Clal Insurance Enterprises Holdings Ltd.

As of June 30, 2018

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 principal shareholders of the company, whose shares are listed for trade on the stock exchange. The principal shareholders and their approximate holding rates are as follows:

	As of June 30, 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.	34.81	34.47	34.81	34.49
Bank Hapoalim	9.47	9.38	9.47	9.38

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

2. Description of the Business Environment

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

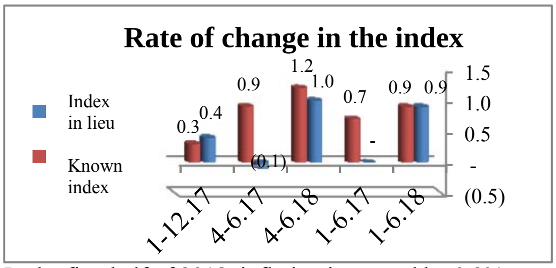
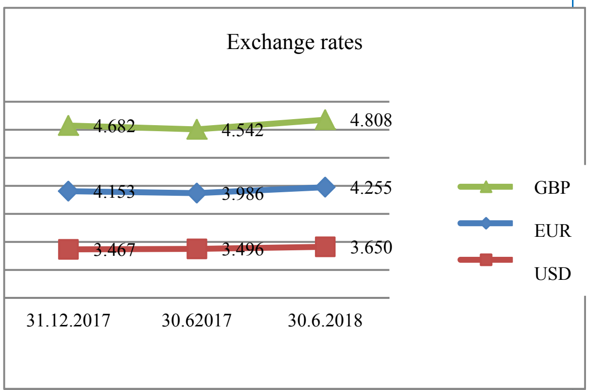
The total impact of the market developments specified below on the group's results during the reporting period was reflected both in decreases, both in the value of financial assets held against capital and insurance liabilities, primarily due to the decrease in the stock and bond markets, and the increase 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.	According to the first estimate which was published by the Central Bureau of Statistics in the first half of 2018, GDP increased at an annual rate of 4.0%. The increase in GDP reflects an increase in personal consumption expenditure, public consumption expenditure, exports of goods and services, and fixed capital investment. An increase of 7.4% in public consumption expenditure, an increase of 5.5% in personal consumption expenditure, an increase of 0.1% in fixed capital investment, an increase of 11.3% in imports of goods and services, and an increase of 3.3% in exports of goods and services. According to the estimate of the Bank of Israel's Research Division from July 2018, in 2018, GDP is expected to grow at a rate of 3.7%, while 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 1.4%. The monetary interest rate is expected to remain at its current level (0.1%) and to rise to a rate of 0.25% in the last quarter.
		According to the labor force survey of the Central Bureau of Statistics, in the second quarter of 2018: • Unemployment rate from the labor force among persons aged 25-64: 3.5% (relative to 3.2% in the first quarter of 2018). • Participation rate in the labor force among persons aged 25-64: 80.4% (as compared with 80.0% in the first quarter of 2018). • Employment rate among persons aged 25-64: 77.6% (as compared with 77.5% in the first quarter of 2018)) • Share of employed persons usually working full time out of total employed persons: 77.6% (as compared with 77.8% in the first quarter of 2018)

[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 39 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.)

Parameter	Effect on the group's activities	Data for the period
Inflation data	The inflation rate may affect the company's business results, primarily due to its impact on income from investments with respect to CPI-linked assets in the nostro portfolio, the adjustment of CPI-linked insurance liabilities and financial liabilities, the change in the company's financing expenses, and the total variable management fees which will be charged in profit-sharing policies which were issued until 2004, due to the impact of the real returns which will be recorded in these policies.	 In the first half of 2018, inflation increased by 0.9% relative to the CPI, with no change in the corresponding period last year. In summary for the quarter, inflation slightly increased relative to the first quarter of 2018. Expectations based on the capital market increased in all ranges. After the balance sheet date, the Central Bureau of Statistics published the price index for June, which rose by approximately 0.4%, and the index for July, which remained unchanged.
Exchange rates	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.	 In the second quarter, the NIS weakened vis-à-vis the USD at a rate of 4.3% (and in the first half of 2018, weakened by 5.3%). In the second quarter, the EUR increased vis-à-vis the NIS by 4.2% (and in the first half of 2018, weakened by 2%). 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. Balances of foreign currency at the Bank of Israel, as of the end of the second quarter of 2018, amounted to approximately USD 115 billion.

2. Description of the Business Environment (Cont.)

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

Parameter	Effect on the group's activities	Data for the period
Development of the interest rate and yields	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.	During the quarter, the government yield curve increased slightly. For details the impact of the low interest rate environment, see Note 8(a) to the financial statements. The Bank of Israel left the interest rate unchanged during the first quarter of 2018, at 0.1%.

Developments in the Israeli capital market

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.

Stock indices

In percent	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2018	2017	2018	2017	2017
Tel Aviv 35	0.5	(2.5)	5.6	2.6	2.7
Tel Aviv 90	(3.1)	12.9	(1.3)	4.2	21.2
Tel Aviv 125	(0.1)	0.5	4.0	3.0	6.4
Tel Aviv Growth	(6.3)	9.4	(5.5)	4.2	4.5

Bond indices

In percent	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2018	2017	2018	2017	2017
General	(0.6)	1.7	(0.5)	1.1	4.7
Telbond CPI-linked	0.4	2.7	(0.7)	1.5	5.6
Telbond NIS-linked	(2.2)	3.4	(1.1)	1.4	7.5
Government CPI-linked	(0.2)	0.2	(0.5)	0.8	3.4
Government NIS-linked	(1.0)	1.3	(1.1)	0.7	3.7

2. Description of the Business Environment (Cont.)

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

Global stock markets

In percent	In local currency: For the period of six months ended June 30 2018	In local currency: For the period of six months ended June 30 2017	In local currency: For the period of three months ended June 30 2018	In local currency: For the period of three months ended June 30 2017	In local currency: For the year ended December 31 2017	In NIS: For the period of six months ended June 30 2018	In NIS: For the period of six months ended June 30 2017	In NIS: For the period of three months ended June 30 2018	In NIS: For the period of three months ended June 30 2017	In NIS: For the year ended December 31 2017
Dow Jones	(2.6)	8.0	0.2	3.3	25.1	2.6	(1.8)	4.1	(0.5)	12.8
NASDAQ	7.9	14.1	6.2	3.9	28.2	13.6	3.7	10.3	0.0	15.6
Nikkei Tokyo	(2.2)	4.8	5.3	5.9	19.1	4.7	(0.4)	5.2	1.9	11.6
CAC - Paris	(1.0)	5.3	1.3	0.0	9.3	1.4	3.8	(0.4)	2.6	12.2
FTSE - London	(1.3)	2.4	6.9	(0.1)	7.6	1.4	(1.6)	4.0	0.2	6.6
DAX - Frankfurt	(6.1)	7.4	0.0	0.1	12.5	(3.8)	5.8	(1.7)	2.8	15.5
MSCI WORLD	(1.5)	9.4	1.4	3.4	20.3	3.8	(0.5)	5.3	(0.5)	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 in light of the escalation of the trade war.

USA - GDP in the United States grew in the second quarter at a rate of 2.8% in annual terms, with a forecast of accelerated growth to 2.9% later in the year, due 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 continued strength of global growth. The Fed raised the interest rate for the second time this year, to a level of 1.75%-2% in June 2018. The Fed is also continuing 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 2.3% in the second quarter of the year (in annual terms). Despite the encouraging economic figures coming from Europe, the rate of improvement in leading activity indices is decelerating for the second quarter in a row. The interest rate remained unchanged. According to the decision of the Central Bank, it is expected to continue the quantitative easing program until September 2018, while gradually reducing its scope until the end of 2018.

Japan - Estimated growth in the second quarter of the year is at 1.1% (in annual terms). The question marks surrounding the continued tenure of Prime Minister Shinzo Abe remain (due to internal political affairs). This issue is expected to be resolved in the coming months. Prime Minister Abe has led significant economic reforms in Japan in recent years.

Global economic developments (Cont.)

Emerging markets - Estimated growth for 2018 is 4.8% (in annual terms) in emerging economies. Continued recovery in trade activities is evident, in light of the resumption of demand from developed countries. The economy of **Turkey** continues to constitute a weak link, with rising inflation and the Turkish Lira losing approximately 25% in value since the beginning of the year, due to concerns regarding the loss of the central bank's independence. The economy of **India** is continuing to undergo significant structural changes, and is expected to grow, in the second quarter of the year, at an annual rate of 7.6%, following the imposition of tax on services and consumption, exchange of bills, and strengthening the capital structure of the country's banking system.

China - The growth rate of 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, and the decline in credit scopes and in monetary amounts. Growth in the second quarter amounted to 6.7% in annual terms. Recently the Chinese Yuan has weakened significantly, which appears to reflect the weakening of growth rates and the effects of the trade war with the United States.

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

NIS in millions	As of June 30, 2018			As of June 30, 2017			As of December 31, 2017		
	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	**39,512**	**170,361**	**23.2**	37,139	161,685	23.0	38,862	168,320	23.1
Profit sharing life insurance - policies beginning from January 1, 2004	**22,083**	**141,754**	**15.6**	19,809	116,194	17.0	21,140	130,647	16.2
Total profit sharing life insurance assets	**61,595**	**312,115**	**19.7**	56,948	277,880	20.5	60,002	298,967	20.1
New pension assets	**54,509**	**323,675**	**16.8**	48,045	275,899	17.4	51,665	303,549	17.0
Benefits and personal severance pay funds	**22,861**	**221,455**	**10.3**	23,154	207,572	11.2	23,071	218,024	10.6
Study funds	**7,695**	**212,150**	**3.6**	7,230	192,875	3.7	7,510	206,768	3.6
Total central severance pay funds	**2,625**	**15,361**	**17.3**	3,013	16,286	18.5	2,937	16,225	18.1
Provident fund for investment **)	**159**	**5,421**	**2.9**	34	1,498	2.2	102	3,559	2.9
Provident fund for investment - savings for each child ***)	**-**	**3,920**	**-**	-	1,922	-	-	2,954	-
Total provident fund assets *)	**33,368**	**458,307**	**7.3**	33,432	420,153	8.0	33,620	447,529	7.5
Total profit sharing life insurance, new pension, provident*) and life insurance assets	**149,472**	**1,094,097**	**13.7**	138,425	973,931	14.2	145,286	1,050,045	13.8

*) Excluding central severance pay funds and funds for other purposes.
**) The company has marketed the provident funds for investment since January 2017.
***) The company chose not to market provident funds for investment as part of the government plan "savings for each child".

2. Description of the Business Environment (Cont.)

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

2.2.2. Total scope of premiums in the Israeli insurance market

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

	For the period of three months 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
Life insurance	**1,408**	**7,851**	**17.9**	1,443	7,369	19.6	5,535	29,365	18.8
Non-life insurance	**563**	**5,178**	**10.9**	555	4,716	11.8	2,279	20,318	11.2
Health insurance	**505**	**2,901**	**17.4**	447	2,688	16.6	1,917	11,291	17.0
Total gross premiums earned on the insurance market in Israel	**2,475**	**15,930**	**15.5**	2,444	14,774	16.5	9,730	66,973	16.0

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

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

	For the period of six months ended June 30						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	**2,836**	**19,202**	**14.8**	2,763	17,207	16.1	5,702	35,402	16.1
Benefits and personal severance pay funds	**184**	**5,230**	**3.5**	249	5,371	4.6	394	11,202	3.5
Study funds	**531**	**10,921**	**4.9**	528	10,734	4.9	1,103	23,081	4.8
Severance pay funds	**1**	**89**	**0.8**	3	47	6.8	1	93	1.5
Provident fund for investment **)	**66**	**2,053**	**3.2**	34	1,012	3.3	103	3,049	3.4
Provident fund for investment - savings for each child ***)	**-**	**957**	**-**	-	1,933	-	-	2,833	-
Total provident funds *)	**781**	**19,251**	**4.1**	813	19,096	4.3	1,601	40,258	4.0
Total contributions	**3,617**	**38,453**	**9.4**	3,576	36,303	9.9	7,303	75,660	9.7

	For the period of three months ended June 30					
	2018			2017		
NIS in millions	Company	Market	Company % of the market	Company	Market	Company % of the market
New pension funds	**1,424**	**9,713**	**14.7**	1,388	8,883	15.6
Benefits and personal severance pay funds	**90**	**2,420**	**3.7**	94	2,444	3.9
Study funds	**270**	**5,541**	**4.9**	283	5,852	4.8
Severance pay funds	**0**	**69**	**0.6**	3	24	12.7
Provident fund for investment **)	**34**	**828**	**4.1**	19	482	4.0
Provident fund for investment - savings for each child ***)	**-**	**478**	**-**	-	1,445	-
Total provident funds *)	**394**	**9,336**	**4.2**	399	10,248	3.9
Total contributions	**1,817**	**19,050**	**9.5**	1,787	19,132	9.3

*) Excluding central severance pay funds and funds for other purposes.
**) The company has marketed the provident funds for investment since January 2017.
***) The company chose not to market provident funds for investment as part of the government plan "savings for each child".

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.

Provisions regarding the economic solvency regime

For details regarding the Commissioner’s letter with respect to the postponement of the reporting and publication of the economic solvency ratio results as of December 31, 2017, see Note 6 to the financial statements.

3. Restrictions and Supervision of the Corporation's Business (Cont.)

3.1 General (Cont.)

3.1.2 Draft update to the provisions of the consolidated circular - board of directors of institutional entities

On July 19, 2018, the Commissioner published a second draft of the update to the provisions of the consolidated circular regarding the board of directors of institutional entities, which established provisions regarding the qualifications of the members of the board of directors and its committees, which replaced (except with respect to managing companies of branch-specific provident funds) the provisions of the Control of Finance Services Regulations (Insurance) (Board of Directors and Its Committees), 2007, and additional circulars. The draft includes the comprehensive formulation of rules and principles with respect to the work methods of the board of directors, and establishes, inter alia, provisions regarding the composition of the board of directors, the required qualifications and expertise of directors, and a requirement for the board of directors to establish a policy regarding the maximum tenure of the chairman of the board. The required responsibilities and qualifications of the chairman of the board were also specified. The board of directors will determine its desired composition, whereby one third of the directors will be independent, with their total tenure not exceeding 3 terms of 3 years each (unless the meeting has decided not to extend their tenure). According to the draft, the appointment of independent directors in companies with a controlling shareholder will be performed by a board of directors search committee, most of whose members will be independent, and whose members will not include the controlling shareholder or any of his relatives. The general meeting is entitled to decide to appoint a candidate who was not proposed by the search committee. In accordance with the draft, in cases where the controlling shareholder, or any of his relatives, hold a central position, as defined in the draft, in an institutional entity - at least one half of the directors must be independent directors (instead of one third). It is further proposed that joint meetings will not be held for the board of directors of an institutional entity and the parent company of an institutional entity, and restrictions were established regarding the tenure of directors in institutional entities of the same group.

According to the draft circular, it will enter into effect half a year after the application date of the Control of Financial Services Regulations (Insurance) (Board of Directors and Its Committees) (Amendment), 2018 (the "Application Date"). It is further proposed to determine transitional provisions, according to which an outside director who duly serves in an institutional entity will be entitled to remain in his position until the renewal date of the next term. Insofar as his tenure as an independent director will be renewed, subject to his fulfillment of the current provisions of the law, he may serve until the end of nine years after the date of his initial appointment. A director who is not an outside director or an independent director, and who does not fulfill the current provisions of the law, may continue serving in the position until the end of three years after the date of entry into effect. It is further proposed that anyone whose relative serves as a "central position holder" in an institutional entity may not serve as a director; however, this provision will not apply to anyone who held office as a director, as stated above, before the application date.

The draft circular, insofar as it will be published as a binding circular, is expected to have implications on the composition of the board of directors of the company and the group's institutional entities, and on their work arrangements.

3. Restrictions and Supervision of the Corporation's Business (Cont.)

3.1 General (Cont.)

3.1.3 Expansion of obligations to customers

In May and July 2018, the Commissioner published several directives which expanded the obligations that apply to license holders and institutional entities on all matters pertaining to the disclosure and investigation of information when marketing products to customers and responding to customer inquiries:

- 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.)

3.1.3 Expansion of obligations to customers (Cont.)

- Draft amendment to the explanatory document circular -
  Further to the explanatory document circular, which entered into effect in July 2017, and which primarily includes provisions with respect to the explanatory document which a license holder is required to submit to a customer when issuing a recommendation regarding their pension savings, in July 2018 an amendment was published to the explanatory document circular, which includes, inter alia, provisions directing the expansion of the scope of cases in which a license holder is required to complete a full explanatory document when issuing recommendations to customers. Inter alia, it was determined that, in general, in case of cancellation of a license holder's recommendation, as part of the retention process, a complete explanatory document must be filled out, 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, a requirement from which it was previously exempt. At the same time, the number of cases in which a summary explanatory document and call summary can be prepared was reduced.
  The circular 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 provisions of the amendment to the circular will enter into effect with respect to most policy types in October 2018.
  According to the company's estimate, the provisions of the circular are expected to prolong, impose difficulties on, and increase the cost of the customer service process, and to impose difficulties on customer retention.

  The company's estimate in connection with the amendment to the explanatory document circular constitutes forward looking information, which is based on the information that is available to the company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the conduct of distributing entities, and on the conduct 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.)

3.1 General (Cont.)

3.1.3 Expansion of obligations to customers (Cont.)

- Circular regarding addition to insurance

  In July 2018, an amendment to the Addition To Insurance Circular was published, in which the Commissioner set forth provisions regarding the regulation of the conduct of insurance companies and insurance agents when adding a potential policyholder to an insurance plan. The amendment to the circular expands the insurance adjustment process, as specified in the addition to insurance circular, and determines that, as part of the aforementioned process (except with respect to comprehensive motor vehicle insurance, property motor vehicle insurance, comprehensive insurance for businesses and collective long-term care insurance for health fund members), an evaluation will be performed regarding the insurance products which are available to the customer, by running a query on the website "Insurance Mountain", which allows the receipt of information regarding the policyholder's other insurance policies, also in other companies, in order to prevent a situation wherein products are offered to the policyholder which are similar to the products which he currently has, and which he does not need. Excluding with respect to marketing initiated by the insurer, the obligation to investigate requirements in the Insurance Mountain will not apply in case the insurance applicant has refused to give such permission, and has refused to give information regarding the insurance products which he currently has. It was further determined that the insurance agent is obligated to submit the policyholder's contact details to the insurance company. Additionally, insurance companies were prohibited to add an insurance applicant to an individual policy which provides reimbursement when the policyholder has another policy which provides reimbursement for a similar insurance event, in case of insurance which is covered in a policy which he already has, in order to prevent a case of double insurance, of which the applicant is not aware, except for several exceptions which were determined regarding this case.

  According to the assessment of Clal Insurance, the amendment to the addition to insurance circular is expected to make sale processes more complex, and particularly, the process of initiated marketing by the insurer, and telephone sales, and may increase the competition in the segment, and affect the policy retention and renewal processes. The obligation for the agent to submit the policyholder's contact details to the insurance company is expected to assist institutional entities in their relationships with customers.

  The information presented on all matters associated with the possible implications of the amendment to the addition to insurance circular 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 conduct of competitors, agents and customers.

3. Restrictions and Supervision of the Corporation's Business (Cont.)

3.1 General (Cont.)

3.1.3 Expansion of obligations to customers (Cont.)

- Proposed Consumer Protection Law (Amendment No. 57), 2018

In July 2018, an amendment were implemented to the Consumer Protection Law, the Control of Financial Services (Insurance) Law, 1981, and the Control of Financial Services Law (Pension Advice, Marketing and Clearing Systems), 2005, in a manner whereby provisions were determined which obligate institutional entities which provide telephone service through an automatic call routing system, to provide a human response on various matters (problem resolution, account inquiries and termination of engagement), already in the first stage of the call. It was further determined that the wait time for a human response may not exceed six minutes from the start of the call; however the Commissioner was authorized to determine exceptions on this matter. The amendment specifies restrictions on the referral of customers to the voice message service.

The aforementioned amendment may result in increased costs involved in the management of the call centers of the group's institutional entities.

3.1.4 Amendment to the circular regarding service letters

In July 2018, an amendment was published to the circular regarding service letters, which determined provisions and rules regarding the implementation and marketing of service letters. In the amendment, it was determined that the non-provision of an option to purchase insurance policies without service letters and/or cancellation of a discount on the policy which is purchased without service letters, will be viewed as a prohibited condition. It was further determined that the commissions of insurance agents with respect to the sale of insurance policies will not be affected by the sale of the service letters which are marketed by the insurance company. It was further determined that an insurance agent who markets external service letters to policyholders (which are sold by an entity other than the insurer), is obligated to present to the policyholder the service letter which is marketed by the insurance company from which the insurance policy was purchased, and the differences between the service letters, including as regards the terms of service, and the price, and must document said activity.

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.

3.2.3 Default funds

Within the framework of the provisions of the circular “provisions regarding the selection of provident funds”, two pension funds were selected which will serve as default funds, to which members will be added who have not filled out a provident fund addition form, and whose employers have not chosen a default fund in a competitive process to be conducted by them, from November 2016 to October 2018.Further to the above, in August 2018, a letter was received by the company from the Commissioner regarding the process of determining the pension funds which will serve as chosen default funds for a period of three years, beginning in November 2018 (hereinafter: the “**Commissioner’s Letter**”).
In accordance with the letter, at least four chosen default funds will be selected, whereby the only criterion for their selection will be the management fees offered therein, with the maximum rate being no less than 1.0% of the deposits and 0.05% of the accrual (the management fees which are collected in the currently operating chosen default funds amounts to a rate of 1.31% of deposits and 0.01% of accrual in one fund, and to a rate of 1.49% of deposits and 0.001% of accrual in the other fund).
Additionally, in accordance with the letter, the management fees which will be collected by the managing company of the fund that will be chosen as a default fund, from annuity recipients who retire during the winning period (even if they joined through methods other than the default), will not exceed a rate of 0.3% per year (as compared with a maximum rate of 0.5%, in accordance with the law).
The letter also includes provisions with respect to the method for assigning preference in the selection of the default funds for pension funds whose market share is less than 5%.

3. Restrictions and Supervision of the Corporation's Business (Cont.)

3.2. Long term savings

3.2.3 Default funds (Cont.)

On August 14, 2018, the Israel Insurance Association petitioned the Supreme Court against the Commissioner's letter. In the petition, it was alleged, inter alia, that the intent and result of the Commissioner's letter was the redistribution of the pension market in Israel, while completely excluding the experienced pension funds from the arrangement which is the subject of the petition, and selecting four other funds instead of them, in a process which is supposedly competitive, and that the Commissioner's letter should be canceled. The Supreme Court was further requested to issue an interim order suspending the validity of the Commissioner's letter until a determination has been reached regarding the petition; including the declaration regarding the pension funds which will be chosen by the Commissioner as default funds, in accordance with the Commissioner's letter. In the interim decision, the Supreme Court determined that the identity of the pension funds which will be chosen as chosen default funds will not be published until a different decision has been reached.

The creation of the default funds, and the competitive advantages which are available to them, have a significant sector-wide impact on the pension fund market. The provisions of the circular "provisions regarding provident funds", including in connection with the determination of management fees as a central criterion, have resulted in a decrease of the average management fees which are collected in annuity-paying provident funds and in study funds; in changes to the business models of managing companies; in reduction of their profitability; and accordingly, also in changes to the market shares of the current competitors, including Clal Pension and Provident Funds. According to the assessment of the group's institutional entities, this trend is expected to continue, and depends on the rate of management fees which will be determined by the chosen funds.

The demand for a discount on management fees for annuity recipients is expected to increase the competition between institutional entities, with respect to members who are near retirement age.

Additionally, the creation of default funds is also expected to continue affecting the activity and involvement of insurance agents in the market, in a manner which could impose difficulties on the pension marketing process and on offering service to members, and to obligate employers who are not interested in adding their employees to the default funds to find alternatives to these arrangements, and which could affect the institutional entities accordingly.

The aforementioned effect on the activities of insurance agents is intensified in light of the combined impact of the aforementioned provisions, together with the provisions regarding the automatic expiration, in March 2019, of the default arrangements which were in effect on the publication date of the circular regarding default funds, and with the clarification regarding the "pension marketing process", which determines that an insurance agent, when performing a transaction (including addition) with respect to a pension product, must perform a pension marketing process as a condition for the receipt of a distribution commission with respect to the aforementioned product, and is not entitled to a distribution commission in case of members who have not filled out a provident fund addition form (addition by way of an "arrangement for many"). (See section 3.2.5 below).

The information presented on all matters associated with the possible implications of the provisions regarding the creation and selection of default funds constitutes forward looking information, which is based on assumptions and estimates made by the group as of the publication date of the report. Actual implementation may differ significantly from the forecast, and is significantly dependent on the following factors: the steps which will be taken by the member companies in the group, including as regards dealing with the increasing competition in the market, and changes in the market shares and revenues of the group's institutional entities; the institutional entities' relationships with employers and distributing entities; the conduct of the competing institutional entities; the preferences of members and policyholders and their conduct with respect to their products; the conduct of employers and operating entities on their behalf; the implications of other reforms in the segment; and the impact thereof together with the aforementioned provisions.

3. Restrictions and Supervision of the Corporation's Business (Cont.)

3.2. Long term savings

3.2.4 Method for withdrawal of funds from the upon the conclusion of upon conclusion of the work relationship

In July 2018, Amendment 21 to the Control of Financial Services (Provident Funds) Law was published, in which it was determined that an employer will be entitled to withdraw provisions which it has made for its employee, to the severance pay component, within 4 months after the end of the employee's period of employment at that employer, provided that the employer has submitted, to the institutional entity where the severance pay funds are held, one of the following: (1) A declaratory ruling determining its right to severance pay, or a reference confirming the initiation of such legal proceedings; or (2) References confirming the existence of legal proceedings, in which a final determination was given regarding the employer's entitlement to severance pay, or revocation of the employee's entitlement to severance pay: or (3) Notice by the employer and employee confirming that the funds can be returned to the employer. It was further determined that insofar as the employer has not submitted to the managing company the aforementioned documents within the specified period, and the employee has withdrawn the severance pay, the employer will be estopped from bringing claims against the managing company. An employer will be entitled to withdraw provisions which it has performed on behalf of its employees to the severance pay component 4 months after the end of the employee's period of employment at that employer, only if it has submitted to the institutional entity a declaratory ruling determining its entitlement to severance pay, and the employee has not yet withdrawn the severance pay as of the date when the aforementioned ruling is given.
The aforementioned amendment includes transitional provisions for 4 months, during which period the employer may object to the transfer of severance pay funds of employees whose employment concluded before the amendment entered into effect.

The company is unable, at this stage, to estimate the full implications of the aforementioned provisions, including its effect on the future scope of withdrawals of the severance pay funds which it manages.

3.2.5 Pension marketing process upon the addition of members to pension products

Further to the clarification which was published by the Commissioner in February 2018, regarding the pension marketing process upon the addition of members to a pension product (hereinafter: the "**Clarification Regarding The Pension Marketing Process**"), which primarily involves a provision stating that an insurance agent who performs a transaction with a pension product on behalf of a customer (including addition to a pension product) is obligated to perform a pension marketing process as determined in the provisions of the Law, and that an institutional entity is entitled to pay a distribution commission only in case the pension insurance agent has performed a "transaction" as part of the pension marketing process; In July 2018, and following a discussion which was held by the Supreme Court regarding a petition which was filed on this matter, inter alia, by the Association of Insurance Brokers and Agents in Israel, the State notified the Supreme Court that it would act to revise the clarification regarding pension marketing, in a manner whereby it will only apply to the addition of savers in pension products, which were implemented after the publication date of the aforementioned clarification.

3. Restrictions and Supervision of the Corporation's Business (Cont.)

3.2. Long term savings

3.2.5 Pension marketing process upon the addition of members to pension products (Cont.)

The company is applying the provisions of the clarification regarding the pension marketing process. This clarification, together with the provisions regarding the creation of a default fund, may affect the addition to pension products of the group's institutional entities, and agents' involvement in these processes. At this stage, it is not possible to estimate the full impact of the clarification, which could be significant, and which depend, inter alia, on the choices of institutional entities with respect to distribution channels, the conduct of competing employer entities, and of customers, as well as the combined impact of the provisions of the clarification, together with additional directives.

The information presented on all matters associated with the clarification regarding the pension marketing process constitutes forward looking information, which is based on assumptions and estimates made by institutional entities in the group as of the publication date of the report. Actual implications may differ significantly from the estimated implications, due to the preliminary status of the arrangement, and the factors specified above.

3.3 Health insurance

3.3.1 Collective long-term care insurance for health fund members

In July 2018, an amendment was published to the Control of Financial Services Provisions (Insurance) (Collective Long-Term Care Insurance for Health Fund Members) (Amendment No. 2), 2018 (hereinafter: the "**Provisions of Collective Long-Term Care Insurance for Health Fund Members**" or the "**Amendment**", as applicable). The provisions of collective long-term care insurance for health fund members determine a standard wording for the policy, and formalize the conditions in collective long-term care insurance which is prepared for health fund members, and determine instructions for insurers of such insurance policies. The amendment includes, inter alia, provisions in case of cancellation of long-term care insurance, whereby in case of cancellation of insurance for a single policyholder, whose registration at a health fund was canceled, and who did not register for another fund, the current provisions will remain in effect, according to which the insurance company which insured the policyholder before the cancellation of insurance must offer, to the aforementioned policyholder, an individual long-term care policy, with continuity of insurance. In case of non-renewal of the collective long-term care insurance for health fund members for all group members by any insurer, an outline for continuity of long-term care insurance was established, 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 to a mutual long-term care insurance policy for an "all life" insurance period, 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 amounts in the policyholder fund. Various provisions were also determined, mostly of an operational nature, 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. For additional details in connection with the tenders of Maccabi and Clalit health funds, regarding the selection of an insurer for the collective long-term care insurance for the members of those funds, see Note 8(D) to the financial statements.

3. Restrictions and Supervision of the Corporation’s Business (Cont.)

3.4 Non-life insurance

3.4.1 Bill to Amend the Motor Vehicle Ordinance (No. 23) (Increasing Loading Component in Insurance Tariff)

The insurance companies finance their share in the residual insurance arrangement (within the framework of the “pool”) by loading the residual insurance cost onto the other policyholders in compulsory motor insurance in the insurance company through avenues other than residual insurance. In accordance with the legislative arrangement, the loading component which the insurance companies participating in the residual insurance arrangement are permitted to charge for the purpose of financing the cost of the residual insurance is at a rate which will not exceed a range of 5.5% to 6.5% of the cost of the pure risk of the insurer’s compulsory insurance through avenues other than the residual insurance, in accordance with the Commissioner’s Determination.
In June 2018, the Knesset reforms committee approved a proposal, in preparation for the second and third readings in the assembly, according to which the loading component in motor insurance will be 8.5% for two years, and subsequently will remain at 8%.

At this preliminary stage, it is not possible to predict its full impact on profitability, which depends, inter alia, on the final approval of the legislation, on the method for updating the tariffs of the “Pool”, insofar as they will be updated, on the compulsory motor insurance tariff of Clal Insurance, as approved by the Commissioner, and on the conduct of competing entities and customers.

3.4.2 <u>Periodic payments in accordance with the Road Accident Victims Compensation Law - consultation paper</u>

Further to that stated in section 7.1.1.1d(2) of the chapter “description of the corporation’s business” in the annual financial reports for 2017, regarding the interest rate for the purpose of discounting National Insurance annuities, in July 2018, the Authority published a consultation paper regarding periodic payments by virtue of the Road Accident Victims Compensation Law, 1975 (hereinafter, respectively: the “**Consultation Paper**” and the “**Compensation Law**”).

In the consultation paper, the Authority wishes to examine the implications of the regulation, in which provisions will be determined stipulating that payments by virtue of the Compensation Law, due to loss of working capacity and ongoing expenses, to victims for whom a disability grade of 20% or higher has been determined with respect to their future working capacity, will be implemented, in general, through periodic future payments which will be linked to the consumer price index. According to the consultation paper, the victim or the insurance company will not be entitled to claim a deterioration or improvement in their health condition due to the road accident, which requires an update to the monthly annuity which was determined for him. Additionally, an evaluation will be performed regarding the need to determine provisions in case the victim has passed away, after periodic payments have been determined for him, whereby payment to dependents whose livelihood entirely or partially depended on the deceased, prior to his passing, will also be effected through periodic payments (hereinafter: the “**Proposed Regulation**”).

At this preliminary stage, and in light of the preliminary status of the proposed regulation, and the general nature thereof, Clal Insurance is unable to estimate its effect, insofar as it will be implemented, and the matter depends, inter alia, on the details of the regulation which will be determined, on the costs required of insurers, including the costs to operate and implement the proposed regulatory mechanism, on the tariffs will be approved by will be approved, and on the conduct of the plaintiffs and competing entities in the market.

3. Restrictions and Supervision of the Corporation's Business (Cont.)

3.4 Non-life insurance (Cont.)

3.4.3. Draft circular regarding certificates of insurance -

Further to that stated in section 7.1.1.3d(2) in the chapter "description of the corporation's business" in the annual financial statements for 2017, in August 2018, the Commissioner published a second draft of the circular regarding certificates of insurance (hereinafter: the "**Draft Circular Regarding Certificates of Insurance**"), which is intended to establish provisions to arrange the conduct of insurance companies with respect to the issuance of certificates of insurance, and to dictate a binding text for the provision of such certificates. The draft circular regarding certificates of insurance determines, inter alia, that an insurance company will not issue an approval or an undertaking pertaining to the policy except in accordance with the provisions of the circular, and in accordance with the wording of the approval which was attached as an annex to the circular; however, the insurance company will be entitled to determine specific liability limits with respect to the entity requesting the certificate, and to waive exclusions and restrictions specified in the insurance policy, and in the foregoing case, the insurance company will be responsible for updating the insurance policy and insurance details page accordingly, as applicable, and to send the updated wording thereof to the policyholder.

According to the company's estimate, the draft circular regarding certificates of insurance, insofar as it is approved as a binding circular, will result in the regulatory unification of the wording of certificates of insurance, and according to the assessment of Clal Insurance, will not create any significant change beyond the foregoing, relative to the status quo.

Clal Insurance's estimate in connection with the provisions of the draft circular regarding certificates of insurance constitutes forward looking information, which is based on the information which is available to the group as of the reporting date. Actual results may differ from the forecasted results, inter alia, due to the final wording of the circular regarding certificates of insurance, and the conduct of policyholders, entities requesting approval and competitors.

4. Compensation Policy

With respect to footnote 2 of the company's compensation policy, which states that, for the sake of prudence, an identical status was determined between the corporate officers of Clal Insurance and the corporate officers of the company, it is clarified that, in accordance with the resolution of the company's board of directors dated August 20, 2018, the list of corporate officers in the company was reduced to functionaries who hold responsibilities in the company, beyond the responsibilities which they hold in Clal Insurance and/or in other subsidiaries of the group. Accordingly, the company's compensation policy will apply to corporate officers in the company only. It is emphasized that the compensation policy of institutional entities in the group, including Clal Insurance, will continue to apply also to the corporate officers of the company, by virtue of their status as corporate officers in Clal Insurance as well.

Board of Directors’ Report

The board of directors' report on the state of the corporation's affairs for the period ended June 30, 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**") during the first six months of 2018 (hereinafter: the "**Reporting Period**").

The board of directors' report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. The board of directors' report with respect to insurance business operations was prepared in accordance with the Control of Insurance Business Regulations (Particulars of Report), 1998, and in accordance with the circulars issued by the Commissioner of 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 during the reporting period amounted to a total of approximately NIS 4,994 million, as compared with a total of approximately NIS 4,889 million in the corresponding period last year. The increase in premiums was mostly from insurance business operations, in the amount of approximately NIS 113 million, 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 4 million, as compared with comprehensive income of approximately NIS 205 million in the corresponding period last year. Return on equity in annual terms during the reporting period amounted to a negative rate of 0.2%, as compared with a positive rate of 8.8% in the corresponding period last year.

The results during the reporting period were primarily affected by capital market returns, which were lower than the returns in the corresponding period last year, and which were reflected both in the decrease of investment income and in the collection of variable management fees. Additionally, the decrease in income was due to the increase in the provision for loss of working capacity claims in the life insurance segment, as compared with the corresponding period last year.

During the reporting period, in the life insurance segment, gross real returns in profit sharing policies amounted to a rate of 0.57%, as compared with a rate of return of 2.75% 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 15 million, as compared with collection in the amount of approximately NID 113 million in the corresponding period last year.

Additionally, the results in the reporting period and in the corresponding period last year include the effects specified below:

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

1.1 Financial information by operating segments (Cont.)

NIS in millions	Item	H1 2018	H1 2017	Q2 2018	Q2 2017	Year 2017
		Unaudited				Audited
Comprehensive income (loss), as published in the report		**(4)**	205	**112**	65	370
Special effects						
Impact of the low interest rate environment and liability adequacy test:						
Life insurance - total impact of the low interest rate environment before tax	1	**276**	85	**415**	13	(259)
Non-life insurance						
Impact of the Winograd committee's recommendations	2	**50**	(29)	**22**	(23)	(78)
Long-term care insurance in the health segment - effect of the LAT update	1	**(61)**	-	**2**	-	-
Total income (loss) before tax with respect to the low interest rate environment and the liability adequacy test		**265**	56	**439**	(10)	(337)
Amortization of goodwill - provident funds	3	**(115)**	(81)	**(115)**	(81)	(108)
Other	4	**-**	53	**-**	53	(3)
Total income (loss) before tax with respect to special effects		**150**	28	**324**	(38)	(448)
Total income (loss) after tax with respect to special effects		**99**	18	**213**	(25)	(291)
Comprehensive income after tax without the impact of special effects		**(103)**	187	**(101)**	90	661

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

   Life insurance

   Reserves with respect to life insurance contracts decreased in the amount of approximately NIS 276 million (a total of approximately NIS 182 million after tax), as compared with a decrease of the reserves in the amount of approximately NIS 85 million (a total of approximately NIS 55 million after tax) in the corresponding period last year. The aforementioned decrease was primarily due to the update to the K factor for profit sharing policies (0.96% on June 30, 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 increase of the risk-free interest rate curve.

   Long-term care insurance in the health segment

   The provision for the liability adequacy test (LAT) with respect to long-term care insurance increased in the amount of approximately NIS 61 million (a total of approximately NIS 40 million after tax), in light of the update to the actuarial assumptions which are used to calculate the reserve with respect to long-term care policyholders.

It is noted that Clal Insurance has a balance of the provision with respect to the liability adequacy test (LAT) as of June 30, 2018 in life insurance and in the health and long-term care segment in the amount of approximately NIS 116 million and NIS 61 million, respectively.

After the reporting date, the risk-free interest rate curve decreased. For additional details, see section C 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 provision with respect to the Winograd committee's recommendations as of June 30, 2018 in the compulsory motor and liabilities branches by approximately NIS 50 million, on retention and before tax (a total of approximately NIS 33 million after tax), as compared with an increase of the insurance liabilities in the amount of approximately NIS 29 million on retention before tax in the corresponding period last year (a total of approximately NIS 19 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.

For details regarding the publication of the consultation paper on the subject of periodic payments by the Capital Market Authority, see section 3.4.2 of the chapter including updates to the chapter "description of the corporation's business affairs".

It is noted that the total provision on retention with respect to the Winograd committee's recommendations, from the date of their publication until the reporting date, amounts to approximately NIS 169 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 decreased. For additional details, see section B(2) below.

3. **Impairment of goodwill - provident funds**

As stated in Note 8 to the financial statements, the rate of management fees in the provident fund segment has been subject to an ongoing decline, as a result of the competitive conditions in the segment, beyond the forecasts which had been prepared by the company. Accordingly, during the reporting period, the company evaluated the need to record a provision for impairment of the goodwill attributed to the provident fund management operation, through a valuation prepared by an external valuer. In accordance with the valuation, the book value of the provident fund operation was higher than the value in use by approximately NIS 115 million (approximately NIS 76 million after tax), and therefore, the company recognized impairment loss of goodwill, as compared with impairment of approximately NIS 81 million (approximately NIS 53 million after tax) in the corresponding period last year.

4. **Other**

in the corresponding period last year, the company implemented a correction involving the attribution of its liabilities to stipend recipient policyholders, to various guaranteed-return HETZ bonds, and as a result the insurance reserves decreased, and pre-tax profit increased in the amount of approximately NIS 88 million (of which, approximately NIS 22 million with respect to the decrease of the liability adequacy test (LAT) reserve), and accordingly, profit after tax increased in the amount of approximately NIS 57 million, with no effect during the reporting period. On the other hand, in the corresponding period last year, the company updated special provisions in long-term savings, primarily with respect to data cleansing in the amount of approximately NIS 35 million (approximately NIS 23 million after tax).

B. Current quarter

Gross premiums earned in the quarter amounted to a total of approximately NIS 2,519 million, as compared with a total of approximately NIS 2,445 million in the corresponding period last year. The increase in premiums, mostly from insurance business operations, in the amount of approximately NIS 56 million, was due to the increase in individual product sales.

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

1.1 Financial information by operating segments (Cont.)

Comprehensive income after tax attributable to the company's shareholders during the quarter amounted to a total of approximately NIS 112 million, as compared with comprehensive income of approximately NIS 65 million in the corresponding period last year. Return on equity in annual terms amounted to a rate of 9.1%, as compared with a rate of 5.4% in the corresponding period last year.

The results in the current quarter were primarily affected by capital market returns, which were lower than the returns in the corresponding period last year, and which were reflected both in the decrease of investment income and in the collection of variable management fees, the increase in the provision for loss of working capacity claims in the life insurance segment, and the decrease in the positive development of claims in the third party sub-branch of non-life insurance, relative to the corresponding period last year.

During the quarter, gross real returns in profit sharing policies amounted to a rate of 0.19%, as compared with a rate of return of 0.91% in the corresponding period last year. Due to the foregoing, in the current quarter, variable management fees were collected in life insurance in the amount of approximately NIS 2 million, as compared with collection of approximately NIS 36 million in the corresponding period last year.

Additionally, the results in the current quarter and in the corresponding quarter last year included the effects 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 decreased in the amount of approximately NIS 415 million (total of approximately NIS 273 million after tax), as compared with the reduction of reserves in the amount of approximately NIS 13 million (total of approximately NIS 8 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, and the update to the results of the liability adequacy test (LAT), as stated above.

   Long-term care insurance in the health segment

   The provision for the liability adequacy test (LAT) with respect to long-term care insurance decreased in the amount of approximately NIS 2 million (a total of approximately NIS 1 million after tax), with no effect in the corresponding period last year. In this quarter, the LAT reserve decreased in light of the increase of the risk-free interest rate curve; while on the other hand, the reserve increased in light of the update to the actuarial assumptions which are used to calculate the reserve with respect to long-term care policyholders.

2. **Winograd committee**

   During the quarter, the company reduced the insurance liabilities as of June 30, 2018 in the compulsory motor and liabilities branches by approximately NIS 22 million, on retention and before tax (a total of approximately NIS 14 million after tax), as compared with an increase of the insurance liabilities in the amount of approximately NIS 23 million on retention before tax in the corresponding period last year (a total of approximately NIS 15 million after tax). The decrease was due to the increase in returns of investment instruments which were used to calculate the estimate.

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

1.1 Financial information by operating segments (Cont.)

3. **Impairment of goodwill - provident funds**

The company recognized impairment loss of goodwill in the amount of approximately NIS 115 million in the current quarter (approximately NIS 76 million after tax), as compared with impairment in the amount of approximately NIS 81 million (approximately NIS 53 million after tax) in the corresponding period last year, as stated above.

4. **Other**

In the corresponding period last year, the company made a correction regarding the attribution of its liabilities to stipend recipient policyholders, and as a result, insurance reserves decreased, and pre-tax profit increased in the amount of approximately NIS 88 million, as stated above. On the other hand, in the corresponding period last year, the company updated special provisions in long-term savings, primarily with respect to data cleansing in the amount of approximately NIS 35 million (approximately NIS 23 million after tax).

C. Developments subsequent to the reporting period

1. During the period from the reporting date until the publication date of the report, the risk-free interest rate curve declined. Further to that stated in Note 39(e)(e1) and (e2) to the annual financial statements, a decrease in interest rates may lead to an increase in insurance liabilities in non-life insurance, in the compulsory, liabilities and personal accidents branches, in the liability to supplement annuity reserves, including a change in the K factor, in paid pension liabilities in life insurance, and also as part of the liability adequacy test (LAT). On the other hand, increases were recorded in capital markets, which positively affected the company's nostro portfolio and the investment portfolio of profit-sharing policies.
At this stage, it is not possible to estimate the implications of the decrease of the risk-free interest rate curve during this period on the results for 2018, inter alia, due to the uncertainty regarding the effect that the aforementioned developments will have on the estimated insurance liabilities of Clal Insurance, with respect to the impact of the decreased interest rate curve on the fair value of debt assets, and with respect to continuing developments in financial markets until the end of 2018, and the above does not constitute any estimate regarding the company's expected financial results for 2018.
For details regarding sensitivity tests to market risks, see Note 39(c)(2) to the annual financial statements.

2. Maccabi tender - Further to that stated in section 8.1.2. (2) of the chapter "description of the corporation's business" in the company's financial statements for 2017, in connection with Clal Insurance's engagement in agreements with respect to 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 (hereinafter: the "**Tender**"), according to a different engagement framework than the engagement framework which currently exists for Clal Insurance vis-à-vis Maccabi (in a manner whereby the winning insurer will bear only 20% of the insurance risk, and the policyholder fund will bear the remainder). According to Maccabi's announcement, Clal Insurance's bid for the continued provision of collective long-term care insurance service to Maccabi policyholders did not win the public tender which was conducted by Maccabi, and therefore, Clal Insurance will continue insuring Maccabi policyholders according to the current framework, as stated above, until December 31, 2018. It is noted that, in accordance with media publications, Phoenix insurance company won both the tender of Clalit health fund and the tender of Maccabi health fund, and chose to be the insurer of Maccabi health fund. It is noted that, in accordance with the Commissioner's directives, an insurance company may not enter into more than one agreement with respect to long-term care insurance for health fund members (or some of them), if the total number of policyholders which it insures in one or more agreements, as stated above, exceeds 50% of the total number of policyholders in all existing long-term care insurance for health fund members, unless the Commissioner has approved otherwise, and in accordance with the conditions which he has approved. To the best of the company's knowledge, at this stage, Clalit health fund has not yet made an official announcement in connection with the tender results. Clal Insurance is studying the tender's results and implications, and the required preparations.

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

1.1 Financial information by operating segments (Cont.)

Presented below are details regarding the main components included in comprehensive income (NIS millions):

	2018 H1	2017 H1	Rate of change in %	2018 Q2	2017 Q2	Rate of change in %	2017
Long term savings			Unaudited				Audited
Life insurance							
Gross premiums earned	2,824	2,860	(1)	1,417	1,417	-	5,535
Income (loss) before tax	130	334	(61)	271	132	105	236
Comprehensive income (loss)	145	292	(50)	300	123	144	267
Pension							
Income from management fees	136	138	(1)	66	68	(7)	282
Income before tax	-	3	#	(3)	(1)	200	7
Comprehensive income (loss)	(2)	5	#	(4)	-	#	11
Provident							
Income from management fees	85	89	(4)	39	42	(7)	183
Income (loss) before tax	(112)	(83)	35	(114)	(93)	23	(102)
Comprehensive income (loss) before tax	(112)	(83)	35	(114)	(93)	23	(102)
Profit (loss) in the long-term savings division	18	254	(93)	154	39	295	141
Total comprehensive income (loss) in the long-term savings division	32	214	(85)	182	30	507	177
Non-life insurance segments							
Gross premiums earned	1,145	1,119	2	582	564	3	2,279
Premiums earned on retention	693	764	(9)	346	371	(7)	1,519
Total income (loss)	77	2	3,750	1	(9)	#	14
Total comprehensive income (loss) for the period	92	4	2,200	18	(9)	#	62
Health insurance							
Gross premiums earned	1,025	912	12	521	465	12	1,917
Premiums earned on retention	877	794	10	445	405	10	1,655
Income (loss) before tax	(38)	42	#	(6)	34	#	129
Comprehensive income (loss) before tax	(36)	40	#	6	31	(81)	184
Other comprehensive income and items not included in the insurance branches	(36)	113	#	(3)	73	#	249
Total income (loss) before tax	(4)	352	#	110	104	6	286
Total comprehensive income (loss) before tax	(16)	302	#	162	85	91	547
Taxes (tax benefit) on comprehensive income	(14)	95	#	49	17	187	171
Total comprehensive income (loss) for the period, net of tax	(2)	207	#	113	67	69	376
Total comprehensive income (loss) for the year attributable to shareholders in the company	(4)	205	#	112	65	72	370
Return on equity in annual terms (in percent) *)	(0.2)	8.8	#	9.1	5.4	68	7.9

***)** 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 shareholders in the company.

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

1.1 Financial information by operating segments (Cont.)

1.1.1. Long term savings

1.1.1.1. Life insurance operations

Life insurance	For the period of six months ended June 30		For the three month period ended June 30		Note
	2018	2017	2018	2017	
Gross premiums earned	**2,824**	2,860	**1,417**	1,417	
Comprehensive income (loss)	**145**	292	**300**	123	**Reporting period** - During the reporting period, a release of reserves was recorded with respect to the low interest rate environment in the amount of approximately NIS 276 million, as compared with the release of reserves in the amount of approximately NIS 85 million in the corresponding period last year (see section A above). On the other hand, in the corresponding period last year, the company made a correction regarding the attribution of its liabilities to stipend recipient policyholders, to various guaranteed-return HETZ bonds, and as a result, the insurance reserves decreased, and pre-tax profit increased in the amount of approximately NIS 88 million, with no effect during the reporting period. (See section A(4) above.) The transition to loss during the reporting period, after neutralizing the aforementioned effects, was primarily due to the decrease in the financial margin, as stated above, during the reporting period, as compared with the corresponding period last year, and the increase in the provision for loss of working capacity claims relative to the corresponding period last year. **Quarter** - In the current quarter, a release of reserves was recorded with respect to the low interest rate environment in the amount of approximately NIS 415 million, as compared with the release of reserves in the amount of approximately NIS 13 million in the corresponding period last year (see section A above). On the other hand, in the corresponding quarter last year, the company made a correction regarding the attribution of its liabilities to stipend recipient policyholders, to various guaranteed-return HETZ bonds, and as a result, the insurance reserves decreased, and pre-tax profit increased in the amount of approximately NIS 88 million. (see section B above). The decrease in income and the transition to loss, after neutralizing the aforementioned effects, in the current quarter, was primarily due to the decrease in the financial margin, as stated above, during the reporting period, as compared with the corresponding period last year, and the increase in the provision for loss of working capacity claims relative to the corresponding period last year.
Comprehensive income (loss) after neutralization of the interest rate environment and other	**(131)**	119	**(115)**	22	
The redemption rates of life insurance policies from the average reserve, in annual terms	**2.0%**	2.1%	**2.1%**	1.9%	
Investment income applied to policyholders after management fees	**379**	1,252	**488**	718	
Management fees (fixed and variable)	**227**	312	**108**	137	

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

NIS in millions	For the period of six months ended June 30				For the period of three months ended June 30				For the year ended December 31	
	2018	% of total	2017	% of total	2018	% of total	2017	% of total	2017	% of total
Variable management fees	15	7	113	36	2	1	36	26	352	46
Fixed management fees	212	93	199	64	107	99	101	74	408	54
Total management fees	227	100	312	100	109	100	137	100	760	100
Total financial margin and management fees	261		371		98		137		1,016	
Current premiums	2,677	95	2,709	95	1,338	94	1,350	95	5,226	94
Non-recurring premiums	146	5	152	5	80	6	67	5	309	6
Total gross premiums earned	2,824	100	2,860	100	1,417	100	1,417	100	5,535	100
Current premiums	31	16	45	28	13	14	22	37	82	28
Non-recurring premiums	156	84	115	72	82	86	37	63	209	72
Total premiums with respect to pure savings	186	100	160	100	95	100	59	100	291	100

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

1.1 Financial information by operating segments (Cont.)

Details regarding the rates of return in profit-sharing policies

	Policies issued during the years 1992 to 2003 (Fund J)				
	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2018	2017	2018	2017	2017
Real return before payment of management fees	**0.57**	2.75	**0.19**	0.91	8.50
Real return after payment of management fees	**0.24**	2.10	**0.04**	0.66	6.72
Nominal return before payment of management fees	**1.48**	3.47	**1.39**	1.82	8.82
Nominal return after payment of management fees	**1.14**	2.81	**1.24**	1.56	7.04

	Policies issued beginning in 2004 (New Fund J)				
	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2018	2017	2018	2017	2017
Real return before payment of management fees *)	**0.30**	2.48	**(0.01)**	0.82	8.12
Real return after payment of management fees *)	**(0.25)**	1.92	**(0.29)**	0.54	6.93
Nominal return before payment of management fees	**1.20**	3.20	**1.19**	1.73	8.45
Nominal return after payment of management fees	**0.64**	2.63	**0.91**	1.45	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. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

1.1 Financial information by operating segments (Cont.)

1.1.1. Long-term savings (Cont.)

1.1.1.3 Provident fund operations

	For the six month period ended June 30		For the three month period ended June 30		
	2018	2017	2018	2017	Note
Comprehensive loss	(112)	(83)	(114)	(93)	**Reporting period and quarter** - The loss was primarily due to the impairment of goodwill which was recorded during the reporting period and in the current quarter in the amount of approximately NIS 115 million, as compared with impairment in the amount of approximately NIS 81 million in the corresponding periods last year. Additional details, see Note 8(e) to the financial statements. It is noted that, during the reporting period, and mostly in the current quarter, a significant decrease occurred in net negative transfers.
Income (loss) after neutralizing impairment of goodwill	3	(2)	(2)	(12)	**Reporting period and quarter** - The improvement in results, after neutralizing the aforementioned impairment, was primarily due to the update to the provisions with respect to claims in the amount of approximately NIS 15 million in the corresponding periods last year, which was partly offset due to the decrease in income from management fees in the reporting period and in the current quarter, relative to the corresponding periods last year.

1.1.1.4 Pension operations

	For the six month period ended June 30		For the three month period ended June 30		
	2018	2017	2018	2017	Note
Comprehensive income (loss)	(2)	5	(4)	-	The decrease in income and the transition to loss in the reporting period and in the current quarter 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 also due to the increase in operating and collection expenses, and the handling of regulatory updates. These effects were partly offset by the increase in routine deposits. For details regarding the Commissioner's letter regarding the process of determining pension funds which will serve as default funds, see section 3.2.3 of the chapter "updates regarding the corporation's business affairs".

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

1.1 Financial information by operating segments (Cont.)

1.1.2 Non-life insurance - Presented below is the distribution of premiums and comprehensive income:

	For the period of six months ended June 30				For the period of three months ended June 30				For the year ended December 31	
Gross premiums	2018	% of total	2017	% of total	2018	% of total	2017	% of total	2017	% of total
Motor property	**398**	**31**	401	32	**176**	**29**	175	32	727	32
Compulsory motor	**259**	**20**	267	21	**115**	**19**	119	21	473	21
Property branches	**398**	**31**	338	27	**203**	**34**	140	25	666	29
Credit insurance	**55**	**4**	56	4	**28**	**5**	28	5	110	5
Liability branches	**176**	**14**	191	15	**82**	**14**	92	17	324	14
Total	**1,285**	**100**	1,253	100	**605**	**100**	555	100	2,299	100

	For the period of six months ended June 30				For the period of three months ended June 30				For the year ended December 31	
Premiums on retention	2018	% of total	2017	% of total	2018	% of total	2017	% of total	2017	% of total
Motor property	**397**	**53**	400	50	**176**	**54**	174	62	724	50
Compulsory motor	**105**	**14**	142	18	**44**	**13**	(1)	28	252	18
Property branches	**95**	**13**	108	14	**39**	**12**	43	15	194	14
Credit insurance	**28**	**4**	28	4	**14**	**4**	14	5	56	4
Liability branches	**122**	**16**	118	15	**54**	**17**	49	18	211	15
Total	**749**	**100**	796	100	**327**	**100**	279	100	1,437	100

	For the period of six months ended June 30			For the period of three months ended June 30			For the year ended December 31
Comprehensive income (loss) before tax	2018	2017	Change in %	2018	2017	Change in %	2017
Motor property	31	12	190	19	12	70	27
Compulsory motor	27	(37)	#	(15)	(37)	(59)	1
Property branches	1	20	(95)	4	8	(50)	11
Credit insurance	19	18	11	11	11	-	41
Liability branches	15	(9)	#	-	(2)	(100)	(19)
Total	92	4	2,339	18	(9)	#	62

	For the period of six months ended June 30			For the period of three months ended June 30			For the year ended December 31
Comprehensive income (loss) before tax Without the estimated provision with respect to the implications of Winograd	2018	2017	Change in %	2018	2017	Change in %	2017
Compulsory motor	(2)	(21)	(109)	(28)	(25)	14	46
Liability branches	(6)	4	#	(9)	8	#	14
Total	42	33	40	(4)	14	#	140

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

1.1 Financial information by operating segments (Cont.)

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

	For the period of six months ended June 30				For the period of three months ended June 30				For the year ended December 31	
	2018		2017		2018		2017		2017	
The ratios are after neutralizing the effects of the Winograd committee	LR Gross	LR on retention	LR Gross	LR on retention	LR Gross	LR on retention	LR Gross	LR on retention	LR Gross	LR on retention
Motor property	67%	68%	**71%**	**71%**	66%	67%	**67%**	**68%**	**70%**	**70%**
Compulsory motor	104%	132%	**119%**	**113%**	126%	206%	**146%**	**151%**	**98%**	**93%**
Property branches	56%	52%	**59%**	**41%**	61%	44%	**44%**	**40%**	**70%**	**52%**
Credit insurance	18%	14%	**26%**	**28%**	16%	12%	**21%**	**21%**	**23%**	**22%**
Liability branches	121%	102%	**129%**	**76%**	169%	132%	**106%**	**74%**	**98%**	**77%**
Total	77%	79%	**83%**	**76%**	88%	93%	**79%**	**79%**	**78%**	**72%**

CR on retention	CR on retention	CR on retention	CR on retention	CR on retention	CR on retention
Motor property	95%	**98%**	95%	**96%**	**99%**
Compulsory motor	146%	**129%**	226%	**166%**	**111%**
Property branches	107%	**90%**	105%	**92%**	**104%**
Credit insurance	35%	**46%**	35%	**37%**	**42%**
Liability branches	142%	**116%**	172%	**114%**	**120%**
Total	109%	**105%**	126%	**109%**	**103%**

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

1.1 Financial information by operating segments (Cont.)

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

	For the period of six months ended June 30		For the period of three months ended June 30		
	2018	2017	**2018**	2017	Note
Non-life insurance					
Gross premiums	**1,285**	1,253	**605**	555	
Comprehensive income (loss)	**92**	4	**18**	(9)	**Reporting period** - A provision was recorded with respect to the possible implications of the amendment to the Discounting Regulations, in light of the recommendations of the Winograd committee, in the amount of approximately NIS 50 million, as compared with a total of approximately NIS 29 million during corresponding period last year. **Current quarter** - 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 22 million, as compared with an increase in the provision in the amount of approximately NIS 23 million in the corresponding period last year.
Comprehensive income neutralized by the Winograd provision	**42**	33	**(4)**	14	**Reporting period** - The increase in income, after neutralizing the aforementioned provision, was primarily due to the decrease in loss in the compulsory motor branch, due to the increase in the excess of investment income over the income required to cover the increase in insurance liabilities, and the increase in income in the motor property branch, due to the improvement in underwriting results as compared with the corresponding period last year, as a result of the underwriting improvement in individual business operations. On the other hand, there was a decrease in income in the property branches, and a transition to loss in the liabilities branches, as specified below. **Current quarter** - The transition from income to loss was primarily due to the moderation in positive developments in claims in the third party sub-branch, relative to the corresponding period last year.
LR on retention	**79%**	76%	**93%**	79%	For details, see the explanation of sub-branches below.
CR on retention	**109%**	105%	**126%**	109%	
Motor property					
Gross premiums	**398**	401	**176**	175	
Comprehensive income before tax	**31**	12	**19**	12	**Reporting period and current quarter** - The increase in income was primarily due to the improvement in underwriting results in individual business operations, and due to business optimization, as part of the company's strategy in recent years.
LR on retention	**68%**	71%	**67%**	68%	**Reporting period and current quarter** - The decrease was mostly due to the underwriting improvement, as stated above.
CR on retention	**95%**	98%	**95%**	96%	

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

1.1 Financial information by operating segments (Cont.)

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

	For the period of six months ended June 30		For the period of three months ended June 30		
	2018	2017	**2018**	2017	Note
Compulsory motor					
Gross premiums	**259**	267	**115**	119	
Comprehensive income (loss)	**27**	(37)	**(15)**	(37)	**In the reporting period** - A decrease 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 28 million, as compared an increase of the provision in the amount of approximately NIS 17 million in the corresponding period last year. **In the current quarter** - 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 13 million, as compared with an increase in the provision in the amount of approximately NIS 13 million in the corresponding period last year.
Comprehensive income neutralized by the Winograd provision	**(2)**	(21)	**(28)**	(25)	**In the reporting period** - The decrease in loss, neutralized by the aforementioned provisions, was primarily due to the improvement in surplus investment income over the income which is required to cover the increase in insurance liabilities, which was partly offset by the deterioration in claims.
LR on retention after neutralizing the provision with respect to Winograd	**132%**	113%	**206%**	151%	The change was mostly due to the increase in expenses with respect to claims, including with respect to "Pool" claims, and the change in the method used to attribute reinsurance results.
CR on retention after neutralizing the Winograd provision	**146%**	129%	**226%**	166%	
Property and others branches					
Gross premiums	**398**	338	**203**	140	
Comprehensive income (loss)	**1**	20	**4**	8	During the reporting period and in the current quarter - The decrease in income during the reporting period was primarily due to the large number of fire claims, mostly in the first quarter.
LR on retention	**52%**	41%	**44%**	40%	
CR on retention	**107%**	90%	**105%**	92%	
Credit insurance					
Gross premiums	**55**	56	**28**	28	
Comprehensive income	**19**	18	**11**	11	
LR on retention	**14%**	28%	**12%**	21%	
CR on retention	**35%**	46%	**35%**	37%	
Liability branches					
Gross premiums	**176**	191	**82**	92	
Comprehensive income	**15**	(9)	**-**	(2)	In the reporting period, a decrease 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 21 million, as compared with the increase in the provision in the amount of approximately NIS 12 million in the corresponding period last year. In the current quarter, 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 9 million, as compared with an increase in the provision in the amount of approximately NIS 10 million in the corresponding period last year.
Comprehensive income neutralized by the Winograd provision	**(6)**	4	**(9)**	8	In the reporting period and in the current quarter - The transition from income to loss was primarily due to the moderation in positive developments in claims relative to last year, in the third party sub-branch.
LR on retention	**102%**	76%	**132%**	74%	
CR on retention	**142%**	116%	**172%**	114%	

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

1.1 Financial information by operating segments (Cont.)

1.1.3. Health insurance

	For the six month period ended June 30		For the three month period ended June 30		
	2018	**2017**	**2018**	**2017**	**Note**
Gross premiums earned	**1,025**	912	**521**	465	The increase in premiums was primarily due to the increase in individual business operations.
Comprehensive income (loss)	**(36)**	40	**6**	31	**Reporting period** - The decrease in income and the transition to loss, relative to the corresponding period last year, were due to the liability adequacy test (LAT), which affected comprehensive income in the amount of approximately NIS 61 million, mostly due to the update to the actuarial assumptions which are used to calculate the reserve with respect to long-term care policyholders. This update was mostly offset by the increase of the discount rate, with no effect in the corresponding period last year. **Current quarter** - Comprehensive income in the current quarter included a decrease in the reserve in the amount of approximately NIS 2 million, due to the liability adequacy test (LAT). It is noted that, in this quarter, the actuarial assumptions with respect to long-term care policyholders were updated. This update was mostly offset by the increase of the discount rate, with no effect in the corresponding period last year.
Comprehensive income neutralized by the impact of the LAT reserve	**24**	40	**4**	31	The decrease in comprehensive income was primarily due to the decrease in investment income beyond the amount required to cover insurance liabilities.

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 Note 8 to the financial statements.

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

	Profit sharing long-term care policies of the individual and collective types				
	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
NIS in millions	2018	2017	2018	2017	2017
Investment income applied to policyholders	**44**	100	**50**	58	282

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

1.1 Financial information by operating segments (Cont.)

1.1.4. Other and items not included in the insurance branches

	For the period of six months ended June 30		For the period of three months ended June 30		
	2018	2017	**2018**	2017	
NIS in millions	Unaudited				Note
Investments income, net, and financing income	**40**	145	**16**	86	
General and administrative expenses	**(37)**	(30)	**(17)**	(12)	
Other revenues (expenses)	**4**	8	**4**	7	
Total income (loss) before tax	**7**	123	**3**	81	
Other comprehensive income (loss), primarily with respect to investments	**(43)**	(10)	**(6)**	(8)	**Reporting period** - The decrease in income and the transition to loss during the reporting period were primarily due to investment losses in the amount of approximately NIS 3 million during the reporting period, as compared with investment income in the amount of approximately NIS 135 million in the corresponding period last year. **Quarter** - The decrease in income and the transition to loss were primarily due to investment income in the amount of approximately NIS 10 million in the current quarter, as compared with a total of NIS 78 million in the corresponding period last year.
Total comprehensive income (loss) before tax	**(36)**	113	**(3)**	73	

1.1.5 General and administrative expenses

General and administrative expenses amounted to a total of approximately NIS 442 million, as compared with a total of approximately NIS 406 million last year, and in the quarter to a total of approximately NIS 218 million, as compared with a total of approximately NIS 201 million last year. The increase was primarily due to payroll expenses, inter alia, with respect to the 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 68 million, as compared with approximately NIS 69 million in the corresponding period last year. In the quarter, financing expenses amounted to a total of approximately NIS 42 million, as compared with a total of approximately NIS 40 million last year.

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

1.2 Principal data from the consolidated statements of financial position

1.2.1. Assets

NIS in millions	As of June 30 2018	2017	Rate of change %	As of December 31 2017	Rate of change since December %
Other financial investments [1)]	**31,578**	30,374	**4**	31,457	
Assets managed for others (non-nostro) in the group (NIS in millions):					
For insurance contracts and investment-linked investment contracts	**65,937**	61,025	**8**	64,310	3
For provident fund members [1)]	**33,368**	33,432	**-**	33,620	(1)
For pension fund members *)	**64,625**	57,594	**12**	61,751	5
Total assets managed for others	**163,930**	152,051	**8**	159,681	3
Total managed assets	**195,508**	182,425	**7**	191,138	2
*) Out of this amount, total assets managed by Atudot Havatika	**10,116**	9,549	**6**	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. <u>Capital requirements according to the accounting solvency regime</u>

NIS in millions	As of June 30 2018	As of December 31 2017	Rate of change %
The company			
Total capital attributable to shareholders in the company	**5,042**	5,047	-
Total capital required of the company	**2,888**	2,862	1
Surplus	**2,154**	2,185	(1)
Rate of surplus over required capital	**74.6%**	76.3%	(2)
Clal Insurance			
Total capital and required capital surplus	**4,731**	4,777	(1)
Total Tier 1 capital	**4,858**	4,870	-
Total Tier 2 and Tier 3 capital	**3,159**	3,170	-
Total recognized capital	**8,017**	8,040	-
Surplus	**3,286**	3,263	1
Rate of surplus over capital and required capital surplus	**69.5%**	68.3%	2
Rate of Tier 2 and Tier 3 capital out of total recognized capital	**39.4%**	39.4%	-

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

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

1.2.3. Capital and capital requirements (Cont.)

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

Further to that stated in Note 16(E)(3)(A) to the annual reports, in August 2018, a letter from the Commissioner was received, stating that the timetables for the performance of the calculation as of December 31, 2017 will be postponed, and with respect to insurance companies which have not yet received approval regarding the performance of an audit for the first time, the solvency report as of December 31, 2017 will be published by November 29, 2018. Clal Insurance is preparing to complete the calculation, and to report it in accordance with the Commissioner's directives by the foregoing date.

It is noted that the calculation of the economic solvency ratio is based on data and models which may differ from those used by the company in the financial reports, and which are based, inter alia, on forecasts and assumptions which rely, for the most part, on past experience. In particular, and as specified in the economic solvency regime circular, the calculation of the economic solvency ratio is significantly based on the embedded value calculation model (whose results as of December 31, 2016 were included in the embedded value report which was published on May 29, 2017, reference number 2017-01-073390). For additional details, see Note 16(e)3(c) to the annual statements.

1. Solvency ratio -

	As of December 2016
NIS in millions	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

2. Minimum capital requirement (MCR)

	As of December 2016
NIS in millions	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.

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

1.3. Financing sources (Cont.)

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 June 30, 2018	Proximate to the publication date of the report
Liquid resources of the company (solo)	50	50

*) 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 June 30, 2018

	Israeli currency		Foreign currency				Other non-monetary	Insurance company	
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	items	in Israel	Total
Intangible assets	-	-	-	-	-	-	47,747	1,250,290	1,298,037
Deferred tax assets	-	-	-	-	-	-	6,496	1,820	8,316
Deferred acquisition costs	-	-	-	-	-	-	-	1,953,298	1,953,298
Property, plant and equipment	-	-	-	-	-	-	13,444	208,311	221,755
Investments in associates	-	-	-	-	-	-	-	296,269	296,269
Investment property for investment-linked contracts	-	-	-	-	-	-	-	2,943,941	2,943,941
Other investment property	-	-	-	-	-	-	-	1,244,322	1,244,322
Reinsurance assets	-	-	-	-	-	-	-	2,846,806	2,846,806
Current tax assets	-	2,984	-	-	-	-	-	195,154	198,138
Other accounts receivable	10,029	-	135	-	-	-	449	833,337	843,950
Outstanding premiums	2,322	-	-	-	-	-	-	1,075,024	1,077,346
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	57,836,163	57,836,163
Other financial investments									
Marketable debt assets	10,549	16,646	-	-	-	-	-	4,987,082	5,014,277
Non-marketable debt assets	455	3,168	-	-	-	-	-	22,358,667	22,362,290
Stocks	-	-	-	-	-	-	179	1,427,751	1,427,930
Other	-	-	-	-	-	-	-	2,773,961	2,773,961
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	4,200,311	4,200,311
Other cash and cash equivalents	134,938	-	207	279	4	-	-	994,442	1,129,870
Total assets	158,293	22,798	342	279	4	-	68,315	107,426,949	107,676,980

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

Effect of market risks on business results (Cont.)

Linkage bases report - As of June 30, 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	-	-	-	-	-	-	-	30,411,972	30,411,972
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	65,052,684	65,052,684
Deferred tax liabilities	-	-	-	-	-	-	-	509,392	509,392
Liabilities with respect to employee benefits, net	19,589	-	-	-	-	-	-	68,509	88,098
Other accounts payable	67,471	-	-	-	-	-	-	2,761,605	2,829,076
Current tax liabilities	-	620	-	-	-	-	-	3,241	3,861
Financial liabilities	-	-	-	-	-	-	-	3,692,619	3,692,619
Total liabilities	87,060	620	-	-	-	-	-	102,500,022	102,587,702
Total exposure	71,233	22,178	342	279	4	-	68,315	4,926,927	5,089,278

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. 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, the CEO during the reporting period, and the Senior VP Chief Accounting Division Manager 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, the CEO during the reporting period and the Senior VP Chief Accounting Division Manager 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.

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

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

During the quarter ended June 30, 2018, no change took place in the institutional entity's internal control over financial reporting which could have materially influenced, or which could have been reasonably expected to materially influence, the institutional entity's internal control over financial reporting.

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 **Chairman of the Board**	**Yoram Naveh** **Chief Executive Officer**	**Izzy Cohen** **Chief Executive Officer** **During the Reporting Period**

Tel Aviv, August 20, 2018

Clal Insurance Enterprises Holdings Ltd.

Condensed Interim Consolidated Financial Statements
As of June 30, 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 June 30, 2018, as well as the interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods of six and three months then ended. The board of directors and management are responsible for preparing and presenting the financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements set by the Commissioner of Capital Markets, Insurance and Savings, pursuant to the Control of Financial Services (Insurance) Law, 1981, and are also responsible for compiling financial information for 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 June 30, 2018, and where the group's share in its income amounted to approximately NIS 172 thousand and approximately NIS 91 thousand for the three month and six month periods then ended, respectively. 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 financial information with respect to those companies, 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.

Paragraph in bold regarding (reference)

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,
August 20, 2018

Kost Forer Gabbay and Kasierer
Certified Public Accountants

Somekh Chaikin
Certified Public Accountants

Interim Consolidated Statements of Financial Position

NIS in thousands	As of June 30 2018	As of June 30 2017	As of December 31 2017
	Unaudited	Unaudited	Audited
Assets			
Intangible assets	**1,298,037**	1,399,443	1,391,753
Deferred tax assets	**8,316**	9,075	8,637
Deferred acquisition costs	**1,953,298**	1,998,591	1,944,574
Property, plant and equipment	**221,755**	235,982	231,670
Investments in investee companies accounted by the equity method	**296,269**	238,383	296,172
Investment property for investment-linked contracts	**2,943,941**	2,770,964	2,869,967
Other investment property	**1,244,322**	1,183,943	1,212,109
Reinsurance assets	**2,846,806**	2,584,292	2,801,776
Current tax assets	**198,138**	144,129	176,496
Other accounts receivable	**843,950**	440,857	507,089
Outstanding premiums	**1,077,346**	1,149,535	893,842
Financial investments for investment-linked contracts	**57,836,163**	53,520,442	56,230,961
Other financial investments:			
Marketable debt assets	**5,014,277**	5,686,826	5,532,612
Non-marketable debt assets	**22,362,290**	21,102,975	21,833,094
Stocks	**1,427,930**	1,149,935	1,367,841
Others	**2,773,961**	2,434,213	2,723,604
Total other financial investments	**31,578,458**	30,373,949	31,457,151
Cash and cash equivalents for investment-linked contracts	**4,200,311**	3,967,667	4,529,446
Other cash and cash equivalents	**1,129,870**	1,788,578	1,405,863
Total assets	**107,676,980**	101,805,830	105,957,506
Total assets for investment-linked contracts	**65,937,094**	61,025,439	64,310,320

The accompanying notes to the interim consolidated financial statements are an integral part thereof.

Interim Consolidated Statements of Financial Position

NIS in thousands	As of June 30 2018	As of June 30 2017	As of December 31 2017
	Unaudited		Audited
Capital			
Share capital	**143,381**	143,230	143,367
Premium on shares	**1,005,015**	980,624	1,001,880
Capital reserves	**643,498**	448,106	649,964
Retained earnings	**3,250,586**	3,309,255	3,251,608
Total capital attributable to shareholders in the company	**5,042,480**	4,881,215	5,046,819
Non-controlling interests	**46,798**	41,421	44,382
Total capital	**5,089,278**	4,922,636	5,091,201
Liabilities			
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**30,411,972**	30,186,371	30,184,292
Liabilities with respect to investment-linked insurance contracts and investment contracts	**65,052,684**	59,885,659	63,346,079
Deferred tax liabilities	**509,392**	406,012	511,333
Liabilities with respect to employee benefits, net	**88,098**	78,900	84,252
Other accounts payable	**2,829,076**	2,833,947	3,322,132
Current tax liabilities	**3,861**	1,341	5,163
Financial liabilities	**3,692,619**	3,490,964	3,413,054
Total liabilities	**102,587,702**	96,883,194	100,866,305
Total capital and liabilities	**107,676,980**	101,805,830	105,957,506

The accompanying notes to the interim consolidated financial statements are an integral part thereof.

August 20, 2018				
Approval date of the financial statements	Danny Naveh Chairman of the Board	Yoram Naveh Chief Executive Officer	Izzy Cohen Chief Executive Officer During the Reporting Period	Tal Cohen Senior VP, Chief Accounting Division Manager

Interim Consolidated Statements of Income

NIS in thousands	For the period of six months ended June 30 2018	2017	For the period of three months ended June 30 2018	2017	For the year ended December 31 2017
	Unaudited				Audited
Gross premiums earned	**4,993,702**	4,889,443	**2,518,584**	2,445,299	9,729,203
Premiums earned by reinsurers	**691,985**	559,357	**357,525**	297,115	1,190,281
Premiums earned on retention	**4,301,717**	4,330,086	**2,161,059**	2,148,184	8,538,922
Income from investments, net, and financing income	**1,533,702**	2,719,842	**1,238,179**	1,550,109	6,234,548
Income from management fees	**448,796**	538,538	**215,288**	247,485	1,226,483
Income from commissions	**153,329**	117,352	**76,155**	61,625	267,113
Other income	**30**	2,120	**11**	2,095	3,558
Total income	**6,437,574**	7,707,938	**3,690,692**	4,009,498	16,270,624
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**5,370,974**	6,400,986	**2,998,233**	3,358,765	14,008,748
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(556,352)**	(549,952)	**(320,497)**	(261,069)	(1,103,954)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**4,814,622**	5,851,034	**2,677,736**	3,097,696	12,904,794
Commissions, marketing expenses and other acquisition costs	**976,075**	929,914	**507,955**	465,201	1,956,552
General and administrative expenses	**442,098**	406,263	**217,503**	201,370	872,061
Impairment of intangible assets	**114,824**	81,000	**114,824**	81,000	121,637
Other expenses	**7,755**	20,337	**3,356**	17,173	23,773
Financing expenses	**89,255**	72,280	**59,175**	45,538	134,455
Total expenses	**6,444,629**	7,360,828	**3,580,549**	3,907,978	16,013,272
Share in the results of investee companies accounted by the equity method, net	**2,032**	6,540	**687**	2,981	25,581
Income (loss) before taxes on income	**(5,023)**	353,650	**110,830**	104,501	282,933
Taxes (tax benefit) on income	**(9,656)**	109,003	**32,374**	24,020	75,247
Operating income for the period	**4,633**	244,647	**78,456**	80,481	207,686
Attributable to:					
Shareholders in the company	**1,696**	242,421	**76,837**	79,075	203,096
Non-controlling interests	**2,937**	2,226	**1,619**	1,406	4,590
Income for the period	**4,633**	244,647	**78,456**	80,481	207,686
Earnings per share attributable to shareholders in the company					
Basic earnings per share (in NIS)	**0.03**	4.37	**1.38**	1.43	3.66
Diluted earnings per share (in NIS)	**0.03**	4.37	**1.38**	1.43	3.65
Number of shares used to calculate earnings per share:					
Basic	**55,577**	55,420	**55,577**	55,426	55,447
Diluted	**55,577**	55,450	**55,577**	55,434	55,618

The accompanying notes to the interim consolidated financial statements are an integral part thereof.

Interim Consolidated Statements of Comprehensive income

NIS in thousands	For the period of six months ended June 30 2018	2017	For the period of three months ended June 30 2018	2017	For the year ended December 31 2017
	Unaudited				Audited
Income for the period	4,633	244,647	**78,456**	80,481	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	**16,597**	(31,924)	**8,928**	(10,633)	(31,982)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**90,084**	76,407	**78,084**	49,112	521,858
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	**(135,244)**	(99,531)	**(40,005)**	(54,643)	(245,258)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	**14,991**	6,288	**5,716**	-	14,277
Other comprehensive income (loss) for the period which has been or will be transferred to profit and loss, before tax	**(13,572)**	(48,760)	**52,723**	(16,164)	258,895
Tax (tax benefit) with respect to available-for-sale financial assets	**(10,371)**	(5,709)	**14,933**	(1,868)	99,492
Tax (tax benefit) with respect to other components	**3,788**	(7,164)	**2,025**	(2,378)	(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	**(6,583)**	12,873	**16,958**	(4,246)	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	**(6,989)**	(35,887)	**35,765**	(11,918)	166,572
Components of other comprehensive income which will not be transferred to profit and loss:					
Actuarial income (loss) from defined benefit plan	660	(1,338)	**(1,149)**	(2,666)	1,932
Other comprehensive income for the period, before tax	**660**	(1,338)	**(1,149)**	(2,666)	1,932
Tax (tax benefit) with respect to components of other comprehensive income which will not be transferred to profit and loss	**182**	(274)	**(256)**	(693)	753
Other comprehensive income (loss) which will not be transferred to profit and loss, net of tax	**478**	(1,064)	**(893)**	(1,973)	1,179
Other comprehensive income (loss) for the period	**(6,511)**	(36,951)	**34,872**	(13,891)	167,751
Total comprehensive income (loss) for the period	**(1,878)**	207,696	**113,328**	66,590	375,437
Attributable to:					
Shareholders in the company	**(4,294)**	205,292	**111,937**	65,090	370,072
Non-controlling interests	**2,416**	2,404	**1,391**	1,500	5,365
Total comprehensive income (loss) for the period	**(1,878)**	207,696	**113,328**	66,590	375,437

The accompanying notes to the interim consolidated financial statements are an integral part thereof.

Interim Consolidated Statements of Changes in Equity

	Attributable to shareholders in the company								Non-controlling interests	Total capital
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of six months ended June 30, 2018 (unaudited)										
Balance as of January 1, 2018	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 for the period	-	-	-	-	-	-	1,696	1,696	2,937	4,633
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	16,597	-	-	-	-	16,597	-	16,597
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	90,433	-	-	-	90,433	(349)	90,084
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(134,789)	-	-	-	(134,789)	(455)	(135,244)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	14,987	-	-	-	14,987	4	14,991
Actuarial losses from defined benefit program	-	-	-	-	-	-	653	653	7	660
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	(3,788)	10,094	-	-	(177)	6,129	272	6,401
Other comprehensive income (loss) for the period, net of tax	-	-	12,809	(19,275)	-	-	476	(5,990)	(521)	(6,511)
Total comprehensive income (loss) for the period	-	-	12,809	(19,275)	-	-	2,172	(4,294)	2,416	(1,878)
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	14	3,135	-	-	-	-	(3,149)	-	-	-
Share-based payments	-	-	-	-	-	-	(45)	(45)	-	(45)
Balance as of June 30, 2018	143,381	1,005,015	(11,620)	514,098	180,329	(39,309)	3,250,586	5,042,480	46,798	5,089,278

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to shareholders in the company								Non-controlling interests	Total capital
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Capital reserves Others	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of six months ended June 30, 2017 (unaudited)										
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	-	-	-	-	-	-	242,421	242,421	2,226	244,647
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(31,924)	-	-	-	-	(31,924)	-	(31,924)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	76,089	-	-	-	76,089	318	76,407
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(99,446)	-	-	-	(99,446)	(85)	(99,531)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	6,259	-	-	-	6,259	29	6,288
Actuarial losses from defined benefit program	-	-	-	-	-	-	(1,347)	(1,347)	9	(1,338)
Tax with respect to components of comprehensive income (loss)	-	-	7,164	5,799	-	-	277	13,240	(93)	13,147
Other comprehensive income (loss) for the period, net of tax	-	-	(24,760)	(11,299)	-	-	(1,070)	(37,129)	178	(36,951)
Total comprehensive income for the period	-	-	(24,760)	(11,299)	-	-	241,351	205,292	2,404	207,696
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	14	2,726	-	-	-	-	(2,740)			
Share-based payments	-	-	-	-	-	-	1,735	1,735		1,735
Balance as of June 30, 2017	143,230	980,624	(24,376)	331,462	180,329	(39,309)	3,309,255	4,881,215	41,421	4,922,636

The accompanying notes to the interim consolidated financial statements are an integral part thereof.

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to shareholders in the company								Non-controlling interests	Total capital
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of three months ended June 30, 2018 (unaudited)										
Balance as of April 1, 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
Income for the period	-	-	-	-	-	-	76,837	76,837	1,619	78,456
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	8,928	-	-	-	-	8,928	-	8,928
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	78,237	-	-	-	78,237	(153)	78,084
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(39,812)	-	-	-	(39,812)	(193)	(40,005)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	5,714	-	-	-	5,714	2	5,716
Actuarial income (loss) from defined benefit plan	-	-	-	-	-	-	(1,147)	(1,147)	(2)	(1,149)
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	(2,025)	(15,053)	-	-	258	(16,820)	118	(16,702)
Other comprehensive income (loss) for the period, net of tax	-	-	6,903	29,086	-	-	(889)	35,100	(228)	34,872
Total comprehensive income (loss) for the period	-	-	6,903	29,086	-	-	75,948	111,937	1,391	113,328
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	-	156	-	-	-	-	(156)	-	-	-
Share-based payments	-	-	-	-	-	-	84	84	-	84
Balance as of June 30, 2018	143,381	1,005,015	(11,620)	514,098	180,329	(39,309)	3,250,586	5,042,480	46,798	5,089,278

The accompanying notes to the interim consolidated financial statements are an integral part thereof.

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to shareholders in the company								Non-controlling interests	Total equity
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of three months ended June 30, 2017 (unaudited)										
Balance as of April 1, 2017	143,230	980,527	(16,121)	335,200	180,329	(39,309)	3,231,410	4,815,266	39,921	4,855,187
Income for the period	-	-	-	-	-	-	79,075	79,075	1,406	80,481
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(10,633)	-	-	-	-	(10,633)	-	(10,633)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	48,948	-	-	-	48,948	164	49,112
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(54,602)	-	-	-	(54,602)	(41)	(54,643)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	-	-	-	-	-	-	-
Actuarial losses from defined benefit program	-	-	-	-	-	-	(2,685)	(2,685)	19	(2,666)
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	2,378	1,916	-	-	693	4,987	(48)	4,939
Other comprehensive income (loss) for the period, net of tax	-	-	(8,255)	(3,738)	-	-	(1,992)	(13,985)	94	(13,891)
Total comprehensive income for the period	-	-	(8,255)	(3,738)	-	-	77,083	65,090	1,500	66,590
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	-	97	-	-	-	-	(97)	-	-	-
Share-based payments	-	-	-	-	-	-	859	859	-	859
Balance as of June 30, 2017	143,230	980,624	(24,376)	331,462	180,329	(39,309)	3,309,255	4,881,215	41,421	4,922,636

The accompanying notes to the interim consolidated financial statements are an integral part thereof.

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to shareholders in the company								Non-controlling interests	Total equity
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
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)
Foreign currency translation differences for foreign operations applied to the statement of income	-	-	-	-	-	-	-	-	-	-
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 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 accompanying notes to the interim consolidated financial statements are an integral part thereof.

Interim Consolidated Statements of Cash Flows

		For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
		2018	2017	**2018**	2017	2017
NIS in thousands		Unaudited				Audited
Cash flows from operating activities						
Before taxes on income	(A)	**(406,969)**	1,821,262	**175,752**	2,172,791	2,303,725
Income tax received (paid)		**(8,517)**	(119,987)	**17,324**	(100,130)	(115,122)
Net cash from operating activities		**(415,486)**	1,701,275	**193,076**	2,072,661	2,188,603
Cash flows from investing activities						
Consideration from disposal of property, plant and equipment		**5**	12	**-**	-	81
Consideration from disposal of intangible assets		**-**	-	**-**	-	1,107
Consideration from disposal of investments in other investee companies		**-**	23,591	**-**	2,851	24,082
Consideration from disposal of investment in available for sale financial assets by companies which are not insurance and finance companies		**15,598**	28,380	**-**	9,949	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		**8,666**	4,600	**2,291**	3,468	(34,050)
Investment in property, plant and equipment		**(9,980)**	(3,465)	**(8,701)**	(2,099)	(20,017)
Investment in intangible assets		**(125,569)**	(84,279)	**(86,136)**	(42,331)	(229,698)
Net cash used in investing activities		**(126,334)**	(41,077)	**(92,546)**	(28,162)	(240,031)
Cash flows from financing activities						
Repayment of liabilities to banks and others		**-**	(73,089)	**-**	(70,351)	(73,089)
Repayment of deferred liability notes		**(50,901)**	(50,698)	**(35,893)**	(35,751)	(80,021)
Interest paid on bonds and deferred liability notes		**(46,980)**	(64,515)	**(5,027)**	(20,748)	(120,101)
Net cash used in financing activities		**(97,881)**	(188,302)	**(40,920)**	(126,850)	(273,211)
Impact of exchange rate fluctuations on cash and cash equivalent balances		**34,573**	(59,661)	**23,019**	(12,694)	(84,062)
Net increase (decrease) in cash and cash equivalents		(605,128)	1,412,235	82,629	1,904,955	1,591,299
Cash and cash equivalents at beginning of period	(B)	**5,935,309**	4,344,010	**5,247,552**	3,851,290	4,344,010
Cash and cash equivalents at end of period	(C)	**5,330,181**	5,756,245	**5,330,181**	5,756,245	5,935,309

The accompanying notes to the interim consolidated financial statements are an integral part thereof

Interim Consolidated Statements of Cash Flows (Cont.)

	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
NIS in thousands	Unaudited				Audited
(A) Cash flows from operating activities before taxes on income [1) 2)]					
Income for the period	**4,633**	244,647	**78,456**	80,481	207,686
Items not involving cash flows:					
The company's share in the income of investee companies accounted by the equity method	**(2,032)**	(6,540)	**(687)**	(2,981)	(25,581)
Dividends received from investee companies accounted by the equity method	**-**	190	**-**	190	190
Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	**227,680**	417,392	**292,837**	254,518	415,313
Change in liabilities with respect to investment-linked insurance contracts and investment contracts	**1,706,605**	2,609,866	**1,025,634**	1,466,683	6,070,286
Change in deferred acquisition costs	**(8,724)**	(75,227)	**18,402**	(43,421)	(21,210)
Change in reinsurance assets	**(45,030)**	(356,253)	**(37,647)**	(197,002)	(573,737)
Depreciation of property, plant and equipment	**19,882**	20,032	**9,876**	10,009	40,817
Amortization of intangible assets	**104,461**	109,239	**53,136**	54,338	220,604
Impairment of intangible assets	**114,824**	81,000	**114,824**	81,000	121,637
Loss from disposal of property, plant and equipment	**8**	6	**-**	-	16
Profit from disposal of shares in consolidated companies	**-**	(2,081)	**-**	(2,081)	(2,081)
Interest and linkage differences accrued with respect to deferred liability notes	**68,688**	68,246	**41,668**	39,402	124,520
Interest accrued and revaluation of liabilities to banking corporations and others	**283,563**	30,925	**18,036**	137,197	8,332
Change in fair value of investment property for investment-linked contracts	**(28,408)**	43,469	**(8,794)**	8,504	(34,308)
Change in fair value of other investment property	**(2,933)**	1,512	**3,382**	(3,074)	(35,858)
Share-based payment transactions	**(45)**	1,735	**84**	859	2,559
Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts	**130,877**	(1,063,726)	**(343,757)**	(663,176)	(2,841,423)
Taxes (tax benefit) on income	**(9,656)**	109,003	**32,374**	24,020	75,247
Net loss (profit) from other financial investments:					
Marketable debt assets	**(73,191)**	15,005	**(59,570)**	(35,367)	44,413
Non-marketable debt assets	**(164,813)**	(67,844)	**(55,271)**	18,144	(15,742)
Stocks	**(26,638)**	(23,462)	**3,994**	(13,987)	(21,927)
Others	**112,016**	(209,862)	**69,480**	(69,627)	(258,674)
Financial investments and investment property for investment-linked contracts:					
Acquisition of investment property	**(45,566)**	(72,253)	**(3,277)**	(6,004)	(93,479)
Acquisitions, net, of financial investments	**(1,736,079)**	(262,222)	**(908,747)**	395,491	(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	**489,312**	(133,235)	**(27,917)**	(107,655)	118,439
Non-marketable debt assets	**(366,866)**	240,230	**(33,184)**	289,158	(544,536)
Stocks	**(59,833)**	28,500	**(23,963)**	(9,766)	56,708
Others	**(64,642)**	73,457	**(175,062)**	29,698	(58,519)
Acquisition of other investment property	**(18,300)**	(19,625)	**(1,127)**	(3,191)	(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 accompanying notes to the interim consolidated financial statements are an integral part thereof.

Interim Consolidated Statements of Cash Flows (Cont.)

NIS in thousands	For the period of six months ended June 30 2018	For the period of six months ended June 30 2017	For the period of three months ended June 30 2018	For the period of three months ended June 30 2017	For the year ended December 31 2017
	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	**2,635**	7,618	**633**	3,213	8,953
Other accounts receivable	**(336,861)**	(148,653)	**133,876**	55,461	(214,885)
Outstanding premiums	**(183,504)**	(283,017)	**(67,031)**	(89,148)	(27,324)
Other accounts payable	**(503,538)**	440,205	**22,520**	468,571	381,992
Liabilities with respect to employee benefits, net	**4,506**	2,985	**2,574**	2,334	11,607
Total cash flows from operating activities before taxes on income	**(406,969)**	1,821,262	**175,752**	2,172,791	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	**4,085,699**	2,431,671	2,953,235
Other cash and cash equivalents	**1,405,863**	1,390,775	**1,161,853**	1,419,619	1,390,775
Balance of cash and cash equivalents at the beginning of period	**5,935,309**	4,344,010	**5,247,552**	3,851,290	4,344,010
(C) Cash and cash equivalents at end of period:					
Cash and cash equivalents for investment-linked contracts	**4,200,311**	3,967,667	**4,200,311**	3,967,667	4,529,446
Other cash and cash equivalents	**1,129,870**	1,788,578	**1,129,870**	1,788,578	1,405,863
Balance of cash and cash equivalents at end of period	**5,330,181**	5,756,245	**5,330,181**	5,756,245	5,935,309
(D) Cash flows with respect to interest and dividends received, included under operating activities:					
Interest received	**1,044,643**	1,147,429	**610,751**	606,301	2,171,212
Dividend received	**254,876**	235,775	**133,561**	150,415	411,963
(E) Operations which are not associated with cash flows					
Investment in assets against other accounts payable	-	-	-	-	544,124

The accompanying notes to the interim consolidated financial statements are 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 June 30, 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 controlling shareholders in the company (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 clarifications and the understandings 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.

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 controlling shareholders in the company (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.)

   On October 1, 2017, the Commissioner notified the company that insofar as it intends to re-appoint, in the general meeting, a director currently serving in Clal Insurance or in Clal Holdings (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, by submitting notice to the Commissioner no later than 6 months before the end of the director's term. Accordingly, in July 2018, the company informed the Commissioner that it intends to re-appoint, in the general meeting, all of the directors who are currently holding office in Clal Insurance and in Clal Holdings (who are not outside directors).

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

   Further to the request of IDB Development's controlling shareholders 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 IDB Development and its controlling shareholders, which included, inter alia, an outline over time for the sale of IDB Development's control of 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.

Note 1 - General (Cont.)

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

    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.

    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.

Note 1 - General (Cont.)

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

    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.

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.

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.

Note 1 - General (Cont.)

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

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).

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, in parallel with each sale, in a swap transaction with a banking institution, 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 controlling shareholders in the company (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 August 12, 2018, IDB Development reported that it had received a copy of the Commissioner's letter to the trustee, in which the Commissioner notified the trustee that, in accordance with the provisions of the outline, and after the Commissioner again evaluated the need for the sale, and the economic implications thereof, and in consideration of the provisions of the aforementioned ruling, the Commissioner instructed the trustee to continue working in accordance with the outline in place of IDB Development, pursuant to all of the authorities which were vested in him by virtue of the outline, and to work towards the sale of 5% of the means of control in the company which are held by him until September 3, 2018.

3. Proceedings involving the sale of control of the company

A. Proceedings involving the sale of control of the company

Further to that stated in Note 1(B)3(A) to the annual financial statements, regarding IDB Development's engagement in a memorandum of understanding for the sale of all of the company's shares which are held by IDB Development, in February 2018, IDB Development notified the buyer of the expiration of the memorandum of understanding, in accordance with its terms. IDB Development is continuing to work towards finding a buyer for the company's control core.

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).

On August 11, 2018, IDB Development reported that the board of directors of IDB Development had resolved to instruct the trustee for the holders of the aforementioned bonds to perform a partial prepayment of the bonds on August 28, 2018, and that after the performance of the partial prepayment, as stated above, IDB Development would contact the trustee for the bondholders, in order to reduce the number of base shares, insofar as this will be possible in accordance with the provisions of the deed of trust for the aforementioned bonds.

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).

Note 1 - General (Cont.)

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

4. The Concentration Law (Cont.)

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.

Beginning in May 2015, a list of the concentration entities has been published in the Official Gazette from time to time, as well as a 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 corporate officers in significant real corporations of the group, as directors in financial entities of the group.

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 July 5, 2018 (reference number 2018-01-060243).

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.

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 six months ended					
June 30, 2018	**0.9**	**0.9**	**2.5**	**5.3**	**2.7**
June 30, 2017	-	0.7	(1.4)	(9.1)	(3.9)
For the period of three months ended					
June 30, 2018	**1.0**	**1.2**	**(1.7)**	**3.9**	**(2.8)**
June 30, 2017	(0.1)	0.9	2.7	(3.7)	0.4
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 June 30, 2018	**4.255**	**3.650**	**4.808**
As of June 30, 2017	3.986	3.496	4.542
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.

B. New standards which have not yet been adopted

Standard	Publication Requirements	Application and Transitional Provisions	Expected Effects
International Financial Reporting Standard 16, Leases	The standard replaces International Accounting Standard (IAS) 17, Leases, and the associated interpretations. The standard presents, with respect to lessees, a single model with respect to the accounting treatment of the majority of leases, according to which the lessee must recognize an asset and liability with respect to the lease in its financial statements.	The standard will be applied with respect to annual period beginning on January 1, 2019. Early adoption is possible.	The group evaluated the implications of the standard, and the group believes that the adoption of the standard is not expected to have a significant impact on the financial statements.

Note 4 - Segmental Reporting

A. General

The group is engaged in the following operating segments:

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

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

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

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

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

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

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

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

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

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

B. 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.)

C. Seasonality

1. Long-term savings segment

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

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

2. Non-life insurance segment

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

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

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments

	Long term savings											
	Provident			Pension			Life insurance [1)]			Total		
	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		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	-	-	-	-	-	-	2,824,216	2,859,575	5,534,579	2,824,216	2,859,575	5,534,579
Premiums earned by reinsurers	-	-	-	-	-	-	91,675	85,638	168,245	91,675	85,638	168,245
Premiums earned on retention	-	-	-	-	-	-	2,732,541	2,773,937	5,366,334	2,732,541	2,773,937	5,366,334
Income from investments, net, and financing income	85,942	82,323	139,160	2,233	345	488	1,233,739	2,284,441	5,421,019	1,321,914	2,367,109	5,560,667
Income from management fees	84,553	88,930	183,021	136,433	137,590	282,422	227,274	311,557	760,035	448,260	538,077	1,225,478
Income from commissions	-	-	-	-	-	-	24,888	22,632	43,050	24,888	22,632	43,050
Total income	170,495	171,253	322,181	138,666	137,935	282,910	4,218,442	5,392,567	11,590,438	4,527,603	5,701,755	12,195,529
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	82,801	78,542	131,475	-	-	-	3,571,469	4,579,500	10,351,365	3,654,270	4,658,042	10,482,840
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	(48,686)	(52,010)	(106,515)	(48,686)	(52,010)	(106,515)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	82,801	78,542	131,475	-	-	-	3,522,783	4,527,490	10,244,850	3,605,584	4,606,032	10,376,325
Commissions, marketing expenses and other acquisition costs	28,672	27,970	58,644	51,527	54,389	109,622	373,403	345,162	721,188	453,602	427,521	889,454
General and administrative expenses	51,855	49,830	106,569	86,205	79,554	165,492	188,636	181,505	373,426	326,696	310,889	645,487
Impairment of intangible assets	114,824	81,000	108,000	-	-	-	-	-	10,593	114,824	81,000	118,593
Other expenses	3,863	17,109	19,156	524	-	-	184	239	483	4,571	17,348	19,639
Financing expenses (income)	3	(4)	(1)	11	(1)	(1)	4,038	5,429	10,383	4,052	5,424	10,381
Total expenses	282,018	254,447	423,843	138,267	133,942	275,113	4,089,044	5,059,825	11,360,923	4,509,329	5,448,214	12,059,879
Share in the results of investee companies accounted by the equity method, net	-	-	-	(729)	(568)	(1,184)	651	1,517	6,160	(78)	949	4,976
Income (loss) before taxes on income	(111,523)	(83,194)	(101,662)	(330)	3,426	6,613	130,049	334,259	235,675	18,196	254,491	140,626
Other comprehensive income (loss) before taxes on income	-	-	-	(1,346)	1,418	4,881	15,344	(41,867)	31,034	13,998	(40,449)	35,915
Total comprehensive income (loss) before taxes on income	(111,523)	(83,194)	(101,662)	(1,676)	4,843	11,494	145,393	292,392	266,709	32,194	214,041	176,541
	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		As of December 31
	2018	2017	2017	2018	2017	2017	2018	2017	2017	2018	2017	2017
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	2,338,638	2,354,210	2,331,823	-	-	-	19,474,431	19,095,419	19,191,635	21,813,069	21,449,629	21,523,458
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	60,732,605	56,169,197	59,310,868	60,732,605	56,169,197	59,310,868
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).							3,010,319	3,018,559	5,825,561	3,010,319	3,018,559	5,825,561

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

	Health			Non-life			Other		
	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		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	**1,025,213**	911,525	1,917,218	**1,145,147**	1,119,383	2,279,434	**-**	-	-
Premiums earned by reinsurers	**148,514**	117,947	262,060	**451,796**	355,772	759,976	**-**	-	-
Premiums earned on retention	**876,699**	793,578	1,655,158	**693,351**	763,611	1,519,458	**-**	-	-
Income from investments, net, and financing income	**71,933**	150,222	359,955	**98,362**	59,625	116,924	**1,687**	2,978	5,273
Income from management fees	**-**	-	-	**-**	-	-	**2,987**	2,524	5,974
Income (expenses) from commissions	**4,733**	(8,972)	(7,647)	**96,596**	77,125	170,235	**66,260**	58,947	123,030
Other income	**-**	-	-	**29**	15	61	**-**	2,105	3,189
Total income	**953,365**	934,828	2,007,466	**888,338**	900,376	1,806,678	**70,934**	66,554	137,466
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**897,252**	774,662	1,654,538	**820,441**	969,895	1,874,324	**-**	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(183,603)**	(133,808)	(293,904)	**(324,063)**	(364,134)	(703,535)	**-**	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**713,649**	640,854	1,360,634	**496,378**	605,761	1,170,789	**-**	-	-
Commissions, marketing expenses and other acquisition costs	**235,424**	216,160	449,263	**274,425**	272,563	584,804	**51,372**	45,543	94,273
General and administrative expenses	**34,052**	31,158	66,646	**33,959**	28,523	60,146	**8,496**	8,187	18,901
Impairment of intangible assets	**-**	-	-	**-**	-	-	**-**	-	8
Other expenses (income)	**-**	-	-	**-**	-	-	**2,064**	1,991	963
Financing expenses (income)	**8,837**	5,275	6,147	**7,939**	(8,295)	(7,290)	**197**	779	473
Total expenses	**991,962**	893,447	1,882,690	**812,701**	898,552	1,808,449	**62,129**	56,500	114,618
Share in the results of investee companies accounted by the equity method, net	**159**	1,098	4,331	**1,787**	-	15,837	**-**	74	74
Income (loss) before taxes on income	**(38,438)**	42,479	129,107	77,424	1,824	14,066	8,805	10,128	22,922
Other comprehensive income (loss) before taxes on income	**2,007**	(2,539)	54,640	**14,530**	2,466	48,157	**300**	(673)	(1,050)
Total comprehensive income (loss) before taxes on income	**(36,431)**	39,940	183,747	**91,954**	4,290	62,223	**9,105**	9,455	21,872

	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		As of December 31
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	2,299,374	2,044,426	2,140,712	6,300,205	6,692,880	6,520,697	-	-	-
Liabilities with respect to investment-linked insurance contracts and investment contracts	4,340,957	3,736,387	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 six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		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	-	-	-	(874)	(1,040)	(2,028)	4,993,702	4,889,443	9,729,203
Premiums earned by reinsurers	-	-	-	-	-	-	691,985	559,357	1,190,281
Premiums earned on retention	-	-	-	(874)	(1,040)	(2,028)	4,301,717	4,330,086	8,538,922
Income from investments, net, and financing income	40,036	140,505	192,270	(230)	(597)	(541)	1,533,702	2,719,842	6,234,548
Income from management fees	-	-	-	(2,451)	(2,064)	(4,969)	448,796	538,538	1,226,483
Income (expenses) from commissions	-	-	-	(39,148)	(32,380)	(61,555)	153,329	117,352	267,113
Other income	1	-	308	-	-	-	30	2,120	3,558
Total income	40,037	140,505	192,578	(42,703)	(36,081)	(69,093)	6,437,574	7,707,938	16,270,624
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	-	-	-	(989)	(1,613)	(2,954)	5,370,974	6,400,986	14,008,748
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	(556,352)	(549,952)	(1,103,954)
Payments and changes in liabilities with respect to insurance contracts and investment contracts, on retention	-	-	-	(989)	(1,613)	(2,954)	4,814,622	5,851,034	12,904,794
Commissions, marketing expenses and other acquisition costs	-	-	-	(38,748)	(31,873)	(61,242)	976,075	929,914	1,956,552
General and administrative expenses	37,178	29,573	88,520	1,717	(2,067)	(7,639)	442,098	406,263	872,061
Impairment of intangible assets	-	-	(3,036)	-	-	-	114,824	81,000	121,637
Other expenses (income)	358	793	2,929	762	205	242	7,755	20,337	23,773
Financing expenses (income)	68,411	69,109	125,045	(181)	(12)	(301)	89,255	72,280	134,455
Total expenses	105,947	99,475	219,530	(37,439)	(35,360)	(71,894)	6,444,629	7,360,828	16,013,272
Share in the results of investee companies accounted by the equity method, net	164	4,419	363	-	-	-	2,032	6,540	25,581
Income (loss) before taxes on income	(65,746)	45,449	(26,589)	(5,264)	(721)	2,801	(5,023)	353,650	282,933
Other comprehensive income (loss) before taxes on income	(43,896)	(7,924)	122,938	149	(979)	227	(12,912)	(50,098)	260,827
Total comprehensive income (loss) before taxes on income	(109,642)	37,525	96,349	(5,115)	(1,700)	3,028	(17,935)	303,552	543,760

	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		As of December 31
	2018	2017	2017	2018	2017	2017	2018	2017	2017
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	(676)	(564)	(575)	30,411,972	30,186,371	30,184,292
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	(20,878)	(19,925)	(20,705)	65,052,684	59,885,659	63,346,079

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 June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30	
	2018	2017	2018	2017	2018	2017	2018	2017
NIS in thousands	Unaudited							
Gross premiums earned	-	-	-	-	1,416,605	1,416,690	1,416,605	1,416,690
Premiums earned by reinsurers	-	-	-	-	46,538	44,132	46,538	44,132
Premiums earned on retention	-	-	-	-	1,370,067	1,372,558	1,370,067	1,372,558
Income from investments, net, and financing income	60,114	54,026	1,866	688	1,021,711	1,273,944	1,083,691	1,328,658
Income from management fees	39,475	41,850	66,132	68,401	109,411	137,008	215,018	247,259
Income from commissions	-	-	-	-	9,827	7,136	9,827	7,136
Other income	-	-	-	-	-	-	-	-
Total income	99,589	95,876	67,998	69,089	2,511,016	2,790,646	2,678,603	2,955,611
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	58,544	52,131	-	-	1,976,892	2,434,205	2,035,436	2,486,336
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	(28,071)	(31,485)	(28,071)	(31,485)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	58,544	52,131	-	-	1,948,821	2,402,720	2,007,365	2,454,851
Commissions, marketing expenses and other acquisition costs	14,373	13,649	26,360	28,222	193,822	163,306	234,555	205,177
General and administrative expenses	25,077	25,748	44,241	41,125	93,399	89,808	162,717	156,681
Impairment of intangible assets	114,824	81,000	-	-	-	-	114,824	81,000
Other expenses	935	16,052	108	-	66	120	1,109	16,172
Financing expenses (income)	7	(3)	38	7	4,344	3,666	4,389	3,670
Total expenses	213,760	188,577	70,747	69,354	2,240,452	2,659,620	2,524,959	2,917,551
Share in the results of investee companies accounted by the equity method, net	-	-	(275)	(322)	854	1,126	579	804
Income (loss) before taxes on income	(114,171)	(92,701)	(3,024)	(587)	271,418	132,152	154,223	38,864
Other comprehensive income (loss) before taxes on income	-	-	(749)	930	28,823	(9,572)	28,074	(8,642)
Total comprehensive income (loss) before taxes on income	(114,171)	(92,701)	(3,773)	343	300,241	122,580	182,297	30,222
1) Total premiums (including pure savings premiums) (investment contracts) which were applied directly to the reserve					1,511,750	1,475,236	1,511,750	1,475,236

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

	Health		General		Other		Not allocated to segments		Adjustments and offsets		Total	
	For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
NIS in thousands	Unaudited											
Gross premiums earned	520,705	464,737	581,693	564,382	-	-	-	-	(419)	(510)	2,518,584	2,445,299
Premiums earned by reinsurers	75,269	59,667	235,718	193,316	-	-	-	-	-	-	357,525	297,115
Premiums earned on retention	445,436	405,070	345,975	371,066	-	-	-	-	(419)	(510)	2,161,059	2,148,184
Income from investments, net, and financing income	65,417	88,924	72,620	47,189	855	1,584	15,740	84,270	(144)	(516)	1,238,179	1,550,109
Income from management fees	-	-	-	-	1,493	1,031	-	-	(1,223)	(805)	215,288	247,485
Income (expenses) from commissions	2,673	(2,905)	48,958	43,263	34,571	30,012	-	-	(19,874)	(15,881)	76,155	61,625
Other income	-	-	10	6	-	2,089	1	-	-	-	11	2,095
Total income	513,526	491,089	467,563	461,524	36,919	34,716	15,741	84,270	(21,660)	(17,712)	3,690,692	4,009,498
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	473,919	392,367	489,549	480,887	-	-	-	-	(671)	(825)	2,998,233	3,358,765
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	(100,737)	(65,499)	(191,689)	(164,085)	-	-	-	-	-	-	(320,497)	(261,069)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	373,182	326,868	297,860	316,802	-	-	-	-	(671)	(825)	2,677,736	3,097,696
Commissions, marketing expenses and other acquisition costs	121,449	109,952	146,007	143,213	25,628	22,575	-	-	(19,684)	(15,716)	507,955	465,201
General and administrative expenses	16,443	16,026	17,655	13,675	4,210	4,167	16,926	12,206	(448)	(1,385)	217,503	201,370
Impairment of intangible assets	-	-	-	-	-	-	-	-	-	-	114,824	81,000
Other expenses	-	-	-	-	1,124	984	1,085	15	38	2	3,356	17,173
Financing expenses (income)	8,598	4,360	4,575	(2,895)	139	368	41,591	40,018	(117)	17	59,175	45,538
Total expenses	519,672	457,206	466,097	470,795	31,101	28,094	59,602	52,239	(20,882)	(17,907)	3,580,549	3,907,978
Share in the results of investee companies accounted by the equity method, net	315	378	(298)	-	-	24	91	1,775	-	-	687	2,981
Income (loss) before taxes on income	(5,831)	34,261	1,168	(9,271)	5,818	6,646	(43,770)	33,806	(778)	195	110,830	104,501
Other comprehensive income (loss) before taxes on income	11,580	(2,794)	17,480	397	(350)	(1,013)	(4,438)	(5,951)	(772)	(827)	51,574	(18,830)
Total comprehensive income (loss) before taxes on income	5,749	31,467	18,648	(8,874)	5,468	5,633	(48,208)	27,855	(1,550)	(632)	162,404	85,671

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 six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31
	2018	2017	2017	2018	2017	2017
NIS in thousands	Unaudited		Audited	Unaudited		Audited
Gross premiums	**258,591**	266,761	**472,546**	**175,764**	190,974	323,847
Reinsurance premiums	**153,388**	124,920	**220,271**	**53,657**	72,524	112,356
Premiums on retention	**105,203**	141,841	**252,275**	**122,107**	118,450	211,491
Change in unearned premium balance, on retention	**5,266**	38,504	**80,566**	**(17,677)**	(12,405)	5,201
Premiums earned on retention	**110,469**	180,345	**332,841**	**104,430**	106,045	216,692
Income from investments, net, and financing income	**42,955**	29,149	**56,056**	**31,409**	19,449	38,259
Income from commissions	**25,054**	8,833	**29,790**	**6,343**	6,088	12,245
Total income	**178,478**	218,327	**418,687**	**142,182**	131,582	267,196
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**208,325**	288,610	**523,463**	**167,374**	224,639	355,811
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(90,858)**	(68,218)	**(167,692)**	**(82,720)**	(131,980)	(155,807)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**117,467**	220,392	**355,771**	**84,654**	92,659	200,004
Commissions, marketing expenses and other acquisition costs	**35,675**	34,028	**80,967**	**45,474**	45,900	99,771
General and administrative expenses	**4,606**	4,092	**8,126**	**3,129**	2,930	5,570
Financing expenses (income)	3,292	(2,422)	**419**	537	(950)	(629)
Total expenses	**161,040**	256,090	**445,283**	**133,794**	140,539	304,716
Share in the profits (losses) of associate companies, net	**858**	-	**7,602**	**571**	-	5,068
Income (loss) before taxes on income	18,296	(37,763)	**(18,994)**	8,959	(8,957)	(32,452)
Other comprehensive income (loss) before taxes on income	**8,597**	508	**20,265**	**6,272**	324	13,786
Total comprehensive income (loss) before taxes on income	**26,893**	(37,255)	**1,271**	**15,231**	(8,633)	(18,666)

	As of June 30		As of December 31	As of June 30		As of December 31
	2018	2017	2017	2018	2017	2017
NIS in thousands	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to insurance contracts						
Gross	**2,317,785**	2,450,855	**2,345,355**	**2,327,728**	2,591,922	2,538,361
Reinsurance	**462,598**	259,700	**356,485**	**916,395**	1,098,032	1,085,830
Retention	1,855,187	2,191,155	**1,988,870**	1,411,333	1,493,890	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 70%, approximately 60% 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 six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		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	**398,457**	401,297	726,840	**54,989**	55,605	110,188	**397,505**	338,151	665,546	**1,285,306**	1,252,788	2,298,967
Reinsurance premiums	**1,017**	1,372	2,416	**27,337**	27,564	54,653	**301,695**	230,064	471,783	**537,094**	456,444	861,479
Premiums on retention	**397,440**	399,925	724,424	**27,652**	28,041	55,535	**95,810**	108,087	193,763	**748,212**	796,344	1,437,488
Change in unearned premium balance, on retention	**(41,507)**	(68,409)	(33,245)	**(241)**	(88)	51	**(702)**	9,665	29,397	**(54,861)**	(32,733)	81,970
Premiums earned on retention	**355,933**	331,516	691,179	**27,411**	27,953	55,586	**95,108**	117,752	223,160	**693,351**	763,611	1,519,458
Income from investments, net, and financing income	**9,980**	5,628	11,250	**6,429**	(855)	(75)	**7,589**	6,254	11,434	**98,362**	59,625	116,924
Income from commissions	**-**	10	6	**8,992**	7,542	15,604	**56,207**	54,652	112,590	**96,596**	77,125	170,235
Other income	**-**	-	-	**29**	15	61	**-**	-	-	**29**	15	61
Total income	**365,913**	337,154	702,435	**42,861**	34,655	71,176	**158,904**	178,658	347,184	**888,338**	900,376	1,806,678
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**240,462**	236,208	487,288	**10,061**	14,211	25,734	**194,219**	206,227	482,028	**820,441**	969,895	1,874,324
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**709**	207	(94)	**(6,208)**	(6,314)	(13,659)	**(144,986)**	(157,829)	(366,283)	**(324,063)**	(364,134)	(703,535)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**241,171**	236,415	487,194	**3,853**	7,897	12,075	**49,233**	48,398	115,745	**496,378**	605,761	1,170,789
Commissions, marketing expenses and other acquisition costs	**88,864**	83,054	181,150	**5,039**	5,006	9,639	**99,373**	104,575	213,277	**274,425**	272,563	584,804
General and administrative expenses	**7,097**	6,154	12,498	**9,636**	7,573	17,321	**9,491**	7,774	16,631	**33,959**	28,523	60,146
Financing expenses (income)	**363**	(280)	(210)	**1,996**	(2,988)	(3,235)	**1,751**	(1,655)	(3,635)	**7,939**	(8,295)	(7,290)
Total expenses	**337,495**	325,343	680,632	**20,524**	17,488	35,800	**159,848**	159,092	342,018	**812,701**	898,552	1,808,449
Share in the profits (losses) of associate companies, net	**161**	-	1,425	**-**	-	-	**197**	-	1,742	**1,787**	-	15,837
Income (loss) before taxes on income	28,579	11,811	23,228	22,337	17,167	35,376	(747)	19,566	6,908	77,424	1,824	14,066
Other comprehensive income (loss) before taxes on income	**2,001**	115	4,219	**(3,892)**	1,377	5,513	**1,552**	142	4,374	**14,530**	2,466	48,157
Total comprehensive income before taxes on income	**30,580**	11,926	27,447	**18,445**	18,544	40,889	**805**	19,708	11,282	**91,954**	4,290	62,223

	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		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	**549,448**	545,025	517,043	**71,167**	86,087	80,605	**1,034,077**	1,018,991	1,039,333	**6,300,205**	6,692,880	6,520,697
Reinsurance	**612**	846	683	**36,586**	45,773	42,747	**674,592**	547,836	625,467	**2,090,783**	1,952,187	2,111,212
Retention	**548,836**	544,179	516,360	**34,581**	40,314	37,858	**359,485**	471,155	413,866	**4,209,422**	4,740,693	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 68%, approximately 62% and approximately 63%, respectively, of the total premiums in these branches.

Note 4- Segmental Reporting (Cont.)

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

	Liability branches				Property branches							
	Compulsory motor		Liabilities and others branches [2]		Motor property		Credit insurance		Property and others branches [1]		Total	
	For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
NIS in thousands	Unaudited											
Gross premiums	114,973	119,407	82,393	92,339	176,040	174,669	28,353	27,968	202,950	140,208	604,709	554,591
Reinsurance premiums	70,540	120,643	28,615	43,209	444	683	14,069	13,890	163,901	96,747	277,569	275,172
Premiums on retention	44,433	(1,236)	53,778	49,130	175,596	173,986	14,284	14,078	39,049	43,461	327,140	279,419
Change in unearned premium balance, on retention	8,503	76,057	(979)	5,226	3,409	(3,444)	(288)	(33)	8,190	13,841	18,835	91,647
Premiums earned on retention	52,936	74,821	52,799	54,356	179,005	170,542	13,996	14,045	47,239	57,302	345,975	371,066
Income from investments, net, and financing income	31,826	22,201	23,290	14,879	7,427	4,337	4,508	1,031	5,569	4,741	72,620	47,189
Income from commissions	13,068	8,833	3,128	3,144	-	4	4,360	3,738	28,402	27,544	48,958	43,263
Other income	-	-	-	-	-	-	10	6	-	-	10	6
Total income	97,830	105,855	79,217	72,379	186,432	174,883	22,874	18,820	81,210	89,587	467,563	461,524
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	132,420	184,592	124,892	99,435	118,993	115,133	4,451	5,921	108,793	75,806	489,549	480,887
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	(36,522)	(59,151)	(64,469)	(49,281)	110	199	(2,753)	(3,038)	(88,055)	(52,814)	(191,689)	(164,085)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	95,898	125,441	60,423	50,154	119,103	115,332	1,698	2,883	20,738	22,992	297,860	316,802
Commissions, marketing expenses and other acquisition costs	21,535	18,313	22,787	23,553	46,951	45,095	2,580	2,432	52,154	53,820	146,007	143,213
General and administrative expenses	2,319	1,926	1,644	1,510	3,555	2,892	4,951	3,636	5,186	3,711	17,655	13,675
Financing expenses (income)	1,856	(2,422)	493	(822)	286	(54)	1,330	(962)	610	1,365	4,575	(2,895)
Total expenses	121,608	143,258	85,347	74,395	169,895	163,265	10,559	7,989	78,688	81,888	466,097	470,795
Share in the profits (losses) of associate companies, net	(143)	-	(95)	-	(27)	-	-	-	(33)	-	(298)	-
Income (loss) before taxes on income	(23,921)	(37,403)	(6,225)	(2,016)	16,510	11,618	12,315	10,831	2,489	7,699	1,168	(9,271)
Other comprehensive income (loss) before taxes on income	9,001	(56)	6,559	(32)	2,093	(66)	(1,749)	612	1,576	(61)	17,480	397
Total comprehensive income (loss) before taxes on income	(14,920)	(37,459)	334	(2,048)	18,603	11,552	10,566	11,443	4,065	7,638	18,648	(8,874)

1) Liability and others branches primarily include the results of the business property and apartment insurance branches, the activity with respect to which, in the three month period ended on the reporting date, and in the corresponding period last year, constituted approximately 76% and 72% of total premiums in those branches.
2) Other liability branches primarily include the results of the third party liability and employer's liability insurance branches (during the corresponding period, without employer's liability and including professional liability), the activity with respect to which, in the three month period ended on the reporting date, and in the corresponding period last year, accounts for approximately 67% and approximately 57%, respectively, of total premiums in these branches.

Note 4- Segmental Reporting (Cont.)

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

Data for the six month period ended June 30, 2018 (unaudited)

NIS in thousands	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
	Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	116,641	843,011	3,898	1,514,177	302,123	44,117	2,823,967
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	186,103	-	-	186,103
Financial margin including management fees [2)]	32,715	122,908	2,462	102,757	-	-	260,842
Payments and changes in liabilities with respect to insurance contracts, gross	533,339	1,297,394	588	1,545,560	137,828	49,748	3,564,458
Payments and changes in liabilities with respect to investment contracts	-	-	465	6,547	-	-	7,012

Data for the three month period ended June 30, 2018 (unaudited)

NIS in thousands	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
	Until 1990 [1)]	Until 2003	Non-investmen t-linked	Investme nt-linked	Individual	Collective	Total
Gross premiums:	57,916	410,055	1,865	778,727	146,466	21,597	1,416,625
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	95,145	-	-	95,145
Financial margin including management fees [2)]	(12,872)	55,721	2,917	52,612	-	-	98,378
Payments and changes in liabilities with respect to insurance contracts, gross	225,985	771,150	(60)	859,243	77,077	35,435	1,968,830
Payments and changes in liabilities with respect to investment contracts	-	-	37	8,027	-	-	8,064

Notes:

(1) Products which were issued until 1990 (including enlargements in respect thereof) were primarily guaranteed-return, and are primarily/partially backed by designated bonds.

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

Note 4- Segmental Reporting (Cont.)

F. Additional information regarding the life insurance and long-term savings segment (Cont.)

Data for the six month period ended June 30, 2017 (unaudited)

	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
NIS in thousands	Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	125,716	824,805	6,210	1,565,832	289,961	46,632	2,859,156
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	158,984	-	-	158,984
Financial margin including management fees [2)]	62,039	214,422	(899)	95,365	-	-	370,927
Payments and changes in liabilities with respect to insurance contracts, gross	459,900	2,052,664	5,402	1,861,515	124,061	31,005	4,534,547
Payments and changes in liabilities with respect to investment contracts	-	-	(92)	45,047	-	-	44,955

Data for the three month period ended June 30, 2017 (unaudited)

	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
NIS in thousands	Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	65,017	408,767	3,392	773,338	140,904	25,121	1,416,539
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	58,609	-	-	58,609
Financial margin including management fees [2)]	(16)	87,936	549	48,395	-	-	136,864
Payments and changes in liabilities with respect to insurance contracts, gross	306,176	1,073,809	4,450	951,746	59,720	13,565	2,409,466
Payments and changes in liabilities with respect to investment contracts	-	-	(68)	24,809	-	-	24,741

Notes:
(1) Products which were issued until 1990 (including enlargements in respect thereof) were primarily guaranteed-return, and are primarily/partially backed by designated bonds.
(2) The financial margin includes profit (loss) from investments charged to other comprehensive income, and does not include the company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses.
The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds.
The financial margin in investment-linked contracts is the total of fixed and variable management fees, calculated based on a reduction in the credit to savings in the company's systems.

Note 4- Segmental Reporting (Cont.)

F. Additional information regarding the life insurance and long-term savings segment (Cont.)

Data for the period ended December 31, 2017 (audited)

	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
NIS in thousands	Until 1990 [1]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	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 profit (loss) from investments charged to other comprehensive income, and does not include the company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses.
The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds.
The financial margin in investment-linked contracts is the total of fixed and variable management fees, calculated based on a reduction in the credit to savings in the company's systems.

G. Additional details regarding the health insurance segments

Data for the six month period ended June 30, 2018 (unaudited)

	Long term care		Health other **)		
NIS in thousands	**Individual**	Collective	**Long term**	Short term	Total
Gross premiums	**127,349**	449,745	**401,671*)**	49,266*)	1,028,031
Payments and changes in liabilities with respect to insurance contracts, gross	**181,268**	499,880	**189,623**	26,481	897,252

*) Of which, individual premiums in the amount of NIS 357,037 thousand and collective premiums in the amount of NIS 93,900 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 six month period ended June 30, 2017 (unaudited)

	Long term care		Health other **)		
NIS in thousands	**Individual**	Collective	**Long term**	Short term	Total
Gross premiums	**120,400**	374,150	**367,445*)**	53,294*)	915,289
Payments and changes in liabilities with respect to insurance contracts, gross	**117,123**	445,744	**184,842**	26,953	774,662

*) Of which, individual premiums in the amount of NIS 319,000 thousand and collective premiums in the amount of NIS 101,739 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 4- Segmental Reporting (Cont.)

Data for the three month period ended June 30, 2018 (unaudited)

	Long term care		Health other **)		
NIS in thousands	**Individual**	Collective	**Long term**	Short term	Total
Gross premiums	**63,733**	226,972	**202,403*)**	28,713*)	521,821
Payments and changes in liabilities with respect to insurance contracts, gross	**68,300**	291,832	**99,872**	13,915	473,919

*) Of which, individual premiums in the amount of NIS 180,289 thousand and collective premiums in the amount of NIS 50,827 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 three month period ended June 30, 2017 (unaudited)

	Long term care		Health other **)		
NIS in thousands	**Individual**	Collective	**Long term**	Short term	Total
Gross premiums	**60,317**	189,888	**185,080*)**	32,293*)	467,578
Payments and changes in liabilities with respect to insurance contracts, gross	**65,905**	215,923	**94,389**	16,150	392,367

*) Of which, individual premiums in the amount of NIS 162,270 thousand and collective premiums in the amount of NIS 55,103 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	**229,392**	1,006,975	**358,948**	59,223	1,654,538

*) 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 June 30 2018	As of June 30 2017	As of December 31 2017
	Unaudited		Audited
Investment property *)	**2,943,941**	2,770,964	2,869,967
Financial investments			
Marketable debt assets	**26,022,672**	22,960,031	24,285,740
Non-marketable debt assets	**6,557,374**	5,989,439	6,534,433
Stocks	**10,238,625**	8,114,041	9,518,961
Other financial investments	**15,017,492**	16,456,931	15,891,827
Total financial investments *)	**57,836,163**	53,520,442	56,230,961
Cash and cash equivalents	**4,200,311**	3,967,667	4,529,446
Other **)	**956,679**	766,366	679,946
Total assets for investment-linked contracts	**65,937,094**	61,025,439	64,310,320

*) Measured at fair value through profit and loss.

**) The balance primarily includes outstanding premiums, reinsurer balances, collateral with respect to activities with futures contracts, and transactions with securities which have not yet been settled as of the date of the financial statements.

Note 5- Financial Instruments (Cont.)

A. Assets for investment-linked contracts (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 June 30, 2018			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	22,994,736	3,027,936	-	26,022,672
Non-marketable debt assets	-	6,447,060	110,314	6,557,374
Stocks	9,631,038	-	607,587	10,238,625
Other financial investments *)	9,147,264	3,018,984	2,851,244	15,017,492
Total financial investments	41,773,038	12,493,980	3,569,145	57,836,163
*) Of which, with respect to derivatives	189,649	190,097	-	379,746

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

	As of June 30, 2017			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	20,609,373	2,350,658	-	22,960,031
Non-marketable debt assets	-	5,855,351	134,088	5,989,439
Stocks	8,010,686	-	103,355	8,114,041
Other financial investments *)	10,940,212	2,962,671	2,554,048	16,456,931
Total financial investments	39,560,271	11,168,680	2,791,491	53,520,442
*) Of which, with respect to derivatives	197,704	446,324	-	644,028

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.

Note 5- Financial Instruments (Cont.)

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

2. Additional information regarding fair value (Cont.)

B. Financial 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	**4,136**	**33,762**	**241,618**	**279,516**
Acquisitions	**5,894**	**16,145**	**192,854**	**214,893**
Sales	**-**	**-**	**(185,126)**	**(185,126)**
Redemptions	**(34,394)**	**-**	**-**	**(34,394)**
Interest and dividend receipts	**(3,773)**	**(2,499)**	**(7,302)**	**(13,574)**
Balance as of June 30, 2018	**110,314**	**607,587**	**2,851,244**	**3,569,145**
Total income for the period included under the income statement with respect to held financial assets as of June 30, 2018	**4,720**	**33,762**	**246,380**	**284,862**

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Unaudited			
Balance as of January 1, 2017	181,668	120,543	2,414,321	2,716,532
Total income recognized in the statement of income	2,965	9,926	40,814	53,705
Acquisitions	-	6,963	359,428	366,391
Sales	-	(31,754)	(253,151)	(284,905)
Redemptions	(42,972)	-	(4,662)	(47,634)
Interest and dividend receipts	(7,573)	(2,323)	(2,702)	(12,598)
Balance as of June 30, 2017	134,088	103,355	2,554,048	2,791,491
Total income for the period included under the income statement with respect to held financial assets as of June 30, 2017	3,201	174	41,497	44,872

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Unaudited			
Balance as of April 1, 2018	126,184	588,135	2,735,133	3,449,452
Total income recognized in the statement of income	788	14,868	117,802	133,458
Acquisitions	625	7,083	111,018	118,726
Sales	-	-	(108,348)	(108,348)
Redemptions	(16,205)	-	-	(16,205)
Interest and dividend receipts	(1,078)	(2,499)	(4,361)	(7,938)
Balance as of June 30, 2018	110,314	607,587	2,851,244	3,569,145
Total income for the period included under the income statement with respect to held financial assets as of June 30, 2018	1,615	14,868	122,564	139,047

Note 5- Financial Instruments (Cont.)

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

2. Additional information regarding fair value (Cont.)

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

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands		Unaudited		
Balance as of April 1, 2017	148,125	95,958	2,428,890	2,672,973
Total income recognized in the statement of income	5,017	434	19,986	25,437
Acquisitions	-	6,963	247,084	254,047
Sales	-	-	(136,340)	(136,340)
Redemptions	(12,126)	-	(4,662)	(16,788)
Interest and dividend receipts	(6,928)	-	(910)	(7,838)
Balance as of June 30, 2017	134,088	103,355	2,554,048	2,791,491
Total income for the period included under the income statement with respect to held financial assets as of June 30, 2017	5,017	434	19,208	24,659

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands		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	-*)	(36,789)	(653,237)	(690,026)
Redemptions	(46,154)*)	-	(4,662)	(50,816)
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 (loss) 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

*) Reclassified

Note 5- Financial Instruments (Cont.)

B. Other financial investments

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

	As of June 30, 2018	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**16,126,248**	**23,316,877**
Other non-convertible debt assets	**5,420,931**	**5,989,049**
Deposits in banks	**815,111**	**914,864**
Total non-marketable debt assets	**22,362,290**	**30,220,790**
Impairment applied to income statement (cumulative)	102,910	

	As of June 30, 2017	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	15,188,183	21,878,889
Other non-convertible debt assets	5,037,842	5,543,557
Deposits in banks	876,950	986,374
Total non-marketable debt assets	21,102,975	28,408,820
Impairment applied to income statement (cumulative)	104,681	

	As of December 31, 2017	
	Book value	Fair value
NIS in thousands	Audited	
Government bonds		
HETZ bonds and treasury deposits	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	

*) The fair value of designated bonds was calculated according to the repayment dates of guaranteed-return liabilities. The fair value of treasury deposits was calculated according to the contractual repayment date.

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 June 30, 2018			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	4,718,981	295,296	-	5,014,277
Non-marketable debt assets	-	4,172	-	4,172
Stocks	1,159,453	-	268,477	1,427,930
Other financial investments *)	1,229,694	59,548	1,484,719	2,773,961
Total financial investments	7,108,128	359,016	1,753,196	9,220,340
*) Of which, with respect to derivatives	2,644	30,195	-	32,839

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.)

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

	As of June 30, 2017			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	5,382,654	304,172	-	5,686,826
Non-marketable debt assets	-	7,164	-	7,164
Stocks	1,071,325	-	78,610	1,149,935
Other financial investments *)	994,711	167,724	1,271,778	2,434,213
Total financial investments	7,448,690	479,060	1,350,388	9,278,138
*) Of which, with respect to derivatives	1,388	86,252	266	87,906

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.

B. Assets measured at fair value level 3

	Stocks	Other financial investments	Total
NIS in thousands		**Unaudited**	
Balance as of January 1, 2018	**253,539**	**1,306,606**	**1,560,145**
Total recognized income:			
Under profit and loss	**1,674**	**21,105**	**22,779**
Under other comprehensive income	**8,015**	**83,868**	**91,883**
Acquisitions	**6,999**	**185,697**	**192,696**
Sales	**-**	**(112,256)**	**(112,256)**
Interest and dividend receipts	**(1,750)**	**(301)**	**(2,051)**
Balance as of June 30, 2018	**268,477**	**1,484,719**	**1,753,196**
Total income for the period included under the income statement with respect to held financial assets as of June 30, 2018	**1,674**	**22,908**	**24,582**

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		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	1,406	29,103	30,509
Under other comprehensive income	(1,591)	(54,550)	(56,141)
Acquisitions	3,293	173,619	176,912
Sales	-	(143,034)	(143,034)
Redemptions	-	(2,713)	(2,713)
Interest and dividend receipts	(1,500)	(587)	(2,087)
Balance as of June 30, 2017	78,610	1,271,778	1,350,388
Total income for the period included under the income statement with respect to held financial assets as of June 30, 2017	1,406	30,443	31,849

	Stocks	**Other financial investments**	**Total**
NIS in thousands		**Unaudited**	
Balance as of April 1, 2018	259,051	1,364,305	1,623,356
Total recognized income:			
Under profit and loss	749	9,730	10,479
Under other comprehensive income	6,506	63,104	69,610
Acquisitions	2,921	100,482	103,403
Sales	-	(52,738)	(52,738)
Interest and dividend receipts	(750)	(164)	(914)
Balance as of June 30, 2018	268,477	1,484,719	1,753,196
Total income for the period included under the income statement with respect to held financial assets as of June 30, 2018	749	11,533	12,282

	Stocks	**Other financial investments**	**Total**
NIS in thousands		**Unaudited**	
Balance as of April 1, 2017	76,446	1,265,138	1,341,584
Total income (loss) which was recognized:			
Under profit and loss	962	2,548	3,510
Under other comprehensive income	(1,091)	(6,642)	(7,733)
Acquisitions	3,293	76,020	79,313
Sales	-	(62,328)	(62,328)
Redemptions	-	(2,713)	(2,713)
Interest and dividend receipts	(1,000)	(245)	(1,245)
Balance as of June 30, 2017	78,610	1,271,778	1,350,388
Total income for the period included under the income statement with respect to held financial assets as of June 30, 2017	962	3,732	4,694

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		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	3,017	77,100	80,117
Under other comprehensive income	(2,265)	(9,508)	(11,773)
Acquisitions	(*179,185	346,513	525,698
Sales	-*)	(373,862)	(373,862)
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	3,017*)	78,190	81,214

*) Reclassified

C. Financial liabilities

1. Composition of fair value:

	As of June 30				As of December 31	
	2018		2017		2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
NIS in thousands	Unaudited				Audited	
Financial liabilities resented at fair value through profit and loss:						
Liabilities with respect to derivative financial instruments and short sales *)	**489,929**	489,929	217,688	**217,688**	170,690	170,690
Deferred liability notes	**3,202,690**	3,413,580	3,273,277	**3,591,397**	3,242,364	3,652,572
Total financial liabilities	**3,692,618**	3,903,509	3,490,965	**3,809,085**	3,413,054	3,823,262
*) Of which, with respect to investment-linked liabilities	**345,495**	345,495	167,795	**167,795**	116,449	116,449

Note 5- Financial Instruments (Cont.)

C. Financial liabilities (Cont.)

2. Fair value of financial liabilities, classified by levels

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

	As of June 30, 2018			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Derivatives	**1,075**	**488,854**	**-**	**489,929**
Total financial liabilities	**1,075**	**488,854**	**-**	**489,929**

	As of June 30, 2017			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Derivatives	412	217,276	-	217,688
Total financial liabilities	412	217,276	-	217,688

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

D. Valuation techniques and valuation processes which are applied in the company

Non-marketable debt assets *)

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)(1) 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 3 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 pertaining to capital requirements in accordance with the Capital Regulations and directives issued by the Commissioner which apply to consolidated companies that are insurance companies:

	As of June 30, 2018		As of December 31, 2017	
	Clal Insurance	Clal Credit Insurance	Clal Insurance	Clal Credit Insurance
NIS in thousands	Unaudited		Audited	
Minimum capital:				
Amount required pursuant to the amended Capital Regulations [a)]	**4,603,206**	34,281	4,644,895	34,267
Current amount as calculated pursuant to the Capital Regulations:				
Basic Tier 1 capital	**4,858,341**	230,311	4,869,768	218,188
Tier 2 subordinated capital [b)]	**22,106**	-	43,779	-
Tier 2 hybrid capital	**3,024,520**	-	3,014,095	-
Tier 3 capital	**111,938**	-	111,938	-
Total Tier 2 and Tier 3 capital	**3,158,564**	-	3,169,812	-
Total current capital, calculated according to the Capital Regulations	**8,016,905**	230,311	8,039,580	218,188
Surplus	**3,413,699**	196,030	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	**127,521**	-	131,622	-
Capital reduction required with respect to original difference	**113,327**	-	154,497	-
Tax reserve with respect to the acquisition of provident funds	**24,840**	-	70,903	-
Surplus in consideration of operations which were performed subsequent to the reporting date and after deducting tied-up surplus	**3,197,691**	196,030	3,179,469	183,921
A) Total required amount, including capital requirements with respect to:				
Non-life insurance operations / required Tier 1 capital	**479,500**	30,058	507,722	29,791
Long term care insurance operations	**122,665**	-	114,464	-
Extraordinary risks in life insurance	**431,076**	-	425,963	-
Deferred acquisition costs in life insurance and illness and hospitalization insurance	**1,367,520**	-	1,386,192	-
Requirements with respect to guaranteed return plans	**1,947**	-	2,133	-
Non-recognized assets, as defined in the Capital Regulations	**45,950**	-	52,720	1
Investment in consolidated insurance and managing companies (including acquired management operations)	**515,186**	-	631,895	-
Capital reduction required with respect to original difference	**(113,327)**	-	(154,497)	-
Capital required with respect to investments	**1,265,053**	2,033	1,187,035	2,273
Catastrophe risks in non-life insurance	**103,087**	-	106,750	-
Operational risks	**291,849**	2,190	292,391	2,202
Guarantees	**92,700**	-	92,127	-
Total required capital	**4,603,206**	34,281	4,644,895	34,267

B) Issued until December 31, 2009.

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)(A) to the annual financial statements, in August 2018, a letter from the Commissioner was received stating that the timetables for the performance of the calculation as of December 31, 2017 will be postponed, and with respect to insurance companies which have not yet received approval regarding the performance of an audit for the first time, the solvency report as of December 31, 2017 will be published by November 29, 2018. Clal Insurance is preparing to complete the calculation, and to report it in accordance with the Commissioner's directives by the foregoing date.

According to the results of the calculation as of December 31, 2016, the company has a capital surplus, both in consideration of the provisions during the distribution period, and without 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.

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

In order for a claim to be approved as a class action, the plaintiff must prove the following, inter alia: (1) the existence of a "personal cause of action" for the specific plaintiff; (2) That the cause of action is sufficiently well-established as to constitute a "prima facie cause of action". At this point, the Court evaluates whether the plaintiff has a prima facie chance of eventually 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 Regional Labour Court of Jerusalem	Clal Insurance and additional insurance companies	The plaintiff contends that the defendants determined, in the managers' insurance policy, that the annuity factor which will be used for the payment of insurance benefits to female policyholders upon reaching retirement age, will be lower than that used for male policyholders, due to the longer life expectancy of women. However, on the other hand, the defendants collected and continue to collect from female policyholders a risk premium which is identical to male policyholders, in spite of the fact that the mortality rates of women are lower than those of men. According to the plaintiff, in 2001, or proximate thereto, the defendants amended the policies; however, this amendment applied to new policies only.	To order that: A. The discrimination practiced by the defendant is in contravention of the law, and any provision in the policy and/or any action taken by virtue of such discrimination is hereby null and void. B. Allowing the class members to choose between: (1) Comparing the annuity factors for a female policyholder to a male policyholder, and, in case of a one-time payment instead of a pension, increasing it. (2) Reducing, retrospectively and prospectively, the risk premium amounts which were charged, where the amounts which will be reduced will be added to the accrual and savings amounts.	All women who acquired managers insurance policies from the defendant, in which a distinction was made between men and women regarding the pension payment, although a distinction was not made between the genders regarding the risk premium.	In August 2014, the Regional Labor Court of Jerusalem accepted the motion to approve class action status, while determining that the elements required to accept the motion at this preliminary stage of the hearing had been fulfilled.. The Court emphasized that, at this stage, it is not hearing the claim on its own merits, and that from its perspective, it was not an "unfounded claim" for the purpose of approving the motion. In April 2015, the National Labor Court granted leave to appeal the decision to approve the claim as a class action, and a hearing on the case before a board was scheduled. In February 2016, a hearing was held in the National Labour Court, in which the Court stated that, in light of the circumstances of the matter, questions arise which have not been evaluated in depth by the Court, and which may have an impact regarding the cause of action and the approval thereof, regarding the reasonable chances of winning the claim, and regarding the most efficient and fair method of conducting the class action. In December 2016, the position of the Attorney General of Israel was submitted (which he also repeated in the Court hearing which was held in April 2017) which, in general, supported the position of the defendants, and determined, inter alia, that a class action is not the most efficient and fair way of resolving the dispute, in light of the circumstances, and that the chances of the process are such that there is no reasonable possibility that the relevant question will be determined in favor of the class, since no unlawful discrimination was involved. The parties are awaiting the ruling.	The plaintiff did not specify the damage amount which was caused to her, and in the absence of the data required to estimate the exact scope of damages, she estimated the total amount of damages caused to the class members as hundreds of millions of NIS.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

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

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

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved

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

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	5/2013 District - Tel Aviv	Clal Insurance and additional insurance companies	The plaintiff contends that the defendants breach their obligation to attach linked interest and duly calculated linkage differentials, with respect to the insurance benefits which they pay. According to the claim, the date from which the interest and linkage differentials should be calculated is beginning on the date of the occurrence of the insurance event, until the actual payment date. Alternatively, linkage differentials should be paid from the date of the occurrence of the insurance event until the actual payment date, as well as interest starting 30 days after the filing date of the claim, until the actual payment date of the insurance benefits.	To order the defendants to pay to the class members linkage differentials and interest with respect to the underpayment which was performed. Additionally, and/or alternatively, the Court is requested to order the provision of compensation in favor of the public, in its discretion.	Any person who received, during the 7 years prior to the filing of the claim and/or who will receive, until a ruling has been given on the claim, insurance benefits from the defendants, to which duly calculated interest (the "**First Class**") and duly calculated linkage differentials (the "**Second Class**") were not 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. In February 2014, the Court ordered the petitioners to announce, within thirty days, whether they intend to withdraw the motion. In April 2014, the petitioners announced that they were not withdrawing the motion to approve. In July 2016, the Court approved the claim as a class action. The group which was approved includes anyone who engaged with the defendants, or with any one of them, in an insurance contract, and from whom sub-annual installments were collected with respect to the following components: with respect to the savings component in life insurance of the "hybrid" type, which were sold by Clal Insurance in the past, with respect to the "policy factor", which is a fixed monthly amount that is added to the premium, and which is intended to cover expenses, and with respect to health, disability, critical illness, loss of working capacity and long-term care policies (the "Collection Components"). The Court's decision was given despite the position of the Commissioner of Insurance which was submitted at the request of the Court, as stated above. The cause of action for which the claim was approved as a class action is unlawful collection of sub-annual installments with respect to the collection components. The requested remedy is the reimbursement of the amounts which were unlawfully collected during the seven years preceding the filing of the claim and thereafter, i.e., from January 2001, and a mandamus order ordering the defendants to rectify their conduct. In December 2016, the defendants filed with the Supreme Court a motion for leave to appeal against the decision to approve the claim as a class action (the "Motion for Leave to Appeal"), and in May 2018, the Supreme Court accepted Motion for Leave to Appeal, heard it as an appeal, and gave a ruling in which the appeal was accepted, and the claim accordingly dismissed. In June 2018, the plaintiffs filed a motion to hold an additional hearing regarding the ruling, with respect to some of the determinations specified therein.	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 District - Center	Clal Insurance and additional insurance companies	According to the plaintiff, in life insurance, the defendants collect from policyholders, without any basis in the policies and without consent, amounts which at times reach a significant part of the premiums paid by the policyholders, and which are known as the "policy factor" and/or "other management fees") (hereinafter: the "**Policy Factor**"), unlawfully and without any appropriate contractual provision, despite the fact that, in principle, the defendants were allowed, in accordance with the Commissioner's circulars, to collect a policy factor in life insurance policies. The plaintiffs contend that in April 2011, the Court with which the current claim was filed, approved class action status for a motion to recognize a claim against another insurance company (hereinafter: the "**Other Motion**"), which is identical to this claim. It is noted that following the motion for leave to appeal, which was filed by the other insurance company with the Supreme Court, the hearing regarding the other motion to approve was returned to the District Court to be heard again.	Payment of the compensation / reimbursement amount equal to the policy factor amount which was actually collected from the class members, with the addition of the returns which were withheld from them with respect to this amount due to the fact that the amount which was deducted from the premium for the policy factor was not invested for them, and changing the method of action with respect to the collection of the policy factor.	Anyone who was and/or is a policyholder of any or all of the defendants, and from whom any amount was collected as the policy factor.	In June 2015, a settlement arrangement and a motion to approve it were filed with the Court, in which it was requested to order the defendants to pay a total of NIS 100 million with respect to the past (of which, the share of Clal Insurance is approximately NIS 26.5 million), and to provide a discount of 25% of the actual future collection of the policy factor. In November 2016, the Court decided to dismiss the motion to approve the settlement arrangement, since it believed that the foregoing does not constitute an adequate, reasonable and fair arrangement for the affairs of the class members. Additionally, the Court decided to partially approve the conducting of the claim as a class action, only with respect to life insurance policies combined with savings which were prepared between the years 1982 and 2003 (with respect to Clal Insurance, in policies of the "Adif", "Meitav" and "Profile" types), where the savings which accrued in favor of the policyholders in those policies were affected due to the collection of the policy factor, on the grounds of breach of the insurance policy, due to the collection of the policy factor, in a manner which harmed the savings which accrued in favor of the policyholders, with respect to the period beginning seven years before the filing date of the claim, in April 2011. The claim was not approved with respect to other types of policies (hereinafter, jointly: the "**Decision**"). The claimed remedies, as defined in the Court's decision, include curing the breach by implementing an update to the savings which accrued in favor of the policyholders, in the amount of the additional savings which would have accrued for them had a policy factor not been collected, or compensation of the policyholders in the aforementioned amount, and discontinuation of the collection of the policy factor from that point forward. Additionally, payment of professional fees was ruled for the plaintiff's representative, and for the objectors to the settlement arrangement and their representatives, in immaterial amounts. Insofar as the claim will be approved on the merits, the total potential of the claim, with respect to the savings component in the relevant policies is estimated in the amount of approximately NIS 700 million, for four of the defendants who engaged in the settlement arrangement (including Clal Insurance), with respect to the period from 2004 to 2012 (inclusive), based on an estimate which is based on the assessment of the Court which was given based on the opinion of the examiner who was appointed on its behalf. This amount does not include the period until the date of the decision, and the collection amounts with respect to the policy factor, which were supposed to be received in the future. In May 2017, the defendants filed a motion for leave to appeal the Court's decision, both with respect to the non-approval of the settlement arrangement, and with respect to the partial approval of the claim as a class action.	The plaintiffs' claim pertains to the policy factor which was collected from them from 2004. According to various estimates and assumptions which were performed by the plaintiffs with respect to the collection of the policy factor, during the seven years preceding the filing date of the claim, by the defendants, and the relevant annual returns, the amount claimed for the class members, against all of the defendants, was estimated by the plaintiffs as a nominal total of approximately NIS 2,325 million. Out of this amount, a total of approximately NIS 661.9 million is attributed to Clal Insurance, according to its alleged market share.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

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

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
8.	11/2014 District - Economic Department of Tel Aviv	Bank of Jerusalem ltd. (hereinafter: "**Bank of Jerusalem**") and several additional defendants who served as directors in Clal Finance Batucha Investment Management Ltd. ("**Clal Batucha**") from 2007 until the sale of Clal Batucha to Bank of Jerusalem in December 2013[5].	The plaintiff contends that Clal Batucha, which merged with and into Bank of Jerusalem, in its function as portfolio manager, performed, on behalf of its customers, transactions with securities of member companies in the IDB Group, in a manner which gave preference to its interests and to the interests of various member companies of the IDB Group over the interests of its customers, in violation of the law. The plaintiff contends that Clal Batucha breached its obligation to inform its customers regarding any conflict of interests which it has in the performance of the aforementioned actions, and to receive their consent. The plaintiff further contends that the directors of the defendants breached their duty of care towards the class members.	To issue an order against Clal Batucha and against the other defendants to provide details and information regarding damages which were (allegedly) incurred by each of the class members, and to order the defendants to compensate the class members for the entire damages which they incurred, or alternatively, to determine another remedy in favor of all or some of the class members.	Any person who received from Clal Batucha investment management services, in which they acquired securities which were issued by member companies of the "IDB conglomerate", without giving their advance approval with respect to each transaction, and who incurred damages as a result of the said acquisition. On this matter, the plaintiff includes under the "IDB conglomerate" all corporations which were held (directly or indirectly) by IDB Holdings and IDB Development.	In January 2017, the Court approved the handling of the claim as a class action against Clal Batucha, and dismissed the motion with respect to the directors. The class members, as determined in the decision, include "anyone who received investment management services from Clal Finance Batucha Investment Management Ltd. (liquidated due to merger) ("**Batucha**"), on whose behalf, within the framework of the portfolio management activity, Batucha (or any other party on its behalf) acquired securities, as defined in the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, (hereinafter: the "**Advice Law**"), which were issued by any of the corporations which were included, at the time of the acquisition, in the IDB Conglomerate (as defined below), from whom advance approval was not received regarding each aforementioned transaction, and who incurred damages due to the aforementioned acquisition." In this regard, the IDB Conglomerate was defined as including "all corporations which were held or controlled, directly or indirectly (including through concatenation) by the companies or IDB Holding Corporation Ltd. (hereinafter: "**IDB Holding**") and IDB Development Corporation Ltd. (hereinafter: "**IDB Development**"), including IDB Holding and IDB Development. For the avoidance of doubt, this definition includes all of the subsidiaries, second tier subsidiaries, and third tier subsidiaries (and so on) of IDB Holding, as well as any other corporation held by them, directly or indirectly." It was further determined in the decision that the class will include anyone in whose account acquisitions of securities were performed, during a period of up to 7 years before the filing of the motion to approve, until the date of completion of the merger transaction of Clal Batucha into Bank of Jerusalem. The cause of action which was approved in the decision is breach of statutory duty by virtue of section 63 of the Civil Wrongs Ordinance, together with section 15(a) of the Advice Law. The 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] 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 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. In February 2017, the Court approved the claim as a class action. The group which was approved includes all beneficiaries in the original and renewed collective insurance policy of Makefet policyholders, who received from the respondent, during the 7 years prior to the filing of the motion to approve, insurance benefits with no additional linkage differentials. The requested remedy is payment of the entire linkage differentials to which the class members are entitled. The Court's decision was given despite the position of the Commissioner of Insurance which was submitted regarding the case, at the request of the Court, which supports the position of Clal Insurance on the aforementioned subject. In June 2018, the parties filed with the Court a motion to approve a settlement arrangement. In accordance with the settlement arrangement, partial compensation will be paid to the class members in whose name the claim was filed, and who meet the conditions specified in the settlement agreement. The settlement arrangement's entry into effect is conditional upon the receipt of approval from the Court, the provision of which is uncertain.	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 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. 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. 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. 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 District - Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance modifies the terms of the life insurance policy when transferring an employee policyholder from one employer to another, by way of changing the component known as "sub-annual installments", which the plaintiff contends were collected with respect to the interest to which the insurance company was allegedly entitled in circumstances wherein the premium is paid in installments throughout the year, and not as a lump sum at the start of the year (hereinafter: "**Sub-Annual Installments**"). The plaintiffs contend that this change was made by Clal Insurance unilaterally and with no contractual foundation, and therefore constitutes a breach of the policy terms.	The reimbursement of overcollected amounts with respect to the sub-annual installments component which was performed until the date of approval of the claim as a class action, and discontinuation of the overcollection of this component in the future.	All customers of Clal Insurance, employers and/or employees, from whom sub-annual installments were collected in life insurance policies, which were higher than the rates that had been agreed upon in the policy, following a change of ownership of the policy. In the petitioners' estimation, this involves 10,000 policyholders in the last 30 years.	In May 2015, a motion to approve a settlement agreement regarding the claim (hereinafter: the "**Settlement Agreement**") was filed with the Court. As part of the settlement agreement, the Court was requested to order the amendment of the motion to approve regarding the definition of the group and the expansion thereof to include all policyholders where the rate of sub-annual installments charged from them was increased without their consent. In accordance with the settlement agreement, Clal Insurance will repay, to the class members who will be included in the settlement agreement, various rates out of the amount of the addition that was charged from them with respect to the increase of sub-annual installments, in accordance with the circumstances in which the rate of paid sub-annual installments was increased, and with reference to various periods which were defined in the settlement agreement; Additionally, Clal Insurance will send notice to the paying entity, in which Clal Insurance will allow the paying entity to choose regarding the future premium payment terms, and the associated cost from this point onwards. In May 2015, the Court issued a decision in which it ordered the amendment of the motion to approve in accordance with the settlement agreement regarding the definition of the class. In November 2015, the position of the Attorney General of Israel regarding the settlement agreement was filed, according to which he does not object to the settlement agreement, subject to certain remarks. In September 2016, the parties filed a joint motion for an 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. 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. 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.	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
3.	11/2014 District - Center	Clal Insurance, Tmura Insurance Agency (1987) Ltd. (hereinafter: "**Tmura**"), an additional insurance company and an additional insurance agency.	According to the plaintiffs, the holders of credit cards from Isracard and Israel Credit Cards Ltd. ("CAL"), who called in order to activate the basic policy of the credit cards, which is provided free of charge, they were sold, during the call, a product which is not an extension, addition or increase of the basic policy, but rather an ordinary policy, sold at full price, in a manner whereby that person was insured twice, from the first Shekel, on all matters pertaining to the overlapping coverages in the two policies.	To order the defendants to repay to the class members the excess premiums which were paid by the class members during the seven years which preceded the filing of the claim; To order the defendants to take into account, as part of the sale of the policies, the economic value of the basic policies, and to collect premiums which will take into account that value; To provide full and adequate disclosure to those calling the call center; To allow the holders of Isracard and CAL credit cards to activate the basic policy by means other than the call center; Alternatively, to order any other remedy in favor of the class, including the issuance of instructions regarding supervision, and execution of the ruling.	The holders of Isracard and CAL credit cards who were entitled to receive international travel insurance, at no extra charge, and who purchased, in the last seven years, international travel insurance from the defendants through the call centers operated by the defendants.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action, and at the plaintiffs' request, a disclosure of documents order was issued. The parties are conducting mediation proceedings between them.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 70 million.
4.	3/2015 District - Jerusalem	Clal Pension and Provident Funds	According to the plaintiff, a member of the "Clal Tamar" provident fund (hereinafter: the "**Provident Fund**") which is managed by Clal Pension and Provident Funds, Clal Pension and Provident Funds increased the management fees collected in its accounts in the provident fund, without sending to him advance notice, as required. The plaintiff also contends that the increase of management fees was performed before the passage of two months after the date when the notice was sent, as required.	To declare that the management fees which were overcollected are part of the member's assets, to order the defendant to pay compensation equal to the amounts which were overcollected by it, within the framework of duly calculated interest and linkage; to order the defendant to pay, to each member of the classes, compensation in the amount of NIS 100 per member, with respect to injury to the autonomy of will;	Any person in whose account the defendant raised the management fees: (1) without sending advance notice to them, as required by law and/or (2) without sending notice to the correct address or updated address, as recorded in the population register and/or (3) before the passage of two months after the date of sending the advance notice.	In June 2018, the parties filed with the District Court of Jerusalem a settlement arrangement and a motion to approve it (hereinafter: the "**Settlement Arrangement**"), according to which Clal Pension and Provident Funds undertook to pay, to the members of the class which was defined in the settlement arrangement, compensation according to the amounts and rates which were determined in the settlement arrangement. The settlement arrangement includes provisions regarding the method used to effect the payment to the class members who are still members, and to the class members who are no longer members. The settlement arrangement's entry into effect is conditional upon the receipt of court approval, the provision of which is uncertain.	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
5.	5/2015 District - Jerusalem	Clal Insurance and an additional insurance company	According to the plaintiff, after years during which his deceased mother was insured under a collective life insurance policy, which Clal Insurance sold to the association of pensioners under the "Netiv - Southern and Central Region" pension fund (hereinafter: the "**Association**" and the "**Policy**", respectively), and who paid premiums as required, Clal Insurance unilaterally and unlawfully canceled the policy, because the policy was a losing policy, and did not reimburse the premiums which it had charged. The plaintiff also contends that Clal Insurance illegally collected premiums from policyholders with respect to June 2014, after the date when the policy was canceled.	To order Clal Insurance to pay to each of the class members who did not receive the benefits of the policy, the entire premiums which were collected from them with respect to the policy over the years when they were insured, with the addition of duly calculated interest and linkage.	Anyone who was insured by Clal Insurance in a policy which was canceled on March 2, 2014, as well as all policyholders under the policy from whom Clal Insurance collected premiums in June 2014.	In October 2016, an amended claim and an amended motion to approve the claim (the "Amended Motion") were filed, in which Harel Insurance Company Ltd. ("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. The plaintiff's claims regarding the collection of premiums with respect to dates after the cancellation of the policy, which were included in the original motion to approve the claim as a class action, are not included in the amended motion. The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 90 million.
6.	6/2015 District - Center	Clal Insurance and an additional company	The plaintiff contends that Clal Insurance collects insurance premiums which include a "risk addition" or "professional addition" or another addition pertaining to the risk which is due to the nature of the policyholders' work (hereinafter: the "**Risk Addition**"), also during periods when the policyholders are not employed.	To order Clal Insurance to reimburse to the class members the premium differentials which were overcollected, with the addition of linkage differentials and interest, and to order it to refrain from collecting the risk addition in the future.	Anyone who paid to the defendants, during the seven years which preceded the date of filing of the motion to approve, until the date of its approval as a class action, premiums with respect to insurance coverage (including but not limited to loss of working capacity and life and/or risk insurance), with respect to the period during which the policyholder did not actually work, and from whom a premium including a risk addition was collected.	In May 2018, the Court gave a ruling in which the motion to approve the claim as a class action was dismissed. In July 2018, the petitioner in the motion to approve filed an appeal with the Supreme Court, against the ruling given by the District Court, in which the motion to approve 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.)

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 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 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.	In May 2018, an agreed-upon motion for the plaintiff's withdrawal from the class action was filed with the Court, in which the Court was requested to approve the plaintiff's withdrawal from the motion to approve and from the claim, and to order the dismissal of the plaintiff's personal claim against Clal Insurance. As part of the motion to withdraw, Clal Insurance agreed, beyond the letter of the law, to provide a total of NIS 2,150,000 in favor of the establishment of a designated fund, which will be intended to provide payments, beyond the letter of the law, to the class members whose claims will be presented for re-evaluation to the fund's chairman, a judge emeritus, who will re-evaluate their cases. The motion for withdrawal is subject to the Court's approval, the provision of which is uncertain.	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 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 are conducting mediation proceedings.	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 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 District - Center	Clal Insurance	The plaintiff brings claims against the definition of "disability" in accidental disability policies, which allegedly create uncertainty, and against the policy terms, which require the receipt of reasonable proof within one year after the date of the accident. In this regard, it was claimed that despite the fact that the company received "reasonable proof" regarding the permanent disability of policyholders as a result accidents which occurred since June 2009, it paid to them reduced insurance benefits, or rejected their claims for insurance benefits due to disability. The claim also includes assertions regarding the calculation of disability rates in the payment of insurance benefits in the event that the policyholder has more than one disability, as well as assertions regarding the revaluation of insurance benefits with respect to linkage differentials and interest.	To order Clal Insurance to pay to the class members insurance benefits with respect to permanent disability as a result of an accident, in accordance with the terms of the policy, and to order it to cease its unlawful conduct.	Any person who was insured by Clal Insurance in accidental disability policies, where, despite the fact that Clal Insurance received "reasonable proof" of the permanent disability due to an accident which occurred beginning in June 2009, paid reduced insurance benefits with respect to his disability, or rejected his claim for insurance benefits due to his disability, for the reasons specified in the claim (in whole or in part).	In July 2016, following the announcement of the class action plaintiff, who agreed to the summary dismissal of the claim, and withdrew his claim, the Court summarily dismissed the claim. In September 2016, an appeal was filed with the Supreme Court on behalf of the class action plaintiff against the ruling, in which the claim was summarily dismissed. 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 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 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 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 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] The claim also alleges 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.	6/2016	Clal Insurance, the Ministry of Finance - Division of Capital Markets, and three other insurance companies	The claim pertains to the sale of collective long-term care insurance policies by the defendant insurance companies, in a manner which, according to the plaintiffs, caused the policyholders to believe that this insurance would remain available to them also in old age. The plaintiffs contend that the fact that the defendant insurance companies determined, in the aforementioned policies, a condition which allows them to unilaterally terminate the policy without renewing it, after a limited period, without expressly and appropriately giving advance warning to the policyholder, indicates a significant deviation from the basic consumer standard, and should be viewed as deception of consumers. The plaintiffs contend that if the former policyholders had all of the relevant information available to them, they would not have chosen to engage in the policies which are the subject of the claim.	To order the defendant insurance companies to reimburse the funds which were unlawfully collected through deception of consumers, to reimburse funds which the class members were forced to spend with respect to alternative insurance policies, to identity an insurance-based and/or financial emergency solution for former policyholders who began to require long-term care after their insurance policy was discontinued, to order that the former policyholders are permitted to acquire insurance through the health funds, in accordance with the conditions to which they would have been entitled had they joined on the date when the joined the insurance policies, including the amounts of the monthly premiums and the insurance coverage, to issue an order to the State Treasury regarding the issuance of appropriate compensation and protecting the rights of the former policyholders, to order the defendants to finance the difference between the premium amounts which the plaintiffs paid upon the fulfillment of the insurance arrangement and the premium amounts which they are required to pay today for the same insurance product.	Any customer of the defendant insurance companies who held a collective long-term care insurance policy which was canceled and/or whose terms were changed in an extreme manner, and who was deceived and/or was not warned and/or was not informed that this policy does not accrue any amount in his favor, and that it will not be available to him in old age, for the period of 7 years prior to the filing of the claim, as a minimum, and/or from the date of the customer’s first deposit.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the total damage claimed for all class members, through a gross estimate, as a total of NIS 7,000 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
17.	8/2016 Regional Court - Tel Aviv (1) 10/2016 Regional Labor Court of Jerusalem (2) 11/2016 Regional Court of Jerusalem (3) 12/2016 Regional Court - Tel Aviv (4)	Clal Pension and Provident Funds Clal Insurance	The four claims involve the assertion that the defendants collect from members in the pension funds, in the Tamar provident funds, and in the study funds which are managed by it, and in managers' insurance policies, in addition to the management fees, also "investment management expenses" (hereinafter: "**Direct Expenses**"), although there is no contractual provision which allows them to collect those expenses, and in breach of the fund regulations.	The plaintiffs in the four claims request to order the defendants to reimburse the investment management amounts which were overcollected from them. Additionally, some of the plaintiffs request to order the defendants to pay the additional difference of returns which would have been generated by the amounts which were overcollected had they been invested in the pension fund, while some request to order the defendant to pay the duly calculated NIS interest difference, from the date of overcollection until the date of actual payment.	Members of the pension funds, the study fund, and the provident fund "Clal Tamar" which are managed by the defendant, and holders of managers' insurance policies, from whom investment management expenses were collected during the seven years preceding the filing of the relevant claim.	In May and June 2018, and at the Court's request, the positions of the Capital Market, Insurance and Savings Authority regarding two of the aforementioned claims were filed, in which, in general, it supported the position of Clal Pension and Provident Funds and Clal Insurance in their response. The proceedings are currently in the stage of hearing the motions to approve the claims as class actions.	In claim 1, which refers to the pension funds, the amount of the class action was set as NIS 341 million, with respect to the years 2009-2015, plus the investment management expenses which were collected by the defendant from the group members in 2016, and plus the returns which would have been earned by the funds which were deducted as investment management expenses. In claim 2, which refers to the study fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 53 million. In claim 3, which refers to the Tamar provident fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 181 million. In claim 4, which refers to managers' insurance policies, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 404 million, plus the investment management expenses which the defendant charged to the class members in 2016, as well as interest and linkage.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
18.	9/2016 District - Tel Aviv	Clal Insurance and three other insurance companies	The claim involves the assertion that the defendants allegedly collected and continues to collect from the holders of health insurance policies premiums with respect to unnecessary coverages which the policyholders do not need, and that the respondents allegedly sold to the policyholders, knowingly and deliberately, health insurance policies which include coverages for which the policyholders had no need, since they have supplementary health insurance from the health fund to which they belong, and that they also made one service conditional upon another, with no possibility to acquire a limited policy, which includes only coverages which are not included in the supplementary health insurance policies of the health funds, thereby creating “double insurance”.	Reimbursement of the excess premium amounts which were allegedly unlawfully overcollected, issuance of a mandamus order instructing the defendants to change their method of action, as described in the claim, as well as any other additional remedy which may be considered appropriate by the Court, in light of the circumstances.	Anyone who is insured, or was insured, by any or all of the defendants in any of the health insurance policies which include coverages which overlap, either fully or partially, with the coverages which are included in the supplementary health insurance policies of the health funds.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount of the class action against the defendants was set as a total nominal amount of NIS 4.45 billion, where the share of Clal Insurance out of that total, as calculated by the plaintiffs, was set as NIS 995 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
19.	9/2016 Regional Labor Court of Tel Aviv	Clal Insurance and the Commissioner of Capital Markets, Insurance and Savings at the Ministry of Finance	The claim involves the assertion that Clal Insurance makes the release of the severance pay component which has accrued in managers insurance policies (hereinafter: the "**Policies**"), by virtue of the Extension to Compulsory Pension Ordinance (hereinafter: the "**Extension Order**") conditional upon the employer's consent. Clal Insurance thereby collaborates with the employer, allows the employer, over years, to argue against the transfer to the accrued severance pay to the employees, and during that time, continues collecting management fees out of the funds which remain accrued in the policies.	Declaratory relief, primarily determining that the class members are entitled to receive the accrued severance pay for which the employer made deposits in their name to the pension arrangement by virtue of the extension order, without any condition or restriction whatsoever. The plaintiff is also petitioning to order Clal Insurance to notify the class members regarding their right to withdraw the severance pay component unconditionally, and to determine the manner by which the notice will be given to the group members.	All those covered by pension insurance in Clal Insurance, in whose favor severance pay accumulated in the pension arrangement beginning on January 1, 2008, the application date of the extension order, who concluded their employment, and to whom the employer's approval was not given to release the accrued severance pay funds which are recorded under their names. The plaintiff estimates the number of class members as 70,500 policyholders.	In February 2017, the Commissioner was removed as a respondent from the class action, following a joint motion of the petitioner and the Commissioner on this matter. In 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. In July 2018, the position of the Manufacturers Association of Israel, which also supported the position of Clal Insurance, was also filed with the Court.	The amount of the class action against the defendant amounts to a total of approximately NIS 479 million.
20.	9/2016 District - Center Lod	Clal Insurance	The claim involves the assertion that Clal Insurance allegedly has an unlawful commercial practice with respect to the collection of premiums for insurance policies which were created without the customers' knowledge, express or implied, by creating an offer form for engagement in an insurance policy which allows, on the one hand, conducting the sale call via telephone, while on the other hand, does not require, allegedly and as defined therein, recording and/or saving the recording of the call.	To order Clal Insurance to compensate the class members and to issue any other or additional order, in the Court's discretion.	Anyone in whose name an insurance policy was registered, either directly from Clal Insurance and/or through others authorized on its behalf, including through insurance agents, during the seven years preceding the filing date of the claim, without the plaintiff's express consent - either written or through a duly recorded telephone call - and in any case, without their knowledge and/or from whom premiums were collected with respect to such policies, during the aforementioned period.	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
21.	11/2016 District - Tel Aviv (1) 09/2016 District Tel Aviv (2)	Clal Insurance and an additional insurance company	The claims involve the assertion that due to "lack of knowledge" because of the non-provision and publication of a students personal accidents insurance policy (the "Policy") for the policyholders and their families, the policyholder avoid exercising their right to compensation by virtue of the policy.	The plaintiffs in claim (1) request the issuance of orders against the defendants and the Commissioner of Insurance, and request, inter alia, the appointment of a committee, with the participation of external representatives, which will be authorized to discuss and determine all of the claims, and the transfer of the burden of proof to the insurer. The plaintiffs in claim (2) request, inter alia, the issuance of mandamus orders for compensation with respect to the hassle and cost of printing, in a total amount of NIS 1.5 for each class member, and an extension of the prescription period, including a determination stating that the prescription period was suspended in September 2006.	The plaintiff in claim (1) classified the plaintiffs into several groups, with respect to students who were born after October 25, 1995, and who, from ages 3 to 19 (the period of their studies in Israel, from kindergarten until the end of high school in 12th or 13th grade), went through an accident, due to which they suffered a physical injury, and who did not receive insurance benefits under the policy, as follows: (1) the "tooth fracture" group, (2) the "medical expenses" group, (3) the "disability" group, (4) and the "cases of death" group. The plaintiff further requests the establishment of an additional sub-group for each of the groups of plaintiffs mentioned above, whose members are people and/or their parents and/or their heirs who were born and/or who studies in Israel between the years 1974 and 1995, and who were injured after 1992, and who claimed that they were not aware of the scope of the policy, and on behalf of all policyholders - all students and their parents from September 1992 until now - who were injured. The plaintiff in claim (2) requests to represent all students, at school or at home or at kindergarten, in the State of Israel, who were covered under a policy and who did not receive it at their house, beginning with the school year beginning in September 2006 and/or any student whose cause of action against the insurance company prescribed, beginning in September 2006.	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. 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. 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
22.	4/2017 District - Tel Aviv	Tmura Insurance Agency (1987) Ltd. (hereinafter: "**Tmura**"), a second-tier subsidiary of the company, which is an insurance agency which manages pension arrangements, and against three additional insurance agencies.	According to the plaintiffs, the defendants provided services with respect to the regulation of social / pension provisions, for both employers and employees; however, they charged the consideration from the employees only, without their knowledge or consent, and in breach of the duties which apply to them by law.	To order the defendants to compensate the class members for the damages which they incurred (each defendant with respect to its relevant class members), or alternatively, to order any other remedy in favor of the group.	Any person who is included among the group of customers of the defendants while the defendants provided, to their employers, pension arrangement management services, during a period beginning defendants before the filing date of the new motion, until the date when the employer began bearing, out of its own resources, the costs of operating the employee's pension arrangement.	In 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. 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.
23.	7/2017 District - Tel Aviv	Clal Insurance	The plaintiffs contend that Clal Insurance unilaterally implemented changes to managers insurance policies of the "Adif" type (hereinafter: the "**Policies**") by reducing the savings component and increasing the risk component, while transferring the ownership of the policy to a new employer, at the end of the "temporary risk" period, and thereby caused the policyholders in the class to incur damages.	To order Clal Insurance to supplement the savings up to the amount which would have been accumulated in the policies if not for the aforementioned unilateral change, and to prohibited it from unilaterally changing the policy terms in the future. Alternatively, to pay compensation to the class members for the damage which they incurred, according to the difference between the savings amounts which would have accumulated in the policies if not for the unilateral changes, and the savings amounts which actually accrued in the policies, or to order Clal Insurance to pay an adequate and appropriate amount to the public interest.	All of "Adif" policyholders for whom Clal Insurance unilaterally reduced the savings component and increased the risk component while transferring the ownership of the policy to a new employer at the end of the "temporary risk" period.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate, based on various assumptions which they performed, that the damage incurred by the class members amounts to approximately NIS 343 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
24.	9/2017 District - Jerusalem	Clal Insurance and additional insurance companies	The plaintiffs contend that the defendants do not duly apply section 5(b) of the Adjudication of Interest and Linkage Law, 1961 (hereinafter: the "**Adjudication of Interest and Linkage Law**"), and do not pay, as a matter of policy, the required interest and linkage pursuant to that law, with respect to any debt which was ruled against them by a judicial authority, and which was not paid by them on the date set for its payment.	Declaratory relief with respect to the breach of the provisions of the law, compensation to the class members with respect to the alleged damages which they incurred, and ordering the defendants to correct the policy from this point forward.	Anyone to whom amounts were paid by the defendants which were ruled in their favor by a judicial authority, without the addition of linkage differentials and/or interest and/or linked interest to the ruled amount.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount of personal damages alleged by the plaintiff against Clal Insurance amounted to NIS 56.47. The plaintiffs, in the absence of accurate data regarding the aggregate damage incurred by the class, estimate the damage as a minimum of tens of millions of NIS, if not more.
25.	11/2017 District - Tel Aviv	Clal Insurance	According to the plaintiffs, Clal Insurance operates unlawfully by continuing to collect premiums from policyholders even after they announced the cancellation of the policy, and cancels the policy only on the 1st of the calendar month subsequent to the date of receipt of the cancellation notice, and by misleading policyholders by not informing them of the methods for cancellation before entering into the engagement.	To order Clal Insurance to compensate the class members in the amount of the monetary damages which they incurred, with respect to non-monetary damages which were incurred due to inconvenience and harm to autonomy, and to order it to reimburse the additional enrichment which was accrued by Clal Insurance due to its actions and/or omissions as referenced in the claim.	All policyholders who were charged payment with respect to the policies, even after they gave notice of their request to cancel the policies, during the 7 years preceding the filing of the claim, until a ruling has been issued on the matter.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate, conservatively, the total damage incurred by the class members as a total of NIS 30 million.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
26.	1/2018 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.
27.	1/2018 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. 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
28.	3/2018 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.
29.	5/2018 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
30.	5/2018 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.
31.	5/2018 Regional Labor Court of Tel Aviv	Clal Insurance	The plaintiffs contend that Clal Insurance raised the management fees in managers' insurance policies, beyond the management fee rate which was agreed upon in the insurance policies, and in violation of the law.	Reimbursement of the full amounts which were collected by Clal Insurance with respect to management fees, beyond the rate specified in the managers' insurance policies and/or in breach of the directives of the competent authority and/or in violation of the provisions of the law, as if they had been deposited originally, with the addition of linkage differentials and interest. Alternatively, they request any other remedy in the Court's discretion.	All customers of Clal Insurance who purchased managers' insurance policies, and from whom management fees were collected at a rate which was higher than the rate specified in the policies and/or in violation of the directives issued by the Insurance Commissioner at the Ministry of Finance and/or in violation of the law.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs did not specify the cumulative damages incurred by all class members. The personal damage of one plaintiff was estimated as a total of NIS 597, with the addition of linkage differentials and interest, and the damages incurred by the second plaintiff were not specified.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
32.	8/2018 Regional Labor Court of Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance paid, to holders of guaranteed-return insurance policies which were issued between the years 1962 and 1990 (“**Guaranteed-Return Policies**”), interest according to rates which were lower than the rates which it was required to pay in accordance with the publication issued by the Authority of Capital Markets, Insurance and Savings (hereinafter: the “**Capital Market Authority**”), and as a result, that it performed unjust enrichment at the expense of policyholders. It was further asserted that Clal Insurance did not pay interest in arrears to policyholders in accordance with the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964 (“**Interest in Arrears**”), in cases involving arrears in the redemption of funds from guaranteed-return policies.	The payment of the difference between the interest rate which Clal Insurance actually paid to holders of guaranteed-return policies, and the interest rate which it would have been required to pay in accordance with the publication of the Capital Market Authority, and the update to unredeemed guaranteed-return policies, in accordance with the interest rate which were published by the Capital Market Authority. The plaintiff is also petitioning for payment of linkage and interest in arrears in case of arrears in the redemption of funds by virtue of guaranteed-return policies.	Holders of guaranteed-return policies to whom interest was not paid with respect to these policies, according to the rates which were published by the Capital Market Authority, and holders of guaranteed-return policies to whom interest in arrears was not paid with respect to the delay in the redemption of the policy funds.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff did not specify the cumulative damage incurred by all class members (however, it was asserted that the damage exceeds NIS 2.5 million). The plaintiff’s personal damage was estimated at a total of NIS 133,657.

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 District - Center	Clal Insurance, against a consolidated company of Clal Insurance - Clal Health, and against 8 additional insurance companies	According to the plaintiffs, in cases of expiration of a lien which is imposed at the request of a third party, on insurance benefits or compensation which is owed to a policyholder or injured party, he defendants' practice is to pay the policyholders the insurance benefits at their nominal values, and without conducting any revaluation whatsoever, or, in certain cases, with the addition of linkage differentials only. The plaintiffs further claim that the defendants allegedly withhold, in some cases, payment due to an incorrect belief that a restriction applies to their payment.	To order the defendants to repay to the class members all of the interest which they earned by virtue of their holding of the withheld insurance benefits (or other funds) or the interest and linkage differences with respect to the holding of such funds throughout the entire withholding period of the funds, according to the higher rate of the two, with the addition of linkage differentials and interest; To order the defendants to pay other special compensation, in the Court's discretion; To declare that the defendants are required to pay insurance benefits or damages to the injured parties, duly revaluated as of the date of actual payment, where such compensation was paid after the required date, regardless of whether or not the delay was implemented lawfully or unlawfully; To order the defendants to establish internal policies on all matters associated with liens or approval of "notices to holders", in order to ensure that funds of policyholders or other payables are not unlawfully withheld by insurers.	The policyholders of the defendants and injured parties who sued them by virtue of section 68 of the Insurance Contract Law, 1981, who were entitled to receive insurance benefits or other sums from the defendants, and where those amounts were paid at their nominal value only or with the addition of linkage differentials only without interest, after being withheld due to foreclosures or receivership orders or other third party rights, or due to an incorrect belief on part of the defendants that such restrictions on the execution of the payment had existed.	In December 2012, the Court approved the handling of the claim as a class action. In 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 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.	4/2013 District - Tel Aviv	Clal Insurance	According to the plaintiff, whose deceased wife (the "**Policyholder**") was insured under a long term care policy for members of Maccabi Health Services, despite the fact that those insured under long term care insurance policies are entitled to receive compensation beginning from the date when they began requiring long term care, according to the position of Clal Insurance, the eligibility for compensation began on the date when a nurse visited the policyholder's home, examined him, and determined that he is indeed a patient requiring long term care. Additionally, according to the plaintiff, there is eligibility to receive long term care benefits during the waiting period as well.	To order Clal Insurance to ask the policyholder for the date on which he began requiring long term care; To pay to the class members insurance benefits with respect to the entire period when they required long term care, and did not receive compensation; To repay to the class members any monthly premiums which were paid by them, beginning on the date when they began requiring long term care, until the date when they began receiving compensation, including (but not limited to) any premiums which were paid during the waiting period; To provide any additional and/or other remedy considered appropriate and worthy by the Court, in light of the circumstances.	Holders of Clal Insurance long term care insurance policies in the last 7 years to whom the insurance event occurred, and who began receiving compensation on a date later than the date when they began requiring long term care and/or when they became policyholders of Clal Insurance, but who paid monthly premiums after the insurance event occurred, including but not limited to during the waiting period.	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. In June 2018, the Court approved the motion to withdraw, as stated above, and the claim thereby concluded. In August 2018, the Court gave its approval for the completion of the withdrawal arrangement.	The amount of the class action claimed by the plaintiff, is NIS 215.3 million.

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	2/2016 District - Tel Aviv	Clal Insurance	The claim involves the manner by which Clal Insurance gives points with respect to the ADL activity "continence" and the ADL activity "mobility", in claim settlement in long term care insurance. According to the plaintiff,. for the purpose of determining the eligibility to long term care benefits, Clal Insurance unilaterally determined, without approval from the Insurance Commissioner, with respect to the "continence" activity, that a policyholder who is incontinent at a frequency of once every two days or less, is considered independently continent, and that only a policyholder who suffers from leakage of urine or feces on a daily basis, and who requires full assistance regarding the handling of waste, will be entitled to receive long term care assistance. Additionally, with respect to the "mobility" activity, the plaintiff contends that Clal Insurance unilaterally determined, for the purpose of determining the eligibility for long term care insurance benefits, that a policyholder who is capable of moving from one room to another in his house is allegedly considered as a person with the independent ability to move from place to place, despite the fact that, according to the plaintiff, he is unable to perform the activity of independently leaving his house.	To order Clal Insurance to pay the entire insurance benefits, plus duly calculated interest and linkage.	All policyholders of Clal Insurance who, during the 7 years before the filing date of the motion, submitted a request for entitlement to long term care insurance benefits, based on the claim of inability to perform at least 3 ADL activities according to the insurance policy, and who were rejected by Clal Insurance due to the erroneous phrasing in the definition of any of the aforementioned activities, where had not it not been for those definitions, they would have been entitled to receive insurance benefits.	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. In June 2018, the Court's decision was given, in which it approved the plaintiffs' withdrawal from the motion to approve, and the claim thereby concluded.	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.)

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 a detailed description of which 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.

[10] See note 2 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. In the short term, as reflected in the market and in the group's institutional entities, a delay was caused in the distribution of some of the deposits, particularly due to inconsistencies between the reports of employers and the policy data, and specific inconsistencies arose regarding which, at this stage, it is not possible to predict their cumulative implications, with respect to the relevant periods. The implementation of the Payment Regulations also resulted in possible temporary delays in reporting to members, in difficulties in identifying arrears, for the purpose of making direct contact with employers and operating entities, and in an increase of operating and automation expenses. The group's institutional entities are still in the process of implementing and handling the issues which come up during the implementation of the Payment Regulations, and are working to reduce the aforementioned gaps, including through improvements in the automation system and in the work processes. It is noted that the entry into effect, in November 2017, of the directive regarding the reporting requirement on the level of the policyholder, as part of the employers interface (as opposed to reporting on the level of each pension product), is expected to add operational difficulty to the association of the deposits to the various pension products of policyholders and members.

Clal Insurance received an audit report which was prepared by the Commissioner, and which raised deficiencies which mostly pertained to the method for adoption of the Payment Regulations. Clal Insurance is studying the findings of the report, and intends to submit its objections thereto, as well as a work plan to the Commissioner's satisfaction, which will allow Clal Insurance to continue marketing the pension products.

Note 7 - Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

2. (Cont.)

Additionally, further to the provisions of the Commissioner's circular from November 2012, regarding data with respect to members' rights (institutional entities circular 2014-9-13) (the "**Circular**"), which obligated the institutional entity to cleanse the data which confer rights upon members, in order to ensure that the recording of members' rights in the information systems is as reliable, complete, accessible and retrievable as possible, until the middle of 2016. The group's institutional entities implemented, after the publication of the circular, in 2013, a gap survey with respect to the members and policyholders who manage policies and/or accounts in the group's institutional entities ("**Cleansing Tasks**"), and also worked during the reporting period on the implementation of a comprehensive process of data cleansing with respect to the systems in the long-term savings segment. In general, as of the publication date of the report, tasks involving the cleansing of data regarding accrued balances of policyholders have been completed. The institutional entities in the group are continuing to perform data cleansing tasks with respect to members and policyholders, including with respect to additional gaps which are discovered from time to time, including as a result of initiated investigation activities; however, at this stage, they are unable to estimate the full scope, cost and implications of the aforementioned activities, inter alia, due to the complexity of the products, their status as long term products, and due to the multiplicity of automation systems in the segment, and the limitations thereof.

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 sector-wide determinations, which will apply to a broad group of customers.

In recent years, an increase has occurred in the exposure to the aforementioned risk, due to the increasing involvement by the Commissioner in customer complaints referred to her, and in the Commissioner's tendency to determine a position in principle by way of industry-wide determinations, and due to position papers and draft position papers which are published by the Commissioner. For additional details regarding industry-wide determinations and position papers, see section D 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.)

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.

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.)

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

2. In May 2016, a claim was filed with the District Court of Tel Aviv-Yafo for the cancellation of a ruling against Clal Finance Batucha Investment Management Ltd. and Clal Finance Management Ltd. (companies which were previously under the control of Clal Insurance Enterprises Holdings Ltd., hereinafter, jointly: the "**Clal Finance Companies**"). The claim pertains to the cancellation of a ruling which was given in February 2009 (the "**Cancellation Ruling**"), in which an arbitration award was canceled, which was given with respect to a dispute between the plaintiff and his mother, and the Clal Finance companies, in which the Clal Finance companies were ordered to pay to the plaintiffs, through arbitration, a total amount of approximately NIS 95 million, plus linkage differentials and interest, from the date of the arbitrator's decision until the date of actual payment (the "**Arbitration Award Amount**"). The arbitration which is the subject of the arbitration award involved actions which were performed by the Clal Finance companies during the period in which the plaintiff and is mother managed their investment portfolios through Clal Finance companies. A ruling which gave force of ruling to the settlement agreement in which the parties to the arbitration engaged, which primarily includes the cancellation of the arbitration award, the dismissal of the motion to approve the arbitration award, and payment in the total amount of NIS 9.2 million to the plaintiff and his attorneys, in consideration of a final and absolute waiver and dismissal of all of the plaintiffs' claims, demands and lawsuits in the arbitration vis-à-vis the Clal Finance companies. According to the plaintiff, the Court is requested to order the cancellation of the cancellation ruling, due to extreme injustice, since it was given based on the plaintiff's consent during a time when he was suffering from a severe emotional state, lack of judgment and inability to agree to the settlement agreement. The plaintiff further demands the cancellation of the ruling due to error, extortion and obstruction. The plaintiff is petitioning the Court to order the cancellation of the canceling judgment, and to require the Clal Finance companies to pay the arbitration award to him, less the amounts which were paid to him, and with the addition of linkage differentials and interest from the date of provision of the arbitration award until the actual payment date.

   In November 2016, the plaintiff's mother joined the claim as a plaintiff. In November 2016, the Clal Finance companies filed a motion to order the plaintiffs to deposit the settlement amount in the Court fund, as a condition for the continued investigation of the claim, as well as a motion to order the plaintiffs to provide a guarantee for the payment of expenses. In June 2017, the Court approved a consensus motion which was filed on the same date to dismiss the claim without ordering expenses.

   In May 2018, an additional claim was filed with the District Court of Tel Aviv-Yafo, on the same matter described above, by the same plaintiffs, in which the Court was again requested to dismiss the cancellation ruling, including its decision to dismiss the previous claim.

   According to the plaintiff, the Court is requested to order the cancellation of the cancellation ruling, due to extreme injustice, since it was given based on the plaintiff's consent during a time when he was suffering from a severe emotional state, lack of judgment and inability to agree to the settlement agreement. The plaintiff further demands the cancellation of the ruling due to error, extortion and obstruction. The plaintiff is petitioning the Court to order the cancellation of the canceling judgment, and to require the Clal Finance companies to pay the arbitration award to him, less the amounts which were paid to him, and with the addition of linkage differentials and interest from the date of provision of the arbitration award until the actual payment date.

   It is noted that the company is not party to the claim; however, it received notice regarding the filing of the claim from Bank of Jerusalem Ltd., in accordance with the agreement for the sale of Clal Finance Batucha Investment Management Ltd. to Bank of Jerusalem, according to which the company has an undertaking to indemnify, as specified in Note 27(c)(1)(b) to the company's consolidated financial statements as of December 31, 2016.

Note 7 - Contingent Liabilities and Claims (Cont.)

B. Material claims and derivative claims (Cont.)

B2. Immaterial derivative claims

Serial number	Date and instance	Defendants	Main claims and causes of action	Status / additional details	Claim amount
1.	2/2017 District - Tel Aviv	DIC, directors and corporate officers of DIC, and 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. After the claim was struck out for procedural reasons, In July 2017, the plaintiffs filed with the arrangement court a motion to issue orders, to approve the filing of a derivative claim which is mostly identical to the claim which was struck out, as stated above, and subsequently, a motion to summarily dismiss was filed by some of the defendants (hereinafter: the "**Motion To Dismiss**"). In accordance with the Court's decision, a response to the motion to dismiss was filed by the company, stating that it is joining the motion to dismiss. 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	Amount The Defendant 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)[15]	1	107
B. Pending motions to approve claims as class actions		
1. Amount pertaining to the company specified	36	4,261
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]	9	-
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	-	-
D. Material claims which are not class action or derivative claims		
1. Amount pertaining to the company specified	1	86
2. The claim was filed against a number of entities, with no specific amount attributed to the company	-	
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 53 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 has begun implementing the outline, and is not yet able 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.

At this preliminary stage, it is not possible to estimate the chances of the motions to approve claims as class actions with respect to the claims as specified in Notes 7(a)(a2)(6), 7(a)(a2)(26), 7(a)(a2)(27), 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 June 30, 2018, with respect to all of the legal claims and exposures specified in Note 7(a), 7(b), 7(c) and 7(d) above, amounted to a total of approximately NIS 137 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 increase occurred in the risk-free interest rate curve, and a change occurred 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 (2.4%-2.79% as of June 30, 2018, as compared with 2.2%-2.79% as of December 31, 2017), updated the K factor for profit-sharing policies (0.96% as of June 30, 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 six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2018	2017	2018	2017	2017
NIS in millions	**Unaudited**		**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	**(36)**	2	**(29)**	16	197
Change in pension reserves following the decreased forecast of future income (K factor)	**(136)**	-	**(170)**	-	126
Liability adequacy test (LAT)	**(104)**	(87)	**(216)**	(29)	64))
Life insurance - total impact of the low interest rate environment before tax	**(276)**	(85)	**(415)**	(13)	259
Liability adequacy test (LAT) - Long-term care policies in the health segment (see section 2 below).	**61**	-	**(2)**	-	-
Total (income) loss before tax	**(215)**	(85)	**(417)**	(13)	259
Total comprehensive (income) loss after tax	**(138)**	(55)	**(267)**	(8)	168

2. Changes in non-interest assumptions regarding the calculation of the adequacy of long-term care reserves

Further to that stated in Note 3(D)(1)(D) to the annual financial statements regarding the liability adequacy test (LAT), the future cash flow discounting from insurance contracts is based on relevant actuarial studies. During the three month period ended June 30, 2018, the company updated the actuarial assumptions which are used to calculate the reserve of long-term care policyholders. This update was mostly offset by the interest rate increase, with no corresponding effect last year.

3. 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 six and three month periods ended on the reporting date, in the compulsory motor and liabilities branches, in the amount of approximately NIS 49 and 22 million on retention before tax (approximately NIS 31 and 16 million after tax). In the corresponding period last year, the company increased insurance liabilities in the amount of approximately NIS 29 million and NIS 23 million on retention before tax (approximately NIS 19 million and NIS 15 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. Appointment of a CEO in the group

Further to the announcement dated March 7, 2018, of Mr. Izzy Cohen, CEO of the company and Clal Insurance at the time, 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 worked to identity and screen candidates for the position of Company CEO.

On June 17, 2018, the board of directors of the company and Clal Insurance approved the appointment of Mr. Yoram Naveh as the CEO of the company and Clal Insurance, beginning on July 1, 2018, at which point the tenure of Mr. Izzy Cohen as the company's CEO concluded, while the latter will remain for a overlapping training period until August 31, 2018.

On July 5 and 8, 2018, the compensation committees of the company and of Clal Insurance, respectively, approved the terms of engagement with Mr. Yoram Naveh in the employment agreement, for an unspecified period, beginning on July 1, 2018, whereby each of the parties is entitled to terminate the engagement by giving notice 6 months in advance (the "**Agreement**"). On August 14, 2018, the general meeting of the company's shareholders approved the terms of the agreement.

It is noted that the agreement was approved in accordance with the Compensation to Corporate Officers in Financial Corporations Law (Special Approval and Non-Permissibility of Expenses for Tax Purposes due to Exceptional Compensation), 2016 (hereinafter: the "**Executive Compensation Law**"), in accordance with the provisions of Commissioner's directives regarding and in accordance with the compensation policy of the company and of Clal Insurance, as specified below.

<u>Presented below are the main terms of the employment agreement of Mr. Naveh (hereinafter: the "**CEO**"):</u>
The CEO's annual salary at present is approximately NIS 2.5 million, in accordance with the following (not including provisions for compensation and severance pay in accordance with the law, as specified below).

The salary will be calculated subject to the provisions of the Executive Compensation Law, in a manner whereby the projected expense with respect to the CEO's compensation, according to the total cost of the compensation components, per year, in accordance with generally accepted accounting principles, will be in accordance with section 2 of the Executive Compensation Law, according to the higher of either: (1) Two million and a half Shekels (NIS 2.5 million) per year[18] (hereinafter: the "**Compensation Limit**"); or (2) A multiple of the expense with respect to the lowest compensation, according to a full time 100% position, which was paid by the company to an employee, directly or indirectly (including to a contract employee who is employed directly by the company, or to an employee who is employed by a service provider who is employed by the company), times 35 (hereinafter, respectively: the "**Minimum Salary**" and the "**Minimum Salary Limit**", and together with the limit amount: the "**Compensation Limit**").

The fixed salary may change from time to time in accordance with the mechanism described above, and an update of the compensation committee and the board of directors, and furthermore, the fixed salary may change in accordance with and subject to the decision of the Compensation Committee and the board of directors, in case it is found that additional components (beyond the provision for compensation and the provision for severance pay as required by law), are not included in the amount limit or the minimum salary limit prescribed in the Executive Compensation Law.

The CEO will be entitled to convert components of fringe compensation benefits (e.g., vehicle and social benefits above the relevant maximum limits) into a monthly salary, provided that such conversion does not increase employment cost beyond the compensation limit.

[18] Linked to the index, beginning from the publication date of the Executive Compensation Law (April 12, 2016). The calculation of the compensation limit, as stated above, will not include taking into account the provision for compensation, including loss of working capacity, and the provision for severance pay pursuant to the law, which can be provided on account of the compensation components.

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

B. Appointment of a CEO in the group (Cont.)

Notwithstanding all of the foregoing, it is hereby clarified that the CEO's total compensation, as defined in the Executive Compensation Law, will not exceed, in any case, three and half million Shekels (NIS 3.5 million) per year.

As stated above, the monthly salary of the company's CEO will amount to a total of approximately NIS 185 thousand (plus vehicle value), and may be adjusted in accordance with the above, plus social benefits, whereby the projected expense with respect to the CEO's compensation, according to the total cost of the compensation components, per year, amounts to approximately NIS 2.86 million[19].

It is hereby clarified that, following the update to the minimum salary limit, in January 2019, the salary is expected to be updated to a monthly total of NIS 195.7 thousand, and in the foregoing case, the projected expense with respect to the CEO's compensation, according to the total cost of the compensation components, per year, will amount to approximately NIS 3.02 million[20]. It is hereby clarified that the salary and the total compensation, as stated above, are estimated, and will be adjusted according to the mechanism described above.

The CEO is also entitled to reimbursement of expenses in connection with the fulfillment of his position, a cellphone, newspaper subscription, and an appropriate vehicle (subject to periodic replacement of the vehicle, in accordance with the company's standard practice), including expenses associated with the maintenance thereof, and including grossing-up the credit for the vehicle and telephone benefit for tax purposes.

And additional fringe benefits, as specified in the company's compensation policy, subject to the compensation limit.

The agreement sets forth non-competition restrictions during the agreement period. The aforementioned restrictions will apply to the CEO with respect to the insurance and finance segments also for the nine month period, beginning from the date of provision of advance notice. During the 6 month advance notice period, the CEO will receive the full linked monthly salary, as well as all social benefits and fringe benefits. The company will be entitled to waive the CEO's actual work during this period, without derogating from his rights to the aforementioned benefits during the advance notice period.

The agreement includes various provisions and other conventional arrangements. It was further determined that in case of termination of the employer - employee relationship, for any reason whatsoever (excluding extraordinary circumstances in which the CEO will not be entitled to severance pay in accordance with the provisions of the law, with respect to his period of employment in the company), the CEO will be entitled to release and/or transfer to his ownership all of the funds which have accrued in his favor in directors' insurance and in the study fund, including the profits thereof. Additionally, if and inasmuch as the amount accumulated in the severance pay component of the managers' insurance policy does not reach the severance pay amount to which the CEO would be entitled by law in the event that of dismissal, the company will supplement the difference owed to the CEO.

Following the increase in the CEO's salary, the liability for severance pay will increase, and for this purpose, an additional provision will be made in the company's books, in the amount of approximately NIS 1.07 million, and the severance pay fund may also be effectively supplemented In accordance with the CEO's current salary as of 2008, and his seniority in the group (since February 1, 2008). An increase in the aforementioned liability may also occur, from time to time, in consideration of the update to his actual salary[21]. A "tax fine" may be created with respect to the aforementioned liability, in accordance with the provisions of the Executive Compensation Law, which cannot currently be estimated.

The CEO is not entitled to a variable annual bonus with respect to his tenure as CEO.

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[19] Not including a non-recurring provision with respect to seniority debt for severance pay and a non-recurring provision with respect to a supplementation for adjustment pay, as specified below.

[20] Not including a non-recurring provision with respect to seniority debt for severance pay, as specified below.

[21] The compensation limit in accordance with the Executive Compensation Law does not include severance pay by law, and therefore, also the additional provisions for the purpose of supplementing severance pay by law, in accordance with the CEO's increased salary, is not included in the compensation limit under the aforementioned law.

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

B. Appointment of a CEO in the group (Cont.)

It is noted that the CEO may be entitled to a variable annual bonus with respect to his term as Executive VP, Resources Division Manager and officer of the company during the months January to June 2018, subject to the fulfillment of the preconditions which were determined in accordance with the company's compensation policy. In accordance with the compensation policy, the variable component which is paid in cash must not exceed NIS 0.5 million with respect to the aforementioned period.

It is noted that the CEO has a balance with respect to the annual bonus that was given with respect to the past year, and which has not yet been paid, due to the distribution requirements set forth in the provisions of the compensation circular and of the compensation policy, for which a provision was made in the company's books, in the full amount, in the year when it was granted[22].

The CEO will remain entitled to receive an adjustment bonus in accordance with the provisions of his previous employment agreement, in his position as Executive VP, in which it was determined that he will be entitled to 6 months' employment without social benefits and fringe benefits. In accordance with the CEO's current salary, a supplementation in the amount of approximately NIS 624 thousand is required with respect to the adjustment bonus. This provision will be performed in the company's books, subject to the compensation limit[23].

Insofar as the total compensation components with respect to 2018 result in the compensation limit being reached for 2018, and/or in an increase over the variable fixed ratio of 100%, or insofar as another restriction applies - the CEO will waive the part of the supplementation with respect to the adjustment bonus, until the date when it is possible to supplement, as much as possible, provisions with respect to the foregoing, while complying with the aforementioned restrictions of the law.

It is noted that, in accordance with the compensation policy, the compensation policy does not detract from rights which have accrued or were created with respect to previous periods, and therefore, the provisions of the compensation circular will not apply to the adjustment bonus which was provided for Mr. Naveh before the circular's entry into effect. The provisions of the compensation circular with respect to severance packages will apply to the supplementation of the adjustment bonus, as stated above.

The CEO will continue being subject to the arrangements regarding insurance, exemption and indemnification which apply to the company's directors and corporate officers[24].

90,000 warrants from the 2013 plan were allocated to the CEO in 2014. 1/3 of the options expired without being exercised. 1/3 of the options vested and are exercisable until February 6, 2019, while 1/3 of the options vested and are exercisable until February 6, 2020. The cost with respect to the options was provided, in its entirety, in the company's books. Additionally, the CEO privately purchased, on July 3, 2018, 3,934 Company shares.

During his term, the CEO may be requested by the company to serve as a director in various members of the company's group, without payment of any additional consideration beyond the consideration that it paid to him by virtue of and in accordance with the provisions of the agreement.

C. Change to the group's organizational structure

On July 26, 2018, the company's board of directors resolved to implement a change to the organizational structure of Clal Group, effective September 1, 2018, in which the life insurance and pension and provident fund divisions will be merged into the long term savings division. A new division will be created: the customers and distribution division, which will merge the customers unit with the business unit. A new unit will be created: the service and operations unit; the headquarters unit will be canceled; and the headquarters departments will be made directly subordinate to the CEO.

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22 A total of approximately NIS 460 thousand, which will be paid to him in equal parts during the years 2019 to 2021, subject to the fulfillment of the preconditions for the release.

23 According to the projected calculation, it appears that, in light of the compensation limit, a partial provision will be made in the maximum amount of approximately NIS 544 thousand only in 2018, if the CEO not entitled to all or part of the variable annual bonus with respect to 2018, as stated above, or if the CEO waives the variable annual bonus, as stated above, in whole or in part.

24 The CEO has received from the company a letter of exemption and letter of indemnity, similarly to the company's corporate officers and directors.

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

D. Maccabi tender

Further to that stated in section 8.1.2. (2) of the chapter “description of the corporation’s business” in the company’s financial statements for 2017, in connection with Clal Insurance’s engagement in agreements with respect to 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 (hereinafter: the “**Tender**”), according to a different engagement framework than the engagement framework which currently exists for Clal Insurance vis-à-vis Maccabi (in a manner whereby the winning insurer will bear only 20% of the insurance risk, and the policyholder fund will bear the remainder). According to Maccabi’s announcement, Clal Insurance’s bid for the continued provision of collective long-term care insurance service to Maccabi policyholders did not win the public tender which was conducted by Maccabi, and therefore, Clal Insurance will continue insuring Maccabi policyholders according to the current framework, as stated above, until December 31, 2018. It is noted that, in accordance with media publications, Phoenix insurance company won both the tender of Clalit health fund and the tender of Maccabi health fund, and chose to be the insurer of Maccabi health fund. It is noted that, in accordance with the Commissioner’s directives, an insurance company may not enter into more than one agreement with respect to long-term care insurance for health fund members (or some of them), if the total number of policyholders which it insures in one or more agreements, as stated above, exceeds 50% of the total number of policyholders in all existing long-term care insurance for health fund members, unless the Commissioner has approved otherwise, and in accordance with the conditions which he has approved. To the best of the company’s knowledge, at this stage, Clalit health fund has not yet sent an official notice in connection with the tender results. Clal Insurance is studying the tender’s results and implications, and the required preparations.

E. Provident fund management operation

Further to that stated in Note 6(b)(1) and Note 42(c) to the annual financial statements, regarding the regulatory provisions, the rate of management fees in the provident fund segment has been in an ongoing decline due to the competitive conditions in the segment, and accordingly, the company evaluated the need to record a provision for impairment with respect to the goodwill attributed to the provident fund management operation, through a valuation prepared by an external valuer, based on the method of discounting the cash flows from the operation (value in use) which is based, inter alia, on the company’s forecast regarding the rate of management fees, managed assets, segmental expenses and its entry into the operation involving provident funds for investment.

in accordance with the valuation as of June 30, 2018, in accordance with the valuation, the book value of the provident fund operation was higher than the value in use by approximately NIS 115 million, and therefore, the company recognized impairment loss of goodwill before tax in the aforementioned amount.

In accordance with the valuation as of June 30, 2017, the company recognized impairment loss of goodwill before tax in the amount of approximately NIS 81 million; and in the entire year 2017, the company recognized impairment loss of goodwill before tax in the amount of approximately NIS 108 million, according to the valuations with respect to 2017.

As of June 30, 2018, the balance of goodwill with respect to the provident fund activity is approximately NIS 124 million (as of December 31, 2017 - approximately NIS 239 million).

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

E. Provident fund management operation (Cont.)

Presented below are details regarding the key assumptions and main parameters which were used to calculate recoverable value:

	As of June 30, 2018	As of December 31, 2017
Valuation methodology	DCF	DCF
WACC before tax	12.1%	11.8%
Long term growth rate in the branch, excluding provident fund for investment	0%	0%
Long term growth rate - provident fund for investment	3.0%	3.0%
Effective marginal tax	34.2%	34.2%
Minimum management fees	Minimum total of NIS 6 per month in accounts with accrual beyond NIS 1,350	Minimum total of NIS 6 per month in accounts with accrual beyond NIS 1,350
Average long term rate of management fees in Tamar provident fund for compensation	0.535%	0.570%
Average long term rate of management fees in study fund	0.630%	0.650%
Rate of maximum management fees from the accrual	1.050%	1.050%
Number of years in the cash flow forecast	4.5	5

F. Market developments subsequent to the reporting date

During the period from the reporting date until the publication date of the report, the risk-free interest rate curve declined. Further to that stated in Note 39(e)(e1) and (e2) to the annual financial statements, a decrease in interest rates may lead to an increase in insurance liabilities in non-life insurance, in the compulsory, liabilities and personal accidents branches, in the liability to supplement annuity reserves, including a change in the K factor, in paid pension liabilities in life insurance, and also as part of the liability adequacy test (LAT). On the other hand, increases were recorded in capital markets, which positively affected the company's nostro portfolio and the investment portfolio of profit-sharing policies.

At this stage, it is not possible to estimate the implications of the decrease of the risk-free interest rate curve during this period on the results for 2018, inter alia, due to the uncertainty regarding the effect that the aforementioned developments will have on the estimated insurance liabilities of Clal Insurance, with respect to the impact of the decreased interest rate curve on the fair value of debt assets, and with respect to continuing developments in financial markets until the end of 2018, and the above does not constitute any estimate regarding the company's expected financial results for 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 June 30		As of December 31
	2018	2017	2017
NIS in thousands	Unaudited		Audited
Investment property *)	**2,943,941**	2,770,964	2,869,967
Financial investments			
Marketable debt assets	**26,022,672**	22,960,031	24,285,740
Non-marketable debt assets	**6,557,374**	5,989,439	6,534,433
Stocks	**10,238,625**	8,114,041	9,518,961
Other financial investments	**15,017,492**	16,456,931	15,891,827
Total financial investments *)	**57,836,163**	53,520,442	56,230,961
Cash and cash equivalents	**4,200,311**	3,967,667	4,529,446
Other **)	**956,679**	766,366	679,946
Total assets for investment-linked contracts	**65,937,094**	61,025,439	64,310,320

*) Presented at fair value through profit and loss.

**) The balance primarily includes outstanding premiums, reinsurer balances, collateral with respect to activities with futures contracts, and transactions with securities which have not yet been settled as of the date of the financial statements.

2. Details of other financial investments

	As of June 30, 2018			
	Fair value through profit and loss	Available for sale	Loans and receivables	Total
NIS in thousands				
Marketable debt assets (a)	116,274	4,870,808	-	4,987,082
Non-marketable debt assets (b)	4,172	-	22,360,363	22,364,535
Stocks (c)	-	1,427,751	-	1,427,751
Others (d)	76,459	2,697,502	-	2,773,961
Total other financial investments	196,905	8,996,061	22,360,363	31,553,329

	As of June 30, 2017			
	Fair value through profit and loss	Available for sale	Loans and receivables	Total
NIS in thousands				
Marketable debt assets (a)	65,636	5,594,545	-	5,660,181
Non-marketable debt assets (b)	7,164	-	21,095,919	21,103,083
Stocks (c)	-	1,149,890	-	1,149,890
Others (d)	167,212	2,267,001	-	2,434,213
Total other financial investments	240,012	9,011,436	21,095,919	30,347,367

	As of December 31, 2017			
	Fair value through profit and loss	Available for sale	Loans and receivables	Total
NIS in thousands				
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

2. Details of other financial investments (Cont.)

A. Marketable debt assets - composition

	As of June 30, 2018	
	Book value	Amortized cost [1]
NIS in thousands	Unaudited	
Government bonds	**3,144,151**	**3,099,469**
Other debt assets		
Other non-convertible debt assets	**1,842,931**	**1,840,192**
	1,842,931	**1,840,192**
Total marketable debt assets	**4,987,082**	**4,939,661**
Impairment applied to income statement (cumulative)	3,575	

	As of June 30, 2017	
	Book value	Amortized cost [1]
NIS in thousands	Unaudited	
Government bonds	3,449,999	3,455,420
Other debt assets		
Other non-convertible debt assets	2,210,182	2,180,759
	2,210,182	2,180,759
Total marketable debt assets	5,660,181	5,636,179
Impairment applied to income statement (cumulative)	-	

	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

2. Details of other financial investments (Cont.)

B. Non-marketable debt assets - composition *)

	As of June 30, 2018	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**16,126,248**	**23,316,877**
Other non-convertible debt assets, excluding deposits in banks	**5,423,176**	**5,991,294**
Deposits in banks	**815,111**	**914,864**
Total non-marketable debt assets	**22,364,535**	**30,223,035**
Impairment applied to income statement (cumulative)	85,282	

	As of June 30, 2017	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	15,188,183	21,878,889
Other non-convertible debt assets, excluding deposits in banks	5,037,950	5,543,665
Deposits in banks	876,950	986,374
Total non-marketable debt assets	21,103,083	28,408,928
Impairment applied to income statement (cumulative)	83,521	

	As of December 31, 2017	
	Book value	Fair value
NIS in thousands	Audited	
Government bonds		
HETZ bonds and treasury deposits	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	

*) The fair value of designated bonds was calculated according to the repayment dates of guaranteed-return liabilities.
The fair value of treasury deposits was calculated according to the contractual repayment date.

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 June 30, 2018	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable stocks	**1,159,274**	**1,058,674**
Non-marketable stocks	**268,477**	**293,665**
Total stocks	**1,427,751**	**1,352,339**
Impairment applied to income statement (cumulative)	131,052	

	As of June 30, 2017	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable stocks	1,071,280	1,024,641
Non-marketable stocks	78,610	110,784
Total stocks	1,149,890	1,135,425
Impairment applied to income statement (cumulative)	145,424	

	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)]

	As of June 30, 2018	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	**1,257,525**	**1,156,200**
Non-marketable financial investments	**1,516,436**	**1,166,686**
Total other financial investments	**2,773,961**	**2,322,886**
Impairment applied to income statement (cumulative)	78,535	

	As of June 30, 2017	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	1,074,141	1,052,408
Non-marketable financial investments	1,360,072	1,073,410
Total other financial investments	2,434,213	2,125,818
Impairment applied to income statement (cumulative)	69,297	

	As of December 31, 2017	
	Book value	Cost
NIS in thousands	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 June 30, 2018
(Regulation 38D)

Unaudited

Clal Insurance Enterprises Holdings Ltd. **Clal Insurance Enterprises Holdings Ltd.**

Financial Data from the Consolidated Interim Financial Statements
Attributed to the Company Itself as of June 30, 2018
(Regulation 38D)

Unaudited

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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 which is presented pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 for Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") as of June 30, 2018, and for the periods of six and three months then ended. The company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion with respect to the separate financial information for these interim periods, based on our review.

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), 5730-1970.

Tel Aviv,
August 20, 2018

Kost Forer Gabbay and Kasierer
Certified Public Accountants

Somekh Chaikin
Certified Public Accountants

Joint Auditors

Interim Data Regarding the Company's Financial Position

NIS in thousands	As of June 30 2018	As of June 30 2017	As of December 31, 2017
	Unaudited	Unaudited	Audited
Assets			
Investments in investee companies	**4,998,564**	4,852,710	5,011,035
Loans and balances of investee companies	**100**	871	63
Other accounts receivable	**215**	218	151
Other financial investments:			
Marketable debt assets	**25,914**	26,644	26,589
Stocks	**179**	45	44
Total other financial investments	**26,093**	26,689	26,633
Cash and cash equivalents	**23,775**	14,838	16,652
Total assets	**5,048,747**	4,895,326	5,054,534
Capital			
Share capital	**143,381**	143,230	143,367
Premium on shares	**1,005,015**	980,624	1,001,880
Capital reserves	**643,498**	448,106	649,964
Retained earnings	**3,250,586**	3,309,255	3,251,608
Total capital	**5,042,480**	4,881,215	5,046,819
Liabilities			
Other accounts payable	**6,258**	14,104	7,303
Balances of investee companies	**9**	7	412
Total liabilities	**6,267**	14,111	7,715
Total capital and liabilities	**5,048,747**	4,895,326	5,054,534

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

August 20, 2018				
Approval date of the financial statements	Danny Naveh Chairman of the Board	Yoram Naveh Chief Executive Officer	Izzy Cohen Chief Executive Officer During the Reporting Period	Tal Cohen Senior VP Chief Accounting Division Manager

Interim Data Regarding Income

	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
NIS in thousands			**Unaudited**		**Audited**
Company's share in the income (loss) of investee companies, net of tax	**2,075**	245,330	**76,377**	80,556	207,609
Others	**192**	(117)	**169**	224	(117)
Total income	**2,267**	245,213	**76,546**	80,780	207,492
General and administrative expenses	**1,382**	1,740	**520**	1,089	3,337
Financing expenses	**-**	1,044	**-**	616	1,044
Other expenses	**(811)**	8	**(811)**	-	15
Total expenses	**571**	2,792	**(291)**	1,705	4,396
Income (loss) before taxes on income	1,696	242,421	76,837	79,075	203,096
Taxes on income (tax benefit)	**-**	-	**-**	-	-
Income (loss) for the period	**1,696**	242,421	**76,837**	79,075	203,096

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

Interim Data Regarding Comprehensive Income

NIS in thousands	For the period of six months ended June 30 2018	2017	For the period of three months ended June 30 2018	2017	For the year ended December 31 2017
	Unaudited				Audited
Income (loss) for the period	**1,696**	242,421	**76,837**	79,075	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	**195**	(67)	**115**	9	(53)
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	**(39)**	(68)	**-**	(58)	(68)
Other comprehensive income (loss) with respect to investee companies which has been or will be transferred to profit and loss, net of tax	**(6,622)**	(35,924)	**35,874**	(11,944)	165,920
Other comprehensive income (loss) for the period which has been or will be transferred to profit and loss, before tax	**(6,466)**	(36,059)	**35,989**	(11,993)	165,799
Tax (tax benefit) with respect to other components of comprehensive income (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	**(6,466)**	(36,059)	**35,989**	(11,993)	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	**476**	(1,070)	**(889)**	(1,992)	1,177
Other comprehensive income for the period which will not be transferred to profit and loss, net of tax	**476**	(1,070)	**(889)**	(1,992)	1,177
Other comprehensive income (loss) for the period	**(5,990)**	(37,129)	**35,100**	(13,985)	166,976
Total comprehensive income for the period	**(4,294)**	205,292	**111,937**	65,090	370,072

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

Interim Data Regarding Cash Flows

	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
NIS in thousands	**Unaudited**				**Audited**
Cash flows from operating activities					
Income (loss) for the period	**1,696**	242,421	**76,837**	79,075	203,096
Adjustments:					
Company's share in the income (loss) of investee companies	**(2,075)**	(245,330)	**(76,377)**	(80,556)	(207,609)
Dividends from investee companies	**8,400**	7,000	**7,000**	3,000	15,045
Interest accrued with respect to liabilities to banking corporations	**-**	1,044	**-**	616	1,044
Income from other financial investments	**152**	1,267	**(159)**	486	1,337
	6,477	(236,019)	**(69,536)**	(76,454)	(190,183)
Changes to other items in the data regarding financial position, net:					
Change in other accounts receivable	**(64)**	(137)	**(112)**	(116)	(70)
Change in other accounts payable	**(1,045)**	6,750	**(1,082)**	6,818	(51)
	(1,109)	6,613	**(1,194)**	6,702	(121)
Cash which was received during the period for:					
Net cash from operating activities with respect to transactions with investee companies	**(485)**	25	**7**	18	2,062
Net cash from operating activities	**6,579**	13,040	**6,114**	9,341	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**	28,380	**-**	9,949	28,380
Net cash from (used in) investing activities	**544**	18,464	**-**	9,949	18,464
Cash flows from financing activities					
Repayment of liabilities to banking corporations	**-**	(70,000)	**-**	(70,000)	(70,000)
Interest paid with respect to liabilities to banking corporations	**-**	(1,194)	**-**	(771)	(1,194)
Net cash used in financing activities	**-**	(71,194)	**-**	(70,771)	(71,194)
Increase (decrease) in cash and cash equivalents	**7,123**	(39,690)	**6,114**	(51,481)	(37,876)
Cash and cash equivalents at beginning of period	**16,652**	54,528	**17,661**	66,319	54,528
Cash and cash equivalents at end of period	**23,775**	14,838	**23,775**	14,838	16,652

Additional Information

1. General

The separate interim financial information is presented pursuant to Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and does not contain all of the information which is required according to Regulation 9C and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, regarding a corporation's separate financial information. The separate interim financial information should be read in conjunction with the separate financial information as of and for the year ended December 31, 2017, and with the condensed consolidated interim financial statements as of June 30, 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.