Clal Insurance Enterprises Holdings Ltd.

As of September 30, 2018

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

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

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The Board of Directors' Report on the state of the corporation's affairs for the period ended September 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 nine 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, and is based on the assumption that the reader is also in possession of the Company's complete periodic report for the year ended December 31, 2017 (hereinafter: the "**Periodic Report**" and/or the "**Annual Financial Statements**"). The Board of Directors' Report with respect to insurance business operations was prepared in accordance with the Control of Insurance Business Regulations (Particulars of Report), 1998, and in accordance with the circular issued by the Commissioner of Capital Markets, Insurance and Savings (hereinafter: the **"Commissioner"**). This report also includes an update to the chapter "description of the corporation's business", which constituted a separate chapter in previous reports.

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 September 30, 2018		Proximate to the publication date of the report	
	Holding of voting rights	Holding of voting rights At full dilution[1)]	Holding of voting rights	Holding of voting rights At full dilution[1)]
Shareholder	%			
IDB Development Corporation Ltd.	29.82	29.55	29.82	29.56
Bank Hapoalim	9.47	9.39	-*)	-*)

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. IDB Development also holds swap transactions with respect to the Company's shares at a rate of approximately -30%. 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.

*) For details regarding the sale of Clal Holdings shares which were held by Bank Hapoalim, after the balance sheet date, see Note 1(B)(5) to the financial statements.

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

The overall impact of the market developments specified below on the Group's results during the reporting period was reflected in an increase of the interest rates which are used to calculate the insurance liabilities, and the increase in stock markets, which contributed to increases in the value of financial assets held against capital and insurance liabilities. For additional details, see Note 8(A) to the financial statements.

Parameter	Data for the period
Developments in the Israeli economy and employment rate	In accordance with the third estimate for the first half of 2018, which was published the Central Bureau of Statistics, in the first half of 2018 GDP increased at an annual rate of 4.2%. According to the estimate of the Bank of Israel's Research Division from October 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 3.6%. According to the labor force survey of the Central Bureau of Statistics, in the third quarter of 2018: • Share of employed persons usually working full time out of total employed persons: 77.4% (as compared with 77.5% in the second quarter of 2018) • The unemployment rate in the labor force among persons aged 25-64 was 3.5% (unchanged relative to the second quarter of 2018). • The rate of persons aged 25-64 in the workforce was 80.4% (as compared with 80.5% in the second quarter of 2018). • The employment rate among persons aged 25-64 was 77.6% (unchanged relative to the second 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.

Parameter	Data for the period
Inflation data	Since the beginning of 2018 (9 months), inflation increased by 1.1%, as compared with 0.3% in the corresponding period last year. In summary of the quarter, inflation slightly increased (by 0.2%) vs. the second quarter of 2018 (by 0.9%). Subsequent to the reporting period, the Central Bureau of Statistics published the price index for the month of October, which increased by approximately 0.3%.
Exchange rates	During the third quarter, the NIS gained vs. the USD at a rate of 0.6% (in the first nine months of 2018, the NIS fell by 4.6%). During the third quarter, the NIS gained vs. the EUR at a rate of 0.9% (in the first nine months of 2018, the NIS weakened by 1.5%). Balances in foreign currency at the Bank of Israel as of the end of the third quarter of 2018 amounted to approximately USD 115 billion (unchanged relative to the end of the second quarter).
Development of interest rate and yields	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 in the first nine months of 2018, at a rate of 0.1%. According to the estimate of the Bank of Israel's Research Division from October 2018, the interest rate is expected to be raised to a rate of 0.5% in 2019.

Developments in capital markets in Israel and around the world (in terms of local currency)

In percent	1-9		Q3		
Stock indices in Israel	**2018**	**2017**	**2018**	**2017**	**2017**
Tel Aviv 35	8.8	(3.4)	8.3	(0.9)	2.7
Tel Aviv 90	6.5	15.9	9.9	2.7	21.2
Tel Aviv 125	8.8	0.8	9.0	0.3	6.4
Tel Aviv Growth	3.6	8.4	10.6	(2.3)	4.5
Bond indices					
General	0.1	3.3	0.7	1.5	4.7
Telbond CPI-linked	1.5	3.9	1.0	1.2	5.6
Telbond NIS-linked	(1.4)	5.9	0.9	2.4	7.5
Government CPI-linked	0.3	1.9	0.4	1.7	3.4
Government NIS-linked	(0.8)	2.8	0.2	1.5	3.7
Foreign stock indices					
Dow Jones	7.2	13.4	10.0	4.9	25.1
NASDAQ	16.7	20.7	8.1	5.8	28.2
Nikkei Tokyo	4.5	6.5	6.9	1.6	19.1
CAC - Paris	4.3	9.6	5.4	4.1	9.3
FTSE - London	((1.9	3.2	(0.6)	0.8	7.6
DAX - Frankfurt	(3.7)	11.7	2.5	4.1	12.5
MSCI WORLD	3.9	14.2	5.4	4.4	20.3

For additional details, see Note 5 to the financial statements.

Global economic developments

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

USA - American GDP grew in the third quarter at a rate of 3% in annual terms, with a forecast of continued growth later in the year, to 3.1%, thanks to the tax reform, which constitutes an important economic incentive (although its impact is expected to decline in the coming year), and thanks to the data from the strong manufacturing and private consumption sectors; however, on the other hand, there is uncertainty over the trade war with China, and the deceleration of global growth. The Fed raised the interest rate for the third time this year, to 2%-2.25%, in September 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 1.7% in the third quarter of the year (in annual terms). Despite the decrease in the unemployment rate, a deterioration occurred in forecast surveys, inflation is not meeting targets, and the budget crisis in Italy continues. The interest rate remained unchanged. According to the decision of the Central Bank, the quantitative easing program was continued until September 2018, while gradually reducing its scope until the end of 2018.

China - The growth rate of the Chinese economy is in a downtrend, in light of structural changes which are due to the transition from an export economy to an economy driven by local demand, and the decline in credit scopes and in monetary amounts. Growth in the third quarter amounted to 6.5% in annual terms. Recently the Chinese Yuan has weakened significantly, which appears to reflect the weakening of growth rates.

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

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

A. The reporting period

Gross premiums earned in the reporting period amounted to a total of approximately NIS 7,648 million, as compared with a total of approximately NIS 7,306 million in the corresponding period last year. The increase in premiums was primarily due to health and life insurance business operations, due to the increase in individual product sales.

Comprehensive income after tax attributable to the Company's shareholders in the reporting period amounted to a total of approximately NIS 56 million, as compared with comprehensive income of approximately NIS 182 million in the corresponding period last year. Return on equity in annual terms during the reporting period amounted to a rate of 1.5%, as compared with a rate of 5.2% in the corresponding period last year.

Comprehensive income in the reporting period was primarily affected by the decrease in capital market returns, which were lower than the returns in the corresponding period last year, as reflected both in the decrease in investment income, and in the collection of variable management fees relative to the corresponding period last year.

Comprehensive income in the reporting period and in the corresponding period last year, as specified in section D below, includes, inter alia, the effects detailed below[2]:

	1-9		Q3		Year
	2018	2017	2018	2017	2017
NIS in millions	Unaudited				Audited
Life insurance - impact of changes in the interest rate on insurance reserves[3]	**201**	(250)	**(75)**	(335)	(259)
Non-life insurance - Effects due to the Winograd committee's recommendations	**29**	(96)	**(21)**	(67)	(78)
Long-term care insurance in the health segment - Effect of the LAT update	**(73)**	-	**(13)**	-	-
Amortization of goodwill - provident funds	**(115)**	(81)	**-**	-	(108)

In the operating segments, except for the impact of the capital market, and the effects described above, a decrease in comprehensive income was recorded during the reporting period, relative to the corresponding period last year, primarily due to the increase in the provision for loss of working capacity claims, the negative development in claims in the long-term care branch, and in employers' liability and third-party insurance. On the other hand, profit increased in the motor property branch, as a result of underwriting improvement, as specified below.

B. Current quarter

Gross premiums earned in the quarter amounted to a total of approximately NIS 2,654 million, as compared with a total of approximately NIS 2,417 million in the corresponding period last year. The increase in premiums was primarily due to health and life insurance business operations, due to the increase in individual product sales.

Comprehensive income after tax attributable to Company shareholders in the quarter amounted to a total of approximately NIS 60 million, as compared with comprehensive loss in the amount of approximately NIS 23 million in the corresponding period last year. Return on equity in annual terms amounted to a rate of 4.8%, as compared with a negative rate of return of 1.9% in the corresponding period last year.

Comprehensive income in the quarter and in the corresponding period last year included the effects described in the above table, while on the other hand, comprehensive income in the current quarter was

[2] For details regarding additional effects on the results of operating segments, see section D below.

[3] The impact of the changes in the interest rate on insurance reserves includes the impact of the change in the interest rate on the liability to supplement annuity reserves, including changes to the K factor, paid pension liabilities in life insurance, and as part of the liability adequacy test (LAT).

affected by the decrease in capital market returns, which were lower than the returns in the corresponding period last year, and were reflected in a decrease in both investment income and in the collection of variable management fees, relative to the corresponding period last year.

In the operating segments, except for the effect of the capital market and the special effects described above, a decrease was recorded in comprehensive income during the quarter, relative to the corresponding period last year, primarily with respect to the increase in the provision for loss of working capacity claims, the negative development in claims in the long-term care branch and in employers' liability insurance. On the other hand, profit increased in the motor property branch, as a result of underwriting improvement, as specified below.

C. Developments subsequent to the reporting period

During the period subsequent to the reporting date, until proximate to the publication date of the report, the capital markets declined, while on the other hand, the risk-free interest rate curve increased. Further to that stated in Note 39(e)(e1) and (e2) to the annual financial statements, an increase in the interest rate may lead to a decrease 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), in insurance liabilities in non-life insurance, in the compulsory, liabilities and personal accidents branches.

At this stage, it is not possible to estimate the implications of the increase in 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, regarding the impact of the increased interest rate curve on the fair value of debt assets, and regarding the continuing developments in financial markets until the end of 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, Risk Management, in the annual financial statements.

D. Additional primary details and additional primary effects by segments

Presented below are details regarding comprehensive income, distributed by segments:

	1-9			Q3			
	2018	2017	Rate of change in	2018	2017	Rate of change in	2017
NIS in millions	Unaudited		percent	Unaudited		percent	Audited
Long term savings							
Life insurance	**168**	147	14	**22**	(145)	#	267
Pension	**(2)**	6	#	**-**	1	#	11
Provident	**(106)**	(74)	43	**5**	9	(44)	(102)
Total long-term savings division	**60**	80	(25)	**28**	(134)	#	177
Non-life insurance	**104**	10	940	**12**	6	100	62
Health insurance	**(25)**	104	#	**11**	64	(83)	184
Financing expenses	**101**	94	7	**33**	25	32	125
Other and items not included in the insurance branches	**42**	164	(74)	**79**	49	63	249
Total comprehensive income (loss) before tax	**80**	264	(70)	**97**	(40)	#	547
Taxes (tax benefit)	**21**	77	(73)	**36**	(19)	#	171
Total comprehensive income (loss) for the period, net of tax	**59**	187	(68)	**61**	(22)	#	376
Attributable to shareholders in the Company	**56**	182	(69)	**60**	(23)	#	370
Attributable to non-controlling interests	**4**	4	-	**1**	1	-	5
Return on equity in annual terms (in percent) *)	**1.5**	5.2	(72)	**4.8**	(1.9)	#	7.9

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

Life insurance

	1-9		Q3	
	2018	**2017**	**2018**	**2017**
Gross premiums earned	**4,331**	4,188	**1,507**	1,328
Comprehensive income (loss)	**168**	147	**22**	(145)
The redemption rates of life insurance policies from the average reserve, in annual terms	**2.0%**	2.2%	**2.1%**	2.4%
Investment income applied to policyholders after management fees	**1,589**	2,161	**1,210**	911

Note

During the reporting period - Changes in interest rates on insurance reserves resulted in a decrease in the amount of approximately NIS 201 million, as compared with an increase of reserves in the amount of approximately NIS 250 million (see section A above), and an update to insurance liabilities due to the optimization of members' rights in the amount of approximately NIS 61 million in the corresponding period last year. 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.

Additionally, during the reporting period, comprehensive income was affected by the decrease in the financial margin relative to the corresponding period last year, and the increase in the provision for loss of working capacity claims relative to the corresponding period last year.

During the quarter - In the current quarter, reserves increased in the amount of approximately NIS 75 million, as compared with the increase in reserves in the amount of approximately 335, due to the interest rate changes and the update to insurance liabilities with respect to the optimization of members' rights in the amount of approximately NIS 41 million in the corresponding period last year.

Additionally, during the reporting period, comprehensive income was affected by the decrease in the financial margin relative to the corresponding period last year, and the increase in the provision for loss of working capacity claims relative to the corresponding period last year.

	1-9		Q3		
	2018	2017	2018	2017	2017
Variable management fees	**126**	240	**111**	126	352
Fixed management fees	**322**	301	**110**	103	410
Total management fees	**448**	541	**222**	229	761
Total financial margin and management fees	**535**	703	**274**	332	1,016
Current premiums	**4,050**	3,944	**1,373**	1,235	5,226
Non-recurring premiums	**281**	244	**135**	92	309
Total gross premiums earned	**4,331**	4,188	**1,507**	1,328	5,535
Current premiums	**51**	65	**21**	20	82
Non-recurring premiums	**246**	149	**91**	35	209
Total premiums with respect to pure savings	**297**	214	**111**	55	291

Details regarding the rates of return in profit-sharing policies

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

	1-9		Q3		
	2018	**2017**	**2018**	**2017**	**2017**
Real return before payment of management fees	**3.00**	5.65	**2.41**	2.82	8.50
Real return after payment of management fees	**2.18**	4.43	**1.93**	2.29	6.72
Nominal return before payment of management fees	**4.13**	5.86	**2.61**	2.31	8.82
Nominal return after payment of management fees	**3.30**	4.64	**2.13**	1.78	7.04

Policies issued beginning in 2004 (New J Fund)

	1-9		Q3		
	2018	**2017**	**2018**	**2017**	**2017**
Real return before payment of management fees	**2.71**	5.32	**2.40**	2.77	8.12
Real return after payment of management fees	**1.87**	4.44	**2.13**	2.47	6.93
Nominal return before payment of management fees	**3.84**	5.53	**2.61**	2.26	8.45
Nominal return after payment of management fees	**2.99**	4.65	**2.33**	1.96	7.25

Provident

	1-9		Q3		
	2018	**2017**	**2018**	**2017**	**Note**
Comprehensive income (loss)	(106)	(74)	5	9	**During the reporting period** - Loss was primarily due to the impairment of goodwill which was recorded during the reporting period, 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 net negative transfers decreased significantly during the reporting period.
Contributions	1,222	1,191	440	378	

Pension

	1-9		Q3		
	2018	**2017**	**2018**	**2017**	**Note**
Comprehensive income (loss)	(2)	6	-	1	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.
Contributions	4,351	4,237	1,515	1,474	

Non-life insurance

	1-9				Q3					
	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	**65%**	**65%**	69%	69%	**59%**	**59%**	66%	66%	70%	70%
Compulsory motor	**98%**	**115%**	97%	92%	**85%**	**80%**	58%	48%	98%	93%
Property branches	**39%**	**43%**	63%	41%	**8%**	**25%**	71%	40%	70%	52%
Credit insurance	**18%**	**17%**	28%	26%	**16%**	**23%**	31%	21%	23%	22%
Liability branches	**122%**	**113%**	111%	75%	**123%**	**134%**	73%	73%	98%	77%
Total	**69%**	**75%**	77%	70%	**55%**	**68%**	65%	58%	78%	72%

The ratios are after neutralizing the effects of the Winograd committee	**CR on retention**	**CR on retention**	**CR on retention**	**CR on retention**	**CR on retention**
Motor property	**92%**	97%	**87%**	95%	99%
Compulsory motor	**128%**	109%	**91%**	67%	111%
Property branches	**101%**	93%	**87%**	99%	104%
Credit insurance	**38%**	44%	**44%**	41%	42%
Liability branches	**154%**	117%	**178%**	120%	120%
Total	**106%**	100%	**100%**	91%	103%

	1-9 2018	1-9 2017	Q3 2018	Q3 2017	Note
Gross premiums	**1,827**	1,797	**542**	544	
Comprehensive income	**104**	10	**12**	6	**During the reporting period** - A decrease was recorded in the provision with respect to the effect of the Winograd committee's recommendation, in the amount of approximately NIS 29 million, as compared with an increase of the provision in the amount of approximately NIS 96 million in the corresponding period last year. The decrease in income, after neutralizing the aforementioned provision, was primarily due to the deterioration in the employers' liability and third-party insurance sub-branch, while on the other hand, profit increased in the motor property branch, as a result of underwriting improvement, as specified below. **During the quarter** - An increase was recorded in the provision with respect to the effect of the Winograd committee's recommendation, in the amount of approximately NIS 21 million, as compared with an increase of the provision in the amount of approximately NIS 67 million in the corresponding period last year. On the other hand, an increase was recorded in claims in the employers' liability insurance sub-branch, relative to the corresponding period last year.
LR on retention after neutralizing the provision with respect to Winograd	**75%**	70%	**68%**	58%	
CR on retention after neutralizing the provision with respect to Winograd	**106%**	100%	**100%**	91%	
Motor property					
Gross premiums	**565**	572	**166**	171	
Comprehensive income before tax	**57**	23	**27**	11	**During the reporting period and during the current quarter** - the increase in income was primarily due to the underwriting improvement in individual business operations.
LR on retention	**65%**	69%	**59%**	66%	During the reporting period and during the current quarter - the decrease was primarily due to the underwriting improvement, as stated above.
CR on retention	**92%**	97%	**87%**	95%	
Compulsory motor					
Gross premiums	**368**	377	**109**	111	
Comprehensive income (loss)	**36**	(35)	**10**	2	**During the reporting period** - A decrease was recorded in the provision with respect to the effect of the Winograd committee's recommendation in the amount of approximately NIS 18 million, as compared with an increase of the provision in the amount of approximately NIS 59 million in the corresponding period last year. **During the quarter** - An increase was recorded in the provision with respect to the effect of the Winograd committee's recommendation in the amount of approximately NIS 11 million, as compared with an increase of the provision in the amount of approximately NIS 43 million in the corresponding period last year.
LR on retention after neutralizing the provision with respect to Winograd	**115%**	92%	**80%**	48%	
CR on retention after neutralizing the Winograd provision	**128%**	109%	**91%**	67%	
Property and others branches					
Gross premiums	**565**	502	**167**	164	
Comprehensive income (loss)	**8**	25	**7**	6	**During the reporting period** - The decrease in income during the reporting period was primarily due to the deterioration of claims in fire and property branches.
LR on retention	**43%**	41%	**25%**	40%	
CR on retention	**101%**	93%	**87%**	99%	
Credit insurance					
Gross premiums	**82**	83	**27**	27	
Comprehensive income	**28**	28	**10**	10	
LR on retention	**17%**	26%	**23%**	21%	
CR on retention	**38%**	44%	**44%**	41%	

Liability branches					
Gross premiums	**248**	262	**73**	71	
Comprehensive income	**(26)**	(31)	**(41)**	(23)	**During the reporting period** - A decrease was recorded in the provision with respect to the effect of the Winograd committee's recommendation in the amount of approximately NIS 11 million, as compared with an increase of the provision in the amount of approximately NIS 37 million in the corresponding period last year. The decrease in income, after neutralizing the aforementioned provision was due to the negative development in claims in the employers' liability insurance sub-branch relative to last year. **During the quarter** - An increase was recorded in the provision with respect to the effect of the Winograd committee's recommendation in the amount of approximately NIS 10 million, as compared with an increase of the provision in the amount of approximately NIS 24 million in the corresponding period last year. The decrease in income, after neutralizing the aforementioned provision, was due to the negative development in claims in the employers' liability insurance sub-branch relative to last year.
LR on retention after neutralizing the provision with respect to Winograd	**113%**	75%	**134%**	73%	
CR on retention after neutralizing the provision with respect to Winograd	**154%**	117%	**178%**	120%	

Health insurance

	1-9		Q3		
	2018	**2017**	**2018**	**2017**	**Note**
Gross premiums earned	**1,577**	1,415	**551**	504	The increase in premiums was primarily due to the increase in individual business operations.
Comprehensive income (loss)	**(25)**	104	**11**	64	**During the 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, as a result of the update to the actuarial assumptions which are used to calculate the reserve with respect to long-term care policyholders. This update was primarily offset by the increase of the discount rate, such that the provision which was recorded during the reporting period amounted to a total of approximately NIS 73 million, with no effect in the corresponding period last year. Additionally, comprehensive income in the reporting period was affected by the negative development in claims in the long-term care branch. **During the quarter** - Comprehensive income in the current quarter included an increase in the reserve in the amount of approximately NIS 13 million, as a result of the liability adequacy test (LAT).

For details regarding the publication of the results of new tenders for the selection of an insurer for collective long-term care insurance of the Maccabi and Clalit health funds, and the publication of a tender by Leumit Health Fund, see Note 8(D) to the financial statements regarding the investment income which was credited to holders of health insurance policies of the "long-term care profit sharing" type:

	Profit sharing long-term care policies of the individual and collective types				
	1-9		Q3		
NIS in millions	**2018**	**2017**	**2018**	**2017**	**2017**
Investment income applied to policyholders	**153**	181	**109**	81	282

Other and items not included in the insurance branches

	1-9		Q3		
	2018	2017	2018	2017	
NIS in millions		Unaudited			Note
Total comprehensive income before tax	42	164	79	49	**During the reporting period** - The decrease in income during the reporting period was primarily due to investment income in the amount of approximately NIS 96 million during the reporting period, as compared with investment income in the amount of approximately NIS 212 million in the corresponding period last year. **During the quarter** - The increase in income was primarily due to investment income in the amount of approximately NIS 99 million during the reporting period, as compared with a total of NIS 77 million in the corresponding period last year.

3.1.1 [WU1]General and administrative expenses

General and administrative expenses amounted to a total of approximately NIS 676 million, as compared with a total of approximately NIS 629 million in the corresponding period last year, and in the quarter, these expenses amounted to a total of approximately NIS 234 million, as compared with a total of approximately NIS 223 million last year. The increase was primarily due to the increase in payroll expenses, inter alia, due to the collective agreement and the increase in operation and collection activities in long-term savings.

3.1.2. Financing expenses in operations which are not allocated to segments

The Group’s financing expenses are primarily affected by the change in the known consumer price index, and by debt raisings and repayments.

Financing expenses in the reporting period amounted to a total of approximately NIS 101 million, as compared with approximately NIS 94 million in the corresponding period last year. During the quarter, financing expenses amounted to a total of approximately NIS 33 million, as compared with a total of approximately 25 million last year. The increase in financing expenses in the quarter was due to the increase of 0.2% in the consumer price index, as compared with the decrease of 0.5% in the corresponding period last year.

3.2 Principal data from the consolidated statements of financial position

3.2.1. Assets

NIS in millions	As of September 30 2018	As of September 30 2017	Rate of change %	As of December 31 2017	Rate of change since December %
Other financial investments	**31,721**	31,250	**2**	31,457	1
Assets managed for others (non-nostro) in the Group (NIS in millions):					
For insurance contracts and investment-linked investment contracts	**67,534**	62,428	**8**	64,310	5
For provident fund members [1)]	**34,010**	33,193	**2**	33,620	1
For pension fund members [1) *)]	**67,252**	59,440	**13**	61,751	9
Total assets managed for others	**168,796**	155,061	**9**	159,681	6
Total managed assets	**200,517**	186,311	**8**	191,138	5
*) Out of this amount, total assets managed by Atudot Havatika	**10,282**	9,838	**5**	10,086	2

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

3.2.2. Financial liabilities - As of the reporting date, the Group has no debit balances which are not for capital purposes in the insurance companies.

3.2.3. Capital and capital requirements

A. <u>Capital requirements in accordance with the provisions for implementation of an economic solvency regime</u> [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 calculated equity and the solvency capital requirement in accordance with the provisions of the economic solvency regime as of December 31, 2017.

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 model for calculation of embedded value. For additional details, see Note 16(e)3(c) to the annual statements.

1. **Solvency ratio -**

NIS in millions	As of December 31 2017	As of December 31 2016
	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	9,575	8,866
Solvency capital requirement (SCR)	8,823	7,969
Surplus	752	897
Solvency ratio	109%	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	8,773	7,887
Solvency capital requirement (SCR)	5,196	4,418
Surplus	3,577	3,469

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

NIS in millions	As of December 2017	As of December 2016
	Unaudited and unreviewed	
Equity for the purpose of MCR	6,514	6,009
MCR	1,692	1,655

1) The capital requirement applies to Clal Insurance, including the consolidation of Clal Credit Insurance.
2) In accordance with the provisions during the distribution period, the solvency capital requirement as of December 31, 2017 amounts to 65% of the solvency capital requirement which is calculated in accordance with the adjustment of the stock scenario.
3) Subsequent to the reporting date, and until the publication date of the report, the scope of recognized Tier 2 capital decreased in the amount of approximately NIS 24 million, due to the proximity of the repayment date, which resulted in an immaterial decrease of the solvency ratio.

The board of directors of Clal Insurance has not yet determined the solvency ratio target based on the provisions of the economic solvency regime. 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 dividend distributions, see Note 6 to the financial statements, and the economic solvency ratio report which is attached, and on the Group's website at https://www.clalbit.co.il/aboutclalinsurance/financialstatementsandpressrelease/

B. **For additional details regarding capital requirements in accordance with the accounting solvency regime, see Note 6 to the financial statements.**

3.3. 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.

3.3.1. Liquid resources and credit facilities*)

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

NIS in millions	Balance as of September 30, 2018	Proximate to the publication date of the report
Liquid resources of the Company (solo)	54	54

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

3.3.2. 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.

4. 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 Capital Market, Insurance and Savings Authority, as applicable, subsequent to the approval date of the annual financial statements.

4.1. General

4.1.1. 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 periodic financial statements for 2017, 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 periodic financial statements for 2017).

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.

4.1.2 <u>Circular regarding the board of directors of an institutional entity</u>

In August 2018, a final version was published, which updated the provisions of the consolidated circular regarding the board of directors of an institutional entity, and which determined provisions, inter alia, regarding the qualifications of members of the board of directors and its committees, as well as their composition, roles, authorities and working methods. The aforementioned circular replaces the provisions of the Control of Finance Services Regulations (Insurance) (Board of Directors and Its Committees), 2007 (except with respect to managing companies of branch-specific provident funds, and managing companies of some of the old pension funds).

The circular formalizes rules and principles with respect to the board of directors' working methods, including, inter alia setting, forth provisions regarding the composition of the board of directors, the qualifications and expertise required of directors, the obligation to establish a policy regarding the maximum tenure of the Chairman of the Board, as well as the roles and required qualifications of the Chairman of the Board. 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 does not extend their tenure). According to the circular, 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 circular, in case the controlling shareholder, or any of his relatives, holds a major position in the institutional entity, as defined in the circular, at least half of the directors must be independent directors (instead of one third).

It was determined that board meetings may not be held jointly for the institutional entity and for other corporations, except for joint meetings with the parent company of an institutional entity, or an institutional entity controlled by the institutional entity, and only for the purpose of training on or presentation of issues which will be published by the Commissioner, and additionally, restrictions were established regarding the tenure of directors in several institutional entities of the same group.

In accordance with the draft circular, the circular determined transitional provisions according to which an outside director who is duly serving in an institutional entity may continue holding his position until the next term renewal date. Insofar as their tenure as an independent director is renewed, subject to their fulfillment of the current provisions of the law, they may serve until the end of nine years after the date of their 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 "senior 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 circular has implications on the composition of the Company's Board of Directors and the Group's institutional entities, and on their work methods. The Group's institutional entities are preparing for the implementation of the provisions of the circular, which will enter into effect in April 2019.

4.1.3 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.

- 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.

- <u>Service provided by agents and advisors to customers (hereinafter: the "**Agent Service Circular**")</u>
  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 a 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.

- <u>Circular regarding addition to insurance</u>
  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.

- 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 establishes restrictions on the referral of customers to voicemail services.

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

4.1.4 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.

4.2. Long term savings

4.2.1 Regulations Regarding Direct Expenses due to Performance of Transactions

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

4.2.2. 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.

4.2.3 <u>Default funds</u>

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 October 2018, the results of the default funds selection process were announced, in which four competing pension funds were selected to serve as chosen default funds, for a period of three years, beginning in November 2018, and the management fees which will be collected in those funds were also published. The management fees which will be collected by the default funds are at a rate of 1.49% of the deposits and 0.1% of the accrual in two funds, at a rate of 2.49% of the deposits and 0.05% of the accrual in one fund, and at a rate of 1.68% of the deposits and 0.0905% of the accrual in the fourth fund (the management fees which are collected in the currently operating default funds amount to a rate of 1.31% of the deposits and 0.01% of the accrual in one fund, and a rate of 1.49% of the deposits and 0.001% of the accrual in the other fund).

Additionally, the management fees which will be collected by the managing company of the fund that was chosen as the 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).

A petition which was filed by the Israel Insurance Association with the Supreme Court, against the Commissioner, regarding the selection process of chosen default funds, was struck out by agreement.

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 4.2.5 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.

4.2.4 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.

4.2.5 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 August 2018, and following a hearing which was held in 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 Commissioner published a clarification regarding the pension marketing process, according to which the clarification with respect to pension marketing will only apply to the addition of savers to a pension product which were performed after the publication date of the clarification in February 2018 and thereafter.

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.

4.3 Health insurance

4.3.1 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, Clalit and Leumit 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.

4.4 Non-life insurance

4.4.1 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.

4.4.2 Periodic payments in accordance with the Road Accident Victims Compensation Law - consultation paper

Further to that stated in section 7.1.1.1(d)(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 affected 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.

4.4.3. Draft circular regarding certificates of insurance

Further to that stated in section 7.1.1.3 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.

5. Exposure to and management of market risks

Effect of market risks on business results

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

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

Linkage bases report - as of September 30, 2018

	Israeli currency		Foreign currency						
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	Non-monetary items	Insurance company in Israel	Total
Intangible assets	-	-	-	-	-	-	47,453	1,256,757	1,304,210
Deferred tax assets	-	-	-	-	-	-	6,236	1,512	7,748
Deferred acquisition costs	-	-	-	-	-	-	-	1,932,001	1,932,001
Property, plant and equipment	-	-	-	-	-	-	14,219	216,872	231,091
Investments in associates	-	-	-	-	-	-	-	282,372	282,372
Investment property for investment-linked contracts	-	-	-	-	-	-	-	2,959,118	2,959,118
Other investment property	-	-	-	-	-	-	-	1,249,329	1,249,329
Reinsurance assets	-	-	-	-	-	-	-	2,847,128	2,847,128
Current tax assets	-	3,031	-	-	-	-	-	134,990	138,021
Other accounts receivable	10,932	-	1,445	-	-	-	406	702,531	715,314
Outstanding premiums	3,427	-	-	-	-	-	-	988,684	992,111
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	59,050,723	59,050,723
Other financial investments									
Marketable debt assets	10,546	16,646	-	-	-	-	-	5,304,329	5,331,521
Non-marketable debt assets	503	2,529	-	-	-	-	-	22,058,327	22,061,359
Stocks	-	-	-	-	-	-	196	1,516,685	1,516,881
Other	-	-	-	-	-	-	-	2,811,103	2,811,103
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	4,874,893	4,874,893
Other cash and cash equivalents	134,376	-	207	276	4	-	-	1,168,999	1,303,862
Total assets	159,784	22,206	1,652	276	4	-	68,510	109,356,353	109,608,785

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

Effect of market risks on business results (Cont.)

Linkage bases report as of September 30, 2018 (Cont.)

NIS in thousands	Israeli currency		Foreign currency				Non-monetary items	Insurance company	Total
	Unlinked	CPI-linked	USD	EUR	GBP	Other		in Israel	
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	30,615,996	30,615,996
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	67,194,220	67,194,220
Deferred tax liabilities	-	-	-	-	-	-	-	479,024	479,024
Liabilities with respect to employee benefits, net	19,885	-	-	-	-	-	-	65,360	85,245
Other accounts payable	65,377	-	-	-	-	-	-	2,623,065	2,688,442
Current tax liabilities	-	766	-	-	-	-	-	4,411	5,177
Financial liabilities	-	-	-	-	-	-	-	3,389,978	3,389,978
Total liabilities	85,262	766	-	-	-	-	-	104,372,054	104,458,082
Total exposure	74,522	21,440	1,652	276	4	-	68,510	4,984,299	5,150,703

6. Disclosure Regarding the Corporation's Financial Reporting

6.1. Report concerning critical accounting estimates

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

6.2. Contingent liabilities

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

6.3. Internal control over financial reporting and disclosure

6.3.1. The Securities Regulations

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

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

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

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

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

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

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

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

The management of Clal Insurance (the institutional entity), in collaboration with the CEO, the Executive VP of Clal Insurance, the Financial Division Manager 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, Executive VP of Clal Insurance, Financial Division Manager and 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.

During the quarter ended September 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	**Yoram Naveh**
Chairman of the Board	**Chief Executive Officer**

Tel Aviv, November 20, 2018

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

We have reviewed the enclosed condensed financial information of Clal Insurance Enterprises Holdings Ltd. and its subsidiaries (hereinafter: the "**Group**"), which includes the interim consolidated statement of financial position as of September 30, 2018, as well as the interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods of nine and three months then ended. The board of directors and management are responsible for preparing and presenting the financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements set by the Commissioner of Capital Markets, Insurance and Savings, pursuant to the Control of Financial Services (Insurance) Law, 1981, and are also responsible for compiling financial information for 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 investee company accounted by the equity method, the investment in which amounted to approximately NIS 16 million as of September 30, 2018, and where the group's share in its income amounted to approximately NIS 263 thousand and approximately NIS 91 thousand for the nine- and three-month periods then ended, respectively. The condensed interim financial information of that company was reviewed by other auditors, whose review 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.

Emphasized paragraph (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,
November 20, 2018

Kost Forer Gabbay and Kasierer
Certified Public Accountants

Somekh Chaikin
Certified Public Accountants

Joint Auditors

Interim Consolidated Statements of Financial Position

NIS in thousands	As of September 30 2018	As of September 30 2017	As of December 31 2017
	Unaudited		Audited
Assets			
Intangible assets	**1,304,210**	1,399,051	1,391,753
Deferred tax assets	**7,748**	9,250	8,637
Deferred acquisition costs	**1,932,001**	1,951,958	1,944,574
Property, plant and equipment	**231,091**	235,452	231,670
Investments in investee companies accounted by the equity method	**282,372**	240,671	296,172
Investment property for investment-linked contracts	**2,959,118**	2,799,748	2,869,967
Other investment property	**1,249,329**	1,180,561	1,212,109
Reinsurance assets	**2,847,128**	2,717,307	2,801,776
Current tax assets	**138,021**	190,436	176,496
Other accounts receivable	**715,314**	1,234,824	507,089
Outstanding premiums	**992,111**	1,035,630	893,842
Financial investments for investment-linked contracts	**59,050,723**	54,668,075	56,230,961
Other financial investments:			
Marketable debt assets	**5,331,521**	5,756,835	5,532,612
Non-marketable debt assets	**22,061,359**	21,660,515	21,833,094
Stocks	**1,516,881**	1,159,270	1,367,841
Others	**2,811,103**	2,673,352	2,723,604
Total other financial investments	**31,720,864**	31,249,972	31,457,151
Cash and cash equivalents for investment-linked contracts	**4,874,893**	3,536,934	4,529,446
Other cash and cash equivalents	**1,303,862**	1,049,325	1,405,863
Total assets	**109,608,785**	103,499,194	105,957,506
Total assets for investment-linked contracts	**67,533,955**	62,428,390	64,310,320

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

Interim Consolidated Statements of Financial Position

NIS in thousands	As of September 30 2018	As of September 30 2017	As of December 31 2017
	Unaudited	Unaudited	Audited
Capital			
Share capital	**143,381**	143,236	143,367
Premium on shares	**1,008,889**	985,492	1,001,880
Capital reserves	**706,168**	571,349	649,964
Retained earnings	**3,244,144**	3,158,391	3,251,608
Total capital attributable to shareholders in the Company	**5,102,582**	4,858,468	5,046,819
Non-controlling interests	**48,121**	42,763	44,382
Total capital	**5,150,703**	4,901,231	5,091,201
Liabilities			
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**30,615,996**	30,324,489	30,184,292
Liabilities with respect to investment-linked insurance contracts and investment contracts	**67,194,220**	61,436,726	63,346,079
Deferred tax liabilities	**479,024**	459,628	511,333
Liabilities with respect to employee benefits, net	**85,245**	83,118	84,252
Other accounts payable	**2,688,442**	2,672,289	3,322,132
Current tax liabilities	**5,177**	3,269	5,163
Financial liabilities	**3,389,978**	3,618,444	3,413,054
Total liabilities	**104,458,082**	98,597,963	100,866,305
Total capital and liabilities	**109,608,785**	103,499,194	105,957,506

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

November 20, 2018				
Approval date of the financial statements	Danny Naveh Chairman of the Board	Yoram Naveh Chief Executive Officer	Eran Cherninsky Executive VP, Financial Division Manager	Tal Cohen Senior VP, Chief Accounting Division Manager

Interim Consolidated Statements of Income

NIS in thousands	For the period of nine months ended September 30 2018	For the period of nine months ended September 30 2017	For the period of three months ended September 30 2018	For the period of three months ended September 30 2017	For the year ended December 31 2017
	Unaudited				Audited
Gross premiums earned	**7,647,654**	7,306,269	**2,653,952**	2,416,826	9,729,203
Premiums earned by reinsurers	**1,060,020**	869,907	**368,035**	310,550	1,190,281
Premiums earned on retention	**6,587,634**	6,436,362	**2,285,917**	2,106,276	8,538,922
Income from investments, net, and financing income	**3,441,090**	4,198,964	**1,907,388**	1,479,122	6,234,548
Income from management fees	**787,534**	887,111	**338,738**	348,573	1,226,483
Income from commissions	**232,669**	191,419	**79,340**	74,067	267,113
Other income	**72**	3,253	**42**	1,133	3,558
Total income	**11,048,999**	11,717,109	**4,611,425**	4,009,171	16,270,624
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**9,429,161**	10,137,335	**4,058,187**	3,736,349	14,008,748
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(787,781)**	(829,156)	**(231,429)**	(279,204)	(1,103,954)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**8,641,380**	9,308,179	**3,826,758**	3,457,145	12,904,794
Commissions, marketing expenses and other acquisition costs	**1,487,793**	1,439,978	**511,718**	510,064	1,956,552
General and administrative expenses	**676,027**	629,431	**233,929**	223,168	872,061
Impairment of intangible assets	**114,824**	91,715	**-**	10,715	121,637
Other expenses	**9,878**	25,171	**2,123**	4,834	23,773
Financing expenses	**124,925**	100,123	**35,670**	27,843	134,455
Total expenses	**11,054,827**	11,594,597	**4,610,198**	4,233,769	16,013,272
Share in results of associate companies accounted by the equity method, net	**3,099**	7,185	**1,067**	645	25,581
Income (loss) before taxes on income	**(2,729)**	129,697	**2,294**	(223,953)	282,933
Taxes (tax benefit) on income	**(5,975)**	28,549	**3,681**	(80,454)	75,247
Income (loss) for the period	**3,246**	101,148	**(1,387)**	(143,499)	207,686
Attributable to:					
Shareholders in the Company	**(851)**	97,838	**(2,547)**	(144,583)	203,096
Non-controlling interests	**4,097**	3,310	**1,160**	1,084	4,590
Income (loss) for the period	**3,246**	101,148	**(1,387)**	(143,499)	207,686
Earnings (loss) per share attributable to shareholders in the Company:					
Basic earnings (loss) per share (in NIS)	**(0.02)**	1.77	**(0.05)**	(2.61)	3.66
Diluted earnings (loss) per share (in NIS)	**(0.02)**	1.76	**(0.05)**	(2.61)	3.65
Number of shares used to calculate earnings per share:					
Basic	**55,577**	55,422	**55,577**	55,427	55,447
Diluted	**55,577**	55,457	**55,577**	55,427	55,618

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

Interim Consolidated Statements of Comprehensive income

NIS in thousands	For the period of nine months ended September 30 2018	2017	For the period of three months ended September 30 2018	2017	For the year ended December 31 2017
	Unaudited				Audited
Income (loss) for the period	**3,246**	101,148	**(1,387)**	(143,499)	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	**13,339**	(25,996)	**(3,258)**	5,928	(31,982)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**257,135**	301,701	**167,051**	225,294	521,858
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	**(209,839)**	(145,777)	**(74,595)**	(46,246)	(245,258)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	**21,828**	7,955	**6,837**	1,667	14,277
Other comprehensive income for the period which has been or will be transferred to profit and loss, before tax	**82,463**	137,883	**96,035**	186,643	258,895
Tax with respect to available-for-sale financial assets	**23,579**	56,090	**33,950**	61,799	99,492
Tax (tax benefit) with respect to other components	**3,049**	(5,826)	**(739)**	1,338	(7,169)
Tax with respect to components of other comprehensive income for the period which have been or will be transferred to profit and loss	**26,628**	50,264	**33,211**	63,137	92,323
Other comprehensive income which, following initial recognition under comprehensive income, has been or will be transferred to profit and loss, net of tax	**55,835**	87,619	**62,824**	123,506	166,572
Components of other comprehensive income (loss) which will not be transferred to profit and loss:					
Actuarial income (loss) from defined benefit plan	**532**	(4,016)	(128)	(2,678)	1,932
Other comprehensive income for the period, before tax	**532**	(4,016)	**(128)**	(2,678)	1,932
Tax with respect to components of other comprehensive income which will not be transferred to profit and loss (tax benefit)	**117**	(1,057)	**(65)**	(783)	753
Other comprehensive income (loss) which will not be transferred to profit and loss, net of tax	**415**	(2,959)	**(63)**	(1,895)	1,179
Other comprehensive income for the period	**56,250**	84,660	**62,761**	121,611	167,751
Total comprehensive income for the period	**59,496**	185,808	**61,374**	(21,888)	375,437
Attributable to:					
Shareholders in the Company	**55,757**	182,062	**60,051**	(23,230)	370,072
Non-controlling interests	**3,739**	3,746	**1,323**	1,342	5,365
Total comprehensive income (loss) for the period	**59,496**	185,808	**61,374**	(21,888)	375,437

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

Interim Consolidated Statements of Changes in Equity

NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total capital
	Attributable to shareholders in the Company									
For the period of nine months ended September 30, 2018 (unaudited)										
Balance as of January 1, 2018 (Audited)	**143,367**	**1,001,880**	**(24,429)**	**533,373**	**180,329**	**(39,309)**	**3,251,608**	**5,046,819**	**44,382**	**5,091,201**
Income (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(851)**	**(851)**	**4,097**	**3,246**
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	**-**	**-**	**13,339**	**-**	**-**	**-**	**-**	**13,339**	**-**	**13,339**
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**-**	**-**	**-**	**257,158**	**-**	**-**	**-**	**257,158**	**(23)**	**257,135**
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	**-**	**-**	**-**	**(209,295)**	**-**	**-**	**-**	**(209,295)**	**(544)**	**(209,839)**
Impairment loss with respect to available for sale financial assets transferred to profit and loss	**-**	**-**	**-**	**21,822**	**-**	**-**	**-**	**21,822**	**6**	**21,828**
Actuarial losses from defined benefit program	**-**	**-**	**-**	**-**	**-**	**-**	**515**	**515**	**17**	**532**
Tax benefit (tax) with respect to components of comprehensive income (loss)	**-**	**-**	**(3,049)**	**(23,771)**	**-**	**-**	**(111)**	**(26,931)**	**186**	**(26,745)**
Other comprehensive income (loss) for the period, net of tax	**-**	**-**	**10,290**	**45,914**	**-**	**-**	**404**	**56,608**	**(358)**	**56,250**
Total comprehensive income (loss) for the period	**-**	**-**	**10,290**	**45,914**	**-**	**-**	**(447)**	**55,757**	**3,739**	**59,496**
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	**14**	**7,009**	**-**	**-**	**-**	**-**	**(7,023)**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**6**	**-**	**6**
Balance as of September 30, 2018	**143,381**	**1,008,889**	**(14,139)**	**579,287**	**180,329**	**(39,309)**	**3,244,144**	**5,102,582**	**48,121**	**5,150,703**

Interim Consolidated Statements of Changes in Equity (Cont.)

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

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

Interim Consolidated Statements of Changes in Equity (Cont.)

NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total capital
	Attributable to shareholders in the Company									
For the period of three months ended September 30, 2018 (unaudited)										
Balance as of July 1, 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
Income (loss) for the period	-	-	-	-	-	-	(2,547)	(2,547)	1,160	(1,387)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(3,258)	-	-	-	-	(3,258)	-	(3,258)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	166,725	-	-	-	166,725	326	167,051
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	-	-	-	(74,506)	-	-	-	(74,506)	(89)	(74,595)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	6,835	-	-	-	6,835	2	6,837
Actuarial income (loss) from defined benefit plan	-	-	-		-	-	(138)	(138)	10	(128)
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	739	(33,865)	-	-	66	(33,060)	(86)	(33,146)
Other comprehensive income (loss) for the period, net of tax	-	-	(2,519)	65,189	-	-	(72)	62,598	163	62,761
Total comprehensive income (loss) for the period	-	-	(2,519)	65,189	-	-	(2,619)	60,051	1,323	61,374
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	-	3,874	-	-	-	-	(3,874)	-	-	-
Share-based payments	-	-	-	-	-	-	51	51	-	51
Balance as of September 30, 2018	143,381	1,008,889	(14,139)	579,287	180,329	(39,309)	3,244,144	5,102,582	48,121	5,150,703

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

Interim Consolidated Statements of Changes in Equity (Cont.)

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

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

Interim Consolidated Statements of Changes in Equity (Cont.)

NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total capital
	Attributable to shareholders in the Company									
For the 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 with respect to components of comprehensive income (loss)	-	-	7,169	(99,091)	-	-	(752)	(92,674)	(401)	(93,075)
Other comprehensive income (loss) for the period, net of tax	-	-	(24,813)	190,612	-	-	1,177	166,976	776	167,752
Total comprehensive income for the period	-	-	(24,813)	190,612	-	-	204,273	370,072	5,366	375,438
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	151	23,982	-	-	-	-	(24,133)	-	-	-
Share-based payments	-	-	-	-	-	-	2,559	2,559	-	2,559
Balance as of December 31, 2017	143,367	1,001,880	(24,429)	533,373	180,329	(39,309)	3,251,608	5,046,819	44,382	5,091,201

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

Interim Consolidated Statements of Cash Flows

		For the period of nine months ended September 30		For the period of three months ended September 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)	**574,645**	778,007	**981,614**	(1,043,255)	2,303,725
Income tax received (paid)		**(13,825)**	(92,792)	**(5,308)**	27,195	(115,122)
Net cash from operating activities		**560,820**	685,215	**976,306**	(1,016,060)	2,188,603
Cash flows from investing activities						
Consideration from disposal of property, plant and equipment		**7**	18	**2**	6	81
Consideration from disposal of intangible assets		**-**	-	**-**	-	1,107
Consideration from disposal of investments in other investee companies		**-**	23,591	**-**	-	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	**-**	-	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		**22,354**	5,714	**13,688**	1,114	(34,050)
Investment in property, plant and equipment		**(29,623)**	(13,206)	**(19,643)**	(9,741)	(20,017)
Investment in intangible assets		**(186,364)**	(148,929)	**(60,795)**	(64,650)	(229,698)
Net cash used in investing activities		**(193,082)**	(114,348)	**(66,748)**	(73,271)	(240,031)
Cash flows from financing activities						
Repayment of liabilities to banks and others		**-**	(73,089)	**-**	-	(73,089)
Repayment of deferred liability notes		**(50,901)**	(80,021)	**-**	(29,323)	(80,021)
Interest paid on bonds and deferred liability notes		**(102,013)**	(106,214)	**(55,033)**	(41,699)	(120,101)
Net cash used in financing activities		**(152,914)**	(259,324)	**(55,033)**	(71,022)	(273,211)
Impact of exchange rate fluctuations on cash and cash equivalent balances		**28,622**	(69,294)	**(5,951)**	(9,633)	(84,062)
Net increase (decrease) in cash and cash equivalents		**243,446**	242,249	848,574	(1,169,986)	1,591,299
Cash and cash equivalents at beginning of period	(B)	**5,935,309**	4,344,010	**5,330,181**	5,756,245	4,344,010
Cash and cash equivalents at end of period	(C)	**6,178,755**	4,586,259	**6,178,755**	4,586,259	5,935,309

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

Interim Consolidated Statements of Cash Flows (Cont.)

NIS in thousands	For the period of nine months ended September 30 2018	For the period of nine months ended September 30 2017	For the period of three months ended September 30 2018	For the period of three months ended September 30 2017	For the year ended December 31 2017
	Unaudited				Audited
(A) Cash flows from operating activities before taxes on income [1) 2)]					
Income (loss) for the period	**3,246**	101,148	**(1,387)**	(143,499)	207,686
Items not involving cash flows:					
The Company's share in the income of investee companies accounted by the equity method	**(3,099)**	(7,185)	**(1,067)**	(645)	(25,581)
Dividends received from investee companies accounted by the equity method	**-**	190	**-**	-	190
Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	**431,704**	555,510	**204,024**	138,118	415,313
Change in liabilities with respect to investment-linked insurance contracts and investment contracts	**3,848,141**	4,160,933	**2,141,536**	1,551,067	6,070,286
Change in deferred acquisition costs	**12,573**	(28,594)	**21,297**	46,633	(21,210)
Change in reinsurance assets	**(45,352)**	(489,268)	**(322)**	(133,015)	(573,737)
Depreciation of property, plant and equipment	**30,189**	30,287	**10,307**	10,255	40,817
Amortization of intangible assets	**159,083**	163,566	**54,622**	54,327	220,604
Impairment of intangible assets	**114,824**	91,715	**-**	10,715	121,637
Loss (profit) from disposal of property, plant and equipment	**6**	16	**(2)**	10	16
Profit from disposal of shares in consolidated companies	**-**	(2,081)	**-**	-	(2,081)
Interest and linkage differences accrued with respect to deferred liability notes	**101,366**	93,595	**32,678**	25,349	124,520
Interest accrued and revaluation of liabilities to banking corporations and others	**(17,443)**	200,974	**(301,006)**	170,049	8,332
Change in fair value of investment property for investment-linked contracts	**(21,990)**	29,624	**6,418**	(13,845)	(34,308)
Change in fair value of other investment property	**(1,384)**	(3,260)	**1,549**	(4,772)	(35,858)
Share-based payment transactions	**6**	2,218	**51**	483	2,559
Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts	**(927,530)**	(1,976,021)	**(1,058,407)**	(912,295)	(2,841,423)
Taxes (tax benefit) on income	**(5,975)**	28,549	**3,681**	(80,454)	75,247
Net loss (profit) from other financial investments:					
Marketable debt assets	**(32,908)**	60,427	**40,283**	45,422	44,413
Non-marketable debt assets	**(389,795)**	(183,997)	**(224,982)**	(116,153)	(15,742)
Stocks	**(44,603)**	(6,576)	**(17,965)**	16,886	(21,927)
Others	**87,780**	(175,987)	**(24,236)**	33,875	(258,674)
Financial investments and investment property for investment-linked contracts:					
Acquisition of investment property	**(67,161)**	(87,192)	**(21,595)**	(14,939)	(93,479)
Acquisitions, net, of financial investments	**(1,892,232)**	(497,560)	**(156,153)**	(235,338)	(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	**144,746**	(161,885)	**(344,566)**	(28,650)	118,439
Non-marketable debt assets	**158,456**	(203,194)	**525,322**	(443,424)	(544,536)
Stocks	**(73,029)**	39,703	**(13,196)**	11,203	56,708
Others	**(48,998)**	(143,201)	**15,644**	(216,658)	(58,519)
Acquisition of other investment property	**(26,729)**	(23,712)	**(8,429)**	(4,087)	(26,447)
Consideration from the sale of other investment property	**-**	15,486	**-**	15,486	15,600

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

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

Interim Consolidated Statements of Cash Flows (Cont.)

NIS in thousands	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2018	2017	2018	2017	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	**3,218**	9,712	**583**	2,094	8,953
Other accounts receivable	**(208,225)**	(942,620)	**128,636**	(793,967)	(214,885)
Outstanding premiums	**(98,269)**	(169,112)	**85,235**	113,905	(27,324)
Other accounts payable	**(617,495)**	291,274	**(113,957)**	(148,931)	381,992
Liabilities with respect to employee benefits, net	**1,525**	4,525	**(2,981)**	1,540	11,607
Total cash flows from operating activities before taxes on income	**574,645**	778,007	**981,614**	(1,043,255)	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	**4,200,311**	3,967,667	2,953,235
Other cash and cash equivalents	**1,405,863**	1,390,775	**1,129,870**	1,788,578	1,390,775
Balance of cash and cash equivalents at the beginning of period	**5,935,309**	4,344,010	**5,330,181**	5,756,245	4,344,010
(C) Cash and cash equivalents at end of period:					
Cash and cash equivalents for investment-linked contracts	**4,874,893**	3,536,934	**4,874,893**	3,536,934	4,529,446
Other cash and cash equivalents	**1,303,862**	1,049,325	**1,303,862**	1,049,325	1,405,863
Balance of cash and cash equivalents at end of period	**6,178,755**	4,586,259	**6,178,755**	4,586,259	5,935,309
(D) Cash flows with respect to interest and dividends received, included under operating activities:					
Interest received	**1,541,528**	1,515,651	**496,885**	368,222	2,171,212
Dividend received	**334,902**	340,989	**80,026**	105,214	411,963
(E) Operations which are not associated with cash flows					
Investment in assets against other accounts payable	**-**	-	**-**	-	544,124

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

Note 1: General

A. **Reporting entity**

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

The condensed consolidated financial statements as of September 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 24.8% 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 29.8% of the Company's issued capital1 (approximately 29.5% at full dilution). IDB Development also engaged in swap transactions with respect to the Company's shares at a rate of approximately 30%.

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 controlling shareholders in the Company

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, May 3, 2018 and August 30, 2018, shares of the Company were sold which together constitute approximately 25% 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 29.8% of the Company's issued capital[1] (approximately 29.5% 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.

[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 3(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, definition 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.)

H. (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.)

I. (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 al 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, May 3, 2018 and August 30, 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 25% 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 which will conclude no later than 24 months after the date of each sale transaction (the "**Swap Period**"), each of the swap transactions will expire, and 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.

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 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.

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 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.

   (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 13,808,672 (constituting approximately 25% of the Company's issued and paid-up capital).

Note 1 - General (Cont.)

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

4. <u>The Concentration Law</u>

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

Additionally, insofar as Clalbit Finance Ltd. ("Clalbit Finance") will remain another 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. <u>Agreement between IDB Development and Bank Hapoalim Ltd.</u>

With respect to an agreement between IDB Development and Bank Hapoalim Ltd. (hereinafter: "Bank Hapoalim") from March 1999, with respect to approximately 9.47% of the Company's shares (the "Sold Shares"), in which, inter alia, IDB Development was given the right of first refusal upon the sale of (all or part of) the Company's shares by Bank Hapoalim.

On October 17, 2018, IDB Development reported that it had signed an agreement with Bank Hapoalim (the "Agreement"), according to which IDB Development was given a period to find several buyers, with whom Bank Hapoalim would engage, subject to any applicable law, in transactions for the sale of (all of) the sold shares, at a price of NIS 62 per share, in unconditional over the counter transactions, which will be completed on a single date and no later than November 10, 2018 (the "Acquisition Date"). If, by November 10, 2018, the sale of the shares has not been completed as stated above, Bank Hapoalim will be entitled to sell them. It was further determined in the agreement that the shareholders agreement will be terminated on the earlier of either the acquisition date or November 10, 2018.

On November 8, 2018, IDB Development reported that it had notified Bank Hapoalim that, in accordance with the terms of the agreement, IDB Development had found several buyers, with whom Bank Hapoalim would engage in transactions for the sale of (all of) the sold shares, in unconditional over the counter transactions, and that they purchased the shares on that same date. In accordance with the terms of the agreement, the shareholders agreement was terminated.

Note 1 - General (Cont.)

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

5. Agreement between IDB Development and Bank Hapoalim Ltd. (Cont.)

IDB Development also reported that it had engaged in a swap transaction with a banking institution in connection with - 2,771,309 of the sold shares, which constitute approximately 5% of the Company's shares, according to a base price of NIS 62 per share, according to the same principles which applied to the previous swap transactions which IDB Development performed with respect to the Company's shares which were held by it, as specified in subsection 2(I) above.

Upon the completion of the transaction, IDB Development's stake in the Company amounted to approximately 29.8% (of which, approximately 24.8% through the trustee), and IDB Development also engaged in swap transactions with respect to the Company's shares at a rate of approximately 30%.

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					
September 30, 2018	**1.1**	**1.1**	**1.5**	**4.6**	**1.2**
September 30, 2017	0.3	0.2	2.8	(8.2)	0.2
For the period of three months ended					
September 30, 2018	**0.2**	**0.2**	**(0.9)**	**(0.6)**	**(1.4)**
September 30, 2017	0.3	(0.5)	4.3	0.9	4.3
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 September 30, 2018	**4.216**	**3.627**	**4.739**
As of September 30, 2017	4.157	3.529	4.736
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
1. IFRS 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.
2. International Financial Reporting Standard (IFRS) 17, Insurance Contracts	In May 2017, the International Accounting Standards Board (IASB) published International Financial Reporting Standard 17, Insurance Contracts (hereinafter: the "New Standard"). The new standard establishes rules for recognition, measurement, presentation and disclosure in connection with insurance contracts, and replaces the current provisions on the matter. The new standard is expected to lead to significant changes in the financial reporting of insurance companies. In accordance with the new standard, insurance liabilities are to be measured as the present value of expected cash flows from insurance contracts, while taking into account the uncertainty associated with such forecasts (the risk margin). Additionally, the forecasted embedded profit in insurance contracts, as derived from the aforementioned calculations, will be recognized throughout the coverage period, and the impact of changes in assumptions (excluding interest) will also be distributed over the coverage period. Loss will be recognized immediately if a group of insurance contracts is not expected to be profitable, or if it begins to incur loss. With respect to certain insurance contracts (generally elementary insurance with insurance coverage of up to one year), a simpler measurement model can be applied, which is not significantly different from the current method of measurement.	On November 14, 2018, the IASB decided to defer the initial adoption date of IFRS 17 by one year, until January 1, 2022. It was further decided to propose an extension of the temporary extension from the adoption of IFRS 9, for insurance companies which have adopted the deferral approach, until January 1, 2022. The Company is monitoring the aforementioned proposal, and will evaluate its implications on the preparations towards adopting the standard.	

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 nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	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	**-**	-	-	**-**	-	-	**4,330,990**	4,187,509	5,534,579	**4,330,990**	4,187,509	5,534,579
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**135,911**	126,843	168,245	**135,911**	126,843	168,245
Premiums earned on retention	**-**	-	-	**-**	-	-	**4,195,079**	4,060,666	5,366,334	**4,195,079**	4,060,666	5,366,334
Income from investments, net, and financing income	**123,146**	103,669	139,160	**2,431**	605	488	**2,902,245**	3,658,555	5,421,019	**3,027,822**	3,762,829	5,560,667
Income from management fees	**133,122**	137,773	183,021	**205,273**	207,862	282,422	**448,325**	540,775	760,035	**786,720**	886,410	1,225,478
Income from commissions	**-**	-	-	**-**	-	-	**34,553**	32,536	43,050	**34,553**	32,536	43,050
Other income	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Total income	**256,268**	241,442	322,181	**207,704**	208,467	282,910	**7,580,202**	8,292,532	11,590,438	**8,044,174**	8,742,441	12,195,529
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**118,506**	98,018	131,475	**-**	-	-	**6,673,465**	7,400,703	10,351,365	**6,791,971**	7,498,721	10,482,840
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(69,904)**	(76,551)	(106,515)	**(69,904)**	(76,551)	(106,515)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**118,506**	98,018	131,475	**-**	-	-	**6,603,561**	7,324,152	10,244,850	**6,722,067**	7,422,170	10,376,325
Commissions, marketing expenses and other acquisition costs	**42,265**	42,089	58,644	**77,797**	82,446	109,622	**554,470**	525,037	721,188	**674,532**	649,572	889,454
General and administrative expenses	**81,936**	76,146	106,569	**128,934**	121,181	165,492	**282,953**	273,136	373,426	**493,823**	470,463	645,487
Impairment of intangible assets	**114,824**	81,000	108,000	**-**	-	-	**-**	10,715	10,593	**114,824**	91,715	118,593
Other expenses	**4,784**	18,058	19,156	**1,081**	-	-	**184**	361	483	**6,049**	18,419	19,639
Financing expenses (income)	**-**	1	(1)	**5**	13	(1)	**6,739**	6,808	10,383	**6,744**	6,822	10,381
Total expenses	**362,315**	315,312	423,843	**207,817**	203,640	275,113	**7,447,907**	8,140,209	11,360,923	**8,018,039**	8,659,161	12,059,879
Share in the results of investee companies accounted by the equity method, net	**-**	-	-	**(1,095)**	(867)	(1,184)	**1,260**	1,940	6,160	**165**	1,073	4,976
Income (loss) before taxes on income	**(106,047)**	(73,870)	(101,662)	(1,208)	3,960	6,613	**133,555**	154,263	235,675	**26,300**	84,353	140,626
Other comprehensive income (loss) before taxes on income	**-**	-	-	**(436)**	2,381	4,881	**34,169**	(7,168)	31,034	**33,733**	(4,787)	35,915
Total comprehensive income (loss) before taxes on income	**(106,047)**	(73,870)	(101,662)	**(1,644)**	6,341	11,494	**167,724**	147,095	266,709	**60,033**	79,566	176,541

	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017	**2018**	2017	2017
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**2,338,664**	2,327,262	2,331,823	**-**	-	-	**19,653,589**	19,259,184	19,191,635	**21,992,253**	21,586,446	21,523,458
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	**62,670,270**	57,574,585	59,310,868	**62,670,270**	57,574,585	59,310,868
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).							**4,628,865**	4,401,967	5,825,561	**4,628,865**	4,401,967	5,825,561

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

	Health			Non-life			Other		
	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	**1,576,595**	1,415,404	1,917,218	**1,741,672**	1,704,875	2,279,434	**-**	-	-
Premiums earned by reinsurers	**224,555**	189,310	262,060	**699,554**	553,754	759,976	**-**	-	-
Premiums earned on retention	**1,352,040**	1,226,094	1,655,158	**1,042,118**	1,151,121	1,519,458	**-**	-	-
Income from investments, net, and financing income	**199,582**	229,139	359,955	**118,431**	67,023	116,924	**2,512**	3,874	5,273
Income from management fees	**-**	-	-	**-**	-	-	**4,481**	4,481	5,974
Income (expenses) from commissions	**7,035**	(9,514)	(7,647)	**149,026**	121,799	170,235	**99,711**	89,540	123,030
Other income	**-**	-	-	**67**	58	61	**2**	3,195	3,189
Total income	**1,558,657**	1,445,719	2,007,466	**1,309,642**	1,340,001	1,806,678	**106,706**	101,090	137,466
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**1,457,819**	1,203,695	1,654,538	**1,181,582**	1,437,308	1,874,324	**-**	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(290,769)**	(212,118)	(293,904)	**(427,108)**	(540,487)	(703,535)	**-**	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**1,167,050**	991,577	1,360,634	**754,474**	896,821	1,170,789	**-**	-	-
Commissions, marketing expenses and other acquisition costs	**371,347**	331,772	449,263	**421,051**	431,012	584,804	**77,931**	69,895	94,273
General and administrative expenses	**54,660**	47,794	66,646	**52,245**	43,625	60,146	**12,694**	12,064	18,901
Impairment of intangible assets	**-**	-	-	**-**	-	-	**-**	-	8
Other expenses (income)	**-**	-	-	**-**	-	-	**(3,117)**	(2,907)	963
Financing expenses (income)	**10,040**	4,714	6,147	**7,135**	(6,372)	(7,290)	**294**	809	473
Total expenses	**1,603,097**	1,375,857	1,882,690	**1,234,905**	1,365,086	1,808,449	**94,036**	85,675	114,618
Share in the results of investee companies accounted by the equity method, net	**427**	1,330	4,331	**2,252**	4,442	15,837	**-**	74	74
Income (loss) before taxes on income	**(44,013)**	71,192	129,107	**76,989**	(20,643)	14,066	**12,670**	15,489	22,922
Other comprehensive income (loss) before taxes on income	**19,056**	32,481	54,640	**27,413**	31,011	48,157	**449**	(1,152)	(1,050)
Total comprehensive income (loss) before taxes on income	**(24,957)**	103,673	183,747	**104,402**	10,368	62,223	**13,119**	14,337	21,872

	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**2,429,845**	2,097,221	2,140,712	**6,194,884**	6,641,439	6,520,697	-	-	-
Liabilities with respect to investment-linked insurance contracts and investment contracts	**4,545,204**	3,882,407	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 nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	**-**	-	-	**(1,603)**	(1,519)	(2,028)	**7,647,654**	7,306,269	9,729,203
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**1,060,020**	869,907	1,190,281
Premiums earned on retention	**-**	-	-	**(1,603)**	(1,519)	(2,028)	**6,587,634**	6,436,362	8,538,922
Income from investments, net, and financing income	**93,095**	136,332	192,270	**(352)**	(233)	(541)	**3,441,090**	4,198,964	6,234,548
Income from management fees	**-**	-	-	**(3,667)**	(3,780)	(4,969)	**787,534**	887,111	1,226,483
Income (expenses) from commissions	**-**	-	-	**(57,656)**	(42,942)	(61,555)	**232,669**	191,419	267,113
Other income	**3**	-	308	**-**	-	-	**72**	3,253	3,558
Total income	**93,098**	136,332	192,578	**(63,278)**	(48,474)	(69,093)	**11,048,999**	11,717,109	16,270,624
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**-**	-	-	**(2,211)**	(2,389)	(2,954)	**9,429,161**	10,137,335	14,008,748
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(787,781)**	(829,156)	(1,103,954)
Commissions, marketing expenses and other acquisition costs	**-**	-	-	**(57,068)**	(42,273)	(61,242)	**1,487,793**	1,439,978	1,956,552
General and administrative expenses	**58,458**	58,235	88,520	**4,147**	(2,750)	(7,639)	**676,027**	629,431	872,061
Impairment of intangible assets	**-**	-	(3,036)	**-**	-	-	**(114,824)**	(91,715)	(121,637)
Other expenses (income)	**(50)**	3,606	2,929	**762**	239	242	**9,878**	25,171	23,773
Financing expenses (income)	**100,979**	94,197	125,045	**(267)**	(47)	(301)	**124,925**	100,123	134,455
Total expenses	**159,387**	156,038	219,530	**(54,637)**	(47,220)	(71,894)	**11,054,827**	11,594,597	16,013,272
Share in the results of investee companies accounted by the equity method, net	**255**	266	363	**-**	-	-	**3,099**	7,185	25,581
Income (loss) before taxes on income	**(66,034)**	(19,440)	(26,589)	**(8,641)**	(1,254)	2,801	**(2,729)**	129,697	282,933
Other comprehensive income (loss) before taxes on income	**2,196**	77,970	122,938	**148**	(1,655)	227	**82,995**	133,868	260,827
Total comprehensive income (loss) before taxes on income	**(63,838)**	58,530	96,349	**(8,493)**	(2,909)	3,028	**80,266**	263,565	543,760

	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	**(986)**	(617)	(575)	**30,615,996**	30,324,489	30,184,292
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	**(21,254)**	(20,266)	(20,705)	**67,194,220**	61,436,726	63,346,079

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

	Long term savings							
	Provident		Pension		Life insurance [1]		Total	
	For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30	
	2018	2017	2018	2017	2018	2017	2018	2017
NIS in thousands	Unaudited							
Gross premiums earned	-	-	-	-	**1,506,774**	1,327,934	**1,506,774**	1,327,934
Premiums earned by reinsurers	-	-	-	-	**44,236**	41,205	**44,236**	41,205
Premiums earned on retention	-	-	-	-	**1,462,538**	1,286,729	**1,462,538**	1,286,729
Income from investments, net, and financing income	**37,204**	21,346	**198**	260	**1,668,506**	1,374,114	**1,705,908**	1,395,720
Income from management fees	**48,569**	48,843	**68,840**	70,271	**221,051**	229,218	**338,460**	348,332
Income from commissions	**-**	-	**-**	-	**9,665**	9,904	**9,665**	9,904
Other income	**-**	-	**-**	-	**-**	-	**-**	-
Total income	**85,773**	70,189	**69,038**	70,531	**3,361,760**	2,899,965	**3,516,571**	3,040,685
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**35,705**	19,476	**-**	-	**3,101,996**	2,821,203	**3,137,701**	2,840,679
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	**-**	-	**(21,218)**	(24,541)	**(21,218)**	(24,541)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**35,705**	19,476	**-**	-	**3,080,778**	2,796,662	**3,116,483**	2,816,138
Commissions, marketing expenses and other acquisition costs	**13,593**	14,119	**26,270**	28,057	**181,067**	179,875	**220,930**	222,051
General and administrative expenses	**30,081**	26,316	**42,729**	41,627	**94,317**	91,631	**167,127**	159,574
Impairment of intangible assets	**-**	-	**-**	-	**-**	10,715	**-**	10,715
Other expenses	**921**	949	**557**	-	**-**	122	**1,478**	1,071
Financing expenses (income)	**(3)**	5	**(6)**	14	**2,701**	1,379	**2,692**	1,398
Total expenses	**80,297**	60,865	**69,550**	69,698	**3,358,863**	3,080,384	**3,508,710**	3,210,947
Share in the results of investee companies accounted by the equity method, net	**-**	-	**(366)**	(299)	**609**	423	**243**	124
Income (loss) before taxes on income	**5,476**	9,324	**(878)**	534	**3,506**	(179,996)	**8,104**	(170,138)
Other comprehensive income (loss) before taxes on income	**-**	-	**910**	963	**18,825**	34,699	**19,735**	35,662
Total comprehensive income (loss) before taxes on income	**5,476**	9,324	**32**	1,497	**22,331**	(145,297)	**27,839**	(134,476)
1) Total premiums (including pure savings premiums) (investment contracts) which were applied directly to the reserve					**1,618,546**	1,383,408	**1,618,546**	1,383,408

Note 4- Segmental Reporting (Cont.)

D. Report on operating segments (Cont.)

NIS in thousands	Health		Non-life		Other		Not allocated to segments		Adjustments and offsets		Total	
	For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Unaudited											
Gross premiums earned	**551,382**	503,879	**596,525**	585,492	**-**	-	**-**	-	**(729)**	(479)	**2,653,952**	2,416,826
Premiums earned by reinsurers	**76,041**	71,363	**247,758**	197,982	**-**	-	**-**	-	**-**	-	**368,035**	310,550
Premiums earned on retention	**475,341**	432,516	**348,767**	387,510	**-**	-	**-**	-	**(729)**	(479)	**2,285,917**	2,106,276
Income from investments, net, and financing income	**127,649**	78,917	**20,069**	7,398	**825**	896	**53,059**	(4,173)	**(122)**	364	**1,907,388**	1,479,122
Income from management fees	**-**	-	**-**	-	**1,494**	1,957	**-**	-	**(1,216)**	(1,716)	**338,738**	348,573
Income from commissions	**2,302**	(542)	**52,430**	44,674	**33,451**	30,593	**-**	-	**(18,508)**	(10,562)	**79,340**	74,067
Other income	**-**	-	**38**	43	**2**	1,090	**2**	-	**-**	-	**42**	1,133
Total income	**605,292**	510,891	**421,304**	439,625	**35,772**	34,536	**53,061**	(4,173)	**(20,575)**	(12,393)	**4,611,425**	4,009,171
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**560,567**	429,033	**361,141**	467,413	**-**	-	**-**	-	**(1,222)**	(776)	**4,058,187**	3,736,349
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(107,166)**	(78,310)	**(103,045)**	(176,353)	**-**	-	**-**	-	**-**	-	**231,429**	279,204
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**453,401**	350,723	**258,096**	291,060	**-**	-	**-**	-	**(1,222)**	(776)	**3,826,758**	3,457,145
Commissions, marketing expenses and other acquisition costs	**135,923**	115,612	**146,626**	158,449	**26,559**	24,352	**-**	-	**(18,320)**	(10,400)	**511,718**	510,064
General and administrative expenses	**20,608**	16,636	**18,286**	15,102	**4,198**	3,877	**21,280**	28,662	**2,430**	(683)	**233,929**	223,168
Impairment of intangible assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(10,715)
Other expenses	**-**	-	**-**	-	**1,053**	916	**(408)**	2,813	**-**	34	**2,123**	4,834
Financing expenses (income)	**1,203**	(561)	**(804)**	1,923	**97**	30	**32,568**	25,088	**(86)**	(35)	**35,670**	27,843
Total expenses	**611,135**	482,410	**422,204**	466,534	**31,907**	29,175	**53,440**	56,563	**(17,198)**	(11,860)	**4,610,198**	4,233,769
Share in the results of investee companies accounted by the equity method, net	**268**	232	**465**	4,442	**-**	-	**91**	(4,153)	**-**	-	**1,067**	645
Income (loss) before taxes on income	**(5,575)**	28,713	**(435)**	(22,467)	**3,865**	5,361	**(288)**	(64,889)	**(3,377)**	(533)	**2,294**	(223,953)
Other comprehensive income (loss) before taxes on income	**17,049**	35,020	**12,883**	28,545	**149**	(479)	**46,092**	85,894	**(1)**	(676)	**95,907**	183,966
Total comprehensive income (loss) before taxes on income	**11,474**	63,733	**12,448**	6,078	**4,014**	4,882	**45,804**	21,005	**(3,378)**	(1,209)	**98,201**	(39,987)

Note 4 - Segmental Reporting (Cont.)

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

	Liability branches					
	Compulsory motor			Liabilities and other branches [1]		
	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	2018	2017	2017	2018	2017	2017
NIS in thousands	Unaudited		Audited	Unaudited		Audited
Gross premiums	**367,605**	377,435	472,546	**248,439**	262,213	323,847
Reinsurance premiums	**220,553**	176,073	220,271	**76,018**	93,538	112,356
Premiums on retention	**147,052**	201,362	252,275	**172,421**	168,675	211,491
Change in unearned premium balance, on retention	**17,124**	64,627	80,566	**(14,416)**	(7,289)	5,201
Premiums earned on retention	**164,176**	265,989	332,841	**158,005**	161,386	216,692
Income from investments, net, and financing income	**51,682**	32,520	56,056	**38,166**	21,897	38,259
Income from commissions	**41,218**	17,831	29,790	**9,508**	9,131	12,245
Total income	**257,076**	316,340	418,687	**205,679**	192,414	267,196
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**327,252**	416,214	523,463	**282,792**	315,574	355,811
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(156,185)**	(111,784)	(167,692)	**(115,817)**	(158,155)	(155,807)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**171,067**	304,430	355,771	**166,975**	157,419	200,004
Commissions, marketing expenses and other acquisition costs	**54,990**	56,901	80,967	**70,359**	73,218	99,771
General and administrative expenses	**7,606**	6,246	8,126	**4,891**	4,337	5,570
Financing expenses (income)	**2,077**	-	419	**154**	(607)	(629)
Total expenses	235,740	367,577	445,283	242,379	234,367	304,716
Share in the profits of associate companies, net	**1,081**	2,132	7,602	**720**	1,421	5,068
Income (loss) before taxes on income	**22,417**	(49,105)	(18,994)	**(35,980)**	(40,532)	(32,452)
Other comprehensive income before taxes on income	14,064	13,507	20,265	10,367	9,102	13,786
Total comprehensive income before taxes on income	**36,481**	(35,598)	1,271	**(25,613)**	(31,430)	(18,666)

	As of September 30		As of December 31	As of September 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	**2,310,481**	2,410,892	2,345,355	**2,353,326**	2,599,927	2,538,361
Reinsurance	**520,148**	309,462	356,485	**916,212**	1,115,103	1,085,830
Retention	**1,790,333**	2,101,430	1,988,870	**1,437,114**	1,484,824	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 72%, approximately 64% and approximately 66%, respectively, of total premiums in those branches.

Note 4 - Segmental Reporting (Cont.)

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

	Property branches											
	Motor property			Credit insurance			Property and others branches [1]			Total		
	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	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	**564,672**	572,063	726,840	**82,043**	83,081	110,188	**564,665**	502,037	665,546	**1,827,424**	1,796,829	2,298,967
Reinsurance premiums	**1,525**	1,963	2,416	**40,793**	41,094	54,653	**427,110**	348,217	471,783	**765,999**	660,885	861,479
Premiums on retention	**563,147**	570,100	724,424	**41,250**	41,987	55,535	**137,555**	153,820	193,763	**1,061,425**	1,135,944	1,437,488
Change in unearned premium balance, on retention	**(25,172)**	(60,612)	(33,245)	**84**	209	51	**3,073**	18,242	29,397	**(19,307)**	15,177	81,970
Premiums earned on retention	**537,975**	509,488	691,179	**41,334**	42,196	55,586	**140,628**	172,062	223,160	**1,042,118**	1,151,121	1,519,458
Income from investments, net, and financing income	**12,288**	6,430	11,250	**7,174**	(591)	(75)	**9,121**	6,767	11,434	**118,431**	67,023	116,924
Income from commissions	**-**	13	6	**12,678**	11,211	15,604	**85,622**	83,613	112,590	**149,026**	121,799	170,235
Other income	**-**	-	-	**67**	58	61	**-**	-	-	**67**	58	61
Total income	**550,263**	515,931	702,435	**61,253**	52,874	71,176	**235,371**	262,442	347,184	**1,309,642**	1,340,001	1,806,678
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**348,534**	353,999	487,288	**14,566**	22,973	25,734	**208,438**	328,548	482,028	**1,181,582**	1,437,308	1,874,324
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**430**	(57)	(94)	**(7,560)**	(12,074)	(13,659)	**(147,976)**	(258,417)	(366,283)	**(427,108)**	(540,487)	(703,535)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**348,964**	353,942	487,194	**7,006**	10,899	12,075	**60,462**	70,131	115,745	**754,474**	896,821	1,170,789
Commissions, marketing expenses and other acquisition costs	**135,711**	132,413	181,150	**7,440**	7,707	9,639	**152,551**	160,773	213,277	**421,051**	431,012	584,804
General and administrative expenses	**11,684**	9,467	12,498	**13,922**	11,352	17,321	**14,142**	12,223	16,631	**52,245**	43,625	60,146
Financing expenses (income)	**343**	(206)	(210)	**1,756**	(2,599)	(3,235)	**2,805**	(2,960)	(3,635)	**7,135**	(6,372)	(7,290)
Total expenses	**496,702**	495,616	680,632	**30,124**	27,359	35,800	**229,960**	240,167	342,018	**1,234,905**	1,365,086	1,808,449
Share in the profits of associate companies, net	**203**	400	1,425	**-**	-	-	**248**	489	1,742	**2,252**	4,442	15,837
Income (loss) before taxes on income	**53,764**	20,715	23,228	**31,129**	25,515	35,376	**5,659**	22,764	6,908	**76,989**	(20,643)	14,066
Other comprehensive income (loss) before taxes on income	**3,317**	2,576	4,219	**(2,810)**	3,094	5,513	**2,475**	2,732	4,374	**27,413**	31,011	48,157
Total comprehensive income before taxes on income	**57,081**	23,291	27,447	**28,319**	28,609	40,889	**8,134**	25,496	11,282	**104,402**	10,368	62,223
	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	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	**526,857**	533,274	517,043	**71,835**	80,792	80,605	**932,385**	1,016,554	1,039,333	**6,194,884**	6,641,439	6,520,697
Reinsurance	**922**	849	683	**37,262**	42,485	42,747	**598,838**	591,143	625,467	**2,073,382**	2,059,042	2,111,212
Retention	**525,935**	532,425	516,360	**34,573**	38,307	37,858	**333,547**	425,411	413,866	**4,121,502**	4,582,397	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 77%, approximately 73% and approximately 74%, 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 other branches [2]		Motor property		Credit insurance		Property and others branches [1]		Total	
	For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
NIS in thousands	Unaudited											
Gross premiums	**109,014**	110,674	**72,675**	71,239	**166,215**	170,766	**27,054**	27,476	**167,160**	163,886	**542,118**	544,041
Reinsurance premiums	**67,165**	51,153	**22,361**	21,014	**508**	591	**13,456**	13,530	**125,415**	118,153	**228,905**	204,441
Premiums on retention	**41,849**	59,521	**50,314**	50,225	**165,707**	170,175	**13,598**	13,946	**41,745**	45,733	**313,213**	339,600
Change in unearned premium balance, on retention	**11,858**	26,123	**3,261**	5,116	**16,335**	7,797	**325**	297	**3,775**	8,577	**35,554**	47,910
Premiums earned on retention	**53,707**	85,644	**53,575**	55,341	**182,042**	177,972	**13,923**	14,243	**45,520**	54,310	**348,767**	387,510
Income from investments, net, and financing income	**8,727**	3,371	**6,757**	2,448	**2,308**	802	**745**	264	**1,532**	513	**20,069**	7,398
Income from commissions	**16,164**	8,998	**3,165**	3,043	**-**	3	**3,686**	3,669	**29,415**	28,961	**52,430**	44,674
Other income	**-**	-	**-**	-	**-**	-	**38**	43	**-**	-	**38**	43
Total income	**78,598**	98,013	**63,497**	60,832	**184,350**	178,777	**18,392**	18,219	**76,467**	83,784	**421,304**	439,625
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**118,927**	127,604	**115,418**	90,935	**108,072**	117,791	**4,505**	8,762	**14,219**	122,321	**361,141**	467,413
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(65,327)**	(43,566)	**(33,097)**	(26,175)	**(279)**	(264)	**(1,352)**	(5,760)	**(2,990)**	(100,588)	**(103,045)**	(176,353)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**53,600**	84,038	**82,321**	64,760	**107,793**	117,527	**3,153**	3,002	**11,229**	21,733	**258,096**	291,060
Commissions, marketing expenses and other acquisition costs	**19,315**	22,873	**24,885**	27,318	**46,847**	49,359	**2,401**	2,701	**53,178**	56,198	**146,626**	158,449
General and administrative expenses	**3,000**	2,154	**1,762**	1,407	**4,587**	3,313	**4,286**	3,779	**4,651**	4,449	**18,286**	15,102
Impairment of intangible assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Financing expenses (income)	**(1,215)**	2,422	**(383)**	343	**(20)**	74	**(240)**	389	**1,054**	(1,305)	**(804)**	1,923
Total expenses	**74,700**	111,487	**108,585**	93,828	**159,207**	170,273	**9,600**	9,871	**70,112**	81,075	**422,204**	466,534
Share in the profits (losses) of associate companies, net	**223**	2,132	**149**	1,421	**42**	400	**-**	-	**51**	489	**465**	4,442
Income (loss) before taxes on income	**4,121**	(11,342)	**(44,939)**	(31,575)	**25,185**	8,904	**8,792**	8,348	**6,406**	3,198	**(435)**	(22,467)
Other comprehensive income before taxes on income	**5,467**	12,999	**4,095**	8,778	**1,316**	2,461	**1,082**	1,717	**923**	2,590	**12,883**	28,545
Total comprehensive income before taxes on income	**9,588**	1,657	**(40,844)**	(22,797)	**26,501**	11,365	**9,874**	10,065	**7,329**	5,788	**12,448**	6,078

1) Liability and other 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 77% and 79% (including personal accidents), respectively, of total premiums in those branches.
2) Other liability branches primarily include the results of the third-party liability and employer's liability insurance branches, the activity with respect to which, in the three month period ended on the reporting date, and in the corresponding period last year, accounts for approximately 75% and approximately 74%, 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 nine month period ended September 30, 2018 (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:	**173,674**	**1,255,230**	**5,517**	**2,372,829**	**458,303**	**65,549**	**4,331,101**
Receipts with respect to investment contracts charged directly to insurance reserves	**-**	**-**	**-**	**297,875**	**-**	**-**	**297,875**
Financial margin including management fees [2)]	**85,658**	**289,319**	**3,167**	**156,783**	**-**	**-**	**534,927**
Payments and changes in liabilities with respect to insurance contracts, gross	**883,964**	**2,720,829**	**3,022**	**2,723,661**	**225,618**	**79,152**	**6,636,246**
Payments and changes in liabilities with respect to investment contracts	**-**	**-**	**373**	**36,847**	**-**	**-**	**37,219**

Data for the three month period ended September 30, 2018 (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:	**57,032**	**412,219**	**1,619**	**858,652**	**156,180**	**21,432**	**1,507,134**
Receipts with respect to investment contracts charged directly to insurance reserves	**-**	**-**	**-**	**111,772**	**-**	**-**	**111,772**
Financial margin including management fees [2)]	**52,943**	**166,411**	**705**	**54,026**	**-**	**-**	**274,085**
Payments and changes in liabilities with respect to insurance contracts, gross	**350,626**	**1,423,434**	**2,433**	**1,178,100**	**87,789**	**29,405**	**3,071,788**
Payments and changes in liabilities with respect to investment contracts	**-**	**-**	**(92)**	**30,299**	**-**	**-**	**30,207**

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 nine month period ended September 30, 2017 (unaudited)

NIS in thousands	Life insurance policies which include a savings component (including appendices) by policy issue date: Until 1990 [1]	Until 2003	From 2004: Non-investment-linked	From 2004: Investment-linked	Life insurance policy without a risk savings component which is sold as a single policy: Individual	Collective	Total
Gross premiums:	188,270	1,244,367	7,120	2,234,891	446,661	66,270	4,187,579
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	214,456	-	-	214,456
Financial margin including management fees [2]	164,947	393,623	(25)	143,960	-	-	702,505
Payments and changes in liabilities with respect to insurance contracts, gross	875,347	3,379,958	7,077	2,818,840	189,933	51,191	7,322,346
Payments and changes in liabilities with respect to investment contracts	-	-	87	78,274	-	-	78,361

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

NIS in thousands	Life insurance policies which include a savings component (including riders) by policy issuance date: Until 1990 [1]	Until 2003	From 2004: Non-investment-linked	From 2004: Investment-linked	Life insurance policy without a risk savings component which is sold as a single policy: Individual	Collective	Total
Gross premiums:	62,554	419,561	910	669,059	156,701	19,638	1,328,423
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	55,472	-	-	55,472
Financial margin including management fees [2]	102,908	179,201	874	48,595	-	-	331,578
Payments and changes in liabilities with respect to insurance contracts, gross	415,446	1,327,294	1,835	957,325	65,872	20,186	2,787,958
Payments and changes in liabilities with respect to investment contracts	-	-	21	33,226	-	-	33,247

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 year 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	10,236,917
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.

Note 4- Segmental Reporting (Cont.)

G. Additional Details Regarding The Health Insurance Segments

Data for the nine month period ended September 30, 2018 (unaudited)

NIS in thousands	Long term care		Health other **)		Total
	Individual	Collective	Long term	Short term	
Gross premiums	**191,173**	**682,637**	**605,330*)**	**99,359*)**	**1,578,499**
Payments and changes in liabilities with respect to insurance contracts, gross	**256,327**	**853,035**	**303,442**	**45,015**	**1,457,819**

*) Of which, individual premiums in the amount of NIS 541,054 thousand and collective premiums in the amount of NIS 163,635 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 nine month period ended September 30, 2017 (unaudited)

NIS in thousands	Long term care		Health other **)		Total
	Individual	Collective	Long term	Short term	
Gross premiums	181,953	586,047	551,526*)	98,889*)	1,418,415
Payments and changes in liabilities with respect to insurance contracts, gross	173,189	710,897	274,189	45,420	1,203,695

*) Of which, individual premiums in the amount of NIS 481,652 thousand and collective premiums in the amount of NIS 168,763 thousand.

**) 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 September 30, 2018 (unaudited)

NIS in thousands	Long term care		Health other **)		Total
	Individual	Collective	Long term	Short term	
Gross premiums	**63,824**	**232,892**	**203,659*)**	**50,093*)**	**550,468**
Payments and changes in liabilities with respect to insurance contracts, gross	**75,059**	**353,155**	**113,819**	**18,534**	**560,567**

*) Of which, individual premiums in the amount of NIS 184,017 thousand and collective premiums in the amount of NIS 69,735 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 September 30, 2017 (unaudited)

NIS in thousands	Long term care		Health other **)		Total
	Individual	Collective	Long term	Short term	
Gross premiums	61,553	211,897	184,081*)	45,595*)	503,126
Payments and changes in liabilities with respect to insurance contracts, gross	56,066	265,153	89,347	18,467	429,033

*) Of which, individual premiums in the amount of NIS 162,653 thousand and collective premiums in the amount of NIS 67,023 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)

NIS in thousands	Long term care		Health other **)		Total
	Individual	Collective	Long term	Short term	
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:

	As of September 30		As of December 31
	2018	2017	2017
NIS in thousands	Unaudited		Audited
Investment property *)	**2,959,118**	2,799,748	2,869,967
Financial investments:			
Marketable debt assets	**26,609,050**	23,662,490	24,285,740
Non-marketable debt assets	**6,619,078**	6,602,292	6,534,433
Stocks	**10,854,615**	8,204,248	9,518,961
Other financial investments	**14,967,980**	16,199,045	15,891,827
Total financial investments *)	**59,050,723**	54,668,075	56,230,961
Cash and cash equivalents	**4,874,893**	3,536,934	4,529,446
Other **)	**649,221**	1,423,633	679,946
Total assets for investment-linked contracts	**67,533,955**	62,428,390	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.

2. Additional information regarding fair value

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.

A. Fair value of financial assets, classified by levels

	As of September 30, 2018			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	**23,448,733**	**3,160,317**	**-**	**26,609,050**
Non-marketable debt assets	**-**	**6,512,205**	**106,873**	**6,619,078**
Stocks	**10,249,275**	**-**	**605,340**	**10,854,615**
Other financial investments *)	**8,972,969**	**3,029,967**	**2,965,044**	**14,967,980**
Total financial investments	**42,670,977**	**12,702,489**	**3,677,257**	**59,050,723**
*) Of which, with respect to derivatives	**214,195**	**125,879**	**-**	**340,074**

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

	As of September 30, 2017			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	21,170,871	2,491,619	-	23,662,490
Non-marketable debt assets	-	6,460,195	142,097	6,602,292
Stocks	8,096,012	-	108,236	8,204,248
Other financial investments *)	10,983,950	2,650,459	2,564,636	16,199,045
Total financial investments	40,250,833	11,602,273	2,814,969	54,668,075
*) Of which, with respect to derivatives	204,965	193,650	2,999	401,614

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

Note 5- Financial Instruments (Cont.)

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

2. Additional information regarding fair value (Cont.)

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

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

B. 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	**3,008**	**32,897**	**289,076**	**324,981**
Acquisitions	**5,894**	**22,002**	**346,883**	**374,779**
Sales	**-**	**-**	**(271,070)**	**(271,070)**
Redemptions	**(35,752)**	**-**	**-**	**(35,752)**
Interest and dividend receipts	**(4,728)**	**(9,738)**	**(9,045)**	**(23,511)**
Balance as of September 30, 2018	**106,873**	**605,340**	**2,965,044**	**3,677,257**
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2018	**2,741**	**32,897**	**288,997**	**324,635**

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Unaudited			
Balance as of January 1, 2017	181,668	120,543	2,414,321	2,716,532
Total income recognized in the statement of income	10,955	16,482	125,932	153,369
Acquisitions	852	6,963	526,482	534,297
Sales	-	(31,922)	(492,839)	(524,761)
Redemptions	(43,083)	-	(4,662)	(47,745)
Interest and dividend receipts	(8,295)	(3,830)	(4,598)	(16,723)
Balance as of September 30, 2017	142,097	108,236	2,564,636	2,814,969
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2017	11,191	6,730	125,310	143,231

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Unaudited			
Balance as of July 1, 2018	**110,314**	**607,587**	**2,851,244**	**3,569,145**
Total income (loss) recognized in the statement of income	**(1,128)**	**(865)**	**47,458**	**45,465**
Acquisitions	**-**	**5,857**	**154,029**	**159,886**
Sales	**-**	**-**	**(85,944)**	**(85,944)**
Redemptions	**(1,358)**	**-**	**-**	**(1,358)**
Interest and dividend receipts	**(955)**	**(7,239)**	**(1,743)**	**(9,937)**
Balance as of September 30, 2018	**106,873**	**605,340**	**2,965,044**	**3,677,257**
Total income (loss) for the period included under profit and loss in respect of held financial assets as of September 30, 2018	**(1,979)**	**(865)**	**42,617**	**39,773**

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 July 1, 2017	134,088	103,355	2,554,048	2,791,491
Total income recognized in the statement of income	7,990	6,556	85,118	99,664
Acquisitions	852	-	167,054	167,906
Sales	-	(168)	(239,688)	(239,856)
Redemptions	(111)	-	-	(111)
Interest and dividend receipts	(722)	(1,507)	(1,896)	(4,125)
Balance as of September 30, 2017	142,097	108,236	2,564,636	2,814,969
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2017	7,990	6,556	83,813	98,359

	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 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 September 30, 2018	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**15,820,804**	**22,980,973**
Other non-convertible debt assets	**5,418,023**	**5,976,229**
Deposits in banks	**822,532**	**919,237**
Total non-marketable debt assets	**22,061,359**	**29,876,439**
Impairment applied to income statement (cumulative)	104,792	

	As of September 30, 2017	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	15,533,322	23,004,841
Other non-convertible debt assets	5,271,626	5,851,502
Deposits in banks	855,567	971,052
Total non-marketable debt assets	21,660,515	29,827,395
Impairment applied to income statement (cumulative)	104,517	

	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 September 30, 2018			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	**5,016,970**	**314,551**	**-**	**5,331,521**
Non-marketable debt assets	**-**	**3,708**	**-**	**3,708**
Stocks	**1,249,587**	**-**	**267,294**	**1,516,881**
Other financial investments *)	**1,196,820**	**74,542**	**1,539,741**	**2,811,103**
Total financial investments	**7,463,377**	**392,801**	**1,807,035**	**9,663,213**
*) Of which, with respect to derivatives	**3,576**	**19,416**	**-**	**22,992**

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

	As of September 30, 2017			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	5,425,692	331,143	-	5,756,835
Non-marketable debt assets	-	5,933	-	5,933
Stocks	1,081,321	-	77,949	1,159,270
Other financial investments *)	1,311,396	79,172	1,282,784	2,673,352
Total financial investments	7,818,409	416,248	1,360,733	9,595,390
*) Of which, with respect to derivatives	4,587	32,634	842	38,063

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

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

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

Note 5- Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3

	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	**5,886**	**32,491**	**38,377**
Under other comprehensive income	**6,624**	**88,273**	**94,897**
Acquisitions	**6,999**	**261,736**	**268,735**
Sales	**-**	**(148,498)**	**(148,498)**
Interest and dividend receipts	**(5,754)**	**(867)**	**(6,621)**
Balance as of September 30, 2018	**267,294**	**1,539,741**	**1,807,035**
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2018	**5,886**	**34,278**	**40,164**

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	2,106	60,702	62,808
Under other comprehensive income	(2,252)	(45,373)	(47,625)
Acquisitions	3,293	235,897	239,190
Sales	-	(234,943)	(234,943)
Redemptions	-	(2,713)	(2,713)
Interest and dividend receipts	(2,200)	(726)	(2,926)
Balance as of September 30, 2017	77,949	1,282,784	1,360,733
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2017	2,106	60,243	62,349

	Stocks	Other financial investments	Total
NIS in thousands		Unaudited	
Balance as of July 1, 2018	**268,477**	**1,484,719**	**1,753,196**
Total income (loss) which was recognized:			
Under profit and loss	**4,212**	**11,386**	**15,598**
Under other comprehensive income	**(1,391)**	**4,405**	**3,014**
Acquisitions	**-**	**76,039**	**76,039**
Sales	**-**	**(36,242)**	**(36,242)**
Interest and dividend receipts	**(4,004)**	**(566)**	**(4,570)**
Balance as of September 30, 2018	**267,294**	**1,539,741**	**1,807,035**
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2018	**4,212**	**11,370**	**15,582**

	Stocks	Other financial investments	Total
NIS in thousands		Unaudited	
Balance as of July 1, 2017	78,610	1,271,778	1,350,388
Total income (loss) which was recognized:			
Under profit and loss	700	31,599	32,299
Under other comprehensive income	(661)	9,177	8,516
Acquisitions	-	62,278	62,278
Sales	-	(91,909)	(91,909)
Interest and dividend receipts	(700)	(139)	(839)
Balance as of September 30, 2017	77,949	1,282,784	1,360,733
Total income for the period included under profit and loss in respect of held financial assets as of September 30, 2017	700	29,800	30,500

Note 5- Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value (Cont.)

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

	Stocks	Other financial investments	Total
NIS in thousands		Audited	
Balance as of January 1, 2017	77,002	1,269,940	1,346,942
Total income (loss) which was recognized:			
Under profit and loss	3,017	77,100	80,117
Under other comprehensive income	(2,265)	(9,508)	(11,773)
Acquisitions	179,185*)	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	81,207

*) Re-classified.

C. Financial liabilities

1. Composition of fair value:

	As of September 30 2018		As of September 30 2017		As of December 31 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 *)	**182,966**	**182,966**	378,119	378,119	170,690	170,690
Deferred liability notes	**3,207,012**	**3,400,491**	3,240,325	3,621,761	3,242,364	3,652,572
Total financial liabilities	**3,389,978**	**3,583,457**	3,618,444	3,999,880	3,413,054	3,823,262
*) Of which, with respect to investment-linked liabilities	**130,001**	**130,001**	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 September 30, 2018			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Derivatives	**4,103**	**178,863**	**-**	**182,966**
Total financial liabilities	**4,103**	**178,863**	**-**	**182,966**

	As of September 30, 2017			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Derivatives	2,352	375,767	-	378,119
Total financial liabilities	2,352	375,767	-	378,119

	As of 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 implemented 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 2 billion. A dividend distribution in the Company is affected by the ability of investee companies to distribute dividends, in light of their capital requirements, including those which apply to the insurance companies in the group in accordance with the provisions of the Solvency II-based solvency regime, as described in section B below, and also in light of their liquidity requirements.

B. Capital requirements for insurance companies in the group

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

	As of September 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)]	**4,659,513**	**33,626**	4,644,895	34,267
Current amount as calculated pursuant to the Capital Regulations:				
Basic Tier 1 capital	**4,916,073**	**236,823**	4,869,768	218,188
Tier 2 subordinated capital [b)]	**22,149**	**-**	43,779	-
Tier 2 hybrid capital	**3,028,697**	**-**	3,014,095	-
Tier 3 capital	**111,938**	**-**	111,938	-
Total Tier 2 and Tier 3 capital	**3,162,784**	**-**	3,169,812	-
Total current capital, calculated according to the Capital Regulations	**8,078,857**	**236,823**	8,039,580	218,188
Surplus	**3,419,344**	**203,197**	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	**124,127**	**-**	131,622	-
Capital reduction required with respect to original difference	**112,842**	**-**	154,497	-
Tax reserve with respect to the acquisition of provident funds	**26,046**	**-**	70,903	-
Surplus in consideration of operations which were performed subsequent to the reporting date and after deducting tied-up surplus	**3,208,421**	**203,197**	3,179,469	183,921
A) Total required amount, including capital requirements with respect to:				
Non-life insurance operations / required Tier 1 capital	**476,659**	**30,118**	507,722	29,791
Long term care insurance operations	**125,325**	**-**	114,464	-
Extraordinary risks in life insurance	**434,078**	**-**	425,963	-
Deferred acquisition costs in life insurance and illness and hospitalization insurance	**1,364,652**	**-**	1,386,192	-
Requirements with respect to guaranteed return plans	**1,605**	**-**	2,133	-
Non-recognized assets, as defined in the Capital Regulations	**55,146**	**-**	52,720	1
Investment in consolidated insurance and managing companies (including acquired management operations)	**514,356**	**-**	631,895	-
Capital reduction required with respect to original difference	**(112,842)**	**-**	(154,497)	-
Capital required with respect to investments	**1,315,079**	**1,333**	1,187,035	2,273
Catastrophe risks in non-life insurance	**102,296**	**-**	106,750	-
Operational risks	**290,261**	**2,175**	292,391	2,202
Guarantees	**92,898**	**-**	92,127	-
Total required capital	**4,659,513**	**33,626**	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. The Company calculated equity and the solvency capital requirement in accordance with the provisions of the economic solvency regime as of December 31, 2017.

According to the results of the calculation as of December 31, 2017, 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 3.2.3 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 hearing 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; 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 claims specified below are currently in various stages of procedural hearing; some have been approved, and others are in appeal proceedings.

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

[3] It is noted that, in 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 profit / loss associated with an event and the profit / 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, an annuity factor[4] was not guaranteed in the capital policy, or to whom an annuity factor was guaranteed in the capital policy which was worse than the annuity factor specified in his fixed-payment policy.	In June 2011, the Commissioner's position was submitted, through the Attorney General of Israel, according to which an insurance company is not required to provide annuity factors which were determined in the past, or to transfer policyholders' funds to the fixed-payment policy which they had in the past. It was further noted, with respect to the question of whether it is possible to change the amount used to calculate deposits up to the amount of the salary, 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 claim is currently in the proceedings stage.	The plaintiff estimates the number of the class members as 37,752 members, and accordingly, the monetary compensation to all of the class members is estimated as NIS 107 million, in each year.

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

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 granting 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.

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 Court's request, 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.

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 the damages which were (allegedly) incurred by each of the class members, and to order the defendants to compensate the class members for the entire damages which they incurred, or alternatively, to determine another remedy in favor of all or some of the class members.	Any person who received from Clal Batucha investment management services, in which they acquired securities which were issued by member companies of the "IDB conglomerate", without giving their advance approval with respect to each transaction, and who incurred damages as a result of the said acquisition. On this matter, the plaintiff includes under the "IDB conglomerate" all corporations which were held (directly or indirectly) by IDB Holdings and IDB Development.	In January 2017, the Court approved the handling of the claim as a class action against Clal Batucha, and dismissed the motion with respect to the directors. The class members, as determined in the decision, include "anyone who received investment management services from Clal Finance Batucha Investment Management Ltd. (liquidated due to merger) ("**Batucha**"), on whose behalf, within the framework of the portfolio management activity, Batucha (or any other party on its behalf) acquired securities, as defined in the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, (hereinafter: the "**Advice Law**"), which were issued by any of the corporations which were included, at the time of the acquisition, in the IDB Conglomerate (as defined below), from whom advance approval was not received regarding each aforementioned transaction, and who incurred damages due to the aforementioned acquisition." In this regard, the IDB Conglomerate was defined as including "all corporations which were held or controlled, directly or indirectly (including through concatenation) by the companies or IDB Holding Corporation Ltd. (hereinafter: "**IDB Holding**") and IDB Development Corporation Ltd. (hereinafter: "**IDB Development**"), including IDB Holding and IDB Development. For the avoidance of doubt, this definition includes all of the subsidiaries, second tier subsidiaries, and third tier subsidiaries (and so on) of IDB Holding, as well as any other corporation held by them, directly or indirectly." It was further determined in the decision that the class will include anyone in whose account acquisitions of securities were performed, during a period of up to 7 years before the filing of the motion to approve, until the date of completion of the merger transaction of Clal Batucha into Bank of Jerusalem. The cause of action which was approved in the decision is breach of statutory duty by virtue of section 63 of the Civil Wrongs Ordinance, together with section 15(a) of the Advice Law. The 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.

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[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.

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 granting 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 based on 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.

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 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 affect the payment to the class members who are still members, and to the class members who are no longer members. In November 2018, the position of the Attorney General of Israel regarding the settlement agreement was filed, in which he stated that, in general, he does not object to the settlement arrangement. The settlement arrangement's entry into effect is conditional upon the receipt of court approval, the granting 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 "Nativ - 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 咴 咸 咼 哀 哄 哈 哚 哬 哕 哂 唤
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. In accordance with the Supreme Court's decision in the preliminary hearing which was held in November 2018, the petitioner is required to announce, within 7 days, whether he intends to continue conducting the case, or to strike the appeal.	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 Insurance 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. In August 2018, the court's decision was given, in which it was stated that the motion to withdraw appears reasonable, in theory, and is for the group's benefit, and the position of the Attorney General of Israel regarding the settlement was requested, before a decision is made. The motion for withdrawal is subject to the Court's approval, the granting 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 an additional motion to appeal 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 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
13	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].
14.	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] It is also alleged in the claim that the plaintiff incurred additional damage, in an unspecified amount, due to the exclusion 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
15.	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
16.	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
17.	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
18.	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, 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. 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 proceedings were stayed by the court at the request of the representatives of the plaintiff, who requested, following the amendment to the Control of Financial Products (Provident Funds) Law, 2005, to evaluate whether the aforementioned amendment would make the proceedings unnecessary.	The amount of the class action against the defendant amounts to a total of approximately NIS 479 million.
19.	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
20.	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 student's 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.

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.	4/2017 Regional Labor Court of 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. In September 2018, the motion was transferred to the labor court for hearing. 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.
22.	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
23.	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.
24.	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.	In October 2018, the plaintiffs filed a motion to withdraw the proceedings, without ordering expenses. The motion subject to the Court's approval, the granting of which is uncertain.	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
25.	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.
26.	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
27.	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.
28.	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
29.	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.
30.	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
31.	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 claimed that Clal Insurance had not paid to policyholders’ interest in arrears in cases involving a delay in the redemption of funds in 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 duly calculated 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 duly calculated 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.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
32	9/2018 District - Tel Aviv	Clal Insurance	The plaintiffs contend that Clal Insurance unilaterally changed the terms of life, accident, illness and disability insurance policies for the worse towards the policyholders, without obtaining the policyholders' express consent to the foregoing.	Declaratory relief stating that Clal Insurance is required to cancel the unilateral amendments which it made to the policies, and to restore the policies to their original terms, as well as monetary relief ordering Clal Insurance to reimburse to the class members the value of the economic damages which were created due to the unilateral amendments.	Policyholders during the 7 years preceding the filing of the claim in life, accident, illness and disability insurance, and in which the policy terms, following a unilateral decision of Clal Insurance, were changed for the worse, without having given their express consent for the foregoing.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs contend that the average damage incurred by the plaintiffs amounts to a total of NIS 1,649, from March 2017, and the cumulative damage incurred by all of the class members is estimated by the plaintiffs as NIS 4,947,000. The plaintiffs note that after all of the relevant information has been received from Clal Insurance, they will be able to precisely estimate the extent of the alleged overcollection.
33	11/2018 District - Center	Clal Insurance	The plaintiffs contend that Clal Insurance is breaching its contractual obligation under the policy, and refuses to pay, prima facie, its holders of comprehensive motor insurance for vehicles weighing over 3.5 tons, compensation with respect to the impairment caused to the vehicle due to the insurance event, although the policy covers the "damage" which was caused to the vehicle, while affecting the loss adjustments which are prepared by the arrangement loss adjusters.	A declarative order; Ordering Clal Insurance to indemnify all of its policyholders who were covered under the policy, and whose vehicles suffered damage and/or will suffer damage of impairment, as a result of an insurance event, and any other remedy which the Court considers appropriate in light of the circumstances.	All policyholders of Clal Insurance who purchased and/or will purchase, from Clal Insurance, a comprehensive motor insurance policy for a vehicle weighing under 3.5 tons, and whose vehicle, as a result of an insurance event, as defined in the policy, suffered damage and/or will suffer damage of the impairment type.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff estimates the total damage incurred by the class members as approximately NIS 75 million. The plaintiff's personal damage was estimated as a total of NIS 21,605.

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.	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.	In August 2018, the plaintiff filed with the Court a motion to withdraw the class action. In September 2018, the Court gave its decision to approve the plaintiff’s withdrawal of the motion to approve.	The plaintiff estimates that the amount of damages ruled for the members of the class which he seeks to represents exceeds NIS 3 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.)

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

1. In addition to the material class actions which are described in Note 7(a)(a1), the pending motions for the approval of class action status for material claims, as described in Note 7(a)(a2), and the motions to approve class action status for material claims which were withdrawn during the reporting period, as described in Note 7(a)(a3), there are pending against the Company and/or its subsidiaries motions to approve class actions which, according to the Company's estimate, are immaterial[10], and regarding which a detailed description was therefore not included in the financial statements. As of the reporting date, 21 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 611 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 to what extent the insurers are exposed to claims with respect to the policy's provisions, to the manner of application of the Commissioner's authorities in accordance with the insurance plan reform, nor its implications, which may be raised, inter alia, through the procedural mechanism set forth in the Class Action Law.

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[10] See note 2 above regarding the significance threshold.

[11] The aforementioned number includes one claim in which Clal Insurance is a formal defendant, and remedies are not requested against it, and also includes four claims in which the amount claimed is attributed not only to the Company, but to additional companies as well. The aforementioned amount does not include a single claim in which the plaintiff specified a total of NIS 6 to 100 million, as well as a single claim in which the plaintiff did not specify a claim amount; however, he did estimate it as tens of millions of NIS. For additional information regarding all of the 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.

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.)

Following an audit report which was conducted by the Commissioner, which was received by Clal Insurance, and which indicated deficiencies, primarily pertaining to the method of implementation of the Payment Regulations, Clal Insurance submitted to the Commissioner a work plan to address the findings of the report, which, subject to the Commissioner's satisfaction, will allow the continued marketing of the pension products by Clal Insurance.

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.

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.)

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

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

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

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 June 2017, the Court approved a consensus motion to dismiss a claim from May 2016 (hereinafter: the "**Previous Claim**"), which was filed with the District Court of Tel Aviv-Yafo to cancel the ruling against Clal Finance Batucha Investment Management Ltd. (companies which were formerly under the Company's control, 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 plaintiffs and the Clal Finance companies, in connection with actions which were performed by the Clal Finance companies in the plaintiffs' investment portfolio, in which the Clal Finance companies were ordered to pay to the plaintiffs in the arbitration a total 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**"). 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, 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 September 2018, an additional claim was summarily dismissed, by virtue of the existence of a final judgment, in the same matter as that described above, by the same plaintiffs, which was filed in May 2018 with the District Court of Tel Aviv-Yafo, in which the Court was against requested to reverse the cancellation ruling, including its decision regarding the dismissal of the previous claim (hereinafter: the "**Additional Claim**").

   In October 2018, a motion for leave to appeal the decision to dismiss the additional motion was filed.

   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 42.F.(1)(b) to the Company's consolidated financial statements as of December 31, 2017. It is noted, in this regard, that in accordance with the provisions of the agreement from October 2002, in which Clal Finance Batucha Investment Management Ltd. was acquired by IDB Development Corporation Ltd. and by Discount Investment Corporation Ltd., to indemnify the Company for any direct damage, expense or loss which may incurred by the Company (or by any of its subsidiaries), including due to claims or demands whose cause of action materialized before the date specified in the aforementioned agreement.

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 claimed in NIS 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	37	4,365
2. The claim was filed against a number of entities, with no specific amount attributed to the Company[16]	9	11,690
3. Claim amount not specified / possible range specified. [17]	12	-
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 64 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 estimate of the claim with respect to one damage 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 the following 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, three motions which were estimated as tens of millions of NIS, and one motion in which the claimed amount is estimated as a total between NIS 6 and 100 million.

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 used to calculate the maximum expense limit (0.25%) for new funds / tracks. The amendment was published in August 2018.

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

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

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

It is not possible, at this preliminary stage, to estimate the chances of the motions to approve class actions which are specified in Notes 7(a)(a2)(29), 7(a)(a2)(30), 7(a)(a2)(31), 7(a)(a2)(32) and 7(a)(a2)(33), above, and therefore, a provision with respect to these motions was not included in the financial statements.

The provision which is included in the financial statements as of September 30, 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 149 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 bolstering of insurance reserves, in light of the low interest rate environment, and its effect on discount rates in life and long-term care insurance, and the Commissioner's directives regarding the liability adequacy test (LAT), during the reporting period the risk-free interest rate increased, and the estimated rate of return in the portfolio of assets held against insurance liabilities changed, while during the three month period ended September 30, 2018, the risk-free interest rate curve decreased in the medium range. 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, and updated the K factor for profit-sharing policies, and the results of the liability adequacy test (LAT) were updated.

	As of September 30		As of December 31
	2018	2017	2017
	Unaudited		Audited
K factors used by the Company:			
For guaranteed-return policies	**0.0%**	0.0%	0.0%
For investment-linked policies	**0.95%**	0.92%	0.88%
Discount rates used by the Company	**2.4%-2.79%**	2.3%-2.79%	2.2%-2.79%

The impact on the financial results is specified below:

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	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**	(158)	**-**	(156)	197
Change in pension reserves following the decreased forecast of future income (K factor)	**119**	(63)	**(17)**	(63)	126
Liability adequacy test (LAT)	**46**	(29)	**(58)**	(116)	64))
Life insurance - total impact of the low interest rate environment before tax	**201**	(250)	**(75)**	(335)	259
Liability adequacy test (LAT) with respect to long-term care policies in the health segment (see section 2 below)	**(73)**	-	**(13)**	-	-
Total (income) loss before tax	**128**	(250)	**(87)**	(335)	259
Total comprehensive (income) loss after tax	**81**	(162)	**(56)**	(218)	168

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

A. Actuarial estimates (Cont.)

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 periodic report for 2017 regarding the liability adequacy test (LAT), the expected discounted future cash flow from insurance contracts is based on relevant actuarial studies. During the reporting period, the Company updated the actuarial assumptions which are used to calculate the reserve for 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 during the nine month period ended on the reporting date, in the compulsory motor and liabilities branches, in the amount of approximately NIS 28 million, and increased during the three month period in the amount of approximately NIS 21 million on retention before tax (approximately NIS 13 and 18 million after tax). In the corresponding period last year, the Company increased insurance liabilities in the amount of approximately NIS 96 million and NIS 67 million on retention before tax (approximately NIS 62 million and NIS 44 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 for 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 CEO of the Company and Clal Insurance concluded, while the latter remained for an 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.

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.

[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 for the Group (Cont.)

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, as well as 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 of the CEO's salary, an increase in the severance pay liability was created, and for this purpose, an additional provision was made in the Company's books, and an actual supplementation of the severance pay fund may be performed. 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.

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.

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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 for the Group (Cont.)

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. At this stage, in accordance with the CEO's current salary, the provision with respect to the adjustment bonus was updated. This provision was 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.

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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] 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.)

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 were merged into the long-term savings division. A new division was established: the customers and distribution division, which merged the customers unit together with the business unit. A new unit was established: the service and operations unit, and the headquarters division and headquarters departments were made directly subordinate to the CEO. As part of the change, Mr. Moshe Arnst was appointed to serve as the CEO of Clal Pension and Provident Funds.

D. Maccabi, Leumit and Clalit 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 the announcement issued by Maccabi and Clalit, Clal Insurance's offer to provide collective long-term care insurance services to the funds' policyholders did not win the public tender which the funds conducted. In October 2018, Leumit Health Fund published a new tender for the selection of insurer for collective long-term care insurance of the fund members, in an agreement framework which is different from the current agreement of Clal Insurance with Leumit (in a manner whereby the winning insurer will bear only 20% of the insurance risk, and the policyholder fund will bear the remainder).

E. Provident fund management operation

Further to that stated in Note 6(B)(1) and Note 43(C) to the annual financial statements, regarding the regulatory directives, the rate of management fees in the provident fund segment has been in an ongoing decline, as a result of 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 September 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

As of September 30, 2018, indicators were not fulfilled which would have indicated the need for an impairment test of goodwill.

F. Developments in markets 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 increased. Further to that stated in Note 39(e)(e1) and (e2) to the annual financial statements, an increase in the interest rate may lead to a decrease in insurance liabilities in non-life insurance, in the compulsory, liabilities and personal accidents branches, in liabilities to supplement annuity reserves, including changes to the K factor, and in paid pension liabilities in life insurance, and also as part of the liability adequacy test (LAT). On the other hand, declines occurred in capital markets, which adversely affected the Company’s nostro portfolio, as well as the investment portfolio of profit-sharing policies.

At this stage, it is not possible to estimate the implications of the increase in 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, regarding the impact of the increased interest rate curve on the fair value of debt assets, and regarding the continuing developments in financial markets until the end of 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 September 30		As of December 31
	2018	2017	2017
NIS in thousands	Unaudited		Audited
Investment property *)	**2,959,118**	**2,799,748**	**2,869,967**
Financial investments			
Marketable debt assets	**26,609,050**	**23,662,490**	**24,285,740**
Non-marketable debt assets	**6,619,078**	**6,602,292**	**6,534,433**
Stocks	**10,854,615**	**8,204,248**	**9,518,961**
Other financial investments	**14,967,980**	**16,199,045**	**15,891,827**
Total financial investments *)	**59,050,723**	**54,668,075**	**56,230,961**
Cash and cash equivalents	**4,874,893**	**3,536,934**	**4,529,446**
Other **)	**649,221**	**1,423,633**	**679,946**
Total assets for investment-linked contracts	**67,533,955**	**62,428,390**	**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 September 30, 2018			
	Fair value through profit and loss	Available for sale	Loans and receivables	Total
NIS in thousands	Unaudited			
Marketable debt assets [(a)]	116,789	5,187,540	-	5,304,329
Non-marketable debt assets [(b)]	3,708	-	22,060,558	22,064,266
Stocks [(c)]	-	1,516,685	-	1,516,685
Others [(d)]	114,357	2,696,746	-	2,811,103
Total other financial investments	234,854	9,400,971	22,060,558	31,696,383

	As of September 30, 2017			
	Fair value through profit and loss	Available for sale	Loans and receivables	Total
NIS in thousands	Unaudited			
Marketable debt assets [(a)]	**100,316**	**5,629,988**	**-**	**5,730,304**
Non-marketable debt assets [(b)]	**5,933**	**-**	**21,656,769**	**21,662,702**
Stocks [(c)]	**-**	**1,159,214**	**-**	**1,159,214**
Others [(d)]	**380,322**	**2,293,030**	**-**	**2,673,352**
Total other financial investments	**486,571**	**9,082,232**	**21,656,769**	**31,225,572**

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

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

2. Details of other financial investments (Cont.)

A. Marketable debt assets - composition

	As of September 30, 2018	
	Book value	Amortized cost 1)
NIS in thousands	Unaudited	
Government bonds	**3,254,224**	**3,212,623**
Other debt assets		
Other non-convertible debt assets	**2,050,105**	**2,028,958**
	2,050,105	**2,028,958**
Total marketable debt assets	**5,304,329**	**5,241,581**
Impairment applied to income statement (cumulative)	7,181	

	As of September 30, 2017	
	Book value	Amortized cost 1)
NIS in thousands	Unaudited	
Government bonds	**3,419,050**	**3,358,659**
Other debt assets		
Other non-convertible debt assets	**2,311,254**	**2,258,487**
Other convertible debt assets	**-**	**135**
	2,311,254	**2,258,622**
Total marketable debt assets	**5,730,304**	**5,617,281**
Impairment applied to income statement (cumulative)	**101**	

	As of 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 September 30, 2018	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**15,820,804**	**22,980,973**
Other non-convertible debt assets, excluding deposits in banks	**5,420,930**	**5,979,136**
Deposits in banks	**822,532**	**919,237**
Total non-marketable debt assets	**22,064,266**	**29,879,346**
Impairment applied to income statement (cumulative)	87,288	

	As of September 30, 2017	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**15,533,322**	**23,004,841**
Other non-convertible debt assets, excluding deposits in banks	**5,273,813**	**5,853,689**
Deposits in banks	**855,567**	**971,052**
Total non-marketable debt assets	**21,662,702**	**29,829,582**
Impairment applied to income statement (cumulative)	**85,789**	

	As of 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 September 30, 2018	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable stocks	**1,249,382**	**1,088,838**
Non-marketable stocks	**267,303**	**293,286**
Total stocks	**1,516,685**	**1,382,124**
Impairment applied to income statement (cumulative)	129,663	

	As of September 30, 2017	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable stocks	**1,081,265**	**991,489**
Non-marketable stocks	**77,949**	**110,784**
Total stocks	**1,159,214**	**1,102,273**
Impairment applied to income statement (cumulative)	**140,355**	

	As of 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 September 30, 2018	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	1,249,857	1,136,539
Non-marketable financial investments	1,561,246	1,214,367
Total other financial investments	2,811,103	2,350,906
Impairment applied to income statement (cumulative)	83,669	

	As of September 30, 2017	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	1,355,836	1,286,416
Non-marketable financial investments	1,317,516	1,077,836
Total other financial investments	2,673,352	2,364,252
Impairment applied to income statement (cumulative)	68,706	

	As of 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 ETF's, participation certificates in mutual funds, investment funds, financial derivatives, futures contracts, options and structured products.

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Attn.:

Shareholders of Clal Insurance Enterprise Holdings Ltd.

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

Introduction

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

Scope of the Review

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

Conclusion

Based on our review, we have not become aware of any matter which would have caused us to believe that the above separate interim financial information has not been presented, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
November 20, 2018

Kost Forer Gabbay and Kasierer
Certified Public Accountants

Somekh Chaikin
Certified Public Accountants

Joint Auditors

Interim Data Regarding the Financial Position

NIS in thousands	As of September 30 2018	As of September 30 2017	As of December 31, 2017
	Unaudited	Unaudited	Audited
Assets			
Investments in investee companies	**5,059,590**	4,822,471	5,011,035
Loans and balances of investee companies	**65**	144	63
Other accounts receivable	**99**	145	151
Other financial investments:			
Marketable debt assets	**25,911**	26,531	26,589
Stocks	**196**	55	44
Total other financial investments	**26,107**	26,586	26,633
Cash and cash equivalents	**28,219**	16,448	16,652
Total assets	**5,114,080**	4,865,794	5,054,534
Capital			
Share capital	**143,381**	143,236	143,367
Premium on shares	**1,008,889**	985,492	1,001,880
Capital reserves	**706,168**	571,349	649,964
Retained earnings	**3,244,144**	3,158,391	3,251,608
Total capital	**5,102,582**	4,858,468	5,046,819
Liabilities			
Other accounts payable	**11,498**	7,326	7,303
Balances of investee companies	**-**	-	412
Total liabilities	**11,498**	7,326	7,715
Total capital and liabilities	**5,114,080**	4,865,794	5,054,534

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

November 20, 2018				
Approval date of the financial statements	Danny Naveh Chairman of the Board	Yoram Naveh Chief Executive Officer	Eran Cherninsky Executive VP Financial Division Manager	Tal Cohen Senior VP, Chief Accounting Division Manager

Interim Data Regarding Income

NIS in thousands	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2018	2017	2018	2017	2017
	Unaudited				Audited
Company's share in the income (loss) of investee companies, net of tax	**509**	101,737	**(1,566)**	(143,593)	207,609
Others	**200**	(156)	**8**	(39)	(117)
Total income	**709**	101,581	**(1,558)**	(143,632)	207,492
General and administrative expenses	**2,313**	2,686	**931**	946	3,337
Financing expenses	**-**	1,044	**-**	-	1,044
Other expenses	**(753)**	13	**58**	5	15
Total expenses	**1,560**	3,743	**989**	951	4,396
Income (loss) before taxes on income	**(851)**	97,838	(2,547)	(144,583)	203,096
Taxes on income (tax benefit)	**-**	-	**-**	-	-
Income (loss) for the period	**(851)**	97,838	**(2,547)**	(144,583)	203,096

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

Interim Data Regarding Comprehensive Income

NIS in thousands	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2018	2017	2018	2017	2017
	Unaudited				Audited
Income (loss) for the period	**(851)**	97,838	**(2,547)**	(144,583)	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	**201**	(113)	**6**	(46)	(53)
Change, net, in the fair value of available-for-sale financial assets transferred to profit and loss	**(39)**	(68)	**-**	-	(68)
Other comprehensive income with respect to investee companies which has been or will be transferred to profit and loss, net of tax	**56,042**	87,365	**62,664**	123,289	165,920
Other comprehensive income for the period which has been or will be transferred to profit and loss, before tax	**56,204**	87,184	**62,670**	123,243	165,799
Tax (tax benefit) with respect to other components of comprehensive income	**-**	-	**-**	-	-
Other comprehensive income for the period which, following initial recognition in comprehensive income, has been or will be transferred to profit and loss, net of tax	**56,204**	87,184	**62,670**	123,243	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	**404**	(2,960)	**(72)**	(1,890)	1,177
Other comprehensive income for the period which will not be transferred to profit and loss, net of tax	**404**	(2,960)	**(72)**	(1,890)	1,177
Other comprehensive income for the period	**56,608**	84,224	**62,598**	121,353	166,976
Total comprehensive income (loss) for the period	**55,757**	182,062	**60,051**	(23,230)	370,072

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

Interim Data Regarding Cash Flows

NIS in thousands	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2018	2017	2018	2017	2017
	Unaudited				Audited
Cash flows from operating activities					
Income (loss) for the period	**(851)**	97,838	**(2,547)**	(144,583)	203,096
Adjustments:					
Company's share in the income (loss) of investee companies	**(509)**	(101,737)	**1,566**	143,593	(207,609)
Dividends from investee companies	**8,400**	15,045	**-**	8,045	15,045
Interest accrued with respect to liabilities to banking corporations	**-**	1,044	**-**	-	1,044
Income from other financial investments	**144**	1,324	**(8)**	57	1,337
	8,035	(84,324)	**1,558**	151,695	(190,183)
Changes to other items in the data regarding financial position, net:					
Change in other accounts receivable	**52**	(64)	**116**	73	(70)
Change in other accounts payable	**4,195**	(28)	**5,240**	(6,778)	(51)
	4,247	(92)	**5,356**	(6,705)	(121)
Cash which were received during the period for:					
Net cash from operating activities with respect to transactions with investee companies	**(408)**	1,228	**77**	1,203	2,062
Net cash from operating activities	**11,023**	14,650	**4,444**	1,610	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	**-**	-	28,380
Net cash from (used in) investing activities	**544**	18,464	**-**	-	18,464
Cash flows from financing activities					
Repayment of liabilities to banking corporations	**-**	(70,000)	**-**	-	(70,000)
Interest paid with respect to liabilities to banking corporations	**-**	(1,194)	**-**	-	(1,194)
Net cash used in financing activities	**-**	(71,194)	**-**	-	(71,194)
Increase (decrease) in cash and cash equivalents	**11,567**	(38,080)	**4,444**	1,610	(37,876)
Cash and cash equivalents at beginning of period	**16,652**	54,528	**23,775**	14,838	54,528
Cash and cash equivalents at end of period	**28,219**	16,448	**28,219**	16,448	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), 1970, and does not contain all of the information which is required according to Regulation 9C and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, regarding a corporation's separate financial information. The separate interim financial information should be read in conjunction with the separate financial information as of and for the year ended December 31, 2017, and with the condensed interim consolidated financial statements as of September 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.

3. Agreement between IDB Development and Bank Hapoalim Ltd.

For details regarding an agreement between IDB Development and Bank Hapoalim Ltd. with respect to the sale of the Company's shares, see Note 1 to the interim consolidated reports.