | | | |
| Repayment of liabilities to banks and others | | **-** | (2,738) | (73,089) |
| Repayment of deferred liability notes | | **(15,008)** | (14,947) | (80,021) |
| Paid interest on deferred liability notes | | **(41,953)** | (43,767) | (120,101) |
| **Net cash used in financing activities** | | **(56,961)** | (61,452) | (273,211) |
| Impact of exchange rate fluctuations on cash and cash equivalent balances | | **11,554** | (46,967) | (84,062) |
| **Net increase (decrease) in cash and cash equivalents** | | **(687,757)** | (492,720) | 1,591,299 |
| Cash and cash equivalents at beginning of period | (B) | **5,935,309** | 4,344,010 | 4,344,010 |
| **Cash and cash equivalents at end of period** | (C) | **5,247,552** | 3,851,290 | 5,935,309 |

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 three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|---|
| | | 2018 | 2017 | 2017 |
| | NIS in thousands | Unaudited | | Audited |
| (A) | **Cash flows from operating activities before taxes on income** [1) 2)] | | | |
| | Income (loss) for the period | **(73,823)** | 164,166 | 207,686 |
| | **Items not involving cash flows:** | | | |
| | The Company's share in the income of investee companies accounted by the equity method | **(1,345)** | (3,559) | (25,581) |
| | Dividends received from investee companies accounted by the equity method | **-** | - | 190 |
| | Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts | **(65,157)** | 162,874 | 415,313 |
| | Change in liabilities with respect to investment-linked insurance contracts and investment contracts | **680,971** | 1,143,183 | 6,070,286 |
| | Change in deferred acquisition costs | **(27,126)** | (31,806) | (21,210) |
| | Change in reinsurance assets | **(7,383)** | (159,251) | (573,737) |
| | Depreciation of property, plant and equipment | **10,006** | 10,023 | 40,817 |
| | Amortization of intangible assets | **51,325** | 54,901 | 220,604 |
| | Impairment of intangible assets | **-** | - | 121,637 |
| | Loss from disposal of property, plant and equipment | **8** | 6 | 16 |
| | Profit from disposal of holdings in investee companies | **-** | - | (2,081) |
| | Interest and linkage differences accrued with respect to deferred liability notes and other | **27,020** | 28,844 | 124,520 |
| | Interest accrued and revaluation of liabilities to banking corporations and others | **265,527** | (106,272) | 8,332 |
| | Change in fair value of investment property for investment-linked contracts | **(19,614)** | 34,965 | (34,308) |
| | Change in fair value of other investment property | **(6,315)** | 4,586 | (35,858) |
| | Change in share-based payment transactions | **(129)** | 876 | 2,559 |
| | Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts | **474,634** | (400,550) | (2,841,423) |
| | Taxes (tax benefit) on income | **(42,030)** | 84,983 | 75,247 |
| | **Net loss (profit) from other financial investments:** | | | |
| | Marketable debt assets | **(13,621)** | 50,372 | 44,413 |
| | Non-marketable debt assets | **(109,542)** | (85,988) | (15,742) |
| | Stocks | **(30,632)** | (9,475) | (21,927) |
| | Others | **42,536** | (140,235) | (258,674) |
| | **Financial investments and investment property for investment-linked contracts:** | | | |
| | Acquisition of investment property | **(42,289)** | (66,249) | (93,479) |
| | Acquisitions, net, of financial investments | **(827,332)** | (657,713) | (825,463) |
| | **Receipts (investments) from the sale of (investment in) available for sale financial assets and investment property in insurance business operations:** | | | |
| | Marketable debt assets | **517,229** | (25,580) | 118,439 |
| | Non-marketable debt assets | **(333,682)** | (48,928) | (544,536) |
| | Stocks | **(35,870)** | 38,266 | 56,708 |
| | Others | **110,420** | 43,759 | (58,519) |
| | Acquisition of other investment property | **(17,173)** | (16,434) | (26,447) |
| | Consideration from the sale of other investment property | **-** | - | 15,600 |

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 three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|---|
| | | 2018 | 2017 | 2017 |
| | 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 | **2,002** | 4,405 | 8,953 |
| | Other accounts receivable | **(470,737)** | (204,114) | (214,885) |
| | Outstanding premiums | **(116,473)** | (193,869) | (27,324) |
| | Other accounts payable | **(526,058)** | (28,366) | 381,992 |
| | Liabilities with respect to employee benefits, net | **1,932** | 651 | 11,607 |
| | **Total cash flows from operating activities before taxes on income** | **(582,721)** | (351,529) | 2,303,725 |
| (B) | **Cash and cash equivalents at beginning of period:** | | | |
| | Cash and cash equivalents for investment-linked contracts | **4,529,446** | 2,953,235 | 2,953,235 |
| | Other cash and cash equivalents | **1,405,863** | 1,390,775 | 1,390,775 |
| | Balance of cash and cash equivalents at the beginning of period | **5,935,309** | 4,344,010 | 4,344,010 |
| (C) | **Cash and cash equivalents at end of period:** | | | |
| | Cash and cash equivalents for investment-linked contracts | **4,085,699** | 2,431,671 | 4,529,446 |
| | Other cash and cash equivalents | **1,161,853** | 1,419,619 | 1,405,863 |
| | Balance of cash and cash equivalents at end of period | **5,247,552** | 3,851,290 | 5,935,309 |
| (D) | **Cash flows with respect to interest and dividends received, included under operating activities:** | | | |
| | Interest received | **433,892** | 541,128 | 2,171,212 |
| | Dividend received | **121,315** | 85,360 | 411,963 |
| (E) | **Operations which are not associated with cash flows** | | | |
| | Investment in assets against other accounts payable | - | - | 544,124 |

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 March 31, 2018 (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.

Approximately 29.8% of the Company's issued share capital and voting rights are held on behalf of IDB Development Corporation Ltd. ("**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)(1) below). In addition to the holding through the trustee, IDB Development directly holds approximately 5% of the Company's issued capital, and a total of approximately 34.8% of the Company's issued capital[1] (approximately 34.5% at full dilution).

To the best of the Company's knowledge, as of the publication date of the report, IDB Development is a private company wholly owned by Dolphin Netherlands B.V. ("**Dolphin Netherlands**"), a private company incorporated in the Netherlands, which is a corporation under the control of Mr. Eduardo Elsztain. IDB Development constitutes a reporting corporation, due to the fact that its bonds are listed for trading on the Tel Aviv Stock Exchange.

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

1. <u>Appointment of a trustee for the controlling shareholder's holdings in the Company's shares, and the director appointment process in the Group</u>

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

On February 20, 2017, the trustee transferred to IDB Development shares of the Company which constitute approximately 1% of its issued share capital and voting rights, which were pledged by it as specified in footnote 1 above, and on May 3, 2017, August 31, 2017, January 1, 2018 and May 3, 2018, shares of the Company were sold which together constitute approximately 20% of the Company's shares, as specified in section 3 below, such that, as of the publication date of the report, IDB Development directly and indirectly holds a total of approximately 34.8% of the Company's issued capital[1] (approximately 34.5% at full dilution).

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

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[1] On March 22, 2017, IDB Development reported that it had pledged approximately 4.99% (4.87% at full dilution, which constitute as of the present date approximately 4.98% and approximately 4.93% at full dilution) of the Company's shares which are held by IDB Development in favor of the trustee for the bondholders (Series K) of IDB Development. For details regarding the issuance of bonds (Series K) of IDB Development, see section 4(B) below.

## Note 1 - General (Cont.)

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

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

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

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

**Appointment of directors** - In the Commissioner's letter dated December 30, 2014, regarding the outline for the sale of IDB's control and holding of the Company (see section 1(b)(2) below) (hereinafter: the "**Outline**"), it was clarified, inter alia, that during the trustee's period of tenure, the appointment of directors in the Company and in Clal Insurance will be performed by the committee for the appointment of directors in an insurer with no controlling shareholder, as defined in the Control of Financial Services (Insurance) Law, 1981. Insofar as it will not be possible to appoint directors by the aforementioned committee, the appointment of directors in these companies will be performed by another committee, which will be appointed by the Minister of Finance or by the Commissioner, or by any other means, as instructed by the Commissioner.

In May 2015, the Commissioner appointed a committee for the appointment of directors in Clal Group, in accordance with the above (hereinafter: the "**Committee**"). During the period since the appointment of the trustee, various instructions have been received from the Commissioner, pertaining to the appointment of directors in the Group; as of the present date, new directors in Clal Insurance and in the Company will be appointed from among the candidates who are recommended by the committee.
On October 1, 2017, the Commissioner notified the Company that insofar as it intends to re-appoint, in the next general meeting, a director currently serving in Clal Insurance (who is not an outside director), it must submit to the Commissioner a report regarding the Company's position with respect to the question of the re-appointment of the currently serving directors, including receiving the consent of the serving director regarding his willingness to serve an additional term, if the Company intends to re-appoint him, and the Commissioner also announced that the foregoing will apply to the Company from this point onwards with respect to the re-appointment of serving directors (who are not outside directors) in the Company, by submitting notice to the Commissioner no later than 6 months before the end of the director's term.
Following the appointment of the committee and the issuance of its recommendations, directors and outside directors in Clal Insurance were appointed, from time to time. In January 2018, a director was appointed in Clal Insurance, in place of two directors who concluded their terms.

## Note 1 - General (Cont.)

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

2. Establishment of an outline over time for the sale of IDB Development's control and holdings in the Company, regulation of the relationship between IDB Development and its controlling shareholders, and the Company, and legal proceedings

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

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

   A. IDB Development will work to sell the control of the Company, in a manner whereby it will no longer be part of the chain of control in the Company. It was specified in the control policy document that the minimum holding rate required to hold control of the Company, as of the date of the aforementioned letter, amounts to 30% of the total means of control.

      The sale of control, as stated above, will be performed according to the conditions and dates which were specified in the Commissioner's letter, including that 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, and if such an agreement is signed, the potential buyer will have the option to complete the process of receiving a control permit from the Commissioner by and no later than June 30, 2016.

   B. In the event that any of the conditions specified in section (a) above have not been fulfilled, by the dates specified therein, 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.

   C. If IDB Development does not fulfill all of its undertakings as specified in section (B) 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 Company's controlling shareholders (Cont.)**

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

   D. Notwithstanding the provisions of sections (a) and (b) 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 (b) and (c) above will apply, mutatis mutandis.

   E. 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.

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

   G. 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.

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

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

## Note 1 - General (Cont.)

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

2. <u>Establishment of an outline over time for the sale of IDB Development’s control and holdings in the Company, regulation of the relationship between IDB Development and its controlling shareholders, and the Company, and legal proceedings</u> (Cont.)

I. Subject to the fulfillment of the conditions and restrictions specified in sections (a) to (f) above, and in section (h) 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.

On January 7, 2016, after the failure of the sale process which IDB conducted in 2015, the Commissioner announced to IDB Development and to Mr. Eduardo Elsztain that 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 2(b) above, which requires, in general, the sale of the means of control on the stock exchange, or in over the counter transactions, at a minimum rate of 5% in each four month period), and subject to the timetables specified therein.

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

On July 13, 2016, following correspondence between IDB Development, the Commissioner and the trustee, in connection with the outline, the trustee filed with the District Court of Tel Aviv-Yafo an urgent motion to issue orders (the “Motion”). In the motion, the Court was requested: (1) to order the trustee to sell 5% of the Company’s shares by September 7, 2016, in accordance with the outline; and (2) to appoint a broker (who is experienced in the capital market) to implement the sale by way of an over the counter tender, in a manner whereby the broker will notify institutional investors that the aforementioned shares are up for sale, at a minimum price, by way of a tender, to the highest 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.

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

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

## Note 1 - General (Cont.)

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

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

   I. (Cont.)

   On May 1, 2017, IDB Development filed a motion with the Court, with the consent of the trustee (in connection with the method for sale of the shares, as specified below), regarding the method for sale of the sold shares (the "Motion"). In the motion, the Court was requested to approve that the sale of the sold shares will be done by way of a "swap transaction" (instead of sale through a tender, as ordered by the Court in the ruling), in which the sold shares will be sold in a full sale (without reservations, without conditions, and without right of recourse), by IDB Development to a third party in a transaction which will be performed through a banking institution, in accordance with the price which was determined by agreement between IDB Development and the third party, by May 4, 2017. The Commissioner's position was attached to the motion, in which she stated that she does not object to the implementation of the aforementioned swap transaction.

   Accordingly, on May 3, 2017, after the Court approved the aforementioned motion, and on August 31, 2017, January 1, 2018 and May 3, 2018 (in accordance with the instructions which were issued by Commissioner to the trustee, shortly before each aforementioned sale, to continue working according to the outline, in place of IDB Development, to sell 5% of the means of control), IDB Development sold Company shares which together constitute approximately 20% of the Company's shares (5% on each of the dates), and engaged with a banking institution in a swap transaction, according to which, at the end of a period of up to 24 months after the date of each sale transaction, a settling of accounts will be performed between IDB Development and the banking institution, with respect to the difference between the selling price of the sold shares to the relevant third party, and the value of the sold shares, as of the date of settling of accounts (which will be determined according to the price at which the sold shares will be sold on that date by the third party), where IDB Development and a related party thereof will be estopped from acquiring the sold shares.

   On May 18, 2017, IDB Development filed with the Supreme Court an appeal against the ruling (the "Appeal"). In the appeal, inter alia, IDB Development requested a determination that the trustee has the discretion (which he must exercise, while taking into account various considerations, including the benefit of IDB Development), if and when to sell company shares which are held by him in batches of 5%, and that he must refrain from selling the Company's shares which are held by him if the damage caused to IDB Development due to their sale exceeds the benefit and the purpose of the trusteeship (including so long as there is a material difference between the value of the shares as reflected and derived from the Company's equity, and their price on the stock exchange). Additionally, IDB Development requested a determination according to which, in any case, it was not possible to provide an exemption from legal liability to the trustee in advance, if he mistakenly sold the Company's shares, so long as there was a significant difference between the value of the shares as reflected in and derived from the Company's equity, and their price on the stock exchange, thereby imposing significant damages on IDB Development, and that, à fortiori, it was not possible to grant an exemption of this kind to the trustee, when it is not even necessary, in accordance with the ruling, to exercise judgment before conducting the sale, as stated above. IDB Development reported that further to the discussion which was held on May 14, 2018, and in accordance with the Supreme Court's recommendation, IDB Development withdrew the appeal, and accordingly, it was dismissed without ordering expenses.

## Note 1 - General (Cont.)

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

3. Proceedings involving the sale of control of the Company

A. Proceedings involving the sale of control of the Company

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

IDB Development is continuing to manage the sale process, and receives, from time to time, inquiries from potential buyers.

B. Pledge on Company shares

(1) On March 22, 2017, IDB Development reported that it had pledged approximately 4.99% (4.87% at full dilution, which constitutes, as of the present date, approximately 4.98% and approximately 4.92% at full dilution) of the Company's shares which are held by IDB Development in favor of the trustee for the bondholders (Series K) of IDB Development.

(2) On February 16, 2017, IDB Development issued bonds (Series M), and pledged in favor of the holders of the aforementioned bonds the consideration in cash which will result from the Company's shares which are held by the trustee for the control shares (the "Base Shares"). The current number of base shares is 16,579,981 (constituting approximately 29.83% of the Company's issued and paid-up capital).

4. The Concentration Law

In accordance with the transitional provisions which were prescribed in the Concentration Law, after the aforementioned date, a significant real corporation, or the controller of such a corporation, may not hold control of a significant financial entity, and may not hold over 10% of a certain type of means of control in the aforementioned entity, and may not hold over 5% of a significant financial entity which has no controlling shareholder. Therefore, the continued control by Dolphin Netherlands, the controlling shareholder of 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. ("Clalbit Finance") 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.

## Note 1 - General (Cont.)

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

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

   For details regarding an agreement between IDB Development and Bank Hapoalim Ltd. (hereinafter: "**Bank Hapoalim**") from March 1999, with respect to the company, see the notes to holder no. 1 in the report regarding interested parties and corporate officers with respect to the corporation's securities, which was published by the company on April 9, 2018 (reference number 2018-01-035569).

6. Implications
   As of the reporting date, the Company and Clal Holdings are unable to estimate the entire impact of the results of the aforementioned events on them, which may result in additional changes in the holding and control of the Company, and may also result in the sale of the control core shares of Clal Holdings on the stock exchange (including as a result of the implementation of the Commissioner's directives with respect to the application of the mechanism for an insurer without a controller in Clal Holdings), and which may affect, inter alia, the reputation and ratings of Clal Holdings, the Company and the Group's member companies.

   Additionally, the transfer of the control shares in Clal Holdings from the trustee may affect clauses in certain agreements of member companies in the Group with third parties (including reinsurers), which may require, upon the fulfillment of circumstances involving the above change in control, negotiations with these third parties in order to keep the agreements in force.

   For details regarding the implications of the Concentration Law, see subsection 4 above.

7. It is noted that on February 26, 2018, IDB Development, the Histadrut New General Federation of Labor, and the Company's employee committee, signed an agreement (the "Agreement") according to which a bonus will be paid to the employees of the Company's group, upon the fulfillment of one of the following cases: (A) An agreement for the sale of the control of the Company by IDB Development is signed and fully executed (irrevocably), by way of sale of IDB Development's entire stake at that time (approximately 39.8% of the as a single unit at that time) in the Company, as a single unit; or (B) Mr. Eduardo Elsztain, IDB Development's controlling shareholder, receives from the Commissioner a permanent and unconditional control permit with respect to all of IDB Development's holdings, at that time, in the Company, while IDB Development holds all its entire stake, at that time, in the Company (the "Control Permit"). The agreement will expire on the date when IDB Development's stake in the Company falls below its aforementioned stake in the Company at that time.

   Following the sale of 5% of the Company's shares on May 3, 2018 (in accordance with the Commissioner's instructions to the trustee to continue working, in accordance with the outline, in place of IDB Development, to sell of 5% of the means of control in the Company), as specified in section (b)(2)(i) above, the agreement expired.

   It is hereby clarified that the Company was not a party to the aforementioned agreement, and was not involved in the drafting thereof, and is unable to estimate the effects of the agreement, including the expiration thereof, on the Company and on the labor relations therein.

## Note 2- Basis for Preparation of the Interim Reports

### A. Statement of compliance with international financial reporting standards

The interim reports were prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements established by the Insurance Commissioner, pursuant to the Control of Financial Services (Insurance) Law, 1981, and do not include all of the information which is required in complete annual financial statements. These should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2017 (hereinafter: the "**Annual Financial Statements**"). Furthermore, these financial statements were compiled in accordance with the provisions of Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent to which these regulations apply to a corporation that consolidates insurance companies.

### B. Use of estimates and judgment

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

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

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

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

| | Index in lieu | Known index | Representative EUR exchange rate | Representative USD exchange rate | Representative GBP exchange rate |
|---|---|---|---|---|---|
| | % | | % | % | % |
| For the period of three months ended | | | | | |
| March 31, 2018 | **(0.1)** | **(0.3)** | **4.2** | **1.4** | **5.6** |
| March 31, 2017 | 0.1 | (0.2) | (4.0) | (5.5) | (4.2) |
| For the year ended December 31, 2017 | 0.4 | 0.3 | 2.7 | (9.8) | (0.9) |

| | Representative EUR exchange rate | Representative USD exchange rate | Representative GBP exchange rate |
|---|---|---|---|
| As of March 31, 2018 | **4.329** | **3.514** | **4.944** |
| As of March 31, 2017 | 3.882 | 3.632 | 4.525 |
| As of December 31, 2017 | 4.153 | 3.467 | 4.682 |

## 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.

## 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 and foreign trade risks branches.

- **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. Seasonality**

**1. Long-term savings segment**

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

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

**2. Non-life insurance segment**

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

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

## Note 4 - Segmental Reporting (Cont.)

## D. Report on operating segments

| | Long term savings | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Provident | | | Pension | | | Life insurance [1] | | | Total | | |
| | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| **NIS in thousands** | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited |
| Gross premiums earned | - | - | - | - | - | - | **1,407,611** | 1,442,885 | 5,534,579 | **1,407,611** | 1,442,885 | 5,534,579 |
| Premiums earned by reinsurers | - | - | - | - | - | - | **45,137** | 41,506 | 168,245 | **45,137** | 41,506 | 168,245 |
| Premiums earned on retention | - | - | - | - | - | - | **1,362,474** | 1,401,379 | 5,366,334 | **1,362,474** | 1,401,379 | 5,366,334 |
| Income (loss) from investments, net, and financing income | **25,828** | 28,297 | 139,160 | **367** | (343) | 488 | **212,028** | 1,010,497 | 5,421,019 | **238,223** | 1,038,451 | 5,560,667 |
| Income from management fees | **45,078** | 47,080 | 183,021 | **70,301** | 69,190 | 282,422 | **117,863** | 174,549 | 760,035 | **233,242** | 290,819 | 1,225,478 |
| Income from commissions | - | - | - | - | - | - | **15,061** | 15,496 | 43,050 | **15,061** | 15,496 | 43,050 |
| Other income | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total income** | **70,906** | 75,377 | 322,181 | **70,668** | 68,847 | 282,910 | **1,707,426** | 2,601,921 | 11,590,438 | **1,849,000** | 2,746,145 | 12,195,529 |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross | **24,257** | 26,411 | 131,475 | - | - | - | **1,594,577** | 2,145,295 | 10,351,365 | **1,618,834** | 2,171,706 | 10,482,840 |
| Share of reinsurers in payments and change in liabilities with respect to insurance contracts | - | - | - | - | - | - | **(20,615)** | (20,525) | (106,515) | **(20,615)** | (20,525) | (106,515) |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention | **24,257** | 26,411 | 131,475 | - | - | - | **1,573,962** | 2,124,770 | 10,244,850 | **1,598,219** | 2,151,181 | 10,376,325 |
| Commissions, marketing expenses and other acquisition costs | **14,299** | 14,321 | 58,644 | **25,167** | 26,167 | 109,622 | **179,581** | 181,856 | 721,188 | **219,047** | 222,344 | 889,454 |
| General and administrative expenses | **26,778** | 24,082 | 106,569 | **41,964** | 38,429 | 165,492 | **95,237** | 91,697 | 373,426 | **163,979** | 154,208 | 645,487 |
| Impairment of intangible assets | - | - | 108,000 | - | - | - | - | - | 10,593 | - | - | 118,593 |
| Other expenses | **2,928** | 1,057 | 19,156 | **416** | - | - | **118** | 119 | 483 | **3,462** | 1,176 | 19,639 |
| Financing expenses (income) | **(4)** | (1) | (1) | **(27)** | (8) | (1) | **(306)** | 1,763 | 10,383 | **(337)** | 1,754 | 10,381 |
| **Total expenses** | **68,258** | 65,870 | 423,843 | **67,520** | 64,588 | 275,113 | **1,848,592** | 2,400,205 | 11,360,923 | **1,984,370** | 2,530,663 | 12,059,879 |
| Share in the results of investee companies accounted by the equity method, net | - | - | - | **(454)** | (246) | (1,184) | **(203)** | 391 | 6,160 | **(657)** | 145 | 4,976 |
| **Income (loss) before taxes on income** | **2,648** | 9,507 | (101,662) | **2,694** | 4,013 | 6,613 | **(141,369)** | 202,107 | 235,675 | **(136,027)** | 215,627 | 140,626 |
| Other comprehensive income (loss) before taxes on income | - | - | - | **(597)** | 488 | 4,881 | **(13,479)** | (32,295) | 31,034 | **(14,076)** | (31,807) | 35,915 |
| **Total comprehensive income (loss) before taxes on income** | **2,648** | 9,507 | (101,662) | **2,097** | 4,501 | 11,494 | **(154,848)** | 169,812 | 266,709 | **(150,103)** | 183,820 | 176,541 |

| | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| NIS in thousands | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited |
| Liabilities with respect to non-investment-linked insurance contracts and investment contracts | **2,319,153** | 2,320,775 | 2,331,823 | - | - | - | **19,269,532** | 18,977,444 | 19,191,635 | **21,588,685** | 21,298,219 | 21,523,458 |
| Liabilities with respect to investment-linked insurance contracts and investment contracts | - | - | - | - | - | - | **59,790,989** | 54,806,836 | 59,310,868 | **59,790,989** | 54,806,836 | 59,310,868 |
| 1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve). | | | | | | | **1,498,569** | 1,543,323 | 5,825,561 | **1,498,569** | 1,543,323 | 5,825,561 |

## Note 4 - Segmental Reporting (Cont.)

### D. Report on operating segments (Cont.)

| | Health | | | Non-life | | | Other | | |
|---|---|---|---|---|---|---|---|---|---|
| | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| NIS in thousands | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited |
| Gross premiums earned | **504,508** | 446,788 | 1,917,218 | **563,454** | 555,001 | 2,279,434 | - | - | - |
| Premiums earned by reinsurers | **73,245** | 58,280 | 262,060 | **216,078** | 162,456 | 759,976 | - | - | - |
| Premiums earned on retention | **431,263** | 388,508 | 1,655,158 | **347,376** | 392,545 | 1,519,458 | - | - | - |
| Income from investments, net, and financing income | **6,516** | 61,298 | 359,955 | **25,742** | 12,436 | 116,924 | **832** | 1,394 | 5,273 |
| Income from management fees | - | - | - | - | - | - | **1,494** | 1,493 | 5,974 |
| Income from commissions | **2,060** | (6,067) | (7,647) | **47,638** | 33,862 | 170,235 | **31,689** | 28,935 | 123,030 |
| Other income | - | - | - | **19** | 9 | 61 | - | 16 | 3,189 |
| **Total income** | **439,839** | 443,739 | 2,007,466 | **420,775** | 438,852 | 1,806,678 | **34,015** | 31,838 | 137,466 |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross | **423,333** | 382,295 | 1,654,538 | **330,892** | 489,008 | 1,874,324 | - | - | - |
| Share of reinsurers in payments and change in liabilities with respect to insurance contracts | **(82,866)** | (68,309) | (293,904) | **(132,374)** | (200,049) | (703,535) | - | - | - |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention | **340,467** | 313,986 | 1,360,634 | **198,518** | 288,959 | 1,170,789 | - | - | - |
| Commissions, marketing expenses and other acquisition costs | **113,975** | 106,208 | 449,263 | **128,418** | 129,350 | 584,804 | **25,744** | 22,968 | 94,273 |
| General and administrative expenses | **17,609** | 15,132 | 66,646 | **16,304** | 14,848 | 60,146 | **4,286** | 4,020 | 18,901 |
| Impairment of intangible assets | - | - | - | - | - | - | - | - | 8 |
| Other expenses (income) | - | - | - | - | - | - | **940** | 1,007 | 963 |
| Financing expenses (income) | **239** | 915 | 6,147 | **3,364** | (5,400) | (7,290) | **58** | 411 | 473 |
| **Total expenses** | **472,290** | 436,241 | 1,882,690 | **346,604** | 427,757 | 1,808,449 | **31,028** | 28,406 | 114,618 |
| Share in the results of investee companies accounted by the equity method, net | **(156)** | 720 | 4,331 | **2,085** | - | 15,837 | - | 50 | 74 |
| **Income (loss) before taxes on income** | **(32,607)** | 8,218 | 129,107 | **76,256** | 11,095 | 14,066 | **2,987** | 3,482 | 22,922 |
| Other comprehensive income (loss) before taxes on income | **(9,573)** | 255 | 54,640 | **(2,950)** | 2,069 | 48,157 | **650** | 340 | (1,050) |
| **Total comprehensive income (loss) before taxes on income** | **(42,180)** | 8,473 | 183,747 | **73,306** | 13,164 | 62,223 | **3,637** | 3,822 | 21,872 |

| | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| NIS in thousands | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited |
| Liabilities with respect to non-investment-linked insurance contracts and investment contracts | **2,141,451** | 1,954,073 | 2,140,712 | **6,389,439** | 6,680,213 | 6,520,697 | - | - | - |
| Liabilities with respect to investment-linked insurance contracts and investment contracts | **4,256,635** | 3,631,338 | 4,055,916 | - | - | - | - | - | - |

## Note 4 - Segmental Reporting (Cont.)

### D. Report on operating segments (Cont.)

| | Not allocated to segments | | | Adjustments and offsets | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| **NIS in thousands** | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited |
| Gross premiums earned | - | - | - | (455) | (530) | (2,028) | 2,475,118 | 2,444,144 | 9,729,203 |
| Premiums earned by reinsurers | - | - | - | - | - | - | 334,460 | 262,242 | 1,190,281 |
| Premiums earned on retention | - | - | - | (455) | (530) | (2,028) | 2,140,658 | 2,181,902 | 8,538,922 |
| Income from investments, net, and financing income | 24,296 | 56,235 | 192,270 | (86) | (81) | (541) | 295,523 | 1,169,733 | 6,234,548 |
| Income from management fees | - | - | - | (1,228) | (1,259) | (4,969) | 233,508 | 291,053 | 1,226,483 |
| Income from commissions | - | - | - | (19,274) | (16,499) | (61,555) | 77,174 | 55,727 | 267,113 |
| Other income | - | - | 308 | - | - | - | 19 | 25 | 3,558 |
| **Total income** | 24,296 | 56,235 | 192,578 | (21,043) | (18,369) | (69,093) | 2,746,882 | 3,698,440 | 16,270,624 |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross | - | - | - | (318) | (788) | (2,954) | 2,372,741 | 3,042,221 | 14,008,748 |
| Share of reinsurers in payments and change in liabilities with respect to insurance contracts | - | - | - | - | - | - | (235,855) | (288,883) | (1,103,954) |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention | - | - | - | (318) | (788) | (2,954) | 2,136,886 | 2,753,338 | 12,904,794 |
| Commissions, marketing expenses and other acquisition costs | - | - | - | (19,064) | (16,157) | (61,242) | 468,120 | 464,713 | 1,956,552 |
| General and administrative expenses | 20,252 | 17,367 | 88,520 | 2,165 | (682) | (7,639) | 224,595 | 204,893 | 872,061 |
| Impairment of intangible assets | - | - | 3,036 | - | - | - | - | - | 121,637 |
| Other expenses | (727) | 778 | 2,929 | 724 | 203 | 242 | 4,399 | 3,164 | 23,773 |
| Financing expenses (income) | 26,820 | 29,091 | 125,045 | (64) | (29) | (301) | 30,080 | 26,742 | 134,455 |
| **Total expenses** | 46,345 | 47,236 | 219,530 | (16,557) | (17,453) | (71,894) | 2,864,080 | 3,452,850 | 16,013,272 |
| Share in the results of investee companies accounted by the equity method, net | 73 | 2,644 | 363 | - | - | - | 1,345 | 3,559 | 25,581 |
| **Income (loss) before taxes on income** | (21,976) | 11,643 | (26,589) | (4,486) | (916) | 2,801 | (115,853) | 249,149 | 282,933 |
| Other comprehensive income (loss) before taxes on income | (39,458) | (1,973) | 122,938 | 921 | (152) | 227 | (64,486) | (31,268) | 260,827 |
| **Total comprehensive income (loss) before taxes on income** | (61,434) | 9,670 | 96,349 | (3,565) | (1,068) | 3,028 | (180,339) | 217,881 | 543,760 |

| | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| **NIS in thousands** | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited |
| Liabilities with respect to non-investment-linked insurance contracts and investment contracts | - | - | - | (440) | (652) | (575) | 30,119,135 | 29,931,853 | 30,184,292 |
| Liabilities with respect to investment-linked insurance contracts and investment contracts | - | - | - | (20,574) | (19,198) | (20,705) | 64,027,050 | 58,418,976 | 63,346,079 |

## Note 4 - Segmental Reporting (Cont.)

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

| | Liability branches | | | | | |
|---|---|---|---|---|---|---|
| | Compulsory motor | | | Liabilities and others branches 1) | | |
| | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| **NIS in thousands** | Unaudited | | Audited | Unaudited | | Audited |
| Gross premiums | **143,618** | 147,354 | 472,546 | **93,371** | 98,635 | 323,847 |
| Reinsurance premiums | **82,848** | 4,277 | 220,271 | **25,042** | 29,315 | 112,356 |
| Premiums on retention | **60,770** | 143,077 | 252,275 | **68,329** | 69,320 | 211,491 |
| Change in unearned premium balance, on retention | **(3,237)** | (37,553) | 80,566 | **(16,698)** | (17,631) | 5,201 |
| Premiums earned on retention | **57,533** | 105,524 | 332,841 | **51,631** | 51,689 | 216,692 |
| Income from investments, net, and financing income | **11,129** | 6,948 | 56,056 | **8,118** | 4,570 | 38,259 |
| Income from commissions | **11,986** | - | 29,790 | **3,215** | 2,944 | 12,245 |
| **Total income** | **80,648** | 112,472 | 418,687 | **62,964** | 59,203 | 267,196 |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross | **75,905** | 104,018 | 523,463 | **42,482** | 125,204 | 355,811 |
| Share of reinsurers in payments and change in liabilities with respect to insurance contracts | **(54,336)** | (9,067) | (167,692) | **(18,251)** | (82,699) | (155,807) |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention | **21,569** | 94,951 | 355,771 | **24,231** | 42,505 | 200,004 |
| Commissions, marketing expenses and other acquisition costs | **14,140** | 15,715 | 80,967 | **22,687** | 22,347 | 99,771 |
| General and administrative expenses | **2,287** | 2,166 | 8,126 | **1,485** | 1,420 | 5,570 |
| Financing expenses (income) | **1,436** | - | 419 | **44** | (128) | (629) |
| **Total expenses** | **39,432** | 112,832 | 445,283 | **48,447** | 66,144 | 304,716 |
| Share in the profits (losses) of associate companies, net | **1,001** | - | 7,602 | **667** | - | 5,068 |
| **Income (loss) before taxes on income** | **42,217** | (360) | (18,994) | **15,184** | (6,941) | (32,452) |
| Other comprehensive income (loss) before taxes on income | **(404)** | 564 | 20,265 | **(287)** | 356 | 13,786 |
| **Total comprehensive income (loss) before taxes on income** | **41,813** | 204 | 1,271 | **14,897** | (6,585) | (18,666) |

| | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| **NIS in thousands** | Unaudited | | Audited | Unaudited | | Audited |
| **Liabilities with respect to insurance contracts** | | | | | | |
| Gross | **2,316,838** | 2,399,226 | 2,345,355 | **2,427,284** | 2,558,733 | 2,538,361 |
| Reinsurance | **430,544** | 125,699 | 356,485 | **1,007,000** | 1,042,616 | 1,085,830 |
| Retention | **1,886,294** | 2,273,527 | 1,988,870 | **1,420,284** | 1,516,117 | 1,452,531 |

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, 2017, constitutes approximately 73%, approximately 72% 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 three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 | For the period of three months ended March 31 | | For the year ended December 31 |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| **NIS in thousands** | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited |
| Gross premiums | 222,417 | 226,628 | 726,840 | 26,636 | 27,637 | 110,188 | 194,555 | 197,943 | 665,546 | 680,597 | 698,197 | 2,298,967 |
| Reinsurance premiums | 573 | 689 | 2,416 | 13,268 | 13,674 | 54,653 | 137,794 | 133,317 | 471,783 | 259,525 | 181,272 | 861,479 |
| Premiums on retention | 221,844 | 225,939 | 724,424 | 13,368 | 13,963 | 55,535 | 56,761 | 64,626 | 193,763 | 421,072 | 516,925 | 1,437,488 |
| Change in unearned premium balance, on retention | (44,916) | (64,965) | (33,245) | 47 | (55) | 51 | (8,892) | (4,176) | 29,397 | (73,696) | (124,380) | 81,970 |
| Premiums earned on retention | 176,928 | 160,974 | 691,179 | 13,415 | 13,908 | 55,586 | 47,869 | 60,450 | 223,160 | 347,376 | 392,545 | 1,519,458 |
| Income from investments, net, and financing income | 2,553 | 1,291 | 11,250 | 1,921 | (1,886) | (75) | 2,021 | 1,513 | 11,434 | 25,742 | 12,436 | 116,924 |
| Income from commissions | - | 6 | 6 | 4,632 | 3,804 | 15,604 | 27,805 | 27,108 | 112,590 | 47,638 | 33,862 | 170,235 |
| Other income | - | - | - | 19 | 9 | 61 | - | - | - | 19 | 9 | 61 |
| **Total income** | 179,481 | 162,271 | 702,435 | 19,987 | 15,835 | 71,176 | 77,695 | 89,071 | 347,184 | 420,775 | 438,852 | 1,806,678 |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross | 121,469 | 121,075 | 487,288 | 5,610 | 8,290 | 25,734 | 85,426 | 130,421 | 482,028 | 330,892 | 489,008 | 1,874,324 |
| Share of reinsurers in payments and change in liabilities with respect to insurance contracts | 599 | 8 | (94) | (3,455) | (3,276) | (13,659) | (56,931) | (105,015) | (366,283) | (132,374) | (200,049) | (703,535) |
| Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention | 122,068 | 121,083 | 487,194 | 2,155 | 5,014 | 12,075 | 28,495 | 25,406 | 115,745 | 198,518 | 288,959 | 1,170,789 |
| Commissions, marketing expenses and other acquisition costs | 41,913 | 37,959 | 181,150 | 2,459 | 2,574 | 9,639 | 47,219 | 50,755 | 213,277 | 128,418 | 129,350 | 584,804 |
| General and administrative expenses | 3,542 | 3,262 | 12,498 | 4,685 | 3,937 | 17,321 | 4,305 | 4,063 | 16,631 | 16,304 | 14,848 | 60,146 |
| Financing expenses (income) | 77 | (226) | (210) | 666 | (2,026) | (3,235) | 1,141 | (3,020) | (3,635) | 3,364 | (5,400) | (7,290) |
| **Total expenses** | 167,600 | 162,078 | 680,632 | 9,965 | 9,499 | 35,800 | 81,160 | 77,204 | 342,018 | 346,604 | 427,757 | 1,808,449 |
| Share in the profits (losses) of associate companies, net | 188 | - | 1,425 | - | - | - | 229 | - | 1,742 | 2,085 | - | 15,837 |
| **Income (loss) before taxes on income** | 12,069 | 193 | 23,228 | 10,022 | 6,336 | 35,376 | (3,236) | 11,867 | 6,908 | 76,256 | 11,095 | 14,066 |
| Other comprehensive income (loss) before taxes on income | (92) | 181 | 4,219 | (2,143) | 765 | 5,513 | (24) | 203 | 4,374 | (2,950) | 2,069 | 48,157 |
| **Total comprehensive income (loss) before taxes on income** | 11,977 | 374 | 27,447 | 7,879 | 7,101 | 40,889 | (3,260) | 12,070 | 11,282 | 73,306 | 13,164 | 62,223 |

| | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 | As of March 31 | | As of December 31 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| **NIS in thousands** | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited | Unaudited | | Audited |
| **Liabilities with respect to insurance contracts** | | | | | | | | | | | | |
| Gross | 557,709 | 543,404 | 517,043 | 78,864 | 91,090 | 80,605 | 1,008,744 | 1,087,760 | 1,039,333 | 6,389,439 | 6,680,213 | 6,520,697 |
| Reinsurance | 653 | 874 | 683 | 41,866 | 49,127 | 42,747 | 615,898 | 565,767 | 625,467 | 2,095,961 | 1,784,083 | 2,111,212 |
| Retention | 557,056 | 542,530 | 516,360 | 36,998 | 41,963 | 37,858 | 392,846 | 521,993 | 413,866 | 4,293,478 | 4,896,130 | 4,409,485 |

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, 2017, constitutes approximately 72%, approximately 68% and approximately 74%, respectively, of the total premiums in these branches.

## Note 4 - Segmental Reporting (Cont.)

**F. Additional information regarding the life insurance and long-term savings segment**

For the period of three months ended March 31, 2018 (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: | 58,725 | 432,956 | 2,033 | 735,451 | 155,657 | 22,520 | 1,407,342 |
| Receipts with respect to investment contracts charged directly to insurance reserves | - | - | - | 90,958 | - | - | 90,958 |
| Financial margin including management fees [2] | 45,587 | 67,187 | (455) | 50,145 | - | - | 162,464 |
| Payments and changes in liabilities with respect to insurance contracts, gross | 307,353 | 526,244 | 648 | 686,318 | 60,751 | 14,313 | 1,595,628 |
| Payments and changes in liabilities with respect to investment contracts | - | - | 428 | (1,480) | - | - | (1,052) |

For the period of three months ended March 31, 2017 (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: | 60,699 | 416,038 | 2,817 | 792,494 | 149,057 | 21,512 | 1,442,617 |
| Receipts with respect to investment contracts charged directly to insurance reserves | - | - | - | 100,375 | - | - | 100,375 |
| Financial margin including management fees [2] | 62,055 | 126,486 | ((1,448 | 46,970 | - | - | 234,063 |
| Payments and changes in liabilities with respect to insurance contracts, gross | 153,724 | 978,856 | 952 | 909,769 | 64,341 | 17,440 | 2,125,082 |
| Payments and changes in liabilities with respect to investment contracts | - | - | (24) | 20,238 | - | - | 20,214 |

Data for the year ended December 31, 2017:

| NIS in thousands | Life insurance policies with a savings component (including annexes) 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: | 249,053 | 1,654,929 | 9,395 | 2,916,797 | 614,269 | 90,060 | 5,534,503 |
| Receipts with respect to investment contracts charged directly to insurance reserves | - | - | - | 290,982 | - | - | 290,982 |
| Financial margin including management fees [2] | 260,370 | 558,219 | 1,119 | 196,756 | - | - | 1,016,464 |
| Payments and changes in liabilities with respect to insurance contracts, gross | 1,130,016 | 4,898,629 | 10,239 | 3,843,002 | 282,345 | 72,686 | 10,236,916 |
| Payments and changes in liabilities with respect to investment contracts | - | - | 22 | 114,427 | - | - | 114,449 |

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 gains (losses) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses.
The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds.
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

For the period of three months ended March 31, 2018 (unaudited)

| | Long term care | | Health other **) | | |
|---|---|---|---|---|---|
| **NIS in thousands** | **Individual** | **Collective** | **Long term** | **Short term** | **Total** |
| Gross premiums | 63,616 | 222,773 | 199,268*) | 20,553*) | 506,210 |
| Payments and changes in liabilities with respect to insurance contracts, gross | 12,968 | 08,048 | 9,751 | 2,566 | 23,333 |

*) Of which, individual premiums in the amount of NIS 176,748 thousand and collective premiums in the amount of NIS 43,073 thousand.

**) The most material coverage included in other long term health insurance is medical expenses; with respect to short term, it is international travel.

For the period of three months ended March 31, 2017 (unaudited)

| | Long term care | | Health other **) | | |
|---|---|---|---|---|---|
| **NIS in thousands** | **Individual** | **Collective** | **Long term** | **Short term** | **Total** |
| Gross premiums | 60,083 | 184,262 | 182,365*) | 21,001*) | 447,711 |
| Payments and changes in liabilities with respect to insurance contracts, gross | 1,218 | 29,821 | 0,453 | 0,803 | 82,295 |

*) Of which, individual premiums in the amount of NIS 156,730 thousand and collective premiums in the amount of NIS 46,636 thousand.

**) The most material coverage included in other long term health insurance is medical expenses; with respect to short term, it is international travel.

Data for the year ended December 31, 2017 (Audited)

| | Long term care | | Health other **) | | |
|---|---|---|---|---|---|
| **NIS in thousands** | **Individual** | **Collective** | **Long term** | **Short term** | **Total** |
| Gross premiums | 244,456 | 801,855 | 747,355*) | 123,462*) | 1,917,128 |
| Payments and changes in liabilities with respect to insurance contracts, gross | 29,392 | ,006,975 | 58,948 | 9,223 | ,654,538 |

*) Of which, individual premiums in the amount of NIS 655,049 thousand and collective premiums in the amount of NIS 215,768 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 March 31 2018 | As of March 31 2017 | As of December 31 2017 |
|---|---|---|---|
| | Unaudited | | Audited |
| **Investment property** *) | **2,931,870** | 2,773,464 | 2,869,967 |
| Financial investments | | | |
| Marketable debt assets | **25,381,050** | 22,135,498 | 24,285,740 |
| Non-marketable debt assets | **6,602,618** | 5,988,402 | 6,534,433 |
| Stocks | **9,873,493** | 7,943,190 | 9,518,961 |
| Other financial investments | **14,726,498** | 17,185,667 | 15,891,827 |
| Total financial investments *) | **56,583,659** | 53,252,757 | 56,230,961 |
| Cash and cash equivalents | **4,085,699** | 2,431,671 | 4,529,446 |
| Other **) | **1,171,352** | 658,857 | 679,946 |
| Total assets for investment-linked contracts | **64,772,580** | 59,116,749 | 64,310,320 |

*) Measured at fair value through profit and loss.
**) The increase during the reporting period was primarily due to the timing of securities clearing and collateral with respect to futures contracts.

2. Additional information regarding fair value

A. Fair value of financial assets, classified by levels

The table below presents an analysis of assets measured at fair value on a periodic basis, using an assessment method based on the various levels of the hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) to the annual financial statements.

| NIS in thousands | As of March 31, 2018 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Unaudited | | | |
| **Financial investments:** | | | | |
| Marketable debt assets | **22,430,519** | **2,950,531** | **-** | **25,381,050** |
| Non-marketable debt assets | **-** | **6,476,434** | **126,184** | **6,602,618** |
| Stocks | **9,285,358** | **-** | **588,135** | **9,873,493** |
| Other financial investments *) | **9,197,109** | **2,794,256** | **2,735,133** | **14,726,498** |
| **Total financial investments** | **40,912,986** | **12,221,221** | **3,449,452** | **56,583,659** |
| *) Of which, with respect to derivatives | **212,996** | **76,266** | **-** | **289,262** |

During the period, there were no significant transfers between level 1 and level 2.

# Note 5 - Financial Instruments (Cont.)

## A. Assets for investment-linked contracts (Cont.)

### 2. Additional information regarding fair value (Cont.)

#### A. Fair value of financial assets, classified by levels (Cont.)

| | As of March 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **NIS in thousands** | Unaudited | | | |
| **Financial investments:** | | | | |
| Marketable debt assets | 19,992,688 | 2,142,810 | - | 22,135,498 |
| Non-marketable debt assets | - | 5,840,277 | 148,125 | 5,988,402 |
| Stocks | 7,847,232 | - | 95,958 | 7,943,190 |
| Other financial investments *) | 11,728,829 | 3,027,948 | 2,428,890 | 17,185,667 |
| **Total financial investments** | 39,568,749 | 11,011,035 | 2,672,973 | 53,252,757 |
| *) Of which, with respect to derivatives | 146,391 | 397,368 | - | 543,759 |

During the period, there were no significant transfers between level 1 and level 2.

| | As of December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **NIS in thousands** | Audited | | | |
| **Financial investments:** | | | | |
| Marketable debt assets | 21,688,665 | 2,597,075 | - | 24,285,740 |
| Non-marketable debt assets | - | 6,395,982 | 138,451 | 6,534,433 |
| Stocks | 8,958,782 | - | 560,179 | 9,518,961 |
| Other financial investments *) | 10,570,241 | 2,712,386 | 2,609,200 | 15,891,827 |
| **Total financial investments** | 41,217,688 | 11,705,443 | 3,307,830 | 56,230,961 |
| *) Of which, with respect to derivatives | 186,612 | 256,471 | - | 443,083 |

During the period, there were no significant transfers between level 1 and level 2.

#### B. Assets measured at fair value level 3

| | Non-marketable debt assets | Stocks | Other financial investments | Total |
|---|---|---|---|---|
| **NIS in thousands** | Unaudited | | | |
| **Balance as of January 1, 2018** | **138,451** | **560,179** | **2,609,200** | **3,307,830** |
| Total income recognized in the statement of income | **3,348** | **18,894** | **123,816** | **146,058** |
| Acquisitions | **5,269** | **9,062** | **81,836** | **96,167** |
| Sales | **(243)** | **-** | **(76,778)** | **(77,021)** |
| Redemptions | **(17,946)** | **-** | **-** | **(17,946)** |
| Interest and dividend receipts | **(2,695)** | **-** | **(2,941)** | **(5,636)** |
| **Balance as of March 31, 2018** | **126,184** | **588,135** | **2,735,133** | **3,449,452** |
| Total income for the period included under the income statement with respect to held financial assets as of March 31, 2018 | **3,105** | **18,894** | **123,816** | **145,815** |

## Note 5- Financial Instruments (Cont.)

### A. Assets for investment-linked contracts (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3 (Cont.)

| NIS in thousands | Non-marketable debt assets | Stocks | Other financial investments | Total |
|---|---|---|---|---|
| | Unaudited | | | |
| **Balance as of January 1, 2017** | 181,668 | 120,543 | 2,414,321 | 2,716,532 |
| Total income (loss) recognized in the statement of income | (2,052) | 9,492 | 20,828 | 28,268 |
| Acquisitions | - | - | 112,344 | 112,344 |
| Sales | - | (31,754) | (116,811) | (148,565) |
| Redemptions | (30,846) | - | - | (30,846) |
| Interest and dividend receipts | (645) | (2,323) | (1,792) | (4,760) |
| **Balance as of March 31, 2017** | 148,125 | 95,958 | 2,428,890 | 2,672,973 |
| Total income (loss) for the period included under the income statement with respect to held financial assets as of March 31, 2017 | (1,816) | (260) | 22,289 | 20,213 |

| NIS in thousands | Non-marketable debt assets | Stocks | Other financial investments | Total |
|---|---|---|---|---|
| | Audited | | | |
| **Balance as of January 1, 2017** | 181,668 | 120,543 | 2,414,321 | 2,716,532 |
| Total income recognized in the statement of income | 11,797 | 18,436 | 170,608 | 200,841 |
| Acquisitions | 1,721 | 462,794 | 688,302 | 1,152,817 |
| Sales | (868) | (36,789) | (653,237) | (690,894) |
| Redemptions | (45,286) | - | (4,662) | (49,948) |
| Interest and dividend receipts | (10,581) | (4,805) | (6,132) | (21,518) |
| **Balance as of December 31, 2017** | 138,451 | 560,179 | 2,609,200 | 3,307,830 |
| Total income for the period included under profit and loss with respect to held financial assets as of December 31, 2017 | 12,033 | 8,694 | 175,431 | 196,158 |

## Note 5- Financial Instruments (Cont.)

### B. Other financial investments

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

| | As of March 31, 2018 | |
|---|---|---|
| | Book value | Fair value |
| **NIS in thousands** | **Unaudited** | |
| Government bonds | | |
| HETZ bonds and treasury deposits | 16,084,722 | 24,067,225 |
| Other non-convertible debt assets | 5,370,022 | 5,962,934 |
| Deposits in banks | 819,883 | 933,752 |
| Total non-marketable debt assets | 22,274,627 | 30,963,911 |
| Impairment applied to income statement (cumulative) | 102,922 | |

| | As of March 31, 2017 | |
|---|---|---|
| | Book value | Fair value |
| **NIS in thousands** | **Unaudited** | |
| Government bonds | | |
| HETZ bonds and treasury deposits | 15,542,266 | 22,717,205 |
| Other non-convertible debt assets | 4,985,717 | 5,436,434 |
| Deposits in banks | 885,022 | 994,384 |
| Total non-marketable debt assets | 21,413,005 | 29,148,023 |
| Impairment applied to income statement (cumulative) | 110,533 | |

| | As of December 31, 2017 | |
|---|---|---|
| | Book value | Fair value |
| **NIS in thousands** | **Audited** | |
| Government bonds | | |
| HETZ bonds and deposits with the Ministry of Finance | 15,767,858 | 23,623,887 |
| Other non-convertible debt assets | 5,233,585 | 5,940,442 |
| Deposits in banks | 831,651 | 953,322 |
| Total non-marketable debt assets | 21,833,094 | 30,517,651 |
| Impairment applied to income statement (cumulative) | 103,496 | |

# Note 5- Financial Instruments (Cont.)

## B. Other financial investments (Cont.)

2. Additional information regarding fair value

A. Fair value of financial assets, classified by levels

The table below presents an analysis of assets measured at fair value on a periodic basis, using an assessment method based on the various levels of the hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) to the annual financial statements.

| | As of March 31, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **NIS in thousands** | Unaudited | | | |
| **Financial investments:** | | | | |
| Marketable debt assets | **4,791,447** | **212,177** | **-** | **5,003,624** |
| Non-marketable debt assets | **-** | **4,540** | **-** | **4,540** |
| Stocks | **1,120,355** | **-** | **259,051** | **1,379,406** |
| Other financial investments *) | **1,172,752** | **39,130** | **1,364,305** | **2,576,187** |
| **Total financial investments** | **7,084,554** | **255,847** | **1,623,356** | **8,963,757** |
| *) Of which, with respect to derivatives | **3,871** | **9,352** | **903** | **14,126** |

During the period, there were no significant transfers between level 1 and level 2.

| | As of March 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **NIS in thousands** | Unaudited | | | |
| **Financial investments:** | | | | |
| Marketable debt assets | 5,237,535 | 320,522 | - | 5,558,057 |
| Non-marketable debt assets | - | 7,908 | - | 7,908 |
| Stocks | 1,046,864 | - | 76,446 | 1,123,310 |
| Other financial investments *) | 1,000,143 | 133,699 | 1,265,138 | 2,398,980 |
| **Total financial investments** | 7,284,542 | 462,129 | 1,341,584 | 9,088,255 |
| *) Of which, with respect to derivatives | 1,385 | 70,004 | 249 | 71,638 |

During the period, there were no significant transfers between level 1 and level 2.

| | As of December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **NIS in thousands** | Audited | | | |
| **Financial investments:** | | | | |
| Marketable debt assets | 5,228,086 | 304,526 | - | 5,532,612 |
| Non-marketable debt assets | - | 5,291 | - | 5,291 |
| Stocks | 1,114,302 | - | 253,539 | 1,367,841 |
| Other financial investments *) | 1,329,861 | 87,137 | 1,306,606 | 2,723,604 |
| **Total financial investments** | 7,672,249 | 396,954 | 1,560,145 | 9,629,348 |
| *) Of which, with respect to derivatives | 6,165 | 58,743 | 1,044 | 65,952 |

During the period, there were no significant transfers between level 1 and level 2.

# Note 5- Financial Instruments (Cont.)

## B. Other financial investments (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3

| NIS in thousands | Stocks | Other financial investments | Total |
|---|---|---|---|
| | | Unaudited | |
| **Balance as of January 1, 2018** | **253,539** | **1,306,606** | **1,560,145** |
| Total recognized income: | | | |
| Under profit and loss | **925** | **11,375** | **12,300** |
| Under other comprehensive income | **1,509** | **20,764** | **22,273** |
| Acquisitions | **4,078** | **85,215** | **89,293** |
| Sales | **-** | **(59,518)** | **(59,518)** |
| Interest and dividend receipts | **(1,000)** | **(137)** | **(1,137)** |
| **Balance as of March 31, 2018** | **259,051** | **1,364,305** | **1,623,356** |
| Total income for the period included under the income statement with respect to held financial assets as of March 31, 2018 | **925** | **11,375** | **12,300** |

| NIS in thousands | Stocks | Other financial investments | Total |
|---|---|---|---|
| | | Unaudited | |
| **Balance as of January 1, 2017** | 77,002 | 1,269,940 | 1,346,942 |
| Total income (loss) which was recognized: | | | |
| Under profit and loss | 444 | 26,555 | 26,999 |
| Under other comprehensive income | (500) | (47,908) | (48,408) |
| Acquisitions | - | 97,599 | 97,599 |
| Sales | - | (80,706) | (80,706) |
| Interest and dividend receipts | (500) | (342) | (842) |
| **Balance as of March 31, 2017** | 76,446 | 1,265,138 | 1,341,584 |
| Total income for the period included under the income statement with respect to held financial assets as of March 31, 2017 | 444 | 26,711 | 27,155 |

# 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.)

| | Stocks | Other financial investments | Total |
|---|---|---|---|
| **NIS in thousands** | | **Audited** | |
| **Balance as of January 1, 2017** | 77,002 | 1,269,940 | 1,346,942 |
| Total income (loss) which was recognized: | | | |
| Under profit and loss | 3,017 | 77,100 | 80,117 |
| Under other comprehensive income | (2,265) | (9,508) | (11,773) |
| Acquisitions | 179,785 | 346,513 | 526,298 |
| Sales | (600) | (373,862) | (374,462) |
| Redemptions | - | (2,713) | (2,713) |
| Interest and dividend receipts | (3,400) | (864) | (4,264) |
| **Balance as of December 31, 2017** | 253,539 | 1,306,606 | 1,560,145 |
| Total income for the period included under profit and loss with respect to held financial assets as of December 31, 2017 | 3,024 | 78,190 | 81,214 |

## Note 5- Financial Instruments (Cont.)

### C. Financial liabilities

1. Composition and fair value:

| NIS in thousands | As of March 31 2018 Book value | As of March 31 2018 Fair value | As of March 31 2017 Book value | As of March 31 2017 Fair value | As of December 31 2017 Book value | As of December 31 2017 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 | 72,153 | - | - |
| Clal Credit and Finance | - | - | 351 | 352 | - | - |
| Total liabilities presented at amortized cost | - | - | 70,351 | 72,505 | - | - |
| Financial liabilities resented at fair value through profit and loss: | | | | | | |
| Liabilities with respect to derivative financial instruments and short sales *) | **448,834** | **448,834** | 93,334 | 93,334 | 170,690 | 170,690 |
| **Total liabilities to banking corporations and others** | **448,834** | **448,834** | 163,685 | 165,839 | 170,690 | 170,690 |
| **Deferred liability notes** | **3,225,630** | **3,474,306** | 3,299,404 | 3,568,632 | 3,242,364 | 3,652,572 |
| **Total financial liabilities** | **3,674,464** | **3,923,140** | 3,463,089 | 3,734,471 | 3,413,054 | 3,823,262 |
| *) Of which, with respect to investment-linked liabilities | **338,325** | **338,325** | 70,191 | 70,191 | 116,449 | 116,449 |

2. Fair value of financial liabilities, classified by levels

The table below presents an analysis of assets measured at fair value on a periodic basis, using an assessment method based on the various levels of the hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) to the annual financial statements.

| NIS in thousands | As of March 31, 2018 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Unaudited | | | |
| Derivatives | **2,807** | **446,027** | - | **448,834** |
| **Total financial liabilities** | **2,807** | **446,027** | - | **448,834** |

| NIS in thousands | As of March 31, 2017 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Unaudited | | | |
| Derivatives | 646 | 92,689 | - | 93,335 |
| **Total financial liabilities** | 646 | 92,689 | - | 93,335 |

| NIS in thousands | As of December 31, 2017 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Audited | | | |
| Derivatives | 1,164 | 169,526 | - | 170,690 |
| **Total financial liabilities** | 1,164 | 169,526 | - | 170,690 |

## Note 5- Financial Instruments (Cont.)

**D. Valuation techniques and valuation processes implemented in the company**

**<u>Non-marketable debt assets</u> *)**

Fair value is calculated according to a model which is based on the present value obtained by discounting the cash flows, according to the discount interest rate. The fair value of HETZ bonds is calculated according to the actuarial average lifetime, and according to the forecasted discounted cash flow, based on the risk-free interest curve.

*) The discount rates used to calculate the fair value of non-marketable debt assets, which is determined by discounting the estimated expected cash flows with respect to them, are based principally on the yields of government bonds and the margins of corporate bonds, as measured on the Tel Aviv Stock Exchange. The price quotes and interest rates which were used for discounting are determined by the Mirvach Hogen group, a company which provides price quotes and interest rates to institutional entities for the revaluation of non-marketable debt assets. The model of Mirvach Hogen is based on the distribution of the trading market into deciles, according to the yield to maturity of the debt assets, and the determination of the location of the non-marketable asset in those deciles, according to the risk premium which is derived from prices of transactions / issuances on the non-trading market.

For additional details, see Notes 3(f)(2) and 14(f)(3) and (4) to the annual financial statements.

# Note 6 - Capital Management and Requirements

## A. Capital management

Further to that stated in Note 16(c) to the annual statements, the balance of distributable earnings as of the reporting date, in accordance with the "profit test" set forth in the Companies Law, and in accordance with the capital requirements arising from the permit for control of institutional entities which is held by the Company (which was canceled on May 8, 2014, as specified in section C below), amounted to a total of approximately NIS 2 billion. A dividend distribution in the Company is affected by the ability of investee companies to distribute dividends, in light of their capital requirements, including those which apply to the insurance companies in the Group in accordance with the provisions of the solvency regime specified in section B above, and also in light of their liquidity requirements.

## B. Capital requirements for insurance companies in the Group

1. Presented below are details regarding the accounting solvency regime which apply to consolidated companies that are insurance companies:

| | As of March 31, 2018 | | As of December 31, 2017 | |
|---|---|---|---|---|
| | Clal Insurance | Clal Credit Insurance | Clal Insurance | Clal Credit Insurance |
| **NIS in thousands** | Unaudited | | Audited | |
| Minimum capital: | | | | |
| Required amount [a] | **4,661,232** | **34,451** | 4,644,895 | 34,267 |
| **Current amount as calculated pursuant to the Capital Regulations:** | | | | |
| Basic Tier 1 capital | **4,751,223** | **223,366** | 4,869,768 | 218,188 |
| Tier 2 subordinated capital [b] | **43,648** | **-** | 43,779 | - |
| Tier 2 hybrid capital | **3,011,896** | **-** | 3,014,095 | - |
| Tier 3 capital | **111,938** | **-** | 111,938 | - |
| Total Tier 2 and Tier 3 capital | **3,167,482** | **-** | 3,169,812 | - |
| Total current capital [c] | **7,918,705** | **223,366** | 8,039,580 | 218,188 |
| Surplus | **3,257,473** | **188,915** | 3,394,685 | 183,921 |
| **Capital operations subsequent to the reporting date:** | | | | |
| Surplus in consideration of operations which were performed subsequent to the reporting date | **3,257,473** | **188,915** | 3,394,685 | 183,921 |
| 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 | **129,594** | **-** | 131,622 | - |
| Capital reduction required with respect to original difference | **154,008** | **-** | 154,497 | - |
| Tax reserve with respect to the acquisition of provident funds | **62,895** | **-** | 70,903 | - |
| Surplus in consideration of operations which were performed subsequent to the reporting date and after deducting tied-up surplus | **3,036,766** | **188,915** | 3,179,469 | 183,921 |
| A) Total required amount, including capital requirements with respect to: | | | | |
| Non-life insurance operations / required Tier 1 capital | **485,771** | **29,702** | 507,722 | 29,791 |
| Long term care insurance operations | **118,676** | **-** | 114,464 | - |
| Extraordinary risks in life insurance | **428,096** | **-** | 425,963 | - |
| Deferred acquisition costs in life insurance and illness and hospitalization insurance | **1,382,660** | **-** | 1,386,192 | - |
| Requirements with respect to guaranteed return plans | **1,947** | **-** | 2,133 | - |
| Non-recognized assets, as defined in the Capital Regulations | **62,488** | **20** | 52,720 | 1 |
| Investment in consolidated insurance and managing companies (including acquired management operations) | **630,673** | **-** | 631,895 | - |
| Capital reduction required with respect to original difference | **(154,008)** | **-** | (154,497) | - |
| Capital required with respect to investments | **1,220,604** | **2,540** | 1,187,035 | 2,273 |
| Catastrophe risks in non-life insurance | **102,406** | **-** | 106,750 | - |
| Operational risks | **289,838** | **2,189** | 292,391 | 2,202 |
| Guarantees | **92,081** | **-** | 92,127 | - |
| Total required capital | **4,661,232** | **34,451** | 4,644,895 | 34,267 |

b) Issued until December 31, 2009.
c) For details regarding a restriction on dividend distributions, see Note 16(e)(4) to the annual statements.

## Note 6 - Capital Management and Requirements (Cont.)

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

2. **Economic Solvency Regime**

Further to that stated in Note 16(e)(3) to the annual financial statements, the Company calculated equity and the solvency capital requirement in accordance with the provisions of the economic solvency regime as of December 31, 2016.

According to the results of the calculation, the Company has a capital surplus, both taking into account the provisions during the distribution period, and excluding the provisions during the distribution period. For additional details, see section 1.2.3 of the board of directors' report.

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

The Board of Directors of Clal Insurance has not yet determined the solvency ratio target based on the provisions of the economic solvency regime, as stated above. This determination constitutes a precondition for a dividend 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.

It is noted that the calculation as of December 31, 2017 will be performed until the publication date of the financial statements for the second quarter of 2018.

**C. 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**

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 2017.

# Note 7 - Contingent Liabilities and Claims [2]

Presented below are details regarding claims which are not in the ordinary course of business, as follows: material claims[3] whose filing as class actions was approved; Pending motions to approve class action status for material claims; material and immaterial class actions which concluded during the reporting period, until its signing date, other material claim and derivative claims against the Group's member companies.

The following claim amounts are presented at amounts that are correct as of the date of their filing, and as specified by the plaintiffs, unless noted otherwise.

## A. Class action claims

In recent years, as part of a general trend in the markets in which the Group operates, a significant increase has occurred in the number of motions filed for the approval of class action status for claims against the Group's member companies, and also in the number of claims filed against the Group's member companies which have been recognized by the Court as class actions. The trend described above, which is due, inter alia, to the enactment of the Class Action Law, 2006 (hereinafter: the "**Law**"), the multiplicity of lawsuits, and the approach of the Courts, significantly increases the Company's potential exposure to losses with respect to rulings issued against the Group's member companies in class actions which are filed against them.

A class action lawsuit, as defined in the Law, is a lawsuit which is managed on behalf of an anonymous class of people who did not grant power of attorney in advance to the class action plaintiff, and which raises material questions regarding facts or law that apply to all class members.

The procedure begins with a written motion submitted by the single plaintiff to the Court with which the plaintiff's personal claim has been filed, in which he requests approval of class action status for his claim. Only in the event that the motion to approve the claim as a class action is accepted does the claim's definition change to a "class action", with the plaintiff becoming a "class action plaintiff".

A class action can only be filed for claims which meet the conditions set forth in law, or on a matter regarding which a legal provision specifically states that a class action may be filed. It should be noted that, from 2006 onwards, the definition of a claim due to which a motion for approval as a class action may be filed against the Group's member companies is a broad definition, and includes any matter which may arise between a company and a customer, whether or not they have engaged in a transaction.

In order for a claim to be approved as a class action, the plaintiff must prove the following, inter alia: (1) the existence of a "personal cause of action" for the specific plaintiff; (2) That the cause of action is sufficiently well-established as to constitute a "prima facie cause of action". At this point, the Court evaluates whether the plaintiff has a prima facie chance of eventually wining the claim in court; (3) That the cause of action gives rise to significant questions of fact or law which are shared by a certain group; (4) That there is a reasonable possibility that the common questions in the claim will be determined in favor of the Group; (5) That the class action is the most efficient and fair method of resolving the dispute which is the subject of the claim, in light of the circumstances; (6) The suitability of the plaintiff to serve as the class action plaintiff, and of his attorney to representative him in the claim.

In general, the process of evaluating a claim as a class action may include 4 stages: Stage A - Filing of the motion to recognize the claim as a class action in the first instance; Stage B - Appeal in the Authority to a higher instance regarding the decision reached by the first instance; Stage C - Hearing the claim on the merits before the first instance (generally before the same judge who heard the motion in the first instance); Stage D - Appeal to a higher instance regarding the decision on the merits.

It should be noted that the scope and content of the hearing of a class action on its own merits is affected by the ruling regarding the approval of the claim as a class action. A decision approving class action status for a claim generally refers to the causes of action which were approved, and those which were not approved; The remedies which were approved and which were not approved; etc.

The law provides a set procedure and restrictions for all matters relating to settlement arrangements in class actions, which causes difficulty in instating settlement arrangements regarding class actions. The law also provides a requirement involving due disclosure to the Court with regard to all material details involved in the settlement arrangement, as well as a right available to the Attorney General and to additional entities listed in the Law to file an objection to the proposed settlement arrangement, and a requirement that an examiner be nominated with respect to the settlement arrangement.

The motions to approve class action status for the claims specified below are in various stages of the procedural hearing; some have been approved, while others are in appeal proceedings.

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[2] On March 19, 2013, Clal Health was merged into Clal Insurance, in a manner whereby Clal Insurance entered into the position of Clal Health for all intents and purposes. Thus, claims that were filed against Clal Health will be considered as claims filed against Clal Insurance.

[3] It is noted that, in general, in this note, a claim will be considered material, and will be described in accordance with the estimate which is performed by the Company on the date when the claim is received, insofar as the actual exposure amount, net of tax, assuming the claim is found to be justified, and without addressing the claim's chances, or the amount specified therein, per se, exceeds the Group's significance threshold with respect to income, according to the calculation of forecasted comprehensive loss, divided by the average annual comprehensive income or comprehensive loss in the last three years, calculated based on the last 12 quarters for which audited or reviewed financial statements were published; It is hereby clarified that the income/loss which is attributed to the event, and the income/loss in each quarter, are calculated according to absolute values.

**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<br><br>Regional Labour Court of Jerusalem | Clal Insurance and additional insurance companies | The plaintiff contends that the defendants determined, in the managers' insurance policy, that the annuity factor which will be used for the payment of insurance benefits to female policyholders upon reaching retirement age, will be lower than that used for male policyholders, due to the longer life expectancy of women. However, on the other hand, the defendants collected and continue to collect from female policyholders a risk premium which is identical to male policyholders, in spite of the fact that the mortality rates of women are lower than those of men. According to the plaintiff, in 2001, or proximate thereto, the defendants amended the policies; however, this amendment applied to new policies only. | To order that:<br>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.<br>B. Allowing the class members to choose between:<br>(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.<br>(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.<br>In April 2015, the National Labor Court granted leave to appeal the decision to approve the claim as a class action, and a hearing on the case before a board was scheduled. In February 2016, a hearing was held in the National Labour Court, in which the Court stated that, in light of the circumstances of the matter, questions arise which have not been evaluated in depth by the Court, and which may have an impact regarding the cause of action and the approval thereof, regarding the reasonable chances of winning the claim, and regarding the most efficient and fair method of conducting the class action. In December 2016, the position of the Attorney General of Israel was submitted (which he also repeated in the Court hearing which was held in April 2017) which, in general, supported the position of the defendants, and determined, inter alia, that a class action is not the most efficient and fair way of resolving the dispute, in light of the circumstances, and that the chances of the process are such that there is no reasonable possibility that the relevant question will be determined in favor of the class, since no unlawful discrimination was involved. The parties are awaiting the ruling. | The plaintiff did not specify the damage amount which was caused to her, and in the absence of the data required to estimate the exact scope of damages, she estimated the total amount of damages caused to the class members as hundreds of millions of NIS. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A1. Material claims for which class action status was approved (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 2. | 3/2010<br><br>District - Center | Clal Insurance | The plaintiff contends that Clal Insurance unlawfully and wrongfully took advantage of the Control of Financial Services (Provident Funds) Law, 2008 ("Amendment No. 3"), which determined that funds which are deposited in provident funds beginning from 2008, will be withdrawable as an annuity only, and not as a capital withdrawal (withdrawal in a one-time amount). The plaintiff contends that at the time of conversion of the capital policies which were owned by a policyholder, prior to Amendment No. 3, for non-annuity paying policies, Clal Insurance was required to attach to the policy the annuity factor which was guaranteed to the policyholder under the fixed-payment policy owned by him, while in practice, Clal Insurance chose to attach to the converted capital policy a new annuity factor, in accordance with the life expectancy as of 2009. | To order Clal Insurance to attach to the capital policies of its policyholders the same annuity factor which they had in the fixed-payment policy prior to Amendment No. 3. Alternatively, to order Clal Insurance and the other class members to provide the entire amount of the pension savings funds, retroactively beginning after the date of the entry into effect of Amendment No. 3 (January 2008), and from now on, to the fixed-payment policy with the preferential annuity factor. Alternatively, to order Clal Insurance to compensate the plaintiff and the other class members in the amount of damage which was incurred. | Any person who owned, prior to the entry into effect of Amendment No. 3, both a capital policy and a fixed-payment policy of Clal Insurance (whether of Clal Insurance or of another insurance company), and to whom, following the aforementioned amendment to the law, a annuity factor[4] was not guaranteed in the capital policy, or to whom a annuity factor was guaranteed in the capital policy which was worse than the annuity factor specified in his fixed-payment policy. | In June 2011, the Commissioner's position was submitted, through the Attorney General of Israel, according to which an insurance company is not required to provide annuity factors which were determined in the past, or to transfer policyholders' funds to the fixed-payment policy which they had in the past. It was further noted, with respect to the question of whether it is possible to change the amount used to calculate deposits up to the amount of the salary, it was determined that the matter depends on the particular terms of each policy, and that the plaintiff's policy does not include any provision which requires Clal Insurance to change the deposit amounts or the deposit rates.<br>In September 2015, the District Court decided to accept the motion to approve against Clal Insurance, in which it was determined that the entitled class members include any policyholder who owned, prior to Amendment No. 3, both a capital policy and a fixed-payment policy (whether of Clal Insurance or of another insurance company), and who, following the aforementioned amendment, did not receive an annuity factor in the capital policy, or who received an annuity factor which was worse than the factor in his fixed-payment policy, provided that the capital policy was managed by Clal Insurance. The parties filed pleadings regarding the claim, and an examiner was appointed regarding the case, who filed his opinion in July 2017. The proceedings are currently in the claim handling stage. | The plaintiff estimates the number of the class members as 37,752 members, and accordingly, the monetary compensation to all of the class members is estimated as NIS 107 million, in each year. |

[4] The annuity factor is the factor representing life expectancy which is used by the insurer, at retirement age, to convert the savings amount accrued by the policyholder into a monthly annuity.

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A1. Material claims for which class action status was approved

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 3. | 4/2010<br><br>District - Center | Clal Insurance and additional insurance companies | The plaintiffs contend that in case of discontinuation of insurance during a certain month, after the insurance premium with respect to that month was collected by the defendants in advance, the defendants do not reimburse to policyholders the surplus relative share of the insurance premium with respect to that month, or alternatively, reimburse the insurance premium at nominal values only. | The reimbursement of the surplus premium amounts which were unlawfully collected from the class members and/or the reimbursement of unlawful revaluation differences, with the addition of duly calculated linkage differentials, as well as a mandamus order instructing the defendants to change their conduct. | Anyone who is and/or was a policyholder of one or more of the defendants, under any insurance policy, excluding a property insurance policy, or the inheritor of such a policyholder, where the insurance policy was discontinued for any reason, whether due to its cancellation by the policyholder, or due to the occurrence of the insurance event. | In June 2015, the Court issued a decision to dismiss the motion to approve against all of the defendants with respect to the primary claims, including: (A) proportional reimbursement of premiums should be performed in case of the occurrence of the insurance event; (B) proportional reimbursement of premiums should be performed in case of cancellation of the policy, where the wording of the policy does not stipulate section 10 of the Insurance Contract Law, 1981, as phrased, during the period relevant to the claim; (C) the reimbursed premiums should be linked only to a positive index, and not to a negative index; (D) the premiums should be reimbursed with the addition of special interest. Additionally, a dismissal was issued with respect to the motion to approve against Clal Insurance only, regarding a claim of non-payment of relative premiums in insurance policies which include a stipulation of section 10 of the Insurance Contract Law, in which it was determined that the cancellation of the policy will enter into effect immediately, in the absence of an evidential infrastructure (hereinafter: the "**Proportional Reimbursement Claim**"). The motion to approve the claim as a class action was accepted against all of the defendants, with respect to anyone who is or who was the holder of an insurance policy, except for a property insurance policy, who canceled an insurance contract, or whose insurance policy was canceled due to the occurrence of the insurance event, from April 2003 until March 14, 2012, and from whom premiums were collected with respect to the months following the cancellation month, which were reimbursed to him according to their nominal value, without linkage differentials and interest in accordance with the Insurance Contract Law (hereinafter: the "**Nominal Return Claim**").<br>In September 2016, a settlement arrangement was filed with the District Court (the "Settlement Arrangement"), according to which the defendants undertook to donate to public causes amounts which were overcollected, by virtue of the proportional reimbursement claim, and additional amounts by virtue of the nominal reimbursement claim, according to partial rates which were determined in the settlement agreement, and according to the determination of an examiner who will be appointed by the Court within the framework of the settlement agreement.<br>In February 2017 and March 2017, the positions of the Israel Consumer Council and the Attorney General of Israel, respectively, were received, who did not object to the settlement arrangement in its entirety, but rather proposed amendments to the settlement arrangement, inter alia, with respect to the method used to reimburse funds to the class, and with respect to the types of policies to which the settlement will apply.<br>In June 2017, the Court appointed an examiner for the case to examine the settlement arrangement.<br>The settlement agreement is subject to the approval of the Court, the provision of which is uncertain. | The amount claimed by all of the plaintiffs against all of the defendants in the claim is NIS 225 million, with respect to a period of ten years. The plaintiffs have not specified the amount claimed from Clal Insurance only, if the claim is approved as a class action. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A1. Material claims for which class action status was approved

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 4. | 5/2013<br><br>District - Tel Aviv | Clal Insurance and additional insurance companies | The plaintiff contends that the defendants breach their obligation to attach linked interest and duly calculated linkage differentials, with respect to the insurance benefits which they pay. According to the claim, the date from which the interest and linkage differentials should be calculated is beginning on the date of the occurrence of the insurance event, until the actual payment date. Alternatively, linkage differentials should be paid from the date of the occurrence of the insurance event until the actual payment date, as well as interest starting 30 days after the filing date of the claim, until the actual payment date of the insurance benefits. | To order the defendants to pay to the class members linkage differentials and interest with respect to the underpayment which was performed. Additionally, and/or alternatively, the Court is requested to order the provision of compensation in favor of the public, in its discretion. | Any person who received, during the 7 years prior to the filing of the claim and/or who will receive, until a ruling has been given on the claim, insurance benefits from the defendants, to which duly calculated interest (the "**First Class**") and duly calculated linkage differentials (the "**Second Class**") were not 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 October 2016, the defendants withdrew, with the approval of the Supreme Court, a motion for leave to appeal which was filed by them in October 2015, which primarily involved an objection to the determination of the District Court, according to which a previous settlement arrangement into which the Company entered regarding a similar question does not constitute final judgment which blocks the filing of the motion to approve, and does not afford protection to the defendants, and the parties reserved all of their claims with respect to the main proceedings. The proceedings are currently in the claim handling stage. | The plaintiff estimates the cumulative amount for the first class in the amount of NIS 518 million (if it is ruled that the interest should be calculated beginning from the date of the occurrence of the insurance event), and in the amount of NIS 210 million (if it is ruled that the interest should be calculated beginning from 30 days after the date of the claim's submission to the insurance company). The plaintiff estimates the cumulative amount for the second class, with respect to linkage differentials, in an additional amount of NIS 490 million. |

**Note 7 - Contingent Liabilities and Claims (Cont.)**

**A. Class action claims (Cont.)**

**A1. Material claims for which class action status was approved (Cont.)**

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 5. | 1/2008 District - Tel Aviv | Clal Insurance and additional insurance companies | According to the plaintiff, the defendants charge sub-annual installments, a payment which is collected in life insurance policies wherein the insurance tariff is determined as an annual amount, though the payment is executed in several installments (hereinafter: "**Sub-Annual Installments**"), in excess of the permitted amount, with such charges being implemented, allegedly, in a number of ways: collection of sub-annual installments with regard to the "policy factor", collection of Sub-Annual Installments at a rate higher than that permitted according to the Control of Insurance circulars, collection of sub-annual installments with respect to the savings component in life insurance policies, and collection of sub-annual installments with regard to non-life insurance policies. | Repayment of all amounts unlawfully collected by the defendants, and a mandamus order requiring the defendants to change their ways of action with regard to the matters listed in the claim. | Any person who engaged in an insurance contract with any of the defendants, and from whom payment was collected with respect to the sub-annual installments component, in circumstances or in an amount which deviated from what is permitted. | The Commissioner filed his position on the case, in which he accepted the position of the insurance companies.<br>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.<br>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").<br>The Court's decision was given despite the position of the Commissioner of Insurance which was submitted at the request of the Court, as stated above. The cause of action for which the claim was approved as a class action is unlawful collection of sub-annual installments with respect to the collection components. The requested remedy is the reimbursement of the amounts which were unlawfully collected during the seven years preceding the filing of the claim and thereafter, i.e., from January 2001, and a mandamus order ordering the defendants to rectify their conduct.<br>In December 2016, the defendants filed a motion for leave to appeal with respect to the decision to approve the claim as a class action (the "Motion for Leave to Appeal"). The discussion regarding the case was stayed until a determination has been given regarding the Motion for Leave to Appeal, which has not yet been given. | 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 |
|---|---|---|---|---|---|---|---|
| 6. | 5/2011<br><br>District - Center | Clal Insurance and additional insurance companies | According to the plaintiff, in life insurance, the defendants collect from policyholders, without any basis in the policies and without consent, amounts which at times reach a significant part of the premiums paid by the policyholders, and which are known as the "policy factor" and/or "other management fees") (hereinafter: the "**Policy Factor**"), unlawfully and without any appropriate contractual provision, despite the fact that, in principle, the defendants were allowed, in accordance with the Commissioner's circulars, to collect a policy factor in life insurance policies.<br>The plaintiffs contend that in April 2011, the Court with which the current claim was filed, approved class action status for a motion to recognize a claim against another insurance company (hereinafter: the "**Other Motion**"), which is identical to this claim. It is noted that following the motion for leave to appeal, which was filed by the other insurance company with the Supreme Court, the hearing regarding the other motion to approve was returned to the District Court to be heard again. | Payment of the compensation / reimbursement amount equal to the policy factor amount which was actually collected from the class members, with the addition of the returns which were withheld from them with respect to this amount due to the fact that the amount which was deducted from the premium for the policy factor was not invested for them, and changing the method of action with respect to the collection of the policy factor. | Anyone who was and/or is a policyholder of any or all of the defendants, and from whom any amount was collected as the policy factor. | In June 2015, a settlement arrangement and a motion to approve it were filed with the Court, in which it was requested to order the defendants to pay a total of NIS 100 million with respect to the past (of which, the share of Clal Insurance is approximately NIS 26.5 million), and to provide a discount of 25% of the actual future collection of the policy factor.<br>In November 2016, the Court decided to dismiss the motion to approve the settlement arrangement, since it believed that the foregoing does not constitute an adequate, reasonable and fair arrangement for the affairs of the class members.<br>Additionally, the Court decided to partially approve the conducting of the claim as a class action, only with respect to life insurance policies combined with savings which were prepared between the years 1982 and 2003 (with respect to Clal Insurance, in policies of the "Adif", "Meitav" and "Profile" types), where the savings which accrued in favor of the policyholders in those policies were affected due to the collection of the policy factor, on the grounds of breach of the insurance policy, due to the collection of the policy factor, in a manner which harmed the savings which accrued in favor of the policyholders, with respect to the period beginning seven years before the filing date of the claim, in April 2011. The claim was not approved with respect to other types of policies (hereinafter, jointly: the "**Decision**").<br>The claimed remedies, as defined in the Court's decision, include curing the breach by implementing an update to the savings which accrued in favor of the policyholders, in the amount of the additional savings which would have accrued for them had a policy factor not been collected, or compensation of the policyholders in the aforementioned amount, and discontinuation of the collection of the policy factor from that point forward. Additionally, payment of professional fees was ruled for the plaintiff's representative, and for the objectors to the settlement arrangement and their representatives, in immaterial amounts.<br>Insofar as the claim will be approved on the merits, the total potential of the claim, with respect to the savings component in the relevant policies is estimated in the amount of approximately NIS 700 million, for four of the defendants who engaged in the settlement arrangement (including Clal Insurance), with respect to the period from 2004 to 2012 (inclusive), based on an estimate which is based on the assessment of the Court which was given based on the opinion of the examiner who was appointed on its behalf. This amount does not include the period until the date of the decision, and the collection amounts with respect to the policy factor, which were supposed to be received in the future. In May 2017, the defendants filed a motion for leave to appeal the Court's decision, both with respect to the non-approval of the settlement arrangement, and with respect to the partial approval of the claim as a class action. | The plaintiffs' claim pertains to the policy factor which was collected from them from 2004. According to various estimates and assumptions which were performed by the plaintiffs with respect to the collection of the policy factor, during the seven years preceding the filing date of the claim, by the defendants, and the relevant annual returns, the amount claimed for the class members, against all of the defendants, was estimated by the plaintiffs as a nominal total of approximately NIS 2,325 million. Out of this amount, a total of approximately NIS 661.9 million is attributed to Clal Insurance, according to its alleged market share. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A1. Material claims for which class action status was approved (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 7. | 7/2014<br><br>District - Center | Clal Insurance | According to the plaintiff, Clal Insurance overcollects premiums in compulsory and/or third party and/or policies of the "Specified Driver" type (hereinafter: the "**Policy**"), in cases where the youngest driver who is expected to use the vehicle on a routine basis (hereinafter: the "**Driver**") is expected to reach, during the insurance period, an age and/or driving experience level at which Clal Insurance begins collecting reduced premiums (hereinafter, respectively: "**Eligible Age**" and "**Eligible Experience Level**"). The plaintiff contends that Clal Insurance should be required to calculate the premiums by other means, also in case of renewal of the policy after a previous insurance period, and that Clal Insurance should be required to initiate disclosure to the policyholder regarding various items of information. | To declare and determine that Clal Insurance is required to calculate the premiums with respect to the policies in the manner specified in the motion; To order Clal Insurance to initiate disclosure of various items of information, as specified in motion; To prohibit Clal Insurance from collecting administrative expenses or any other payment from the policyholder with respect to the issuance of new compulsory certificates of insurance, in cases where the new issuance is required for reasons not originating from the policyholder; To order Clal Insurance to compensate the class members with respect to the damages which they incurred, with the addition of duly calculated linkage differentials and interest from the date of overcollection until the date of compensation and/or actual reimbursement; To order Clal Insurance to reimburse to the class members the entire amount by which Clal Insurance was enriched at the expense of the class members. To order the provision of any other remedy in favor of the classes, or compensation to the public, as considered appropriate by the Court, in light of the circumstances. | Anyone who purchased and/or renewed and/or who will purchase and/or renew the policy from the defendant during the seven years which preceded the filing of the claim, until the date of issuance of a final ruling, and where, during the insurance period, the youngest driver who is expected to use the vehicle reached and/or will reach the age and/or driving experience level at which he is entitled to a reduction of the premiums, and who in practice did not receive the entire reduction to which he was entitled, as well as anyone who is included in the aforementioned class, and whose comprehensive and/or third party insurance is of the "all drivers" type. | In January 2017, a decision was given by the Court in which the plaintiff's claims were dismissed, except with respect to the claim regarding the existence of a conventional practice regarding the update to the policies and the reimbursement of excess premiums, regarding which the motion to conduct the claim as a class action was approved.<br>The class members, as determined in the decision, include "the holders of the respondent's compulsory, comprehensive and third party motor insurance policies during the last seven years, who reached, during the insurance period, the age bracket and/or driving experience bracket which confers an entitlement to a reduction of insurance premiums, and regarding whom the respondent refrained from acting in accordance with the conventional practice, as a result of which, they did not receive the reduction."<br>The proceedings are currently in the claim handling stage. | The total claim amount was estimated by the plaintiff in the amount of approximately NIS 26 million. |

# Note 7 - Contingent Liabilities and Claims (Cont.)

## A. Class action claims (Cont.)

### A1. Material claims for which class action status was approved (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 8. | 11/2014<br><br>District - Economic Department of Tel Aviv | Bank of Jerusalem ltd. (hereinafter: "**Bank of Jerusalem**") and several additional defendants who served as directors in Clal Finance Batucha Investment Management Ltd. ("**Clal Batucha**") from 2007 until the sale of Clal Batucha to Bank of Jerusalem in December 2013[5]. | The plaintiff contends that Clal Batucha, which merged with and into Bank of Jerusalem, in its function as portfolio manager, performed, on behalf of its customers, transactions with securities of member companies in the IDB Group, in a manner which gave preference to its interests and to the interests of various member companies of the IDB Group over the interests of its customers, in violation of the law. The plaintiff contends that Clal Batucha breached its obligation to inform its customers regarding any conflict of interests which it has in the performance of the aforementioned actions, and to receive their consent.<br>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 Holding and IDB Development. | In January 2017, the Court approved the handling of the claim as a class action against Clal Batucha, and dismissed the motion with respect to the directors.<br>The class members, as determined in the decision, include "anyone who received investment management services from Clal Finance Batucha Investment Management Ltd. (liquidated due to merger) ("**Batucha**"), on whose behalf, within the framework of the portfolio management activity, Batucha (or any other party on its behalf) acquired securities, as defined in the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, (hereinafter: the "**Advice Law**"), which were issued by any of the corporations which were included, at the time of the acquisition, in the IDB Conglomerate (as defined below), from whom advance approval was not received regarding each aforementioned transaction, and who incurred damages due to the aforementioned acquisition."<br>In this regard, the IDB Conglomerate was defined as including "all corporations which were held or controlled, directly or indirectly (including through concatenation) by the companies or IDB Holding Corporation Ltd. (hereinafter: "**IDB Holding**") and IDB Development Corporation Ltd. (hereinafter: "**IDB Development**"), including IDB Holding and IDB Development. For the avoidance of doubt, this definition includes all of the subsidiaries, second tier subsidiaries, and third tier subsidiaries (and so on) of IDB Holding, as well as any other corporation held by them, directly or indirectly."<br>It was further determined in the decision that the class will include anyone in whose account acquisitions of securities were performed, during a period of up to 7 years before the filing of the motion to approve, until the date of completion of the merger transaction of Clal Batucha into Bank of Jerusalem.<br>The cause of action which was approved in the decision is breach of statutory duty by virtue of section 63 of the Civil Wrongs Ordinance, together with section 15(a) of the Advice Law.<br>The Court also ordered the payment of professional fees to the plaintiff's representative, in a negligible amount.<br>The company is not party to the claim; however it received notice regarding the filing of the claim, and the demand for indemnification by Bank of Jerusalem, in accordance with the agreement for the sale of Clal Batucha to Bank of Jerusalem, according to which the company has an undertaking to indemnify[6]. The aforementioned undertaking to indemnify may be activated if and insofar as Bank of Jerusalem will be obligated, by law, in connection with the aforementioned claim, and subject to the terms of the agreement between the parties.[7]<br>The proceedings are currently in the claim handling stage. | The plaintiff's personal claim amount amounts to a total of approximately NIS 18,624. According to the statement of claim, the damage claimed for all class members cannot be estimated at this stage. |

5 For additional details, see Note 42(f)(1)(b) to the annual financial statements.
6 For additional details, see Note 42(f)(1)(b) to the annual financial statements.
7 The Company reported the claim to the insurers of the professional liability insurance policies under which it is covered. The Company is unable, at this stage, to estimate the amount of damages and the scope of insurance coverage.

**Note 7 - Contingent Liabilities and Claims (Cont.)**

**A. Class action claims (Cont.)**

**A1. Material claims for which class action status was approved (Cont.)**

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 9. | 6/2013<br><br>District - Tel Aviv | Clal Insurance | The plaintiff, who is a holder of collective long term care insurance through a comprehensive pension fund, and who was recognized as requiring long term care, contends that Clal Insurance pays to its policyholders reduced and insufficient insurance benefits, in a manner which does not include the addition of linkage differentials and interest. | Motion to issue a declaratory ruling and a reimbursement order, for the payment of duly calculated linkage differentials and interest, from the date of the occurrence of the insurance event until the date of actual payment, in accordance with section 28 of the Insurance Contract Law, 1981; and the prospective correction of the omission. | Anyone who received, during the 7 years prior to the filing of this claim and/or who will receive, until a ruling has been given on the claim, insurance benefits from Clal Insurance, where duly calculated interest and linkage differentials were not 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.<br><br>In February 2017, the Court approved the claim as a class action. The Group which was approved includes all beneficiaries in the original and renewed collective insurance policy of Makefet policyholders, who received from the respondent, during the 7 years prior to the filing of the motion to approve, insurance benefits with no additional linkage differentials. The requested remedy is payment of the entire linkage differentials to which the class members are entitled.<br>The Court's decision was given despite the position of the Commissioner of Insurance which was submitted regarding the case, at the request of the Court, which supports the position of Clal Insurance on the aforementioned subject.<br>The proceedings are currently in the claim handling stage. The parties are conducting mediation proceedings between them. | The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 473.8 million. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A1. Material claims for which class action status was approved (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 10. | 2/2014<br><br>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. | In December 2017, the Court approved the claim as a class action.<br>The class which was approved includes anyone who engaged in, and/or who was covered by, a life insurance policy which includes a savings component and a risk component, and who did not pay one of the policy components in full, from the policy preparation date until the date of eligibility for a monthly stipend under the policy, or until the settlement or expiration of the policy, whose insurance start date was "moved forward" by the respondent. The claim was approved with the causes of action of breach of contract, deception and unjust enrichment.<br>The claimed remedies include reimbursement of the excess premium amounts which were collected by Clal Insurance, as alleged by the plaintiffs, beyond the amounts specified in the policy, and an order prohibiting Clal Insurance from continuing its collection of premiums at rates higher than the rate specified in the policy.<br>The proceedings are currently in the claim handling stage. | The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 20 million. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

### A2. Pending motions to approve class action status for material claims

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 1. | 11/2012<br><br>District - Tel Aviv | Clal Insurance | The plaintiff contends that Clal Insurance modifies the terms of the life insurance policy when transferring an employee policyholder from one employer to another, by way of changing the component known as "sub-annual installments", which the plaintiff contends were collected with respect to the interest to which the insurance company was allegedly entitled in circumstances wherein the premium is paid in installments throughout the year, and not as a lump sum at the start of the year (hereinafter: "**Sub-Annual Installments**"). The plaintiffs contend that this change was made by Clal Insurance unilaterally and with no contractual foundation, and therefore constitutes a breach of the policy terms. | The reimbursement of overcollected amounts with respect to the sub-annual installments component which was performed until the date of approval of the claim as a class action, and discontinuation of the overcollection of this component in the future. | All customers of Clal Insurance, employers and/or employees, from whom sub-annual installments were collected in life insurance policies, which were higher than the rates that had been agreed upon in the policy, following a change of ownership of the policy. In the petitioners' estimation, this involves 10,000 policyholders in the last 30 years. | In May 2015, a motion to approve a settlement agreement regarding the claim (hereinafter: the "**Settlement Agreement**") was filed with the Court. As part of the settlement agreement, the Court was requested to order the amendment of the motion to approve regarding the definition of the Group and the expansion thereof to include all policyholders where the rate of sub-annual installments charged from them was increased without their consent. In accordance with the settlement agreement, Clal Insurance will repay, to the class members who will be included in the settlement agreement, various rates out of the amount of the addition that was charged from them with respect to the increase of sub-annual installments, in accordance with the circumstances in which the rate of paid sub-annual installments was increased, and with reference to various periods which were defined in the settlement agreement; Additionally, Clal Insurance will send notice to the paying entity, in which Clal Insurance will allow the paying entity to choose regarding the future premium payment terms, and the associated cost from this point onwards.<br>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.<br>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.<br>In September 2016, the parties filed a joint motion for an addendum to the settlement agreement, and the addition of a third group, including all policyholders of the respondent in life insurance policies which include a sub-annual installments component, and which are of the "individual insurance" and "pure risk" types, including "compensation for the self-employed", as well as all policyholders of the respondent who are covered under health and long-term care insurance policies which include a sub-annual installments component, for whom, until the effective date, the respondent raised the rate of sub-annual installments in their policy.<br>In December 2015, the Court appointed an examiner for the settlement agreement, who submitted his opinion, both regarding the settlement agreement and regarding the aforementioned addendum to the settlement agreement.<br>The settlement agreement and the aforementioned additions are subject to the approval of the Court, and there is no certainty that such approvals will be received, nor that the suspensory conditions will be fulfilled. | The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 120 million. |

**Note 7 - Contingent Liabilities and Claims (Cont.)**

**A. Class action claims (Cont.)**

**A2. Pending motions to approve class action status for material claims (Cont.)**

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 2. | 4/2013<br><br>District - Tel Aviv | Clal Insurance | According to the plaintiff, whose deceased wife (the "**Policyholder**") was insured under a long term care policy for members of Maccabi Health Services, despite the fact that those insured under long term care insurance policies are entitled to receive compensation beginning from the date when they began requiring long term care, according to the position of Clal Insurance, the eligibility for compensation began on the date when a nurse visited the policyholder's home, examined him, and determined that he is indeed a patient requiring long term care. Additionally, according to the plaintiff, there is eligibility to receive long term care benefits during the waiting period as well. | To order Clal Insurance to ask the policyholder for the date on which he began requiring long term care; To pay to the class members insurance benefits with respect to the entire period when they required long term care, and did not receive compensation; To repay to the class members any monthly premiums which were paid by them, beginning on the date when they began requiring long term care, until the date when they began receiving compensation, including (but not limited to) any premiums which were paid during the waiting period; To provide any additional and/or other remedy considered appropriate and worthy by the Court, in light of the circumstances. | Holders of Clal Insurance long term care insurance policies in the last 7 years to whom the insurance event occurred, and who began receiving compensation on a date later than the date when they began requiring long term care and/or when they became policyholders of Clal Insurance, but who paid monthly premiums after the insurance event occurred, including but not limited to during the waiting period. | In April 2018, in accordance with the Court's recommendation, a consensus motion for the plaintiff's withdrawal of the class action was filed (hereinafter: the "Motion to Withdraw"), along with an undertaking by Clal Insurance to update certain forms which are used in the process of settling long-term care claims. The motion for withdrawal is subject to the Court's approval, the provision of which is uncertain. | The amount of the class action claimed by the plaintiff, is NIS 215.3 million. |

**Note 7 - Contingent Liabilities and Claims (Cont.)**

**A. Class action claims (Cont.)**

**A2. Pending motions to approve class action status for material claims (Cont.)**

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 3. | 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. At the request of the Court, in September 2017, the Commissioner's answers were given, which determined, inter alia, that it was possible to collect, during the annuity receipt period, management fees at a rate of less than 0.5%, and that the defendants were not obligated to give notice regarding changes in management fees once the members reached retirement age. The parties notified the Court regarding their agreement to conduct mediation proceedings on the matter. | 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 |
|---|---|---|---|---|---|---|---|
| 4. | 11/2014<br><br>District - Center | Clal Insurance, Tmura Insurance Agency (1987) Ltd. (hereinafter: "**Tmura**"), an additional insurance company and an additional insurance agency. | According to the plaintiffs, the holders of credit cards from Isracard and Israel Credit Cards Ltd. ("CAL"), who called in order to activate the basic policy of the credit cards, which is provided free of charge, they were sold, during the call, a product which is not an extension, addition or increase of the basic policy, but rather an ordinary policy, sold at full price, in a manner whereby that person was insured twice, from the first Shekel, on all matters pertaining to the overlapping coverages in the two policies. | To order the defendants to repay to the class members the excess premiums which were paid by the class members during the seven years which preceded the filing of the claim; To order the defendants to take into account, as part of the sale of the policies, the economic value of the basic policies, and to collect premiums which will take into account that value; To provide full and adequate disclosure to those calling the call center; To allow the holders of Isracard and CAL credit cards to activate the basic policy by means other than the call center; Alternatively, to order any other remedy in favor of the class, including the issuance of instructions regarding supervision, and execution of the ruling. | The holders of Isracard and CAL credit cards who were entitled to receive international travel insurance, at no extra charge, and who purchased, in the last seven years, international travel insurance from the defendants through the call centers operated by the defendants. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action, and at the plaintiffs' request, a disclosure of documents order was issued. The parties are conducting mediation proceedings between them. | The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 70 million. |
| 5. | 3/2015<br><br>District - Jerusalem | Clal Pension and Provident Funds | According to the plaintiff, a member of the "Clal Tamar" provident fund (hereinafter: the "**Provident Fund**") which is managed by Clal Pension and Provident Funds, Clal Pension and Provident Funds increased the management fees collected in its accounts in the provident fund, without sending to him advance notice, as required. The plaintiff also contends that the increase of management fees was performed before the passage of two months after the date when the notice was sent, as required. | To declare that the management fees which were overcollected are part of the member's assets, to order the defendant to pay compensation equal to the amounts which were overcollected by it, within the framework of duly calculated interest and linkage; to order the defendant to pay, to each member of the classes, compensation in the amount of NIS 100 per member, with respect to injury to the autonomy of will; | Any person in whose account the defendant raised the management fees: (1) without sending advance notice to them, as required by law and/or (2) without sending notice to the correct address or updated address, as recorded in the population register and/or (3) before the passage of two months after the date of sending the advance notice. | The parties are conducting negotiations towards a settlement. | The plaintiff estimates the number of members in all of the classes in the tens of thousands, and therefore, the aggregate value of the damage caused to all members of the class amounts to millions of NIS. The value of the remedy requested in the statement of claim was stated, on an estimation basis, at NIS 50 million. |

**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. | 5/2015<br><br>District - Jerusalem | Clal Insurance and an additional insurance company | According to the plaintiff, after years during which his deceased mother was insured under a collective life insurance policy, which Clal Insurance sold to the association of pensioners under the "Netiv - Southern and Central Region" pension fund (hereinafter: the "**Association**" and the "**Policy**", respectively), and who paid premiums as required, Clal Insurance unilaterally and unlawfully canceled the policy, because the policy was a losing policy, and did not reimburse the premiums which it had charged. The plaintiff also contends that Clal Insurance illegally collected premiums from policyholders with respect to June 2014, after the date when the policy was canceled. | To order Clal Insurance to pay to each of the class members who did not receive the benefits of the policy, the entire premiums which were collected from them with respect to the policy over the years when they were insured, with the addition of duly calculated interest and linkage. | Anyone who was insured by Clal Insurance in a policy which was canceled on March 2, 2014, as well as all policyholders under the policy from whom Clal Insurance collected premiums in June 2014. | In October 2016, an amended claim and an amended motion to approve the claim (the "Amended Motion") were filed, in which Harel Insurance Company Ltd. ("Harel") was added as an additional defendant. The amended motion included claims against Harel in connection with its obligation to disclose the premiums for the policy.<br><br>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.<br><br>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 |
|---|---|---|---|---|---|---|---|
| 7. | 7/2015<br><br>District - Tel Aviv | Clal Insurance | The plaintiff contends that Clal Insurance calculates the rights for payment of stipends and/or for the discounting of stipends which are owed to policyholders who freeze the payment of premiums (in full or in part) temporarily for a certain period and/or who do not pay the premiums for a number of months, in breach of the provisions of the law, in breach of the provisions of the policy and the required formula for the calculation of the stipend, as included in the policy (hereinafter: the "**Required Formula**"), and also asserted that Clal Insurance refuses to deliver information to its policyholders. | To order Clal Insurance to reimburse the monthly stipend and/or the discounting of the stipend, in accordance with the provisions of the required formula, and to order Clal Insurance to pay to the class members who already incurred damages, the stipend differences or the stipend discounting differences which are owed to them, with the addition of duly calculated linkage differentials and interest. Alternatively, the plaintiff is petitioning for the issuance of a declaratory order stating that Clal Insurance is in breach of the policy provisions. | Regarding the non-monetary remedies - all policyholders of Clal Insurance who hold policies which are similar to the plaintiff's policies (the "**Policyholders**"), who, during a certain period or periods, did not pay, temporarily, the premiums under the policy. Regarding the monetary remedies: all of the policyholders who began receiving from Clal Insurance a monthly stipend which is lower than the monthly stipend which would have been paid in accordance with the required formula, as well as policyholders who chose discounting of the stipend, and where the calculation used to discount their stipend was lower than the discounting of their stipend which would have been paid in accordance with the required formula. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. In June 2016, the motion of the parties to transfer the hearing to a board which is hearing an additional claim by the plaintiff, on the subject of the calculation of the rights in life insurance policies, where the policyholder does not pay the full premiums, as specified in section 7(a)(a1)(10) 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. |
| 8. | 8/2015<br><br>District - Tel Aviv | Clal Insurance | According to the plaintiff, for the purpose of determining the existence of a long term care insurance event, Clal Insurance applies a method of evaluation which separates the daily activities, which are also known by the acronym ADL, which are included under the definition of the insurance event in long term care insurance under the policy, and where the quality of their performance is used to evaluate a person's functional situation, into sub-actions, in a manner which almost entirely voids the content of the instructions issued by the Commissioner on this matter, and in contravention of the Commissioner's position on the subject of the definition of the insurance event in long term care insurance, which was published in January 2015. | To order Clal Insurance to cease separating the evaluation of ADL actions, to order Clal Insurance to pay financial compensation and remedies, at a rate which will be determined, to each one of the class members whose entitlement to the aforementioned compensation or remedy was proven, and to order the provision of any other remedy in favor of the class (in whole or in part), or in favor of the public, in its discretion, in light of the applicable circumstances. | The Group of holders of Clal Insurance long term care insurance policies. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action, and at the plaintiff's request, a disclosure of documents order was issued. The parties are conducting mediation proceedings. | The damage caused, according to the plaintiff, to the class members, is estimated in the amount of NIS 75.6 million, half of which includes insurance benefit damages over 3 years, and half due to emotional distress damages over 7 years. |

**Note 7 - Contingent Liabilities and Claims (Cont.)**

**A. Class action claims (Cont.)**

**A2. Pending motions to approve class action status for material claims (Cont.)**

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 9. | 9/2015<br><br>District - Center | Clal Insurance and four other insurance companies | The plaintiffs contend that the defendants, when giving points for the "continence" action, as part of the evaluation of insurance benefits in long term care policies, adopted an interpretation according to which, in order to recognize a policyholder's claim with respect to "incontinence", the condition must result from a urological or gastroenterological illness or impairment only, instead of giving points also when the policyholder's medical condition and impaired functioning which have caused his "incontinence", may be due to an illness, accident or health impairment which are not urological or gastroenterological in nature. | To order the defendants to compensate the class members for all damages which they incurred due to their alleged beaches of the agreement, and to fulfill the agreement from this point forward, or alternatively, to order the provision of any other remedy considered appropriate by the Court, in light of the applicable circumstances. | Any person who held a long term care insurance policy which was sold by the defendants (or his inheritors, as applicable), and who suffered from a health condition and impaired functioning as a result of an illness or accident or health condition, which caused them to be incontinent and/or to require the permanent use of a stoma or catheter in the 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 parties have agreed to conduct mediation proceedings. 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 |
|---|---|---|---|---|---|---|---|
| 10. | 9/2015<br><br>District - Tel Aviv | Clal Pension and Provident Funds Ltd. and four additional managing companies of pension funds | The plaintiffs, members of pension funds managed by the defendants, contend that the mechanism for the compensation, by commission, of agents and brokers, as a percentage of the management fees which are charged from members, as practiced by the defendants, constitutes a breach of fiduciary duty towards the members of provident funds managed by the defendants, and results in the defendants' collection of management fees in amounts which are higher than appropriate. | To order the defendants to change the mechanism for compensation of agents, and to repay to the members the management fees which were overcollected from them. | Members of provident funds managed by the defendants, from whom management fees were collected while providing a commission to agents which was derived from the amount of management fees. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The plaintiffs estimate the total damage incurred by all of the class members as approximately NIS 2 billion, reflecting damage at a rate of approximately NIS 300 million per year since 2008. |
| 11. | 10/2015<br><br>District - Center | Clal Insurance | The plaintiff brings claims against the definition of "disability" in accidental disability policies, which allegedly create uncertainty, and against the policy terms, which require the receipt of reasonable proof within one year after the date of the accident. In this regard, it was claimed that despite the fact that the Company received "reasonable proof" regarding the permanent disability of policyholders as a result accidents which occurred since June 2009, it paid to them reduced insurance benefits, or rejected their claims for insurance benefits due to disability. The claim also includes assertions regarding the calculation of disability rates in the payment of insurance benefits in the event that the policyholder has more than one disability, as well as assertions regarding the revaluation of insurance benefits with respect to linkage differentials and interest. | To order Clal Insurance to pay to the class members insurance benefits with respect to permanent disability as a result of an accident, in accordance with the terms of the policy, and to order it to cease its unlawful conduct. | Any person who was insured by Clal Insurance in accidental disability policies, where, despite the fact that Clal Insurance received "reasonable proof" of the permanent disability due to an accident which occurred beginning in June 2009, paid reduced insurance benefits with respect to his disability, or rejected his claim for insurance benefits due to his disability, for the reasons specified in the claim (in whole or in part). | In July 2016, following the announcement of the class action plaintiff, who agreed to the summary dismissal of the claim, and withdrew his claim, the Court summarily dismissed the claim.<br>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. In November 2017, the Supreme Court revoked the ruling, insofar as it pertains to the summary dismissal of the claim, and ordered the plaintiff to file a clarification notice with the District Court, regarding the question of based on which causes of action the claim is requested to be conducted, and which of the plaintiff's assertions meets the requirement of personal cause of action, and the plaintiff filed the foregoing clarification notice, and in April 2018, the District Court instructed the plaintiff to file an amended motion for approval of the claim as a class action, according to the specific causes of action which it specified. Following the additional motion which the plaintiff filed with the Supreme Court, the Supreme Court ordered that the decision be stayed until a decision has been reached regarding the motion for leave to appeal which was filed by the plaintiff on this matter. | 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 |
|---|---|---|---|---|---|---|---|
| 12. | 12/2015<br><br>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. |
| 13. | 12/2015<br><br>District - Tel Aviv | Clal Insurance and an additional insurance company | The plaintiffs contend that the defendants charged, from holders of life insurance policies which were issued beginning on August 1, 1982, in which the sub-annual installments component was reduced, where the premium is paid in installments during the year (hereinafter: "**Sub-Annual Installments**"), an effective interest rate which is higher than the maximum interest rate which the Insurance Commissioner allowed insurance companies to charge with respect to the sub-annual installments component. According to the plaintiffs, this collection is in breach of the law, policy and common practice in the finance segment, and ignores the monthly premium payment date, and the fact that the annual premiums gradually decrease during the year. | To order the defendants to change the method used to calculate the sub-annual installments component, in a manner whereby it will be calculated in consideration of the actual premium payment dates, and in consideration of the reduction of the annual premiums for each payment. To reimburse to the class members the amounts of the sub-annual installments component which were overcollected from them, beginning on the date when the sub-annual installments component was charged to the policyholders, until a ruling has been given on the claim, or alternatively, in the seven years prior to the plaintiff's claim, until a ruling has been given on the claim. Alternatively, the plaintiff is petitioning for the issuance of a declaratory ruling, according to which the method used by Clal Insurance to calculate the sub-annual installments component is illegal, or for the issuance of another declaratory ruling considered appropriate by the Court, in light of the circumstances. | Holders of life insurance policies which were issued beginning on August 1, 1982, and in which a sub-annual installments component was collected, where the premium is paid in installments throughout the year. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The total damage claimed for all of the class members, in the plaintiffs' estimate, amounts to a total of no less than NIS 50 million. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A2. Pending motions to approve class action status for material claims (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 14. | 1/2016<br><br>Regional Court of Tel Aviv | Clal Pension and Provident Funds, and three additional managing companies of pension and provident funds | According to the plaintiffs, the defendants invested in low rated bonds, in a manner which deviated from the investment rate which was permitted, at the time, in accordance with Regulation 41(d)(2) of the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964, and that despite these deviations, the defendants collected management fees from the plaintiffs, in breach of the provisions of the law. | The remedies requested by the plaintiffs include, inter alia, reimbursement of the management fees which were collected by the defendants in case of deviation from the investment restrictions, compensation of the class members with respect to the deviation from the investment restrictions, as well as any other remedy in favor of the class, in whole or in part, or in favor of the public, as considered appropriate and just in the Court's discretion, in light of the circumstances. | All persons who were members of the pension funds and provident funds which were managed by the defendants during the period from January 1, 2009 to July 4, 2012. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | According to the plaintiff, the direct damages which it incurred amounts to NIS 76 (and the damage incurred by all plaintiffs with respect to the collection of management fees allegedly amounts to NIS 563), with the addition of linkage differentials and interest. In the claim, it was stated that the claim amount for all of the class members cannot be estimated[8]. |
| 15. | 2/2016<br><br>District - Center Lod | Clal Pension and Provident Funds Ltd. and four additional managing companies of pension funds | According to the plaintiff, an association which alleges that its purpose is to act on behalf of weak population groups and persons with special needs, the defendants charge, from recipients of disability and survivor annuities, management fees at the maximum rate permitted by law, while exploiting the fact that they are not permitted to transfer their monies to another fund. | To order the defendants to reimburse, to all recipients of disability and/or survivor annuities, all of the management fees which were unlawfully collected from them, with the addition of interest, or alternatively, to reimburse to the pension fund the management fees which were and/or which will be unlawfully collected from recipients of disability and/or survivor annuities, and to implement a just and fair distribution of the funds. | Any person who receives and/or who has the right to receive a disability annuity, as well as any person who receives and/or who has the right to receive a survivor annuity, and any person who is a member of a pension fund managed by the defendants, and who incurred damage as a result of the collection of management fees in connection with the disability and survivor annuities. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The amount of the class action claim was not quantified in the statement of claim; however, in accordance with an actuarial opinion which was attached to the motion, the damages caused to the class members was estimated, according to an initial estimate, as a total of approximately NIS 1 billion, against all of the defendants. |

[8] It was also alleged in the that the plaintiff incurred additional damage, in an unspecified amount, due to the exception from the investment, with reference to bonds of companies which faced insolvency situations.

**Note 7 - Contingent Liabilities and Claims (Cont.)**

**A. Class action claims (Cont.)**

**A2. Pending motions to approve class action status for material claims (Cont.)**

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 16. | 2/2016<br><br>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.<br>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. | In April 2018, the Court received the plaintiff's motion to withdraw the class action, along with an undertaking by Clal Insurance to update certain forms which are used in the process of settling long-term care claims. The motion for withdrawal is subject to the Court's approval, the provision of which is uncertain. | The damage claimed for all of the class members was estimated by the plaintiff in the amount of approximately NIS 36 million. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A2. Pending motions to approve class action status for material claims (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 17. | 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.<br>The plaintiffs contend that the fact that the defendant insurance companies determined, in the aforementioned policies, a condition which allows them to unilaterally terminate the policy without renewing it, after a limited period, without expressly and appropriately giving advance warning to the policyholder, indicates a significant deviation from the basic consumer standard, and should be viewed as deception of consumers. The plaintiffs contend that if the former policyholders had all of the relevant information available to them, they would not have chosen to engage in the policies which are the subject of the claim. | To order the defendant insurance companies to reimburse the funds which were unlawfully collected through deception of consumers, to reimburse funds which the class members were forced to spend with respect to alternative insurance policies, to identity an insurance-based and/or financial emergency solution for former policyholders who began to require long-term care after their insurance policy was discontinued, to order that the former policyholders are permitted to acquire insurance through the health funds, in accordance with the conditions to which they would have been entitled had they joined on the date when the joined the insurance policies, including the amounts of the monthly premiums and the insurance coverage, to issue an order to the State Treasury regarding the issuance of appropriate compensation and protecting the rights of the former policyholders, to order the defendants to finance the difference between the premium amounts which the plaintiffs paid upon the fulfillment of the insurance arrangement and the premium amounts which they are required to pay today for the same insurance product. | Any customer of the defendant insurance companies who held a collective long-term care insurance policy which was canceled and/or whose terms were changed in an extreme manner, and who was deceived and/or was not warned and/or was not informed that this policy does not accrue any amount in his favor, and that it will not be available to him in old age, for the period of 7 years prior to the filing of the claim, as a minimum, and/or from the date of the customer's first deposit. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The plaintiffs estimate the total damage claimed for all class members, through a gross estimate, as a total of NIS 7,000 million. |

**Note 7 - Contingent Liabilities and Claims (Cont.)**

**A. Class action claims (Cont.)**

**A2. Pending motions to approve class action status for material claims (Cont.)**

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 18. | 8/2016 Regional Court - Tel Aviv (1)<br><br>10/2016 Regional Labor Court of Jerusalem (2)<br><br>11/2016 Regional Court of Jerusalem (3)<br><br>12/2016 Regional Court - Tel Aviv (4) | Clal Pension and Provident Funds<br><br>Clal Insurance | The four claims involve the assertion that the defendants collect from members in the pension funds, in the Tamar provident funds, and in the study funds which are managed by it, and in managers' insurance policies, in addition to the management fees, also "investment management expenses" (hereinafter: "**Direct Expenses**"), although there is no contractual provision which allows them to collect those expenses, and in breach of the fund regulations. | The plaintiffs in the four claims request to order the defendants to reimburse the investment management amounts which were overcollected from them.<br><br>Additionally, some of the plaintiffs request to order the defendants to pay the additional difference of returns which would have been generated by the amounts which were overcollected had they been invested in the pension fund, while some request to order the defendant to pay the duly calculated NIS interest difference, from the date of overcollection until the date of actual payment. | Members of the pension funds, the study fund, and the provident fund "Clal Tamar" which are managed by the defendant, and holders of managers' insurance policies, from whom investment management expenses were collected during the seven years preceding the filing of the relevant claim. | In May 2018, and at the Court's request, the position of the Capital Market, Insurance and Savings Authority regarding two of the aforementioned claims was filed, in which, in general, it supported the position of Clal Pension and Provident Funds and Clal Insurance in its response. In the position paper, it was stated that it also applies, *mutatis mutandis*, to the other claims on this subject. The proceedings are currently in the stage of hearing the motions to approve the claims as class actions. | In claim 1, which refers to the pension funds, the amount of the class action was set as NIS 341 million, with respect to the years 2009-2015, plus the investment management expenses which were collected by the defendant from the Group members in 2016, and plus the returns which would have been earned by the funds which were deducted as investment management expenses.<br><br>In claim 2, which refers to the study fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 53 million.<br><br>In claim 3, which refers to the Tamar provident fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 181 million.<br><br>In claim 4, which refers to managers' insurance policies, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 404 million, plus the investment management expenses which the defendant charged to the class members in 2016, as well as interest and linkage. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A2. Pending motions to approve class action status for material claims (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 19. | 9/2016<br><br>District - Tel Aviv | Clal Insurance and three other insurance companies | The claim involves the assertion that the defendants allegedly collected and continues to collect from the holders of health insurance policies premiums with respect to unnecessary coverages which the policyholders do not need, and that the respondents allegedly sold to the policyholders, knowingly and deliberately, health insurance policies which include coverages for which the policyholders had no need, since they have supplementary health insurance from the health fund to which they belong, and that they also made one service conditional upon another, with no possibility to acquire a limited policy, which includes only coverages which are not included in the supplementary health insurance policies of the health funds, thereby creating "double insurance". | Reimbursement of the excess premium amounts which were allegedly unlawfully overcollected, issuance of a mandamus order instructing the defendants to change their method of action, as described in the claim, as well as any other additional remedy which may be considered appropriate by the Court, in light of the circumstances. | Anyone who is insured, or was insured, by any or all of the defendants in any of the health insurance policies which include coverages which overlap, either fully or partially, with the coverages which are included in the supplementary health insurance policies of the health funds. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The amount of the class action against the defendants was set as a total nominal amount of NIS 4.45 billion, where the share of Clal Insurance out of that total, as calculated by the plaintiffs, was set as NIS 995 million. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

### A2. Pending motions to approve class action status for material claims (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 20. | 9/2016<br><br>Regional Labor Court of Tel Aviv | Clal Insurance and the Commissioner of Capital Markets, Insurance and Savings at the Ministry of Finance | The claim involves the assertion that Clal Insurance makes the release of the severance pay component which has accrued in managers insurance policies (hereinafter: the "**Policies**"), by virtue of the Extension to Compulsory Pension Ordinance (hereinafter: the "**Extension Order**") conditional upon the employer's consent. Clal Insurance thereby collaborates with the employer, allows the employer, over years, to argue against the transfer to the accrued severance pay to the employees, and during that time, continues collecting management fees out of the funds which remain accrued in the policies. | Declaratory relief, primarily determining that the class members are entitled to receive the accrued severance pay for which the employer made deposits in their name to the pension arrangement by virtue of the extension order, without any condition or restriction whatsoever. The plaintiff is also petitioning to order Clal Insurance to notify the class members regarding their right to withdraw the severance pay component unconditionally, and to determine the manner by which the notice will be given to the Group members. | All those covered by pension insurance in Clal Insurance, in whose favor severance pay accumulated in the pension arrangement beginning on January 1, 2008, the application date of the extension order, who concluded their employment, and to whom the employer's approval was not given to release the accrued severance pay funds which are recorded under their names. The plaintiff estimates the number of class members as 70,500 policyholders. | In February 2017, the Commissioner was removed as a respondent from the class action, following a joint motion of the petitioner and the Commissioner on this matter. In December 2017, the Court gave its decision, that the Attorney General of Israel, the Histadrut and the Coordinating Bureau of Economic Organizations will file with the Court their positions on the case. In April 2018, at the Court's aforementioned request, the Attorney General of Israel's position regarding the case was filed, including the attachment of a position paper on a similar matter, which was heard in another case, and which, in general, supported the position of Clal Insurance in its response. A ruling which was given in similar proceedings, in which the claim was dismissed, was also attached to the position of the Attorney General. | The amount of the class action against the defendant amounts to a total of approximately NIS 479 million. |
| 21. | 9/2016<br><br>District - Center Lod | Clal Insurance | The claim involves the assertion that Clal Insurance allegedly has an unlawful commercial practice with respect to the collection of premiums for insurance policies which were created without the customers' knowledge, express or implied, by creating an offer form for engagement in an insurance policy which allows, on the one hand, conducting the sale call via telephone, while on the other hand, does not require, allegedly and as defined therein, recording and/or saving the recording of the call. | To order Clal Insurance to compensate the class members and to issue any other or additional order, in the Court's discretion. | Anyone in whose name an insurance policy was registered, either directly from Clal Insurance and/or through others authorized on its behalf, including through insurance agents, during the seven years preceding the filing date of the claim, without the plaintiff's express consent - either written or through a duly recorded telephone call - and in any case, without their knowledge and/or from whom premiums were collected with respect to such policies, during the aforementioned period. | In November 2017, the plaintiffs filed a motion for additional evidence in the case, and in May 2018, a motion for disclosure of documents was filed, including, inter alia, reference to the determination made by the Control Office, as specified in section D.1. below. The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The personal monetary damages claimed by the plaintiff amount to NIS 2,192.53. The scope of monetary damages for all class members is estimated, at this stage, by the plaintiff, as a total of several million NIS to tens of millions of NIS. The plaintiff also claims non-monetary damages, to her and to the class members, for prejudice against the right of autonomy of will, and for emotional distress. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A2. Pending motions to approve class action status for material claims (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 22. | 11/2016<br><br>District - Tel Aviv (1)<br><br><br>09/2016 District Tel Aviv (2) | Clal Insurance and an additional insurance company | The claims involve the assertion that due to "lack of knowledge" because of the non-provision and publication of a students personal accidents insurance policy (the "Policy") for the policyholders and their families, the policyholder avoid exercising their right to compensation by virtue of the policy. | The plaintiffs in claim (1) request the issuance of orders against the defendants and the Commissioner of Insurance, and request, inter alia, the appointment of a committee, with the participation of external representatives, which will be authorized to discuss and determine all of the claims, and the transfer of the burden of proof to the insurer.<br><br>The plaintiffs in claim (2) request, inter alia, the issuance of mandamus orders for compensation with respect to the hassle and cost of printing, in a total amount of NIS 1.5 for each class member, and an extension of the prescription period, including a determination stating that the prescription period was suspended in September 2006. | The plaintiff in claim (1) classified the plaintiffs into several groups, with respect to students who were born after October 25, 1995, and who, from ages 3 to 19 (the period of their studies in Israel, from kindergarten until the end of high school in 12th or 13th grade), went through an accident, due to which they suffered a physical injury, and who did not receive insurance benefits under the policy, as follows: (1) the "tooth fracture" group, (2) the "medical expenses" group, (3) the "disability" group, (4) and the "cases of death" group.<br>The plaintiff further requests the establishment of an additional sub-group for each of the Groups of plaintiffs mentioned above, whose members are people and/or their parents and/or their heirs who were born and/or who studies in Israel between the years 1974 and 1995, and who were injured after 1992, and who claimed that they were not aware of the scope of the policy, and on behalf of all policyholders - all students and their parents from September 1992 until now - who were injured.<br><br>The plaintiff in claim (2) requests to represent all students, at school or at home or at kindergarten, in the State of Israel, who were covered under a policy and who did not receive it at their house, beginning with the school year beginning in September 2006 and/or any student whose cause of action against the insurance company prescribed, beginning in September 2006. | In April 2018, following the plaintiffs' joint motion regarding the two claims, it was determined that the two claims would be consolidated into a single claim, and that the parties will file a joint motion to approve the class action.<br>The proceedings are currently in the stage of hearing the motions to approve the claims as class actions. | According to the plaintiffs in claim (1), their alleged personal damages are in the range from NIS 150 to NIS 6,260. The plaintiffs estimate the alleged damage for the members of the "tooth fracture", "medical expenses" and "all defendants" groups together, as a total of approximately NIS 1.439 billion. The plaintiffs have not specified an estimate regarding the damage caused to the other groups.<br><br>According to the plaintiffs in claim (2), the damage claimed for all class members amounts to a total of approximately NIS 23 million, plus interest and linkage, beginning with the school year of September 2006. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A2. Pending motions to approve class action status for material claims (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 23. | 4/2017<br><br>District - Tel Aviv | Tmura Insurance Agency (1987) Ltd. (hereinafter: "**Tmura**"), a second-tier subsidiary of the Company, which is an insurance agency which manages pension arrangements, and against three additional insurance agencies. | According to the plaintiffs, the defendants provided services with respect to the regulation of social / pension provisions, for both employers and employees; however, they charged the consideration from the employees only, without their knowledge or consent, and in breach of the duties which apply to them by law. | To order the defendants to compensate the class members for the damages which they incurred (each defendant with respect to its relevant class members), or alternatively, to order any other remedy in favor of the Group. | Any person who is included among the Group of customers of the defendants while the defendants provided, to their employers, pension arrangement management services, during a period beginning defendants before the filing date of the new motion, until the date when the employer began bearing, out of its own resources, the costs of operating the employee's pension arrangement. | In November 2016, the Court approved a motion to withdraw a previous similar claim which had been filed by the Financial Justice Association in February 2016, inter alia, in light of its non-fulfillment of the conditions prescribed in the Class Action Law.<br>The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The amount claimed with respect to the damages incurred by all of the class members amounts to a total of approximately NIS 357 million against all of the defendants, of which, approximately NIS 88 million was attributed to Tmura. |
| 24. | 7/2017<br><br>District - Tel Aviv | Clal Insurance | The plaintiffs contend that Clal Insurance unilaterally implemented changes to managers insurance policies of the "Adif" type (hereinafter: the "**Policies**") by reducing the savings component and increasing the risk component, while transferring the ownership of the policy to a new employer, at the end of the "temporary risk" period, and thereby caused the policyholders in the class to incur damages. | To order Clal Insurance to supplement the savings up to the amount which would have been accumulated in the policies if not for the aforementioned unilateral change, and to prohibited it from unilaterally changing the policy terms in the future. Alternatively, to pay compensation to the class members for the damage which they incurred, according to the difference between the savings amounts which would have accumulated in the policies if not for the unilateral changes, and the savings amounts which actually accrued in the policies, or to order Clal Insurance to pay an adequate and appropriate amount to the public interest. | All of "Adif" policyholders for whom Clal Insurance unilaterally reduced the savings component and increased the risk component while transferring the ownership of the policy to a new employer at the end of the "temporary risk" period. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The plaintiffs estimate, based on various assumptions which they performed, that the damage incurred by the class members amounts to approximately NIS 343 million. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A2. Pending motions to approve class action status for material claims (Cont.)

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 25. | 9/2017<br><br>District - Jerusalem | Clal Insurance and additional insurance companies | The plaintiffs contend that the defendants do not duly apply section 5(b) of the Adjudication of Interest and Linkage Law, 1961 (hereinafter: the "**Adjudication of Interest and Linkage Law**"), and do not pay, as a matter of policy, the required interest and linkage pursuant to that law, with respect to any debt which was ruled against them by a judicial authority, and which was not paid by them on the date set for its payment. | Declaratory relief with respect to the breach of the provisions of the law, compensation to the class members with respect to the alleged damages which they incurred, and ordering the defendants to correct the policy from this point forward. | Anyone to whom amounts were paid by the defendants which were ruled in their favor by a judicial authority, without the addition of linkage differentials and/or interest and/or linked interest to the ruled amount. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The amount of personal damages alleged by the plaintiff against Clal Insurance amounted to NIS 56.47. The plaintiffs, in the absence of accurate data regarding the aggregate damage incurred by the class, estimate the damage as a minimum of tens of millions of NIS, if not more. |
| 26. | 11/2017<br><br>District - Tel Aviv | Clal Insurance | According to the plaintiffs, Clal Insurance operates unlawfully by continuing to collect premiums from policyholders even after they announced the cancellation of the policy, and cancels the policy only on the 1st of the calendar month subsequent to the date of receipt of the cancellation notice, and by misleading policyholders by not informing them of the methods for cancellation before entering into the engagement. | To order Clal Insurance to compensate the class members in the amount of the monetary damages which they incurred, with respect to non-monetary damages which were incurred due to inconvenience and harm to autonomy, and to order it to reimburse the additional enrichment which was accrued by Clal Insurance due to its actions and/or omissions as referenced in the claim. | All policyholders who were charged payment with respect to the policies, even after they gave notice of their request to cancel the policies, during the 7 years preceding the filing of the claim, until a ruling has been issued on the matter. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The plaintiffs estimate, conservatively, the total damage incurred by the class members as a total of NIS 30 million. |

**Note 7 - Contingent Liabilities and Claims (Cont.)**

**A. Class action claims (Cont.)**

**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. | 1/2018<br><br>District - Jerusalem | Clal Insurance, two additional insurance companies, Clalit Health Services and Maccabi Health Services. | The plaintiffs contend that the defendants refuse, allegedly, to cover with long-term care insurance people who are on the autistic spectrum, or set impossible and unreasonable conditions for them, without providing any explanation or justification for their actions. | Issuance of a declarative order stating that the defendants have breached, by their conduct, Part H of the Equal Rights for Persons with Disabilities Law, 1998, the Equal Rights for Persons with Disabilities Regulations (Notice of Insurer Regarding Provision of Different Treatment for a Person or Regarding Refusal to Insure a Person), 2016 (the "**Equality Law**"), and additional legislation; the issuance of a mandamus order requiring the defendants to stop discriminating against the class members, and to establish clear work policies regarding individual and equal treatment, without prejudice, of persons with disabilities; the issuance of a mandamus order requiring the defendants to retroactively insure the class members, who will be found qualified to receive long-term care insurance, following an egalitarian underwriting process, in accordance with the aforementioned policies. | People with disabilities on the autistic spectrum who request to be covered under long-term care insurance at any of the defendants, and who unlawfully received from the defendants different and discriminatory treatment, due to the fact that they are people with disabilities, whereby the decision was not based on reliable and relevant statistical, actuarial and medical data regarding the specific insurance risk, and/or for which no reason was given, as required in accordance with the Equal Rights Law and other provisions of the law, during the seven years preceding the filing of the motion to approve. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The plaintiffs have not quantified the damage for all of the class members, and have estimated the personal damage incurred by the plaintiffs as tens of thousands of NIS per plaintiff. |
| 28. | 1/2018<br><br>District - Center | Clal Insurance and five additional insurance companies. | The plaintiff, Public Trust, a Public Benefit Company, contends that the defendants unlawfully avoid paying to their 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 defendants to pay the VAT component, according to the rate which applies to the damage amount, to the class members; to determine and declare that the defendants' avoidance of payment of insurance benefits and/or indemnification with respect to the VAT component which applies to the amendment, in cases where the damage was not actually repaired, is done in violation of the law; to issue a mandamus order requiring the defendants, from this point forward, to include in the insurance benefits which they pay also the VAT which applies to the cost of the repair, including if the damage has not been actually repaired, and as a result, also in case the policyholder or a third party receives insurance benefits at "reimbursement value", and not at "reinstatement value", and to order the defendants to pay to them insurance benefits with respect to the full amount of damage, including VAT. | 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.<br><br>It is noted that a claim and a motion to approve it as a class action, based on the same cause of action, were filed in the past against the Company and three additional insurance companies, and were struck out on procedural grounds. | The plaintiff estimates the damages owed to the class members by Clal Insurance, with respect to each year, at a total of NIS 17,732,580. The plaintiff is petitioning for the payment of damages with respect to the beginning on since June 4, 2001, or alternatively, for a period of 7 years since the filing date of the previous claim, or alternatively, for a period of 7 years since the filing date of the claim in question. |

## 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. | 3/2018<br><br>Regional Labor Court of Tel Aviv | Clal Pension and Provident Funds Ltd. and five additional managing companies of pension funds. | According to the plaintiffs, members of pension funds which are managed by the defendants, the defendants collect survivor premiums from members who join the pension funds which are managed by them, who have no survivors, without actively attempting to disclose and explain to such members that they should avoid purchasing and paying for survivors insurance coverage, and without clarifying to members who have chosen to waive survivors insurance coverage, shortly before the end of the waiver period, that the waiver is about to expire. | Issuance of a mandamus order instructing the defendants to credit, to the savings fund of the class members, all of the funds which were paid by them and applied to survivor premiums, plus the returns which those funds would have received had they been credited to the savings funds on the date of their payment to the pension fund, as well as the issuance of a mandamus order instructing the defendants to duly disclose, clarify and explain to anyone who joins or is added to the fund, that if they do not have survivors, they would benefit from waiving the purchase of survivors insurance. | Anyone who does not have survivors, who joined or was added to a pension fund which is managed by any of the defendants, and from whom the fund collected survivors insurance premiums, despite the fact that they have no survivors, as this term is defined in the directives of the Authority of Capital Markets, Insurance and Savings. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | In the statement of claim, it was stated that the plaintiffs are unable to estimate, at this point, the rate of cumulative damages incurred by all of the class members. |
| 30. | 5/2018<br><br>District - Tel Aviv | Clal Insurance and an additional insurance company | The plaintiffs contend that the defendants overcollect insurance premiums with respect to comprehensive motor insurance, which are calculated according to a value of the vehicle which is greater than the actual value of the vehicle, as weighted by them upon the occurrence of a total loss insurance event, in different situations wherein the value of the vehicle is reduced due to “special variables” or “special components”, in a manner whereby the “true value” of the insured vehicle is significantly lower than its value for the purpose of insurance (before weighing the “special variables”), and particularly, when the vehicle was purchased from a rental company or leasing company. | To order the defendants to reimburse the amounts which were unlawfully overcollected from the policyholders, plus duly calculated interest; To declare that the defendants are not entitled to collect premiums based on a vehicle value which does not include the deduction of the “special component” from the vehicle value; To issue an injunction prohibiting the defendants from continuing their aforementioned practice of overcollection, as well as any remedy which the Court considers fair and just in light of the circumstances. | All policyholders who acquired from the defendants, with respect to a vehicle to which special variables apply under the policy, and whose insurance policy states that, in case of an insurance event of the “total loss” type or “constructive total loss” type, a certain rate will be deducted from the vehicle value, without reducing the premiums accordingly, during the seven years preceding 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 total alleged personal damage claimed by the plaintiff against Clal Insurance was estimated at a total of NIS 650. The aggregate damage incurred by the class members, during the last seven years, was estimated in the total amount of approximately NIS 50 million, for both 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 |
|---|---|---|---|---|---|---|---|
| 31. | 5/2018<br><br>Regional Labor Court of Tel Aviv | Clal Pension and Provident Funds | According to the plaintiff, a member of the comprehensive pension fund and supplementary pension fund which are managed by Clal Pension and Provident Funds, Clal Pension and Provident Funds retroactively collects, from the members of the pension funds which it manages, costs of insurance coverage for disability and mortality risks, with respect to periods regarding which, allegedly, she does not and cannot bear any insurance risk. | To order Clal Pension and Provident Funds to compensate the plaintiff and the class members with respect to the damages which they incurred, and to reimburse them for the amounts which were collected from them in the alleged circumstances, in the amount of their damages, and as a minimum, in the amount estimated in the claim; to order the provision of any other remedy in favor of the class. | Anyone who was a member of the pension funds which are managed by Clal Pension and Provident Funds during the last seven years, and from whom insurance coverage costs were retroactively collected. | The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. | The cumulative damage incurred by the class members was estimated by the defendant at a total of NIS 21,415,031. |

## 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[9]

| Serial number | Date and instance | Defendants | Main claims and causes of action | Main remedies | Represented class | Status / additional details | Claim amount |
|---|---|---|---|---|---|---|---|
| 1. | 6/2011<br><br>District - Center | Clal Insurance, against a consolidated company of Clal Insurance - Clal Health, and against 8 additional insurance companies | According to the plaintiffs, in cases of expiration of a lien which is imposed at the request of a third party, on insurance benefits or compensation which is owed to a policyholder or injured party, he defendants' practice is to pay the policyholders the insurance benefits at their nominal values, and without conducting any revaluation whatsoever, or, in certain cases, with the addition of linkage differentials only. The plaintiffs further claim that the defendants allegedly withhold, in some cases, payment due to an incorrect belief that a restriction applies to their payment. | To order the defendants to repay to the class members all of the interest which they earned by virtue of their holding of the withheld insurance benefits (or other funds) or the interest and linkage differences with respect to the holding of such funds throughout the entire withholding period of the funds, according to the higher rate of the two, with the addition of linkage differentials and interest; To order the defendants to pay other special compensation, in the Court's discretion; To declare that the defendants are required to pay insurance benefits or damages to the injured parties, duly revaluated as of the date of actual payment, where such compensation was paid after the required date, regardless of whether or not the delay was implemented lawfully or unlawfully; To order the defendants to establish internal policies on all matters associated with liens or approval of "notices to holders", in order to ensure that funds of policyholders or other payables are not unlawfully withheld by insurers. | The policyholders of the defendants and injured parties who sued them by virtue of section 68 of the Insurance Contract Law, 1981, who were entitled to receive insurance benefits or other sums from the defendants, and where those amounts were paid at their nominal value only or with the addition of linkage differentials only without interest, after being withheld due to foreclosures or receivership orders or other third party rights, or due to an incorrect belief on part of the defendants that such restrictions on the execution of the payment had existed. | In December 2012, the Court approved the handling of the claim as a class action.<br>In June 2013, the Court approved, within the framework of a preliminary hearing, the amendment to the statement of claim, in a manner whereby the claim may also refer to the allegation that, in profit sharing policies, all of the benefit generated from the delay of funds are not transferred in their entirety to the class members. In October 2016, the parties filed with the Court a motion to approve a settlement arrangement which specified a total compensation amount for each defendant, reflecting full reimbursement on an estimated basis, which will be paid with the addition of linkage differentials and interest, to plaintiffs who make contact and to whom the payment of insurance benefits was delayed, due to a legal restriction preventing such payment. Any amounts which remain unclaimed will be transferred for donation. The settlement arrangement included the definition of future mechanisms for the revaluation of insurance benefits the transfer of which was delayed due to liens. In March 2018, following the appointment of an examiner, the Court gave a ruling in which the settlement arrangement regarding the case was approved, in which it was determined, inter alia, that Clal Insurance will pay, with respect to the past, monetary damages in an immaterial sum. The approved settlement arrangement also included arrangements regarding future mechanisms for the revaluation of insurance benefits, the transfer of which was delayed in the aforementioned circumstances. The defendants will also bear the payment of compensation to the plaintiff and professional fees to its legal counsel, in immaterial amounts, as agreed in the settlement arrangement. | 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. |

9 The foregoing refers to claims in which a decision was made to strike out the claim, or in which a ruling was given, including a ruling to approve the settlement arrangement. The foregoing does not refer to followup with respect to the implementation of arrangements (including changes made thereunder) which were determined in the aforementioned decisions, and which may continue over time.

**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. | 4/2017<br><br>District - Center | Clal Insurance | The claim involves an allegation according to which Clal Insurance conducts an allegedly incorrect calculation of premiums on all matters associated with the charging / crediting of the policyholder of insurance premiums when exchanging a vehicle during the policy period. According to the plaintiff, when performing the replacement, the premiums should be calculated with respect to the substitute vehicle, including subtracting therefrom the premiums as proportional to the remainder of the insurance period of the replaced vehicle, in accordance with the tariffs which apply as of the date of the replacement. | To order Clal Insurance to correctly calculate the premiums and to pay the difference between the premiums which were credited with respect to the vehicle and the premiums which should have been credited when replacing the vehicle in the policy, and to determine that the prescription period is from the publication date of the Standard Policy on September 21, 1986. | All policyholders and/or insurants who were covered by Clal Insurance in motor property insurance policies, who replaced the vehicle in the policy during the insurance period, and were credited with lesser premiums than those which should have been credited to them with respect to the replaced vehicle, such that, effectively, with respect to the replacement of the vehicle, they overpaid, or were under-reimbursed. | In May 2018, the Court approved the plaintiff's motion to withdraw the claim, on procedural grounds, while striking the claim and the motion to approve it as a class action, as well as the plaintiff's personal claim, and ordered the payment of its expenses, in a negligible amount. | The personal claim amount of the class action plaintiff is NIS 178.67. The class action plaintiff did not specify, in the statement of claim, the estimated amount of the class action. |

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### 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. | 6/2015<br><br>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. | In May 2018, the Court gave a ruling in which the motion to approve the claim as a class action was dismissed. | 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.)

#### A4. Presented below are additional details regarding exposure to immaterial class actions which have not yet been filed and to additional expenses

1. In addition to the material class actions which are described in Note 7(a)(a1), the pending motions for the approval of class action status for material claims, as described in Note 7(a)(a2), and the motions to approve class action status for material claims which were withdrawn during the reporting period, as described in Note 7(a)(a3), there are pending against the Company and/or its subsidiaries motions to approve class actions which, according to the Company's estimate, are immaterial[10], and regarding which a detailed description was therefore not included in the financial statements. As of the reporting date, 20 claims of this kind are being conducted against the Company and/or its subsidiaries, where the total amount specified by the plaintiffs in the aforementioned claims amounts to approximately NIS 545 million[11].

2. In addition to the aforementioned legal proceedings, from time to time, potential exposures exist which, at this stage, cannot be estimated or quantified, with respect to alerts regarding the intention to file class actions on certain matters, or legal proceedings and specific petitions which may in the future develop into class actions or third party notices against the Group's member companies, and potential exposure also exists, which at this stage cannot be estimated or quantified, to the possibility that additional class actions will be filed against the Group's member companies due to the complexity of the companies' insurance products, along with the complexity of the regulations that apply to the member companies' activities, which may result in disputes regarding the interpretation of the provisions of the law or of an agreement, or regarding the manner of implementation of the provisions of the law or an agreement, or the method by which claims are settled in accordance with an agreement, as these apply to the relationship between the Group's member companies and the customer.

   This exposure is particularly increased in the long term savings and long term health insurance branches, in which Clal Insurance is engaged, inter alia, due to the fact that, in those areas, some of the policies were issued decades ago, whereas today, due to significant regulatory changes, and due to the development in case law and in the Commissioner's position, the aforementioned policies may retroactively be interpreted differently, and may be subject to different interpretations than those which were in practice at the time when they were written. Moreover, the policies in the aforementioned segments have been in effect for decades, meaning that exposure exists to the possibility that in cases where the customer's claim is accepted and a new interpretation is provided for the terms of the policy, the future profitability of the Company in question will be affected by the existing policy portfolio. This is in addition to compensation that may be provided to customers with respect to past activity.

   The 2015 Amendment to the Control of Financial Services (Insurance) Law, 1981, which reflects a significant reform in the field of approval of insurance plans and supplementary arrangements which were published, set forth various provisions and restrictions with respect to provisions which should or should not be included in insurance plans, and address a reduction of the exceptions which may be included in the policies (hereinafter, jointly: "**Insurance Plan Reform**"). The insurance plan reform allows the sale of insurance products after they have been submitted in advance to the Commissioner, with no need for explicit approval, and also allows the Commissioner, under certain conditions, to order an insurer to discontinue its provision of insurance plans or to order an insurer to implement a change in an insurance plan, including with respect to policies which have already been marketed by the insurer. It is not possible to predict in advance and to what degree the insurers are exposed to claims with respect to the policy's provisions, to the manner of application of the Commissioner's authorities in accordance with the insurance plan reform, nor its implications, which may be raised, inter alia, through the procedural mechanism set forth in the Class Action Law.

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[10] See note 3 above regarding the significance threshold.

[11] Including one claim in which Clal Insurance is a formal defendant, and no remedies are requested against it, three claims in which the amount is not attributed to the Company only, and one claim in which the plaintiff did not specify the claim amount, but estimated it as tens of millions of NIS. For additional information regarding all class actions, see Note 7(c) below.

## Note 7 - Contingent Liabilities and Claims (Cont.)

### A. Class action claims (Cont.)

#### A4. Presented below are additional details regarding exposure to immaterial class actions which have not yet been filed and to additional expenses (Cont.)

2. (Cont.)

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, inter alia, to the complexity of the aforementioned products, which are characterized by a very lengthy lifetime, and are subject to frequent, complex and material changes, including changes in regulatory and taxation directives. The complexity of the changes, and the application thereof over a large number of years, creates increased operational exposure, also due to the multiplicity and limitations of the automation systems used in the Group’s institutional entities, due to additions / changes to the basic product structure, and due to multiple, frequent changes implemented over the product’s lifetime, including by customers (employees) and/or by employers and/or by other parties acting on their behalf, with respect to insurance coverages and/or with respect to savings deposits.

The above complexity and changes affect, inter alia, the volume and amounts of deposits, the various components of the product, the manner in which funds are associated with employees (including due to inconsistencies between the employer’s reports and the policy data), 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, and affects the information which is given to them. The aforementioned complexity is increased in light of the large number of parties acting vis-a-vis the companies in the Group regarding the management and operation of the products, including, inter alia, distributing entities, employers, customers and reinsurers, including as regards the ongoing interface with them, and contradictory instructions which may be received from them, or from their representatives. The member institutional entities in the Group routinely investigate, identify and handle issues which may arise due to the aforementioned complexities, both with respect to individual cases, and with respect to customer types and/or product types.

The entry into effect of the Control of Financial Services Regulations (Provident Funds) (Payments to Provident Funds), 2014, which were replaced by the circular regarding the method for depositing of payments in provident funds (the “Payment Regulations”), intensify and increase, in the short term, the aforementioned complexity, and even resulted in delays in the fund intake process, 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 with respect to members’ rights (institutional entities circular 2014-9-13) (the “**Circular**”), which obligated the institutional entity to cleanse the data which confer rights upon members, in order to ensure that the recording of members’ rights in the information systems is as reliable, complete, accessible and retrievable as possible, until the middle of 2016. The Group’s institutional entities implemented, after the publication of the circular, in 2013, a gap survey with respect to the members and policyholders who manage policies and/or accounts in the Group’s institutional entities (“**Cleansing Tasks**”), and also worked during the reporting period on the implementation of a comprehensive process of data cleansing with respect to the systems in the long-term savings segment. In general, as of the publication date of the report, tasks involving the cleansing of data regarding accrued balances of policyholders have been completed. The institutional entities in the Group are continuing to perform data cleansing tasks with respect to members and policyholders, including with respect to additional gaps which are discovered from time to time, including as a result of initiated investigation activities; however, at this stage, they are unable to estimate the full scope, cost and implications of the aforementioned activities, inter alia, due to the complexity of the products, their status as long term products, and due to the multiplicity of automation systems in the segment, and the limitations thereof.

## 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.)

There is also exposure, which at this stage cannot be estimated or quantified, to changes and to significant regulatory intervention in the various insurance and savings segments, including, inter alia, those which are intended for the direct or indirect reduction of premiums and management fees, the intervention in sale processes, including different use of various regulatory tools, which may affect the process of engagement, the structure of engagement and the reciprocal relationships between institutional entities, agents, employers and customers, in a manner which could affect loads, operating expenses and profitability, including with respect to the business model of the branch and the current portfolio of products.

The exposure to unfiled claims of member companies in the Group is brought to the Company's attention in several ways. This is performed, inter alia, through requests from customers, employees, providers or other parties on their behalf to entities in the companies, and particularly to the ombudsman in member companies in the Group, through customer complaints to the public appeals unit in the Office of the Commissioner, through (non-class action) claims which are filed with the Court, and through position papers issued by the Commissioner.

It is noted that insofar as the customer's complaint is submitted to the public appeals unit in the Office of the Commissioner, in addition to the risk that the customer will choose to bring its claims also within the framework of a class action, the member companies in the Group are also exposed to the risk than the Commissioner will reach a determination regarding the complaint by way of a sector-wide determination, which will apply to a broad group of customers. In recent years, an increase has occurred in the exposure to the aforementioned risk, due to the increasing involvement by the Commissioner in customer complaints referred to her, and in the Commissioner's tendency to determine a position in principle by way of industry-wide determinations, and due to position papers and draft position papers which are published by the Commissioner. For additional details regarding industry-wide determinations and position papers, see section D below.

On this matter, it is noted that in November 2016, an amendment was published to the circular regarding the investigation and settlement of claims and the handling of public appeals, according to which, in cases where the public inquiry indicates a systemic and significant deficiency, which may be repeated, in the conduct of an institutional entity, the institutional entity must work to identify similar cases in which a similar deficiency took place, and insofar as similar cases are identified - it must conduct a lesson learning process, and rectify the defects within a reasonable period of time, and submit a report on the matter to the Commissioner once per year. This amendment may expand the Group's exposure to the broad implications with respect to such deficiencies, and may have a significant effect, which at this stage cannot be estimated.

The member companies in the Group are unable to predict in advance whether a customer claim which has been brought to the companies' attention will eventually lead to the filing of a class action, or will lead to an industry-wide determination, or will have industry-wide implications, even in cases where the customer threatens to do so, and additionally, the member companies in the Group are unable to estimate the potential exposure that may be created due to the aforementioned claims, insofar as these may be heard and found justified by a competent authority.

## Note 7 - Contingent Liabilities and Claims (Cont.)

### B. Material claims and derivative claims

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

1. Clal Insurance engaged, from January 2004 to June 2013, with Hadassah Medical Organization (hereinafter: "**Hadassah**"), in a renewing annual agreement with respect to second layer professional liability insurance, providing insurance coverage for claims in an amount exceeding the self insurance amount, which was given by Hadassah (hereinafter: the "**First Layer**"). The liability limit which was given by Clal Insurance in the second layer was changed over the insurance years, where the insurance liability in the last insurance period, which began in January 2012 and concluded in June 2013, was with respect to a claim whose amount was over approximately NIS 8.8 million, and up to a total of approximately NIS 18 million per event and approximately NIS 36 million for all policyholders with respect to that insurance period (the aforementioned amounts are linked to the consumer price index from January 1, 2012). In February 2014, Hadassah filed with the District Court of Jerusalem a motion to issue a stay of proceedings and for the appointment of a trustee for the purpose of formulating a recovery plan and creditors' settlement in accordance with sections 350b(d)(1) and 350(d) of the Companies Law (hereinafter: the "**Motion**"). As part of the proceedings which were conducted within the framework of the motion, claims were heard alleging that the insurance companies which provided professional liability insurance to Hadassah, including Clal Insurance, should bear the monetary costs which may be imposed in the first layer, beyond the amount of the designated deposit which Hadassah deposited for this purpose, in case Hadassah does not pay the claims itself. Clal Insurance clarified to the trustee that its position is different, and that it is responsible for the second layer only. In May 2014, a motion to approve the recovery plan was filed with the Court, which includes one-time assistance by the State to Hadassah in the amount of NIS 140 million, as well as routine support, which are together intended to supplement the accrued reserve in Hadassah up to the amount of Hadassah's actuarial liabilities with respect to outstanding claims on the first layer, for the period until December 31, 2013. To the best of the Company's knowledge, on May 22, 2014, the recovery plan was approved by the Court, and the stay of proceedings was lifted.

## Note 7 - Contingent Liabilities and Claims (Cont.)

### B. Material claims and derivative claims (Cont.)

#### B3. Immaterial derivative claims

| Serial number | Date and instance | Defendants | Main claims and causes of action | Status / additional details | Claim amount |
|---|---|---|---|---|---|
| 1. | 2/2017<br><br>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**")[12]. | Claim regarding an unlawful dividend distribution by DIC. It is noted that the amounts attributed to the Company and to Clal Finance, who held DIC shares, and who therefore received dividends, are primarily amounts which were received for customers of the Group's member companies. | This derivative claim was filed further to the decision of the Court from September 2016, according to which a previous motion to approve a derivative claim was struck out, which had been filed by the plaintiffs, after it was determined that it would be appropriate to file a new derivative claim on the matter, while removing IDB Development Corporation Ltd. as a respondent from the proceeding, in light of the anti-suit injunction which was given regarding it. In the claim, assertions were raised which were similar to those raised in the previous motion to approve, which was struck out, as stated above, which pertained to assertions against dividend distributions which were announced by DIC, during the period from May 2010 up to and including March 2011.<br>After the claim was struck out for procedural reasons,<br>In July 2017, the plaintiffs filed with the arrangement court a motion to issue orders, to approve the filing of a derivative claim which is mostly identical to the claim which was struck out, as stated above.<br><br>The proceedings are currently in the stage of hearing the motion to approve the claim as a derivative claim. | The claim amount attributed to the Company, to Clal Finance and to two additional shareholders who are associated with IDB Development or with the controlling shareholders of DIC, amounts to approximately NIS 44 million, including the amounts which were distributed as dividends, as stated above, and interest on the aforementioned amounts until the filing date of the motion (the aforementioned amount was not divided among the shareholders of the defendants). |

[12] 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[13].

| Type of claim | Number of claims | Claimed amount NIS in millions |
|---|---|---|
| A. Claims approved as class actions | | |
| 1. Amount pertaining to the Company specified | 6 | 2,588 |
| 2. The claim was filed against a number of entities, with no specific amount attributed to the Company | 1 | 225 |
| 3. Claim amount not specified[14] | 2 | - |
| 4. An annual amount has been specified (and accordingly, the total amount is period-dependent) | 1 | 107[15] |
| B. Pending motions to approve claims as class actions | | |
| 1. Amount pertaining to the Company specified | 37 | 4,510 |
| 2. The claim was filed against a number of entities, with no specific amount attributed to the Company[16] | 11 | 11,646 |
| 3. Claim amount not specified[17] | 7 | - |
| C. Derivative claims | | |
| 1. Amount pertaining to the Company specified | - | - |
| 2. The claim was filed against a number of entities, with no specific amount attributed to the Company | 1 | 44 |
| 3. Claim amount not specified | - | - |

In addition to the details provided in Notes 7(a) and 7(b) above, the company and/or the consolidated companies are party to additional legal proceedings, which are not in the ordinary course of business and which are not material claims, which were initiated by customers, former customers and various third parties for a total sum of approximately NIS 62 million. The causes of action against the company and/or the consolidated companies within the framework of the aforementioned proceedings are varied and multiple.

[13] It is further 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.

[14] In one of the motions, the plaintiff did not specify a claim amount, although an estimate was given of hundreds of millions of NIS.

[15] The specified amount refers to an estimation of the claim with respect to one year only. It is noted that the claim was filed in March 2010, with respect to a legislative amendment from 2008.

[16] Includes one claim in which Clal Insurance is a formal defendant, and no remedies are requested against it.

[17] These motions include three motions: one motion in which the plaintiff did not specify the claim amount, but estimated it as many millions of NIS, a second motion which was estimated at hundreds of millions of NIS, and three motions which were estimated as tens of millions of NIS.

# Note 7 - Contingent Liabilities and Claims (Cont.)

## D. Exposure due to regulatory provisions and position papers

Additionally, and in general, in addition to the overall exposure to which the institutional entities in the company's group are exposed, 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 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 or other remedies with respect to the deficiencies which are referenced in the alerts or determinations and/or position papers published by supervisory entities, and whose status and degree of impact are uncertain. Additionally, from time to time, the institutional entities are involved in the hearing and/or discussion stages vis-à-vis the Control of Insurance Office concerning notices and/or determinations, and at times, enforcement authorities are implemented against them, including the imposition of financial sanctions.

The institutional entities in the Group are evaluating the need to perform provisions in the financial statements, in connection with the aforementioned proceedings, based on the opinion of their legal counsel and/or are currently evaluating the significance of the aforementioned proceedings, as required and as appropriate.

Presented below are details regarding the Commissioner's positions or draft positions, or determinations in principle which have or may have an impact on the class, as follows:

1. In April 2016, an industry-wide determination in principle was published regarding the method for marketing of personal accidents policies (hereinafter: "**Determination**"). The determination referred to the holders of individual personal accident policies for periods exceeding one year, who acquired personal accident insurance from the insurers, after they had a previous health insurance policy at that insurer, beginning in January 2014, and in accordance with the terms which were determined in the determination (hereinafter, respectively: the "**Insurance**" and the "**Policyholders**" or the "**Policyholder**"). According to the determination, the insurance company was required to conduct, an evaluation which will include evaluating the method by which the insurance is marketed, and according to its results, to contact policyholders by telephone, and to receive their express consent for the continuation of their coverage under the aforementioned insurance, and to cancel the insurance coverage and to reimburse the premiums which were paid, with the addition of duly calculated linkage differentials and interest, if the policyholder has not approved (the "**Obligation to Verify Consent**"). Clal Insurance performed the aforementioned evaluation, and submitted its results to the Commissioner, who also requested data. In November 2017, Clal Insurance received a final determination on the matter (hereinafter: the "**Determination**"), according to which Clal Insurance was obligated to verify consent, with respect to some of the policyholders to whom personal accident insurance was sold (even if they did not previously have a health product). According to the determination and the subsequently approved outline, the Company is required to contact policyholders who were added to personal accidents insurance from January 1, 2014 until the end of 2016, through certain marketing centers which were specified therein, and to verify that those policyholders are aware of the existence of the personal accidents insurance. Insofar as a policyholder has announced that he is not aware of the aforementioned insurance, Clal Insurance is required to give him an option to cancel the insurance, and to receive reimbursement for the premiums which he paid, from the date of their addition, plus duly calculated linkage differentials and interest. Clal Insurance reserves the right to verify the foregoing vis-à-vis the recording of the sale conversation.

   **At this stage, the Company is preparing for the implementation of the outline, and is unable to estimate its full implications, which depend, inter alia, on the conduct of policyholders, and on the results of the verification process.**

## Note 7 - Contingent Liabilities and Claims (Cont.)

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

2. The Company held discussions with the Commissioner, in connection with the draft determination regarding it, with respect to one-time deposits of policyholders in guaranteed return policies (hereinafter: the "**Policies**"). In accordance with the draft, the Company is obligated to take certain actions with respect to policyholders whose actual rate of deposits, which bore the returns of the profit sharing portfolio, was equal to or greater than the returns guaranteed in the policies, and certain actions with respect to policyholders whose actual one-time deposit returns were lower than the guaranteed returns. Therefore, at this stage, in light of the fact that the final wording of the draft is not known, if and insofar as it will be received, the Company is unable to assess its implications and the degree of its impact on the Company, if and insofar as it will be published.

3. In May 2018, the Knesset Finance Committee approved an amendment to the Control of Financial Services Regulations (Provident Funds) (Direct Expenses Against the Performance of Transactions), 2017 (hereinafter: the "**Expense Regulations**" and the "**Amendment**", respectively). The Expense Regulations regulate the types of direct expenses which the institutional entity will be entitled to collect from members' accounts, in addition to the management fees which are collected from them. The amendment includes the following primary amendments: (A) Extension of the period of the transitional provision which was determined in the Expense Regulations, which expires at the end of 2017, by two additional years, i.e., until December 31, 2019 (hereinafter: the "**Transitional Provision**"). In the transitional provision, which was extended with retroactive application beginning on January 1, 2018, it was determined that expenses may be collected from the members' accounts at a rate of up to 0.25% of the total revalued value of the assets in the relevant fund, primarily with respect to external management commissions (commissions which are paid to external managers, such as managers of investment funds and mutual funds which mostly invest in foreign securities); (B) Addition to the definition of "external management commission" also investments in hi-tech funds, as defined in the Joint Investment Trust Law, 1994; (C) Cancellation of the possibility to charge members for expenses due to loans to members or policyholders; (D) Changes to the method use to calculate the maximum expense limit (0.25%) for new funds / tracks. As of the publication date of the report, the amendment has not yet been published.

**E.** With respect to the costs that may arise due to the claims and exposures described in Note 7(a), (b), (c) and (d) above, provisions are made in the financial statements of the relevant consolidated companies, only if it is more likely than not (i.e., probability of over 50%) that a payment liability due to past events will materialize, and that the liability amount will be quantifiable or estimable within a reasonable range. The executed provision amounts are based on an estimate of the risk level in each of the claims as of a date proximate to the publication date of this report (excluding the claims which were filed during the last two quarters, regarding which, due to their preliminary stages, it is not possible to estimate their chances of success). On this matter, it is noted that events which take place during the litigation process may require a re-evaluation of this risk. Insofar as the Company has a right of indemnification from a third party, the Company recognizes such right if it is virtually certain that the indemnification will be received in the event that the Company settles the obligation.

The assessments of the Company and of the consolidated companies concerning the estimated risk in the claims which are being conducted are based on the opinions of their legal counsel and/or on the estimates of the relevant companies, including concerning the amounts of the settlement arrangements, which the managements of the Company and of the consolidated companies expect are more likely than not to be paid by them.

It is hereby emphasized that, in the attorneys' opinion, concerning the majority of motions to approve class action status with respect to which no provision was made, the attorney's evaluation refers to the chances of the motion to approve class action status, and does not refer to the chances of the claim on the merits, in the event that it is approved as a class action. This is due, inter alia, to the fact that the scope and content of hearing of the actual claim, once granted class action status, would be affected by the Court's decision with respect to the granting of class action status, which usually refers to the causes of action that were approved or not approved, to reliefs that were approved or not approved, etc.

It is not possible, at this preliminary stage, to estimate the chances of the motions to approve class actions which are specified in Notes 7(a)(a2)(28), 7(a)(a2)(29), 7(a)(a2)(30), 7(a)(a2)(31) and 7(a)(a2)(32) 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 March 31, 2018, with respect to all of the legal claims and exposures mentioned in Note 7(a), 7(b), 7(c) and 7(d) above, amounted to a total of approximately NIS 120 million.

## Note 8 - Additional Events During and After the Reporting Period

### A. Actuarial estimates

1. Changes to insurance reserves in light of changes in the interest rate environment and their impact on the discount rates in life and long-term care insurance

Further to that stated in Note 39(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 decrease occurred in the risk-free interest rate curve, as well as a change in the estimated rate of return in the portfolio of assets held against insurance liabilities. In light of the foregoing, the actuary of Clal Insurance updated the interest rates on free assets which are used to discount the reserves to supplement annuity reserves and paid pension reserves (2.3%-2.79% as of March 31, 2018, as compared with 2.2%-2.79% as of December 31, 2017), updated the K factor for profit-sharing policies (0.86% as of March 31, 2018, as compared with 0.88% as of December 31, 2017), and updated the results of the liability adequacy test (LAT).

The impact on the financial results is specified below:

| | For the period of three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|
| | 2018 | 2017 | 2017 |
| **NIS in millions** | Unaudited | | Audited |
| Life insurance | | | |
| Change in the discount interest rate used in the calculation of the liability to supplement the annuity and paid pension reserves | **(7)** | (14) | 197 |
| Change in pension reserves following the decreased forecast of future income (K factor) | **34** | - | 126 |
| Liability adequacy test (LAT) | **112** | (58) | (64) |
| **Life insurance - total impact of the low interest rate environment before tax** | **139** | (72) | 259 |
| **Long term care insurance in the health segment** | **63** | - | - |
| **Total income (loss) before tax** | **202** | (72) | 259 |
| **Total (income) loss after tax** | **133** | (47) | 168 |

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

Discount rate for National Insurance annuities

Further to that stated in Note 39(e)(e2)(4)(f) to the annual financial statements, the Company reduced the insurance liabilities in the three month period ended on the reporting date, in the compulsory motor and liabilities branches, in the amount of approximately NIS 27 million, on retention before tax (approximately NIS 18 million after tax). In the corresponding period last year, the Company increased insurance liabilities in the amount of approximately NIS 6 million on retention before tax (approximately NIS 4 million on retention after tax), and a total of approximately NIS 78 million on retention (approximately NIS 51 million after tax) in all of 2017.

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

### B. Collective agreement in HaClal HaRishon

Further to that stated in Note 24(d) to the annual financial statements, on March 29, 2018, Clal Insurance (and additional subsidiaries of the Company), HaClal HaRishon Ltd. (hereinafter: “HaClal HaRishon”) (a subsidiary of Clal Insurance which is engaged in the marketing of the Company’s insurance policies, mostly in the life and health segments), and the Histadrut Worker’s Committee in the Group, signed an annex to the Group’s collective agreement. The annex to the agreement applies the provisions of the collective agreement to some employees of HaClal HaRishon, excluding managers of a determined rank, subject to certain changes which were agreed upon. The Company does not expect the signing of the annex to the collective agreement to have a significant impact on the financial statements.

### C. The Group’s CEO search committee

Further to the announcement dated March 7, 2018, of Mr. Izzy Cohen, CEO of the Company and Clal Insurance, regarding his intention to conclude his tenure as CEO of the Company and Clal Insurance in June 2018, the Board of Directors appointed, on March 11, 2018, a committee to search for and recommend a new CEO for the Company, led by the Chairman of the Board, Danny Naveh, whose members include directors in the Company and in Clal Insurance (the “**Search Committee**”). The search committee is working to identity and screen candidates for the position of Company CEO. As of the publication date of the report, the search committee has not yet completed its work.

### D. Developments in markets subsequent to the reporting date

During the period from the reporting date until the publication date of the report, an additional increase occurred in the risk-free interest rate curve. Further to that stated in Note 39(e)(e1) and (e2) to the annual financial statements, an increase in the interest rate may lead to a decrease in insurance liabilities in non-life insurance, in the compulsory, liabilities and personal accidents branches, in liabilities to supplement annuity reserves, including changes to the K factor, and in paid pension liabilities in life insurance, and also as part of the liability adequacy test (LAT).

At this stage, it is not possible to estimate the implications of the increase of the risk-free interest rate curve during this period on the results for the second quarter of 2018, 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 the continuing developments in financial markets until the end of the second quarter of 2018, and the above does not constitute any estimate regarding the company’s expected financial results as of the end of the second quarter of 2018.

For details regarding sensitivity tests to market risks, see Note 39(c)(2) to the annual financial statements.

## Annex - Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel

### 1. Assets for investment-linked contracts

Below are details of assets held against investment-linked insurance contracts and investment contracts:

| | As of March 31 | | As of December 31 |
|---|---|---|---|
| | 2018 | 2017 | 2017 |
| NIS in thousands | Unaudited | | Audited |
| Investment property *) | **2,931,870** | 2,773,464 | 2,869,967 |
| Financial investments | | | |
| Marketable debt assets | **25,381,050** | 22,135,498 | 24,285,740 |
| Non-marketable debt assets | **6,602,618** | 5,988,402 | 6,534,433 |
| Stocks | **9,873,493** | 7,943,190 | 9,518,961 |
| Other financial investments | **14,726,498** | 17,185,667 | 15,891,827 |
| Total financial investments *) | **56,583,659** | 53,252,757 | 56,230,961 |
| Cash and cash equivalents | **4,085,699** | 2,431,671 | 4,529,446 |
| Other | **1,171,352** | 658,857 | 679,946 |
| Total assets for investment-linked contracts | **64,772,580** | 59,116,749 | 64,310,320 |

*) Presented at fair value through profit and loss.

### 2. Details of other financial investments

| | As of March 31, 2018 | | | |
|---|---|---|---|---|
| | Fair value through profit and loss | Available for sale | Loans and receivables | Total |
| NIS in thousands | Unaudited | | | |
| Marketable debt assets a) | **107,730** | **4,868,839** | **-** | **4,976,569** |
| Non-marketable debt assets b) | **4,540** | **-** | **22,271,414** | **22,275,954** |
| Stocks c) | **-** | **1,379,361** | **-** | **1,379,361** |
| Others d) | **121,907** | **2,454,280** | **-** | **2,576,187** |
| Total other financial investments | **234,177** | **8,702,480** | **22,271,414** | **31,208,071** |

| | As of March 31, 2017 | | | |
|---|---|---|---|---|
| | Fair value through profit and loss | Available for sale | Loans and receivables | Total |
| NIS in thousands | Unaudited | | | |
| Marketable debt assets a) | 55,708 | 5,465,277 | - | 5,520,985 |
| Non-marketable debt assets b) | 7,908 | - | 21,402,314 | 21,410,222 |
| Stocks c) | - | 1,123,209 | - | 1,123,209 |
| Others d) | 181,270 | 2,217,710 | - | 2,398,980 |
| Total other financial investments | 244,886 | 8,806,196 | 21,402,314 | 30,453,396 |

| | As of December 31, 2017 | | | |
|---|---|---|---|---|
| | Fair value through profit and loss | Available for sale | Loans and receivables | Total |
| NIS in thousands | Audited | | | |
| Marketable debt assets a) | 108,231 | 5,396,511 | - | 5,504,742 |
| Non-marketable debt assets b) | 5,291 | - | 21,827,400 | 21,832,691 |
| Stocks c) | - | 1,367,797 | - | 1,367,797 |
| Others d) | 224,447 | 2,499,157 | - | 2,723,604 |
| Total other financial investments | 337,969 | 9,263,465 | 21,827,400 | 31,428,834 |

# 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 March 31, 2018 | |
|---|---|---|
| | Book value | Amortized cost [1] |
| NIS in thousands | Unaudited | |
| Government bonds | **3,218,326** | **3,121,749** |
| Other debt assets | | |
| Other non-convertible debt assets | **1,758,243** | **1,727,770** |
| | **1,758,243** | **1,727,770** |
| Total marketable debt assets | **4,976,569** | **4,849,519** |
| Impairment applied to income statement (cumulative) | **1,240** | |

| | As of March 31, 2017 | |
|---|---|---|
| | Book value | Amortized cost [1] |
| NIS in thousands | Unaudited | |
| Government bonds | 3,354,255 | 3,354,057 |
| Other debt assets | | |
| Other non-convertible debt assets | 2,166,730 | 2,139,880 |
| Other convertible debt assets | - | 139 |
| | 2,166,730 | 2,140,019 |
| Total marketable debt assets | 5,520,985 | 5,494,076 |
| Impairment applied to income statement (cumulative) | 57 | |

| | As of December 31, 2017 | |
|---|---|---|
| | Book value | Amortized cost [1] |
| NIS in thousands | Audited | |
| Government bonds | 3,329,044 | 3,239,066 |
| Other debt assets | | |
| Other non-convertible debt assets | 2,175,698 | 2,111,824 |
| | 2,175,698 | 2,111,824 |
| Total marketable debt assets | 5,504,742 | 5,350,890 |
| Impairment applied to income statement (cumulative) | - | |

1) Amortized cost - Cost less principal payments plus (less) cumulative amortization using the effective interest method of any difference between the cost and the repayment amount, and less any amortization with respect to impairment applied to profit and loss.

# Annex - Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

## 2. Details of other financial investments (Cont.)

### B. Non-marketable debt assets - composition

| | As of March 31, 2018 | |
|---|---|---|
| | Book value | Fair value |
| NIS in thousands | Unaudited | |
| Government bonds | | |
| HETZ bonds and deposits with the Ministry of Finance | **16,084,722** | **24,067,225** |
| Other non-convertible debt assets, excluding deposits in banks | **5,371,349** | **5,964,261** |
| Deposits in banks | **819,883** | **933,752** |
| Total non-marketable debt assets | **22,275,954** | **30,965,238** |
| Impairment applied to income statement (cumulative) | **85,000** | |

| | As of March 31, 2017 | |
|---|---|---|
| | Book value | Fair value |
| NIS in thousands | Unaudited | |
| Government bonds | | |
| HETZ bonds and deposits with the Ministry of Finance | 15,542,266 | 22,717,205 |
| Other non-convertible debt assets, excluding deposits in banks | 4,982,934 | 5,433,651 |
| Deposits in banks | 885,022 | 994,384 |
| Total non-marketable debt assets | 21,410,222 | 29,145,240 |
| Impairment applied to income statement (cumulative) | 92,006 | |

| | As of December 31, 2017 | |
|---|---|---|
| | Book value | Fair value |
| NIS in thousands | Audited | |
| Government bonds | | |
| HETZ bonds and deposits with the Ministry of Finance | 15,767,858 | 23,623,887 |
| Other non-convertible debt assets, excluding deposits in banks | 5,233,182 | 5,940,039 |
| Deposits in banks | 831,651 | 953,322 |
| Total non-marketable debt assets | 21,832,691 | 30,517,248 |
| Impairment applied to income statement (cumulative) | 85,902 | |

# Annex - Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

## 2. Details of other financial investments (Cont.)

### C. Stocks

| | As of March 31, 2018 | |
|---|---|---|
| | Book value | Cost |
| NIS in thousands | Unaudited | |
| Marketable stocks | **1,120,312** | **1,041,280** |
| Non-marketable stocks | **259,049** | **290,744** |
| Total stocks | **1,379,361** | **1,332,024** |
| Impairment applied to income statement (cumulative) | **129,737** | |

| | As of March 31, 2017 | |
|---|---|---|
| | Book value | Cost |
| NIS in thousands | Unaudited | |
| Marketable stocks | 1,046,764 | 1,022,043 |
| Non-marketable stocks | 76,445 | 107,493 |
| Total stocks | 1,123,209 | 1,129,536 |
| Impairment applied to income statement (cumulative) | 163,281 | |

| | As of December 31, 2017 | |
|---|---|---|
| | Book value | Cost |
| NIS in thousands | Audited | |
| Marketable stocks | 1,114,256 | 992,993 |
| Non-marketable stocks | 253,541 | 286,668 |
| Total stocks | 1,367,797 | 1,279,661 |
| Impairment applied to income statement (cumulative) | 144,854 | |

# 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)]

| NIS in thousands | As of March 31, 2018 Book value | As of March 31, 2018 Cost |
|---|---|---|
| | Unaudited | |
| Marketable financial investments | **1,200,784** | **1,128,014** |
| Non-marketable financial investments | **1,375,403** | **1,108,808** |
| Total other financial investments | **2,576,187** | **2,236,822** |
| Impairment applied to income statement (cumulative) | **76,504** | |

| NIS in thousands | As of March 31, 2017 Book value | As of March 31, 2017 Cost |
|---|---|---|
| | Unaudited | |
| Marketable financial investments | 1,061,733 | 1,039,052 |
| Non-marketable financial investments | 1,337,247 | 1,060,327 |
| Total other financial investments | 2,398,980 | 2,099,379 |
| Impairment applied to income statement (cumulative) | 62,103 | |

| NIS in thousands | As of December 31, 2017 Book value | As of December 31, 2017 Cost |
|---|---|---|
| | Audited | |
| Marketable financial investments | 1,355,832 | 1,268,416 |
| Non-marketable financial investments | 1,367,772 | 1,069,012 |
| Total other financial investments | 2,723,604 | 2,337,428 |
| Impairment applied to income statement (cumulative) | 72,627 | |

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 March 31, 2018
# (Regulation 38D)

# Unaudited

## Clal Insurance Enterprises Holdings Ltd.

**Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of March 31, 2018 (Regulation 38D)**

**Unaudited**

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\- - - - - - - -

**Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of March 31, 2018**

Somekh Chaikin
KPMG Millennium Tower
17 Ha'Arbaa St., P.O. Box 609
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03 684 8000

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144 Menachem Begin Rd.
Tel Aviv 6492102
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**Attn.:**

**Shareholders of Clal Insurance Enterprise Holdings Ltd.**

**Re: Auditors' Special Report Regarding the Separate Interim Financial Information in Accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970**

## Introduction

We have reviewed the separate interim financial information presented pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 for Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") as of March 31, 2018, and for the three month period 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 regards to the separate interim financial information, based on our review.

## Scope of the Review

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

## Conclusion

Based on our review, we have not become aware of any matter which would have caused us to believe that the above separate interim financial 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), 1970.

| | | |
|---|---|---|
| Tel Aviv,<br>May 29, 2018 | Somekh Chaikin<br>Certified Public Accountants | Kost Forer Gabbay and Kasierer<br>Certified Public Accountants |

Joint Auditors

**Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of March 31, 2018**

**Interim Data Regarding the Financial Position**

| | As of March 31 | | As of December 31, 2017 |
|---|---|---|---|
| | 2018 | 2017 | |
| NIS in thousands | Unaudited | | Audited |
| **Assets** | | | |
| Investments in investee companies | **4,894,202** | 4,789,090 | 5,011,035 |
| Loans and balances of investee companies | **14** | 23 | 63 |
| Other accounts receivable | **103** | 102 | 151 |
| Other financial investments: | | | |
| Marketable debt assets | **25,774** | 37,072 | 26,589 |
| Stocks | **45** | 101 | 44 |
| Total other financial investments | **25,819** | 37,173 | 26,633 |
| Cash and cash equivalents | **17,661** | 66,319 | 16,652 |
| **Total assets** | **4,937,799** | 4,892,707 | 5,054,534 |
| **Capital** | | | |
| Share capital | **143,381** | 143,230 | 143,367 |
| Premium on shares | **1,004,859** | 980,527 | 1,001,880 |
| Capital reserves | **607,509** | 460,099 | 649,964 |
| Retained earnings | **3,174,710** | 3,231,410 | 3,251,608 |
| **Total capital** | **4,930,459** | 4,815,266 | 5,046,819 |
| **Liabilities** | | | |
| Other accounts payable | **7,340** | 7,441 | 7,303 |
| Balances of investee companies | **-** | - | 412 |
| Liabilities to banking corporations and others | **-** | 70,000 | - |
| **Total liabilities** | **7,340** | 77,441 | 7,715 |
| **Total capital and liabilities** | **4,937,799** | 4,892,707 | 5,054,534 |

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

| May 29, 2018 | | | | |
|---|---|---|---|---|
| Approval date of the financial statements | Danny Naveh<br>Chairman of the Board | Izzy Cohen<br>Chief Executive Officer | Anath Levin<br>Executive VP, Investments, Credit and Finance Division Manager | Tal Cohen<br>Senior VP, Chief Accounting Division Manager |

**Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of March 31, 2018**

**Interim Data Regarding Income**

| | For the period of three months | | For the year ended |
|---|---|---|---|
| | ended March 31 | | December 31 |
| | 2018 | 2017 | 2017 |
| **NIS in thousands** | Unaudited | | Audited |
| Company's share in the income (loss) of investee companies, net of tax | **(74,302)** | 164,774 | 207,609 |
| Others | **23** | (341) | (117) |
| **Total income** | **(74,279)** | 164,433 | 207,492 |
| General and administrative expenses | **862** | 651 | 3,337 |
| Financing expenses | **-** | 428 | 1,044 |
| Other expenses | **-** | 8 | 15 |
| **Total expenses** | **862** | 1,087 | 4,396 |
| **Income (loss) before taxes on income** | **(75,141)** | 163,346 | 203,096 |
| Taxes on income (tax benefit) | **-** | - | - |
| **Income (loss) for the period** | **(75,141)** | 163,346 | 203,096 |

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 March 31, 2018**

**Interim Data Regarding Comprehensive Income**

| | For the period of three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|
| | 2018 | 2017 | 2017 |
| NIS in thousands | Unaudited | | Audited |
| **Income (loss) for the period** | **(75,141)** | 163,346 | 203,096 |
| **Other comprehensive income:** | | | |
| **Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to profit and loss:** | | | |
| Change, net, in the fair value of available-for-sale financial assets applied to capital reserves | **80** | (76) | (53) |
| Change, net, in the fair value of available-for-sale financial assets transferred to profit and loss | **(39)** | (10) | (68) |
| Other comprehensive income (loss) with respect to investee companies which has been or will be transferred to profit and loss, net of tax | **(42,496)** | (23,980) | 165,920 |
| Other comprehensive income (loss) for the period which has been or will be transferred to profit and loss, before tax | **(42,455)** | (24,066) | 165,799 |
| 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** | **(42,455)** | (24,066) | 165,799 |
| **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 | **1,365** | 922 | 1,177 |
| **Other comprehensive income for the period which will not be transferred to profit and loss, net of tax** | **1,365** | 922 | 1,177 |
| **Other comprehensive income (loss) for the period** | **(41,090)** | (23,144) | 166,976 |
| **Total comprehensive income for the period** | **(116,231)** | 140,202 | 370,072 |

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 March 31, 2018**

**Interim Data Regarding Cash Flows**

| | For the period of three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|
| | 2018 | 2017 | 2017 |
| NIS in thousands | Unaudited | | Audited |
| **Cash flows from operating activities** | | | |
| Income (loss) for the period | **(75,141)** | 163,346 | 203,096 |
| Adjustments: | | | |
| Company's share in the income (loss) of investee companies | **74,302** | (164,774) | (207,609) |
| Dividends from investee companies | **1,400** | 4,000 | 15,045 |
| Interest accrued with respect to liabilities to banking corporations | **-** | 428 | 1,044 |
| Income from other financial investments | **311** | 781 | 1,337 |
| | **76,013** | (159,565) | (190,183) |
| Changes to other items in the data regarding financial position, net: | | | |
| Change in other accounts receivable | **48** | (21) | (70) |
| Change in other accounts payable | **37** | (68) | (51) |
| | **85** | (89) | (121) |
| Cash which were received during the period for: | | | |
| Net cash from operating activities with respect to transactions with investee companies | **(492)** | 7 | 2,062 |
| **Net cash from operating activities** | **465** | 3,699 | 14,854 |
| **Cash flows from investing activities** | | | |
| Investment in available for sale financial assets | **(15,054)** | (9,916) | (9,916) |
| Consideration from sale of available for sale financial assets | **15,598** | 18,431 | 28,380 |
| **Net cash from (used in) investing activities** | **544** | 8,515 | 18,464 |
| **Cash flows from financing activities** | | | |
| Repayment of liabilities to banking corporations | **-** | - | (70,000) |
| Interest paid with respect to liabilities to banking corporations | **-** | (423) | (1,194) |
| **Net cash used in financing activities** | **-** | (423) | (71,194) |
| **Increase (decrease) in cash and cash equivalents** | **1,009** | 11,791 | (37,876) |
| Cash and cash equivalents at beginning of period | **16,652** | 54,528 | 54,528 |
| **Cash and cash equivalents at end of period** | **17,661** | 66,319 | 16,652 |

**Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself as of March 31, 2018**

## Additional information

### 1. General

The separate interim financial information is presented pursuant to Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970, and does not contain all of the information which is required according to Regulation 9C and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 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, 2017, and with the condensed consolidated interim financial statements as of March 31, 2018 (hereinafter: the "**Consolidated Interim Statements**").

### 2. Dividends

The company's ability to distribute dividends primarily depends on dividend distributions from Clal Insurance. The Board of Directors of Clal Insurance has not yet determined the solvency ratio target based on the provisions of the economic solvency regime, as stated above. This determination constitutes a precondition for a dividend 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.
For additional details, see Note 6(B)(2) to the financial statements.