Clal Insurance Enterprises Holdings Ltd.

As of September 30, 2019

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, 2019 (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 2019 (hereinafter: the "**Reporting Period**") and during the three months ended September 30, 2019 (hereinafter: the "**Quarter**").

The Board of Directors' Report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. The Board of Directors' Report with respect to insurance business operations was prepared in accordance with the Insurance Business Control Regulations (Particulars of Report), 1998, and in accordance with circulars issued by the Commissioner of the Capital Markets, Insurance and Savings (hereinafter: the **"Commissioner"**), and in consideration of the assumption that the reader is also in possession of the Company's full periodic report for the year ended December 31, 2018 (hereinafter: the "**Periodic Report**" and/or the "**Annual Financial Statements**").

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, 2019		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.	15.35	15.30	11.83	11.79

It is noted that IDB Development holds shares of the Company, directly and indirectly, through a trustee who was appointed to hold the Company's control shares. The investment in the Company includes, in addition to the aforementioned holding, also an investment through swap transactions at a rate of approximately 15%.

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

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

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

The total impact of the market developments specified below on the Group's results during the reporting period was reflected in a decrease of the interest rates which are used to calculate insurance liabilities, and on the other hand, in increases in the capital markets. For additional details, see section 3 below and Note 8(a) to the financial statements.

Parameter	Data for the period
Developments in the Israeli economy and employment rate	According to the data in the first estimate for the third quarter, GDP increased at an annual rate of 4.1%, following an increase of 0.8% in the second quarter, and an increase of 4.5% in the first quarter of 2019. This sharp increase reflects an increase in personal consumption expenditures (increase in vehicle purchases) and public consumption relative to the second quarter. However, declines were seen in the exports and goods and services categories, as well as in fixed capital investment. According to the data from the workforce survey of the Central Bureau of Statistics for the third quarter of 2019 (as compared with the second quarter of 2019), the unemployment rate in the labor force among persons aged 15 and older is 3.7% (3.9% in the second quarter). For details regarding the publication of mortality tables, see Note 8(a) to the financial statements.
Inflation data	In the third quarter, the consumer price index decreased by 0.3%. Since the beginning of the year, the consumer price index has increased by 0.6%. For additional details, see section 3 below and Note 2(c) to the financial statements. Subsequent to the reporting date, the index in lieu for October was published, which increased by 0.4%.
Exchange rates	During the third quarter of 2019, the NIS gained vs. the USD at a rate of approximately 2.36%, and vs. the EUR by approximately 6.32%. Since the beginning of the year, the NIS has gained vs. the USD by approximately 7.1%, and vs. the EUR by approximately 11.34%. The Bank of Israel's balances of foreign currency at the end of the third quarter amounted to approximately NIS 120 billion.
Development of the interest rate and yields	For details the impact of the low interest rate environment which is used to calculate the insurance reserves, see Note 8(a) to the financial statements. The Bank of Israel interest rate is currently 0.25%. In accordance with statements made by the Governor of the Bank of Israel in September, interest rate reductions are possible, as well as use of the other tools which are at the Bank's disposal.

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

Parameter	Data for the period					
Developments in the capital market in Israel and around the world (in terms of local currency)	**In percent**	**1-9**		**Q3**		**For the year**
	Stock indices in Israel	**2019**	**2018**	**2019**	**2018**	**2018**
	Tel Aviv 35	**10.4**	8.8	**1.1**	8.3	(3.0)
	Tel Aviv 90	**28.8**	6.5	**9.2**	9.9	(3.0)
	Tel Aviv 125	**15.0**	8.8	**3.2**	9.0	(2.3)
	Tel Aviv Growth	**19.3**	(3.6)	**2.9**	2.9	(15.6)
	Bond indices in Israel					
	General	**7.7**	0.1	**2.6**	0.7	(1.5)
	Telbond CPI-linked	**7.3**	1.5	**1.3**	1.0	(0.7)
	Telbond NIS-linked	**7.2**	(1.4)	**2.1**	0.9	(4.3)
	Government CPI-linked	**9.3**	0.3	**3.4**	0.4	(1.4)
	Government NIS-linked	**7.3**	(0.8)	**3.5**	0.2	(1.2)
	Global stock indices					
	Dow Jones	**15.9**	7.2	**1.0**	10.0	(6.2)
	NASDAQ	**21.5**	16.7	**0.1**	8.1	(4.5)
	Nikkei Tokyo	**10.2**	4.5	**3.6**	6.9	(12.1)
	CAC - Paris	**19.0**	4.3	**1.6**	5.4	(11.0)
	FTSE - London	**9.5**	(1.9)	**(0.8)**	(0.6)	(12.5)
	DAX - Frankfurt	**16.5**	(3.7)	**(0.8)**	2.5	(18.3)
	MSCI WORLD	**16.8**	3.9	**0.3**	5.4	(11.2)
	For details regarding the effects on the financial results, see section 3 below and Note 5 to the financial statements.					

Parameter	Data for the period
Global economic developments	The global economy is continuing on a trend of decelerated growth rates, and the central banks in the vast majority of countries have resumed monetary easement policies. **United States** - In the third quarter of 2019, the American economy grew by approximately 2% (in annual terms). The Fed resumed the monetary easement policy which began in the second quarter of 2019, and continued reducing interest rates to the level of 1.5%-1.75% (the last reduction took place in October 2019), in order to prevent deceleration due to concerns regarding a global downturn and the trade war. Additionally, according to the bank's declarations, the Fed's balance sheet reduction program was discontinued and a short term bond purchase program was announced, at a rate of USD 60 billion per month. The American economy enjoys a stable labor market, with job growth and a lower inflation environment than the Fed's targets. During the third quarter of 2019, trade talks continued between the leaders of the United States and China. **Europe** - The European economy grew at a rate of 1.1% in the third quarter of 2019 (in annual terms). The weakness of the European economy in 2019 was due to several factors, including the deceleration of global growth and the decrease in global trade, political problems in the Euro bloc (e.g., Brexit), and regulatory changes in the vehicle industry, which resulted in a decline in industrial activity. The inflationary environment also remains low. On the other hand, the labor market in Europe continued on a positive trend, which was reflected in the decreased unemployment rate and in increased salaries. During the third quarter of 2019 (and before the conclusion of Mario Draghi's tenure as President of the European Central Bank), the President reduced the interest rate by 0.1%, to a level of (0.5%), and resumed the purchases of government and corporate bonds at a rate of EUR 20 billion per month. The Central Bank also stated that the program would continue until the interest rate has increased. **China** - The economy of China grew in the third quarter of the year at a rate of 6% (in annual terms), the lowest rate of the last decade, in light of the structural changes due to the transition from an export economy to an economy driven by local demand, and the uncertainty and impact of the trade war with the United States. During this period, the Chinese government incentivized the Chinese economy by fiscal and monetary means and by currency reduction, in order to keep growth rates high.

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. Reporting period

Gross premiums earned in the reporting period amounted to a total of approximately NIS 7,241 million, as compared with a total of approximately NIS 7,648 million in the corresponding period last year. The decrease in premiums was primarily due to the conclusion of the engagements with Maccabi and Leumit health funds in collective long-term care insurance, in which earned premiums in the corresponding period last year amounted to a total of approximately NIS 555 million and NIS 96 million, respectively. For additional details, see section 3.1.3 below. On the other hand, an increase was recorded in premiums relative to last year, mostly in life insurance, in the amount of approximately NIS 155 million, mostly due to an increase of non-recurring premiums.

Comprehensive loss after tax attributable to the Company's shareholders in the reporting period amounted to a total of approximately NIS 373 million, as compared with comprehensive income of approximately NIS 56 million in the corresponding period last year.

The loss during the reporting period was mostly due to the low interest rate environment, as well as changes in mortality assumptions, which were partly offset by the change in the assumption of retirement age. The effects described above resulted in a net total increase of the insurance reserves in the amount of approximately NIS 1,458 million in life insurance and in long-term care insurance, as specified in the following table, as compared with a decrease of the reserves in the amount of approximately NIS 128 million in the corresponding period last year. On the other hand, during the reporting period, an increase was recorded in capital market returns, which were higher than the returns in the corresponding period last year, as reflected in the increase of investment income, such that the financial margin in life insurance amounted to a total of approximately NIS 877 million, as compared with a total of approximately NIS 535 million last year, and investment income which was unallocated to segments amounted to a total of approximately NIS 423 million during the reporting period, as compared with a total of approximately NIS 96 million in the corresponding period last year. Additionally, during the reporting period, a benefit was recorded with respect to the impact of the Winograd committee's implications, while during the corresponding period last year, an amortization of goodwill was recorded with respect to provident funds, as specified in the following table.

Return on equity in annual terms during the reporting period amounted to a negative rate of 10.2%, as compared with a positive rate of 1.5% in the corresponding period last year.

In the operating segments, other than the effects of the capital market, and the effects described above, a deterioration was recorded during the reporting period relative to the corresponding period last year, mostly in the long-term care branch of health insurance, due to the negative development in claims, which was reflected in the actuarial model, and also in the compulsory motor and liabilities branches, as specified in section 3.1.2 below.

The results during the reporting period and during the quarter, and in the corresponding periods last year, respectively, as specified below, include (inter alia) the following effects (for details regarding additional effects on the operating segments' results, see section C below).

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

3.1 Financial information by operating segments (Cont.)

A. The reporting period (Cont.)

	1-9		Q3		For the year
	2019	2018	2019	2018	2018
NIS in millions	Unaudited				Audited
Life insurance -					
Change in the discount interest rate which was used to calculate the liability to supplement the annuity and paid pension reserves	**(48)**	36	**(32)**	-	85
Change in pension reserves following the decreased forecast of future income (K factor)	**(695)**	119	**(608)**	(17)	135
Total effect of interest rate changes on the liability to supplement the annuity and paid pension reserves [1]	**(743)**	155	**(640)**	(17)	220
Change in mortality assumptions used to calculate paid pension liabilities and liabilities to supplement annuity reserves [2]	**(353)**	-	**-**	-	-
Change to the assumption regarding retirement age in the calculation of liabilities to supplement the annuity reserve [3]	**539**	-	**419**	-	-
Total effects on the liability to supplement the annuity and paid pension reserves	**(557)**	155	**(221)**	(17)	220
Liability adequacy test (LAT) [1)5)]	**(499)**	46	**(464)**	(58)	75
Total life insurance	**(1,056)**	201	**(685)**	(75)	295
Non-life insurance - Impact due to the consequences of the Winograd committee [4]	**122**	29	**(3)**	(21)	52
Long-term care insurance in the health segment - Liability adequacy test (LAT) [5]	**(402)**	(73)	**(377)**	(13)	-
Amortization of goodwill - provident funds	**-**	(115)	**-**	-	(115)

Notes:

1. **Changes in main estimates and assumptions which were used to calculate liabilities due to the low interest rate environment**
   For details, see Note 8(a)-8(c) to the financial statements.
2. **Change in mortality assumptions used to calculate paid pension liabilities and liabilities to supplement annuity reserves**
   In light of the trends indicated in the circular, with respect to the update to the series of demographic assumptions in life insurance, and the update to the mortality improvement model for insurance companies and pension funds, the Company increased its estimates regarding liabilities with respect to insurance contracts in the amount of approximately NIS 305 million, of which a total of approximately NIS 43 million was with respect to liabilities for paid pensions, and a total of approximately NIS 310 million was with respect to liabilities to supplement the annuity reserve (a total of NIS 353 million together), while on the other hand it also reduced, in the amount of approximately NIS 48 million, the additional provision in light of the liability adequacy test. For additional details, see Note 8(a) to the financial statements.
3. **Change in the assumption regarding retirement age used to calculate liabilities to supplement the annuity reserve**
   During the reporting period, the Company improved the model for determining the annuity withdrawal rate at retirement age, due to new studies which it conducted, in light of the accumulated experience on the subject, regarding the trend towards differing rates of annuity withdrawal, in accordance with retirement age, which was different than that determined in the annuity reserves circular. As a result, the Company reduced its estimates regarding the liabilities in the amount of approximately NIS 455 million, which includes a total of approximately NIS 539 million with respect to the liability to supplement the annuity reserve, and on the other hand, a total of approximately NIS 84 million representing the increased provision due to the liability adequacy test. (The impact in the current quarter amounted to a total of approximately NIS 300 million, which includes a total of approximately NIS 419 million with respect to the liability to supplement the annuity reserve, and on the other hand the increase in the amount of approximately NIS 119 million, in light of the liability adequacy test).
4. **Implications of the Winograd committee**
   In light of the ruling in which the Kaminetz Committee's main conclusions were adopted, and in which it was determined, inter alia, that the discount rate for tort compensation, which is used to discount insurance benefits for policyholders, will remain at a fixed rate of 3%, the Company reduced the liabilities with respect to insurance contracts during the reporting period, in the amount of approximately NIS 122 million, as compared with an increase of the liability in the amount of approximately NIS 3 million during the quarter. For additional details, see Note 8(a) to the financial statements.
5. **Investment policy with respect to managed assets against equity and insurance liabilities**
   During the reporting period and during the three month period ended on the reporting date, the Company's investment committee and board of directors approved and updated the investment policy, and the corresponding allocation of managed assets against capital and insurance liabilities in the life, health and non-life insurance segments, in consideration of the returns and lifetimes of the liabilities, and the required liquidity.
   Further to that stated in Note 3(d)1(d) to the annual financial statements, regarding the taking into account of the excess fair value over the book value of backing assets, as part of the liability adequacy test in accordance with the LAT circular, and in Note 39(e)(e1)(b)(1)(c) to the annual financial statements, regarding the discount rate, the foregoing updates resulted in a reduction, in the amount of approximately NIS 293 million, of the provisions which were required due to the decreased interest rates (approximately NIS 206 million in life insurance, and approximately NIS 87 million in long-term care insurance in the health branch) as of September 30, 2019.

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

3.1 Financial information by operating segments (Cont.)

A. The reporting period (Cont.)

It is noted that as of the reporting date, the balance of the LAT provision amounts to approximately NIS 1,046 million (a total of approximately NIS 644 million in life insurance, and a total of approximately NIS 402 million in long-term care in the health segment). For additional details, see Note 8(a) to the financial statements and Note 39 to the annual financial statements.

Economic solvency ratio report

In July 2019, approval was received from the Commissioner for conducting an initial audit on the data as of December 31, 2018, and accordingly, the provisions of the accounting solvency regime circular will no longer apply to the insurance companies in the Group. On July 15, 2019, the Company's economic solvency ratio for 2018 was published. For additional details, see section 3.2.3 below.

On November 28, 2019, the Company published the economic solvency ratio report as of June 30, 2019. For additional details, see section 3.2.3 below, and the chapter "economic solvency ratio report" in the financial statements. It is noted that the report has not been audited or reviewed by the auditor.

Issuance of Tier 2 capital

On September 24, 2019, the Company issued to the public bonds (Series K), by virtue of the shelf prospectus which the Company published on August 29, 2019 (hereinafter: the "**Bonds**").

In the issuance, the Company raised:
A total of NIS 830,000 thousand par value of bonds (Series K). The principal will be repaid in a single payment on March 31, 2033. The principal and interest are not CPI-linked. The interest on the bonds (Series K) is paid each year in two semi-annual payments, beginning on March 31, 2020, on March 31 and September 30 of each calendar year from 2020 to 2033. The stated annual interest rate is 2.64%, and the effective annual interest rate is 2.79%, assuming early redemption. The issuance costs amounted to a total of approximately NIS 10,280 thousand.

The total consideration (gross) which was received by the Company following the issuance of the new bonds, as part of the aforementioned issuance, was deposited in Clal Insurance as a deferred deposit, with identical repayment and interest terms as those of the bonds. The bonds are recognized as Tier 2 capital in Clal Insurance, and have an equal status and equal repayment priority as deferred bonds which were issued by the Company and/or Clal Insurance which constitute Tier 2 subordinated capital, Tier 2 hybrid capital and Tier 3 hybrid capital, and as bonds which have been issued and/or will be issued by the Company and/or Clal Insurance which are of the Tier 2 equity instrument type, and are subordinate to the other liabilities of Clal Insurance, excluding the rights of creditors in accordance with Tier 1 capital.

For additional details, see Note 8(c) to the financial statements.

Business strategy plan

Further to that stated in section 10.18 of Chapter A in the periodic report for 2018, the Company prepared a three-year business strategy program for sustainable accelerated growth and for increased operational efficiency, and is working to implement it.

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

3.1 Financial information by operating segments (Cont.)

B. Quarter

Gross premiums earned in the quarter amounted to a total of approximately NIS 2,403 million, as compared with a total of approximately NIS 2,654 million in the corresponding period last year. The decrease in premiums was primarily due to the conclusion of the engagement with Maccabi and Leumit health funds regarding collective long-term care insurance, as stated above. During the corresponding quarter last year, total gross premiums earned with respect to Maccabi and Leumit amounted to a total of approximately NIS 188 million and NIS 33 million, respectively.

Comprehensive loss after tax attributable to the Company's shareholders in the quarter amounted to a total of approximately NIS 565 million, as compared with comprehensive income of approximately NIS 60 million in the corresponding period last year.

The loss during the quarter was mostly due to the low interest rate environment, which was partly offset by the change in the assumption of retirement age. In total, the aforementioned effects resulted in an increase of the insurance reserves in the amount of approximately NIS 1,062 million in life insurance and in health insurance, as compared with a total of approximately NIS 87 million in the corresponding period last year, as specified in the above table.

In the operating segments, a change for the worse was recorded in the current quarter relative to the corresponding period last year, mostly in the motor property and liability branches in non-life insurance.

Return on equity in annual terms during the quarter amounted to a negative rate of 44.5%*, as compared with a positive rate of 4.8% in the corresponding period last year.

C. Additional primary details and additional primary effects, by segments

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

		1-9		Q3		For the year
		2019	2018	2019	2018	2018
NIS in millions	Item	Unaudited				Audited
Life insurance	3.1.1.1	**(671)**	168	**(558)**	22	144
Pension	3.1.1.4	**(1)**	(2)	**2**	-	(16)
Provident	3.1.1.3	**14**	(106)	**4**	5	(105)
Total long term savings division		**(658)**	60	**(552)**	28	23
Non-life insurance	3.1.2	**184**	104	**(15)**	12	47
Health	3.1.3	**(361)**	(25)	**(391)**	11	(165)
Financing expenses	3.1.6	**111**	101	**23**	33	132
Other and items not included in the insurance branches	3.1.4	**389**	42	**153**	79	(34)
Total comprehensive income (loss) before tax		**(556)**	80	**(828)**	97	(261)
Taxes (tax benefit) on comprehensive income		**(186)**	21	**(264)**	36	(117)
Total comprehensive income (loss) for the period, net of tax		**(370)**	59	**(564)**	61	(144)
Attributable to Company shareholders		**(373)**	56	**(565)**	60	(148)
Attributable to non-controlling interests		**3**	4	**1**	1	4
Return on equity in annual terms (in percent) *)		**(10.2)**	1.5	**(44.5)**	4.8	(2.9)

*) Return on equity is calculated by dividing the profit for the period attributable to the Company's shareholders, by the equity as of the beginning of the period attributable to the Company's shareholders. The profit for the purpose of calculating return on equity in the quarter was calculated by multiplying the profit in the quarter by four.

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

3.1 Financial information by operating segments (Cont.)

3.1.1. Long term savings

3.1.1.1. Life insurance operations

Life insurance	1-9		Q3		Note
	2019	**2018**	**2019**	**2018**	
Gross premiums earned	**4,486**	4,331	**1,474**	**1,507**	The increase in premiums during the reporting period was due to the increase in non-recurring premiums.
Comprehensive income (loss)	**(671)**	168	**(558)**	22	**Reporting period** - The decrease in income and the transition to loss during the reporting period were primarily due to the increase of reserves during the reporting period due to the low interest rate environment and changes in mortality assumptions, which were partly offset by the change in the assumption regarding retirement age. The total sum of the aforementioned effects resulted in an increase of the reserves in the amount of approximately NIS 1,056 million, as compared with the release of reserves in the amount of approximately NIS 201 million in the corresponding period last year. On the other hand, during the reporting period, gross real returns were achieved in profit sharing policies at a rate of 8.24%, as compared with a rate of 3.00% last year, such that the financial margin in life insurance amounted to a total of approximately NIS 877 million, as compared with a total of approximately NIS 535 million last year (out of this amount, during the reporting period, variable management fees were collected in the amount of approximately NIS 288 million, as compared with a total of approximately NIS 126 million last year). And the increased risk margin. **Quarter** - The decrease in income and the transition to loss during the quarter were primarily due to the increased reserves during the quarter, due to the low interest rate environment, which was partly offset by the change in the assumption regarding retirement age, in the amount of approximately NIS 685 million, as compared with an increase of reserves in the amount of approximately NIS 75 million in the corresponding period last year. On the other hand, during the quarter, the financial margin in life insurance amounted to a total of approximately NIS 284 million, as compared with a total of approximately NIS 274 million last year (out of this amount, during the quarter, variable management fees were collected in the amount of approximately NIS 82 million, as compared with a total of approximately NIS 111 million last year).
Redemption rates of life insurance policies from the average reserve, in annual terms	**1.9%**	2.0%	**2.0%**	1.9%	
Investment income applied to policyholders after management fees	**4,277**	1,589	**600**	1,210	

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

3.1 Financial information by operating segments (Cont.)

3.1.1.2 Data regarding premiums earned, management fees and financial margin in life insurance:

NIS in millions	1-9 2019	1-9 2018	Q3 2019	Q3 2018	For the year 2018
Variable management fees	**288**	126	**82**	111	3
Fixed management fees	**344**	322	**116**	110	433
Total management fees	**632**	448	**198**	221	436
Total financial margin and management fees	**877**	535	**284**	274	515
Current premiums	**3,960**	4,050	**1,298**	1,373	5,388
Non-recurring premiums	**526**	281	**176**	134	458
Total gross premiums earned	**4,486**	4,331	**1,474**	1,507	5,846
Current receipts	**60**	52	**22**	21	69
One-time receipts	**501**	246	**233**	91	368
Total receipts with respect to pure savings	**561**	298	**255**	112	437

Details regarding the rates of return in profit-sharing policies

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

NIS in millions	1-9 2019	1-9 2018	Q3 2019	Q3 2018	For the year 2018
Real return before payment of management fees *)	**8.24**	3.00	**1.80**	2.41	(1.13)
Real return after payment of management fees *)	**6.88**	2.18	**1.42**	1.93	(1.70)
Nominal return before payment of management fees	**8.78**	4.13	**1.10**	2.61	0.05
Nominal return after payment of management fees	**7.42**	3.30	**0.72**	2.13	(0.52)

Policies issued beginning in 2004 (New J Fund)

NIS in millions	1-9 2019	1-9 2018	Q3 2019	Q3 2018	For the year 2018
Real return before payment of management fees *)	**8.32**	2.71	**1.96**	2.40	(1.71)
Real return after payment of management fees *)	**7.47**	1.87	**1.70**	2.13	(2.78)
Nominal return before payment of management fees	**8.87**	3.84	**1.26**	2.61	(0.53)
Nominal return after payment of management fees	**8.01**	2.99	**1.00**	2.33	(1.62)

*) For details regarding the change in the consumer price index, see section 2(c) to the financial statements.

3.1.1.3 Provident fund operations

	1-9 2019	1-9 2018	Q3 2019	Q3 2018	Note
Comprehensive income (loss)	**14**	(106)	**4**	5	The transition to income during the reporting period was primarily due to the impairment of goodwill which was recorded last year during the reporting period, with no effect on the current period.
Contributions	**1,523**	1,222	**522**	440	The increase was due to the growth of routine deposits and of one-time deposits, in accordance with section 190.

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

3.1 Financial information by operating segments (Cont.)

3.1.1.4 Pension operations

	1-9		Q3		
	2019	**2018**	**2019**	**2018**	**Note**
Comprehensive income (loss)	**(1)**	(2)	**2**	-	The results in the reporting period and in the corresponding period last year were affected by the competitive conditions in the branch, and the automation expenses.
Contributions	**4,555**	4,351	**1,589**	1,515	

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

	1-9		Q3		
	2019	**2018**	**2019**	**2018**	**Note**
Non-life insurance					
Gross premiums	**1,843**	1,827	**552**	542	
Comprehensive income (loss)	**184**	104	**(15)**	12	**Reporting period** - A decrease was recorded in the provision with respect to the implications of the Winograd committee in the amount of approximately NIS 122 million, as compared with a decrease of the provision in the amount of approximately NIS 29 million in the corresponding period last year, see Note 8(a). On the other hand, during the reporting period, a change for the worse was recorded in the employer's liability branch. **Quarter** - An increase was recorded in the provision with respect to the implications of the Winograd committee in the amount of approximately NIS 3 million, as compared with an increase of the provision in the amount of approximately NIS 21 million in the corresponding period last year, see Note 8(a). Additionally, a decrease was recorded in profit in the motor property branch, see below.
Motor property					
Gross premiums	**531**	565	**160**	166	**Reporting period** - The decrease in premiums was primarily due to the competitive conditions in the field, which resulted in erosion of the average premium.
Comprehensive income before tax	**42**	57	**9**	27	The decrease in income during the quarter reflected the erosion in average premiums, as a result of the competition in the segment.
Gross LR	**67%**	65%	**67%**	59%	
LR on retention	**66%**	65%	**64%**	59%	
Gross CR	**95%**	92%	**96%**	87%	
CR on retention	**95%**	92%	**95%**	87%	
Compulsory motor					
Gross premiums	**359**	368	**110**	109	
Comprehensive income	**98**	36	**15**	10	**Reporting period** - A decrease was recorded in the provision with respect to the Winograd committee's recommendations in the amount of approximately NIS 60 million, as compared with a decrease of the provision in the amount of approximately NIS 18 million in the corresponding period last year, see Note 8(a). **Quarter** - An increase was recorded in the provision with respect to the implications of the Winograd committee in the amount of approximately NIS 2 million, as compared with an increase of the provision in the amount of approximately NIS 11 million in the corresponding period last year, see Note 8(a).

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

3.1 Financial information by operating segments (Cont.)

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

	1-9		Q3		
	2019	**2018**	**2019**	**2018**	
Property and others branches					
Gross premiums	**608**	565	**168**	167	
Comprehensive income	**6**	8	**-**	7	Quarter - The decrease in income was mostly due to claims in the fire and property branches
Gross LR	**50%**	39%	**55%**	8%	
LR on retention	**42%**	43%	**36%**	25%	
Gross CR	**79%**	71%	**86%**	39%	
CR on retention	**104%**	101%	**102%**	87%	
Credit insurance					
Gross premiums	**82**	82	**26**	27	
Comprehensive income	**25**	28	**8**	10	**Reporting period** - An increase was also recorded in surplus investment income over the required income, which was offset due to the deterioration in claims during the reporting period relative to last year.
LR on retention	**31%**	17%	**23%**	23%	
CR on retention	**60%**	38%	**48%**	44%	
Liability branches					
Gross premiums	**263**	248	**88**	73	
Comprehensive income (loss)	**14**	(26)	**(46)**	(41)	**Reporting period** - A decrease was recorded in the provision with respect to the Winograd committee's recommendations in the amount of approximately NIS 62 million, as compared with a decrease of the provision in the amount of approximately NIS 11 million in the corresponding period last year, see Note 8(a). On the other hand, a change for the worse was recorded in claims in the employer's liability branch. **Quarter** - The increase in loss was mostly due to the change for the worse in claims in the employer's liability branch. On the other hand, an increase was recorded in the provision with respect to the implications of the Winograd committee in the amount of approximately NIS 1 million, as compared with an increase of the provision in the amount of approximately NIS 10 million in the corresponding period last year. See Note 8(a).

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

3.1 Financial information by operating segments (Cont.)

3.1.3. Health insurance

	1-9		Q3		
	2019	**2018**	**2019**	**2018**	**Note**
Gross premiums earned	**997**	1,577	**337**	551	**Reporting period and quarter** - The decrease in premiums was primarily due to the conclusion of the engagement with Maccabi and Leumit health funds regarding collective long-term care insurance. For additional details, see Note 8(f) to the financial statements. Gross premiums earned with respect to Maccabi and Leumit in the corresponding period last year amounted to a total of approximately NIS 555 million and NIS 96 million, respectively. During the corresponding quarter last year, total gross premiums earned with respect to Maccabi and Leumit amounted to a total of approximately NIS 188 million and NIS 33 million, respectively.
Comprehensive income (loss)	**(361)**	(25)	**(391)**	11	**Reporting period and quarter** - The increase in loss during the reporting period was mostly due to the increase of the provision with respect to the liability adequacy test (LAT), which affected comprehensive income during the reporting period in the amount of approximately NIS 402 million, as compared with a provision of approximately NIS 73 million last year and in the quarter in the amount of NIS 377 million, as compared with NIS 13 million last year. Additionally, negative development was recorded in collective long-term care claims, which was reflected in the actuarial model. These effects were partly offset by the increase in investment income during the reporting period relative to last year, as specified below.

	1-9		Q3		
Long-term care branch - comprehensive income	**2019**	**2018**	**2019**	**2018**	**Note**
Individual	**(353)**	(63)	**(367)**	6	The increase in loss during the reporting period, and the transition to loss in the current quarter relative to last year, were primarily due to the increase in the provision with respect to the liability adequacy test (LAT), as stated above. This effect was partly offset by the increase in surplus investment income over the income required to cover the increase in insurance liabilities, relative to the corresponding period last year.
Collectives, including health funds	**(57)**	(22)	**(36)**	(18)	The increase in loss during the reporting period and in the current quarter, relative to the corresponding period last year, was due to the negative development in collective long-term care claims, which was reflected in the actuarial model.
Illness and hospitalization branch - comprehensive income					
Long term	**40**	42	**4**	8	The decrease in income in the reporting period and in the quarter was mostly due to the decrease in the scope of the activity, inter alia, due to seasonal effects and the increase in advertising expenses.
Short term	**9**	19	**8**	15	

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

3.1 Financial information by operating segments (Cont.)

3.1.3. Health insurance

Details regarding the investment income which was applied to policyholders in health insurance policies of the profit sharing long-term care type:

	Profit sharing long-term care policies of the individual and collective types				
	1-9		Q3		For the year
NIS in millions	2019	2018	2019	2018	2018
Investment income (loss) applied to policyholders	**89**	153	**9**	109	(37)

Agreements vis-à-vis Maccabi and Leumit health funds

In accordance with the provisions of section 8.1.2.2 in the chapter "description of the corporation's business" in the 2018 periodic report, in 2018, Maccabi and Leumit health funds published new tenders for the selection of an insurer in a different framework of engagement, such that the winning insurer will bear 20% of the risk (as opposed to the situation whereby Clal Insurance bore the entire insurance risk). In accordance with the notices given by the funds, Clal Insurance did not win the tender. Therefore, beginning on January 1, 2019, Clal Insurance ceased being the insurer of Maccabi health fund, and beginning on April 1, 2019, Clal Insurance ceased being the insurer of Leumit health fund.

Accordingly, as from January and April 2019, respectively, the Company does not collect premiums with respect to collective policyholders of Maccabi and Leumit health funds. These premiums amounted, in 2018, to a total of approximately NIS 745 million and approximately NIS 129 million, respectively.

Further to that stated in section 8.1.2.2(c) in the chapter "description of the corporation's business" in the periodic report for 2018, the Company noted that the termination of the engagement with Maccabi and Leumit health funds is expected to result in a gradual reduction of the direct expenses with respect to the discontinued activity, over a period of 3 years. Total direct expenses in 2018 with respect to the Maccabi and Leumit transactions amounted to a total of approximately NIS 18 million. Additionally, indirect expenses which had been attributed to the Maccabi and Leumit transactions, in the amount of approximately NIS 25 million, were re-allocated in 2019 to the various activities, mostly in the health segment. This allocation also affected the cash flow forecast, and increased the insurance reserves for 2018 in the individual health branch (which are calculated using the gross premium reserve method), in the amount of approximately NIS 14 million.

In 2018, the impact of the Maccabi and Leumit health funds transaction on the results for 2018 amounted to loss of approximately NIS 94 million and of approximately NIS 8 million, respectively. The main components of loss in 2018 from the Maccabi and Leumit health funds transaction were due to the deficiency of investment income required to cover the increase in insurance liabilities, and the update to the actuarial model in the long-term care branch, inter alia, in light of the negative development in claims, and the implications due to the publication of the amendment to the provisions of the consolidated circular regarding the settlement of long-term care claims.

During the reporting period, the impact of the Maccabi and Leumit health funds transaction amounted to loss of approximately NIS 53 million and loss of approximately NIS 4 million, respectively. During the current quarter, the impact of the Maccabi and Leumit health funds transaction was loss of approximately NIS 32 million and NIS 7 million, respectively.

It is hereby clarified that the books of Clal Insurance include a liability with respect to long-term care claims, which originated during the period of long-term care insurance with the health funds, which concluded, as stated above, and which will be paid after the reporting date.

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

3.1 Financial information by operating segments (Cont.)

3.1.3. Health insurance (Cont.)

As specified in section 8.1.2.2 (c) of the chapter "description of the corporation's business" in the periodic report for 2018, in light of the new framework for engagement in the funds' long-term care insurance segments, the winning insurer's scope of insurance liability is significantly lower than that which applied to Clal Insurance in those insurance segments, according to the previous framework. Additionally, in consideration of the preliminary phase of the regulatory changes with respect to claim settlement in the long term care insurance segment, which were published in the circular regarding the settlement of long term care claims, as specified in section 8.1.2.2 of the chapter "description of the corporation's business" in the periodic report for 2018 (some of which are scheduled to enter into effect in September 2019), and in consideration of the prices at which, to the best of Clal Insurance's knowledge, the funds engaged with the insurers that won the tenders, Clal Insurance estimates that the profit which it would have gained from the transactions, had it won, would have been low.

Discontinuation of marketing of long-term care policies to new customers

Further to that stated in section 8.1.3.2 of the chapter "description of the corporation's business" in the periodic report for 2018, regarding Clal Insurance's decision to reduce the sales of individual long-term care insurance, in order to reduce the exposure to that segment, which is exposed to significant risks, including exposure to regulatory changes and complex claim resolution processes, Clal Insurance decided, in October 2019, to discontinue the marketing of the individual long-term care policies in Clal Insurance to new customers, inter alia, in light of the announcement of reinsurers regarding the discontinuation of their activity in the in the field segment in Israel.

3.1.4. Other and items not included in the insurance branches

	1-9		Q3		
NIS in millions	2019	2018	2019	2018	Note
Total comprehensive income before tax	**389**	42	**153**	79	**Reporting period** - The increase in income during the reporting period was mostly due to investment income in the amount of approximately NIS 423 million during the reporting period, as compared with investment income in the amount of approximately NIS 96 million in the corresponding period last year. **Quarter** - The increase in income during the quarter was mostly due to investment income in the amount of approximately NIS 164 million during the reporting period, as compared with a total of approximately NIS 99 million in the corresponding period last year.

3.1.5 General and administrative expenses

General and administrative expenses during the reporting period amounted to a total of approximately NIS 664 million, as compared with a total of approximately NIS 676 million last year,

and during the quarter amounted to a total of approximately NIS 218 million, as compared with a total of approximately NIS 234 million in the corresponding period last year.

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

3.1 Financial information by operating segments (Cont.)

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

The Group's financing expenses are primarily affected by the rate of increase in the known consumer price index (see Note 2(c) to the financial statements), and by debt raisings and repayments.

Financing expenses during the reporting period amounted to a total of approximately NIS 111 million, as compared with approximately NIS 101 million in the corresponding period last year.

Expenses during the quarter amounted to approximately NIS 23 million, as compared with approximately NIS 33 million in the corresponding period last year. The decrease in financing expenses during the quarter was due to the decrease of 0.7% in the consumer price index, as compared with the increase of 0.2% in the corresponding period last year.

For additional details regarding the issuance of Tier 2 capital, see section 3.1(a) above, and Note 8(c) to the financial statements.

3.2 Principal data from the consolidated statements of financial position

3.2.1. Assets

NIS in millions	As of September 30 2019	As of September 30 2018	As of December 31 2018	Rate of change since December %
Other financial investments [1]	**32,417**	31,721	31,502	3
Assets managed for others (non-nostro) in the Group (NIS in millions):				
For investment-linked insurance contracts and investment contracts	**69,095**	67,534	66,121	4
For provident fund members [1]	**35,827**	34,010	32,982	9
For pension fund members *)	**74,580**	67,252	66,025	13
Total assets managed for others	**179,502**	168,796	165,128	9
Total managed assets	**211,919**	200,517	196,630	8
*) Out of this amount, total assets managed by Atudot Havatika	**11,272**	10,282	10,028	12

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

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

3.2.2. Financial liabilities

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

3.2.3. Capital and capital requirements

A. Capital requirements in accordance with the provisions of the economic solvency regime [1)]

The insurance companies in the Group are subject to the provisions of the Solvency II-based economic solvency regime. In accordance with the Commissioner's directives, the insurance companies in the Group calculated the economic solvency ratio as of June 30, 2019 and December 31, 2018.

It is noted that the calculation of the economic solvency ratio is based on data and models which may differ from those used by the Company in the financial reports, and which are based, inter alia, on forecasts and assumptions which rely, for the most part, on past experience. In particular, and as specified in the economic solvency regime circular, the calculation of the economic solvency ratio is significantly based on the embedded value calculation model. In June 2019, Clal Insurance received the Commissioner's approval for the performance of an initial audit by an auditor[2] with respect to the data as of June 30, 2018, and accordingly, beginning with the financial statements as of June 30, 2019, Clal Insurance is required to comply with the provisions of the Solvency II-based economic solvency regime only, and it is not subject to the previous capital regime. For additional details regarding the capital requirements which apply to the Group's member companies, and regarding restrictions on dividends, see Note 6 to the financial statements.

On November 28,2019, proximate to the approval date of the report, Clal Insurance approved and published the economic solvency ratio report as of June 30, 2019, which is published on the Group's website at https://www.clalbit.co.il/aboutclalinsurance/financialstatementsandpressrelease.The Company will evaluate the above in light of the discussions regarding the Group's capital structure and strategy management.

For additional information, including a general description of the economic solvency regime, the general underlying principles of the regime, the methodology for calculation of the economic balance sheet and of the solvency capital requirement, provisions with respect to the distribution period, a general overview of directives issued by the Commissioner of Capital Markets in connection with the economic solvency ratio report, definitions of key concepts, remarks and clarifications, see also sections A-F in Chapter 1 - background details and disclosure requirements, and sections 2a, 3a and 4a of the economic solvency ratio report of Clal Insurance as of December 31, 2018, available on the Group's website, at the same address.

The calculation which Clal Insurance conducted as of June 30, 2019 was not audited or reviewed.

Presented below are data regarding the solvency ratio and minimum capital requirement of Clal Insurance in accordance with the Solvency II regime.

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

3.2.3. Capital and capital requirements

A. Capital requirements in accordance with the provisions of the economic solvency regime [1)]

1. Solvency ratio -

Equity for the purpose of the solvency capital requirement	As of June 30 2019	As of December 31 2018
NIS in millions	Unaudited and unreviewed	Audited [2)]
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	9,333	9,413
Solvency capital requirement	9,990	9,326
Surplus (deficit)	(658)	87
Solvency ratio	93%	101%
Significant events which occurred during the period between the balance sheet date and the reporting date, and which affected the Company's solvency ratio		
Issuance of Tier 2 capital *)	634	
Solvency ratio (without taking into account the provisions for the distribution period, and including adjustment of the stock scenario)	100%	

*) The amount presented above includes the consideration with respect to the issuance of NIS 830 million par value of bonds (Series K), and after deducting a total of NIS 196 million of issued capital, beyond the Tier 2 capital limit. For additional details, see Note 8(c) to the financial statements.

Fulfillment of milestones, in consideration of the provisions for the distribution period and the adjustment of the stock scenario: [3)]		
Equity for the purpose of the solvency capital requirement	9,171	9,119
Solvency capital requirement	6,400	5,999
Surplus (deficit)	2,771	3,120

2. Minimum capital requirement (MCR)

Equity for the purpose of the solvency capital requirement	As of June 30 2019	As of December 31 2018
NIS in millions	Unaudited and unreviewed	Audited[2]
Minimum capital requirement (MCR)	1,632	1,620
Equity for the purpose of the minimum capital requirement	6,297	6,444

1. The capital requirement applies to Clal Insurance, including the consolidation of Clal Credit Insurance.
2. The audit of the solvency ratio calculations was conducted in accordance with International Standard for Assurance Engagements (ISAE) 3400, The Examination of Prospective Financial Information.
3. In accordance with the provisions during the distribution period, the solvency capital requirement as of June 30, 2019 and December 31, 2018 amounts to 70% of the solvency capital requirement calculated according to a stock scenario adjustment.

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

3.2.3. Capital and capital requirements (Cont.)

B. Developments after June 30, 2019

1. On November 6, 2019, the Commissioner published a consultation paper regarding the adoption of transitional provisions under the economic solvency regime, in which it requested the companies' reference to issues associated with the possible adoption, in Israel, of transitional provisions which were determined in Europe, including also distribution of the increase in some of the reserves over a period of 16 years. Additionally, a draft circular was published regarding a quantitative impact study to evaluate adjustments to the economic solvency regime of insurance companies based on Solvency II, which will include an evaluation of adjustments which constitute easements in the calculation of the capital requirements with respect to components of market risk and investments in InsurTech. The Company estimates that the possible changes addressed in the two publications will have a potential positive effect on the Company's solvency ratio; however, at this stage, it is unable to estimate their scope. The Company's estimates regarding the implications of these two publications constitute forward looking information, which is based on the Company's non-final estimates which are known as of the publication date of the report, and which depend on the final wording of the various adjustments, insofar as they are applied. For additional details regarding these publications, see section 4.1.6 below.

2. The solvency ratio report of Clal Insurance which is attached to this report is as of June 30, 2019. In the third quarter, a significant additional decrease was recorded in the yield curve, which is expected to have a negative effect on the solvency ratio of Clal Insurance. For additional details, see section 3.1.B above.

   At this stage, Clal Insurance is unable to estimate the extent of the aforementioned effect on the solvency ratio, which could be significant. However, as of the publication date, Clal Insurance estimates that the above is not expected to adversely affect Clal Insurance's fulfillment of the regulatory capital requirements, in consideration of the distribution provisions, including as of December 31, 2019.

   The Company's estimates regarding the consequences of the interest rate developments described above constitute forward looking information, due, inter alia, to the preliminary status of the estimates, and the uncertainty regarding the actual scope of impact on the aforementioned change. Furthermore, the foregoing does not constitute an estimate of the solvency ratio as of December 31, 2019, which depends on the developments which will take place until that date, and on several additional factors, which at this stage cannot be estimated.

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 apply to the activities of the Group's member companies and which are material to their activities, which were published by the Knesset, the Government, or the Commissioner, as applicable, after the date of publication of the annual financial statements.

4.1 General

4.1.1 Policy regarding the issuance of a permit for the holding of the means of control of an institutional entity without a controlling shareholder to entities which manage customer funds

Further to that stated in section 10.3.1.1(d) of the chapter "description of the corporation's business" in the periodic report for 2018, in connection with the obligation to obtain a permit from the Commissioner for the holding of an institutional entity's means of control, in July 2019, the Authority published a "policy regarding the issuance of a permit for the holding of the means of control of an institutional entity without a controlling shareholder to entities which manage customer funds", in which conditions were established which, when fulfilled, will allow the issuance of a holding permit (for holdings exceeding 5% of a certain type of means of control) for institutional entities, mutual funds or ETF's which have requested a permit for holding an institutional entity without a controlling shareholder. According to the aforementioned policy, such a permit may be given in cases where the holding rate of the entity receiving the holding permit does not exceed 7.5% of the means of control of an institutional entity without a controlling shareholder, provided that its holdings which are not for its customers are less than 5%.

For additional details regarding the status of the control of the Company, see Note 1 to the financial statements.

A similar arrangement with respect to the holding of means of control is also possible in accordance with a permit which was given by the Bank of Israel with respect to banking corporations (however, this permit is also possible with respect to banks which have a control core). Accordingly, in June 2019, the Group's institutional entities received (for members' and policyholders' portfolios only) a permit from the Bank of Israel for holding of up to 7.5% of the shares of several banking corporations and Isracard Ltd., and a permit for holding 10% of Max It Finance Ltd. (formerly Leumi Card Ltd.).

4.1.2 Board of directors of institutional entities

Further to that stated in section 10.2.4 of the chapter "description of the corporation's business" in the periodic report for 2018, in connection with the board of directors circular and its provisions, regarding the possibility of conducting joint board meetings for an institutional entity and for other corporations, in April 2019, an "announcement of issues for discussion in joint meetings" was published, which included a list of issues regarding which the members of the board, or of the board committees, of an institutional entity, may hold joint meetings with the members of the board, or of the board committees, of the institutional entity's parent company, or of an institutional entity controlled by the parent company, or controlled by the institutional entity, except if there is any concern of a conflict of interest or risk of significant harm to the independence of the board's discussion.

The Company worked to implement the provisions that were issued in a notice regarding the board meetings.

On August 19, the Commissioner published a clarification stating that, in the process of renewing the tenure of an institutional entity's outside director, former tenure as an outside director in the institutional entity's parent company will not be considered, *per se,* as constituting ties which disqualify the renewal of their tenure. It was further clarified that, in the process of renewing the tenure of an institutional entity's outside director, the search committee will be entitled not to conduct a process of searching for additional candidates in accordance with the provisions of the circular, provided that it has evaluated their qualifications and suitability for the position.

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

4.1.3 Consultation paper - easements regarding investment in InsurTech ventures

In May 2019, the Authority published a consultation paper on the subject of easements regarding investment in InsurTech ventures, which is intended to identify barriers to investment by insurance companies in ventures and infrastructure developments in the InsurTech branch, and to discuss possible methods of addressing such barriers. In the paper, the Authority presented several possible easements in the economic solvency regime and in the Investment Rules Regulations, which are intended to help overcome the aforementioned barriers, and sought to discuss the extent of their effectiveness, and the appropriate mechanism for their acceptance, as well as the existence of other possible easements.

The Company is studying the implications of the aforementioned consultation paper.

4.1.4 Compensation circular

Further to that stated in section 10.7.5 of the chapter "description of the corporation's business" in the periodic report for 2018, in connection with the Commissioner's circular regarding the compensation policy of institutional entities (the "**Compensation Circular**"), and following the enactment of the Compensation of Corporate Officers in Financial Corporations Law (Special Approval and Non-Permissibility of Expense for Tax Purposes Due to Extraordinary Compensation), 2016, and easements which were determined therein with respect to public companies and banks, in July 2019, an amendment was published to the compensation circular, which included the establishment of various easements, including the option to apply an immaterial change (as defined in the compensation policy) to the compensation terms of an officer, with the CEO's approval, and without the board of directors' approval; easements regarding the definition of senior position holders; easements regarding the obligation to spread the variable component, including in the severance package, under certain conditions which were defined in the circular; addition of the possibility to grant a "retention bonus" to "key employees". It is noted that the Company and the Group's institutional entities are required to approve the compensation policy by the end of the reporting year.

4.1.5 Circular regarding customer service in institutional entities

In July 2019, an amendment was published to the circular regarding customer service in institutional entities, which is intended to improve the quality of service given to customers of institutional entities. The circular establishes, inter alia, provisions regarding details of which must be included in notices sent by an institutional entity to customers (including notices regarding financial charges); a requirement to provide human telephone response to customers within 5 minutes after the routing process; a requirement stipulating that an institutional entity must respond to the customer using the means of communication by which the customers contacted it, unless requested otherwise by the customer; a requirement to document telephone calls with customers. The amendment also includes the possibility of deviating from the waiting time by a maximum of 10%, out of all inquiries which were received, according to an annual average (in a transitional provision, approval was given for a deviation of up to 15% until December 25, 2022).

The circular regarding customer service in institutional entities is expected to have operational consequences with respect to the customer service processes in the Group's institutional entities, for the purpose of complying with the arrangements which were determined in the circular, and the institutional entities are preparing for its implementation.

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

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

On November 6, 2019, the Commissioner published a consultation paper regarding the adoption of transitional provisions under the economic solvency regime (hereinafter: the “Consultation Paper”), as well as a draft circular regarding a quantitative impact study to evaluate adjustments to the economic solvency regime of insurance companies based on Solvency II (hereinafter: the “Quantitative Impact Study”).

The consultation paper includes an in-depth evaluation of the extent to which the transitional provisions which are currently established in the economic solvency regime, which mostly involve the gradual entry into effect of the total capital requirement, over a period of 7 years after the application date, are appropriate for the unique characteristics of the insurance market in Israel. This paper included a request for the companies to address issues associated with the possible adoption, in Israel, of transitional provisions which were established in Europe, including also the distribution of the increase in some of the reserves over a period of 16 years.

The draft circular regarding the quantitative impact study includes details regarding possible adjustments to the solvency regime, which constitute easements in the calculation of the capital requirements with respect to components of market risk and investments in InsurTech, including a significant easement regarding the amount of the stock scenario which can be implemented with respect to 75% of the total investment in stocks held against investment-linked liabilities, as well as additional investments which will meet the specified conditions for recognition as long-term held stocks.

The Company’s estimates regarding the implications of the consultation paper and the draft circular constitute forward looking information, which is based on the Company’s non-final estimates which are known as of the publication date of the report, and which are expected to change according to their final wording, insofar as it will be published.

4.2 Long term savings

4.2.1 Retirement Age Law Memorandum

In the first stage, it is proposed to increase the retirement age for women to 65, gradually over a period of around 11 years. In the second stage, beginning in January 2037 (around three and a half years after the retirement age for women becomes 65), it is proposed to apply an automatic mechanism to increase the retirement age for women in accordance with changes in life expectancy, in a manner whereby the retirement age for women will not exceed the retirement age for men.

The provisions of the memorandum include increasing the retirement age for women broadly, across the entire economy (and not within the specific context of insurance and pension laws); however, they may have an indirect effect, inter alia, with respect to the period for deposits and receipt of annuities in managers’ insurance policies and in pension funds, and throughout the insurance coverage period in case of death or loss of working capacity.

The Company’s estimates regarding the implications of the Retirement Age Law Memorandum constitutes forward looking information, which is based on the Company’s non-final estimates which are known as of the publication date of the report, and which are expected to change according to the final wording of the Retirement Age Law, insofar as it will be amended.

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

4.2 Long term savings (Cont.)

4.2.2 Update to the series of demographic assumptions in life insurance and mortality improvement model

In November 2019, the Capital Market, Insurance and Savings Authority published a circular entitled "amendment to the provisions of the consolidated circular: update to the series of demographic assumptions in life insurance, and update to the mortality improvement model for insurance companies and pension funds", to which an position paper on the subject was attached, which updated the demographic assumptions underlying the estimates regarding annuity factors on the date of retirement in life insurance policies and in pension funds (hereinafter, jointly: the "**Circular Regarding Mortality Tables**").

The mortality tables circular includes mortality tables which are based, inter alia, on data regarding retirees which was collected by the Authority from the insurance companies (the "**Study**"), and also includes recommendations regarding the expected future rates of improvement in mortality. The circular addresses different population groups separately, and predicts, for some groups, an extension of life expectancy.

Clal Insurance studied the circular, and believes that the new assumptions which are included therein better reflect life expectancy than those which had been in use until now.

Accordingly, Clal Insurance estimated the implications of the proposed changes in the circular, and increased the insurance reserves by approximately NIS 305 million, before tax (see Note 8(a)(1)(d)).

For details regarding the Company's sensitivity to changes in mortality rates, see Note 39(e)(e1)(c) to the Company's periodic financial statements for 2018.

It is noted that the foregoing regarding the implications of the circular regarding mortality tables constitutes forward looking information, which is based on the Company's provisional and non-final estimates, that are known as of the publication date of the report. The foregoing may not occur, or may occur differently, due, inter alia, to additional evaluations which will be conducted by the Company and by Clal Insurance.

4.3 Health insurance segment

4.3.1 Standard surgery policy

Further to that stated in section 8.1.2.1 of the chapter "description of the corporation's business" in the periodic report for 2018, in connection with a petition which was filed by the Israel Medical Association with the Supreme Court, against the Health Chapter in the Economic Plan Law (Legislative Amendments Regarding Implementation of the Economic Policy for Budget Years 2015 and 2016), 2015, which included, inter alia, provisions regarding the determination stating that the standard surgery policy which is marketed by all insurance companies in Israel must include coverage for surgery which will be performed only through a service provider that has an arrangement with the insurer, and that, in general, the insurance company will pay according to the standard surgery policy, with respect to a surgery, to the physician or medical institution which performed the surgery, according to the surgery arrangement only, and will not pay to the patient a monetary reimbursement or payment for the surgery, and further to the sections in the petition in which it was asserted, inter alia, that the aforementioned reform adversely affects the patients' possibility of access to physicians, which constitutes a breach of Basic Law: Human Dignity and Liberty, since it revokes from the citizens the possibility of choosing the best medical treatment in their perspective - in May 2019, the Court dismissed the petition.

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

4.3 Health insurance segment (Cont.)

4.3.2. Personal accidents

In July 2019, an “amendment to the provisions of the consolidated circular - volume 6, part 3, chapters 2, 3 and 4 - personal accidents insurance - draft” was published (hereinafter: the “**Draft Circular Regarding Personal Accidents**”), which includes provisions which are intended to regulate the process of sale and insurance coverage in the personal accidents branch.

The principal provisions proposed in the draft circular regarding personal accidents include: determining a basic level for the policy, to include covers for death, disability, hospitalization, fractures and convalescence days, whereby an insurance company will be entitled to propose extensions to the basic layer, with the Commissioner’s approval; establishing a standard and broad definition of an “accident”; determining that the insurance period in a personal accidents policy will not exceed two years, and will be renewed at the policyholder’s request. In the draft, it was proposed to set forth unique and restrictive provisions regarding the addition of policyholders to personal accidents policies; a mechanism for the settlement of disability claims in personal accidents insurance, including a provision stipulating that the insurance company will not reject an opinion which has been determined for the policyholder on behalf of the National Insurance Institute, or a medical opinion which has determined a certain disability grade for the policyholder, without having conducted an examination of the policyholder by an specialized physician on its behalf; and a provision stipulating that the insurance company will not approve a claim from a policyholder with a disability grade which is less than the determined disability grade, except based on the determination of a specialized physician who has examined the policyholder.

In accordance with the personal accidents draft circular, insofar as it will be accepted, most of the provisions will enter into effect on December 1, 2019, and it will apply, in general, to individual or collective personal accidents insurance policies which will be commenced or renewed beginning on the application date and thereafter, excluding certain provisions, regarding which it is proposed to determine that they will not apply, inter alia, to students personal accident insurance and collective personal accidents insurance, as applicable.

The Company is evaluating the implications of the draft circular regarding personal accidents, which, insofar as it is published, in its current wording, is expected to impose difficulties on sale processes, including with respect to the possibility of continuing to market the policies which are currently being sold on the market, including accidental disability and death policies, may affect the policy period and the scope of insurance coverage, and may increase claim settlement costs.

The Company’s estimate regarding the impact of the draft circular regarding personal accidents constitutes forward looking information, which is based on preliminary estimates, and its actual implementation may differ, inter alia, depending on the final wording of the circular, if and insofar as it is published, the conduct of Clal Insurance and competing entities, and the pricing method of these products.

4.4 Non-life insurance

4.4.1 Circular regarding certificates of insurance

Further to that stated in section 7.4.1 in the chapter “description of the corporation’s business” in the periodic report for 2018, in May 2019, the circular regarding certificates of insurance was published (hereinafter: the “**Circular Regarding Certificates of Insurance**”), which regulates the conduct of insurance companies upon issuance of certificates of insurance, and dictates a binding phrasing for the provision of such certificates. The 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.

According to the Company’s estimate, the circular regarding certificates of insurance may result in increased operational efficiency on all matters associated with the issuance of certificates of insurance, and lead to standardization and certainty on all matters associated with the scope of insurance coverage.

The Company’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, which depend, inter alia, on the conduct of policyholders, entities requesting approval and competitors.

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

4.4.2 Draft circular regarding garages and loss adjusters

In May 2019, the Commissioner published a second draft regarding an "**amendment to the provisions of the consolidated circular - provisions in the motor property branch**" (hereinafter: the "**Draft Circular Regarding Garages and Loss Adjusters**"), which regulates the loss adjustment method for insurance claims in the motor property branch, with respect to the engagement with loss adjusters and with garages, as well as various provisions regarding the processes of policy marketing and loss adjustment.

The draft includes, inter alia, provisions which provide the possibility, for each garage which undertakes to fulfill the principles which have been determined by the insurer, and which signs a contractual agreement with it, to serve as an agreed-upon garage, and to provide service to its policyholders, or to a third party (hereinafter: "**Agreed-Upon Garage**"); The insurer is required to conduct negotiations, on an egalitarian basis, between garages with similar characteristics, and once it has signed an agreement with an agreed-upon garage, it must allow any other garage with similar characteristics to sign an agreement in the same wording; The price per work hour will be determined by agreement between the agreed-upon garage and the insurer; The cost of replacement parts will be determined according to a discount which the agreed-upon garage will undertake to grant to the insurer, or the agreed-upon garage will undertake that the price of the replacement parts that it will provide will not exceed the price of the replacement part which the insurer purchased, or which it may provide, in accordance with an agreement between the insurer and the garage; An agreed-upon garage will not commence the repair of the vehicle unless approval has been given by the insurance company and the vehicle owner.

With respect to loss adjusters, it was proposed to determine, inter alia, that in case of selection of a loss adjuster from the database of loss adjusters offered by the insurer (a loss adjuster whose decision is binding towards the insurance company, subject to a limited appeal process which was determined by a deciding loss adjuster), the insurer will be obligated to make use of the database of loss adjusters, which will be open to all loss adjusters who meet the criteria specified in the draft. The loss adjuster will be chosen from the database by the policyholder, out of a list of three loss adjusters which will be selected at random (hereinafter: the "**Database Loss Adjuster Mechanism**"). It was further determined that if the plaintiff decides to contact a private loss adjuster (by means other than the loss adjusters database mechanism), the insurance company will be entitled to make such choice dependent on the condition of examining the vehicle before repair, and that the proposed repair or loss adjustment in the foregoing case will be the effective proposed repair and loss adjustment, unless the insurance company has presented, in writing, a contrary proposed repair and loss adjustment, and has announced its intention to appeal the proposed repair and loss adjustment before a deciding loss adjuster, through a restricted mechanism, as stated above.

The insurance company will be obligated to offer to policyholders a program in which any garage may be chosen (as opposed to an agreed-upon garage), with no effect on the deductible amount which will be paid by the policyholder.

It is further proposed to determine various provisions regarding disclosure, transparency and service level, including the publication of policyholder satisfaction rates with respect to the agreed-upon garages, and extensive provisions regarding disclosure, both before the policy purchase date, and on the claim date. Clal Insurance is studying the provisions of the draft.

The draft circular regarding garages and loss adjusters may affect the claim settlement costs in motor property insurance. However, at this stage, Clal Insurance is unable to estimate its effects, insofar as it is published as a binding version, due, inter alia, to the multiplicity of proposed amendments, and their potential implications, which could have consequences in opposing directions, and in light of the actions of companies, agents, garages, loss adjusters and customers.

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

4.4.3 Discount rate for National Insurance annuities

Further to that stated in section 7.1.1.1.d(2) and Note 39(e)(e2)(4)(f) to the Company’s periodic reports for 2018, and Note 8(a)(2) to the financial statements, regarding the inter-ministerial committee to evaluate the discount rate for damages due to physical injury in tort claims (the “Committee”), which was established for the purpose of evaluating the matter of the discount rate for tort damages, in light of a specific case which was heard by the Supreme Court (the “Specific Case”), in August 2019, a ruling was given regarding the specific case, in which the committee’s main conclusions were adopted (the “Ruling”), and in which it was determined that the discount interest rate for tort damages which is used, inter alia, to discount insurance benefits for policyholders, will remain at the fixed rate of 3% for all injured parties (the “Determined Discount Rate”), and that until the expected legislative amendment on the matter, it will be possible to change the determined discount rate, according to an evaluation mechanism which will be applied once every two years, in which an evaluation will be conducted relative to the yield which is obtained by investing in AA rated corporate bonds, over a 25 year period. Insofar as a deviation of over one percent in either direction has been identified, the interest rate will be updated, except in extraordinary circumstances.

It was further determined in the ruling, with respect to the discount rates which will be used by insurers for the purpose of deducting National Insurance Institute compensation from the policyholders, and for the purpose of paying subrogation claims to the National Insurance Institute, that during the interim period, until the amendment to the National Insurance Regulations (Discounting), 1978 (hereinafter: the “Discounting Regulations”), according to the committee’s recommendations, the insurers’ consent to deduct National Insurance Institute compensation from insurance benefits for policyholders, according to a discount rate of 3%, will remain in effect. However, it was determined that in light of the harm caused to the injuring parties, it is presumed that, until the amendment to the Discounting Regulations, National Insurance will also have recourse to the injuring party, through a demand according to a discount rate of 3% (“Subrogation Claims of the National Insurance Institute”). For details regarding the ruling’s effect on the Company’s financial results, see Note 8(a)(2) to the financial statements.

It is noted that the foregoing regarding the implications of the ruling constitutes forward looking information, which is based on the Company’s provisional and non-final estimates which are known as of the publication date of the report. The foregoing may not occur, or may occur differently, due, inter alia, to the additional evaluations which will be conducted by the Company and by Clal Insurance, the amendment to the Discounting Regulations, insofar as they are amended, and the method for settlement of subrogation claims of the National Insurance Institute until that time.

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, 2019

	Israeli currency		Foreign currency						
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	Other non-monetary items	Insurance company in Israel	Total
Intangible assets	-	-	-	-	-	-	49,601	1,256,508	1,306,109
Deferred tax assets	-	-	-	-	-	-	7,600	1,630	9,230
Deferred acquisition costs	-	-	-	-	-	-	-	1,983,207	1,983,207
Property, plant and equipment	-	-	-	-	-	-	12,351	202,990	215,341
Right-of-use asset	-	-	-	-	-	-	104,637	445,036	549,673
Investments in associates	-	-	-	-	-	-	-	213,848	213,848
Investment property for investment-linked contracts	-	-	-	-	-	-	-	2,941,301	2,941,301
Other investment property	-	-	-	-	-	-	-	1,203,319	1,203,319
Reinsurance assets	-	-	-	-	-	-	-	3,390,912	3,390,912
Current tax assets	-	2,034	-	-	-	-	-	262,152	264,186
Other accounts receivable	13,590	-	1,000	-	-	-	425	639,367	654,382
Outstanding premiums	2,836	-	-	-	-	-	-	820,332	823,168
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	60,627,431	60,627,431
Other financial investments									
Marketable debt assets	-	15,980	-	-	-	-	-	6,207,948	6,223,928
Non-marketable debt assets	-	-	-	-	-	-	-	22,150,577	22,150,577
Stocks	-	-	-	-	-	-	121	1,474,476	1,474,597
Other	-	-	-	-	-	-	37	2,568,018	2,568,055
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	4,921,403	4,921,403
Other cash and cash equivalents	153,428	-	202	247	-	-	-	1,785,323	1,939,200
Total assets	169,854	18,014	1,202	247	-	-	174,772	113,095,778	113,459,867

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

Effect of market risks on business results (Cont.)

Linkage bases report - as of September 30, 2019 (Cont.)

NIS in thousands	Israeli currency		Foreign currency				Other non-monetary items	Insurance company in Israel	Total
	Unlinked	CPI-linked	USD	EUR	GBP	Other			
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	31,795,325	31,795,325
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	68,991,802	68,991,802
Deferred tax liabilities	-	-	-	-	-	-	-	298,330	298,330
Liabilities with respect to employee benefits, net	23,874	-	-	-	-	-	-	68,258	92,132
Lease liabilities	-	114,838	-	-	-	-	-	483,028	597,866
Other accounts payable	75,757	-	-	-	-	-	-	2,860,940	2,936,697
Current tax liabilities	-	84	-	-	-	-	-	-	84
Financial liabilities	-	-	-	-	-	-	-	4,182,878	4,182,878
Total liabilities	99,631	114,922	-	-	-	-	-	108,680,561	108,895,114
Total exposure	70,223	(96,908)	1,202	247	-	-	174,772	4,415,217	4,564,753

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 Effectiveness of 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 Comptrollership Division Manager of the Company have evaluated, as of the end of the period covered in this report, the effectiveness of the controls and procedures regarding the institutional entity's disclosure. Based on this evaluation, the CEO, the Executive VP of Clal Insurance and Financial Division Manager and the Senior VP Comptrollership Division Manager of the Company 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 directives which were issued by the Commissioner, and by the date specified in those directives.

During the quarter ended September 30, 2019, no changes occurred in the institutional entity's internal control over financial reporting which could have materially influenced, or which could have reasonably been expected to materially influence, the institutional entity's internal control over financial reporting.

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

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

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

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

Danny Naveh **Chairman of the Board**	**Yoram Naveh** **Chief Executive Officer**

Tel Aviv, November 28, 2019

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

Introduction

We have reviewed the enclosed financial information of Clal Insurance Enterprises Holdings Ltd. and its subsidiaries (hereinafter: the "**Group**"), which includes the interim condensed consolidated statement of financial position as of September 30, 2019, as well as the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for nine and three month periods then ended. The board of directors and management are responsible for preparing and presenting the financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements set by the Commissioner of Capital Markets, Insurance and Savings, pursuant to the Control of Financial Services (Insurance) Law, 1981, and are also responsible for compiling financial information for these interim periods in accordance with Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent that these regulations apply to a corporation which consolidates insurance companies. Our responsibility is to express a conclusion with respect to the financial information for these interim periods, based on our review.

We have not reviewed the condensed financial information for interim periods of investee companies accounted by the equity method, the investment in which amounted to approximately NIS 16 million as of September 30, 2019, and where the Group's share in their income amounted to approximately NIS 275 thousand and approximately NIS 94 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 the amounts which were included with respect to that company, is based on the review report which was prepared by the other auditors.

Scope of the Review

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

Conclusion

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

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

Bold paragraph regarding (reference)

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

Tel Aviv,
November 28, 2019

Somekh Chaikin	Kost Forer Gabbay and Kasierer
Certified Public Accountants	Certified Public Accountants

Joint Auditors

Interim Consolidated Statements of Financial Position

NIS in thousands	Note	As of September 30 2019	As of September 30 2018	As of December 31 2018
		Unaudited	Unaudited	Audited
Assets				
Intangible assets		**1,306,109**	1,304,210	1,342,759
Deferred tax assets		**9,230**	7,748	6,554
Deferred acquisition costs		**1,983,207**	1,932,001	1,973,539
Property, plant and equipment		**215,341**	231,091	225,160
Right-of-use asset	3	**549,673**	-	-
Investments in investee companies accounted by the equity method		**213,848**	282,372	214,504
Investment property for investment-linked contracts		**2,941,301**	2,959,118	3,000,340
Other investment property		**1,203,319**	1,249,329	1,266,895
Reinsurance assets		**3,390,912**	2,847,128	2,979,379
Current tax assets		**264,186**	138,021	259,338
Other accounts receivable		**654,382**	715,314	1,213,327
Outstanding premiums		**823,168**	992,111	876,856
Financial investments for investment-linked contracts	5	**60,627,431**	59,050,723	58,185,233
Other financial investments:	5			
Marketable debt assets		**6,223,928**	5,331,521	5,231,862
Non-marketable debt assets		**22,150,577**	22,061,359	21,990,343
Stocks		**1,474,597**	1,516,881	1,416,975
Others		**2,568,055**	2,811,103	2,862,377
Total other financial investments		**32,417,157**	31,720,864	31,501,557
Cash and cash equivalents for investment-linked contracts		**4,921,403**	4,874,893	3,648,899
Other cash and cash equivalents		**1,939,200**	1,303,862	1,298,286
Total assets		**113,459,867**	109,608,785	107,992,626
Total assets for investment-linked contracts	5	**69,094,853**	67,533,955	66,121,248

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

Interim Consolidated Statements of Financial Position

NIS in thousands	Note	As of September 30 2019	As of September 30 2018	As of December 31 2018
		Unaudited	Unaudited	Audited
Capital				
Share capital		**143,382**	143,381	143,382
Premium on shares		**1,015,689**	1,008,889	1,009,801
Capital reserves		**849,481**	706,168	587,118
Retained earnings		**2,504,144**	3,244,144	3,157,874
Total capital attributable to Company shareholders		**4,512,696**	5,102,582	4,898,175
Non-controlling interests		**52,057**	48,121	48,745
Total capital		**4,564,753**	5,150,703	4,946,920
Liabilities				
Liabilities with respect to non-investment-linked insurance contracts and investment contracts		**31,795,325**	30,615,996	30,646,995
Liabilities with respect to investment-linked insurance contracts and investment contracts		**68,991,802**	67,194,220	65,366,897
Deferred tax liabilities		**298,330**	479,024	401,903
Liabilities with respect to employee benefits, net		**92,132**	85,245	80,757
Lease liabilities	3	**597,866**	-	-
Other accounts payable		**2,936,697**	2,688,442	3,000,165
Current tax liabilities		**84**	5,177	5,290
Financial liabilities	5	**4,182,878**	3,389,978	3,543,699
Total liabilities		**108,895,114**	104,458,082	103,045,706
Total capital and liabilities		**113,459,867**	109,608,785	107,992,626

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

November 28, 2019				
Approval date of the financial statements	Danny Naveh Chairman of the Board	Yoram Naveh Chief Executive Officer	Eran Cherninsky Executive VP Finance Division Manager	Tal Cohen Senior VP, Comptrollership Division Manager

Interim Consolidated Statements of Income

NIS in thousands	For the period of nine months ended September 30 2019	For the period of nine months ended September 30 2018	For the period of three months ended September 30 2019	For the period of three months ended September 30 2018	For the year ended December 31 2018
	Unaudited				Audited
Gross premiums earned	**7,241,004**	7,647,654	**2,403,348**	2,653,952	10,275,018
Premiums earned by reinsurers	**949,207**	1,060,020	**326,557**	368,035	1,380,033
Premiums earned on retention	**6,291,797**	6,587,634	**2,076,791**	2,285,917	8,894,985
Income from investments, net, and financing income	**6,778,256**	3,441,090	**1,107,060**	1,907,388	1,244,869
Income from management fees	**974,344**	787,534	**315,357**	338,738	884,197
Income from commissions	**216,474**	232,669	**71,954**	79,340	291,346
Other income	**10**	72	**21**	42	75
Total income	**14,260,881**	11,048,999	**3,571,183**	4,611,425	11,315,472
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**13,824,532**	9,429,161	**4,081,136**	4,058,187	9,350,694
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(937,635)**	(787,781)	**(280,076)**	(231,429)	(1,106,784)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**12,886,897**	8,641,380	**3,801,060**	3,826,758	8,243,910
Commissions, marketing expenses and other acquisition costs	**1,512,983**	1,487,793	**509,922**	511,718	2,020,065
General and administrative expenses	**664,361**	676,027	**217,610**	233,929	910,230
Impairment of intangible assets	**-**	114,824	**-**	-	114,824
Other expenses	**8,815**	9,878	**2,362**	2,123	10,697
Financing expenses	**129,439**	124,925	**21,465**	35,670	157,931
Total expenses	**15,202,495**	11,054,827	**4,552,419**	4,610,198	11,457,657
Share in the results of investee companies accounted by the equity method, net	**(4,233)**	3,099	**(6,561)**	1,067	(25,668)
Income (loss) before taxes on income	**(945,847)**	(2,729)	**(987,797)**	2,294	(167,853)
Taxes on income (tax benefit)	**(322,082)**	(5,975)	**(319,761)**	3,681	(81,692)
Income (loss) for the period	**(623,765)**	3,246	**(668,036)**	(1,387)	(86,161)
Attributable to:					
Company shareholders	**(626,243)**	(851)	**(668,890)**	(2,547)	(91,445)
Non-controlling interests	**2,478**	4,097	**854**	1,160	5,284
Income (loss) for the period	**(623,765)**	3,246	**(668,036)**	(1,387)	(86,161)
Earnings (loss) per share attributable to Company shareholders:					
Basic and diluted loss per share (in NIS)	**(11.27)**	(0.02)	**(12.03)**	(0.05)	(1.65)
Number of shares used to calculate earnings per share:					
Basic and diluted	**55,579**	55,577	**55,579**	55,577	55,577

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

Interim Consolidated Statements of Comprehensive Income

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
NIS in thousands	Unaudited				Audited
Income (loss) for the period	**(623,765)**	3,246	**(668,036)**	(1,387)	(86,161)
Other comprehensive income:					
Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to the statement of income:					
Foreign currency translation differences for foreign operations applied to capital reserves	**(28,226)**	13,339	**(8,867)**	(3,258)	28,640
Foreign currency translation differences applied to the statement of income	**11,466**	-	**-**	-	92
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**707,765**	257,135	**261,237**	167,051	116,209
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	**(309,805)**	(209,839)	**(96,906)**	(74,595)	(287,850)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	**21,701**	21,828	**10,507**	6,837	41,051
Other comprehensive income (loss) for the period which has been or will be transferred to the statement of income, before tax	**402,901**	82,463	**165,971**	96,035	(101,858)
Tax (tax benefit) with respect to available-for-sale financial assets	**143,451**	23,579	**59,749**	33,950	(44,646)
Tax (tax benefit) with respect to other components	**(3,813)**	3,049	**(2,028)**	(739)	6,574
Tax (tax benefit) with respect to components of other comprehensive income for the period which have been or will be transferred to the statement of income	**139,638**	26,628	**57,721**	33,211	(38,072)
Other comprehensive income (loss) which, following initial recognition under comprehensive income, have been or will be transferred to the statement of income, net of tax	**263,263**	55,835	**108,250**	62,824	(63,786)
Components of other comprehensive income which will not be transferred to the statement of income:					
Actuarial income (loss) from defined benefit plan	**(12,906)**	532	**(5,945)**	(128)	8,281
Tax (tax benefit) with respect to components of other comprehensive income which will not be transferred to the statement of income	**(3,847)**	117	**(1,774)**	(65)	2,448
Other comprehensive income (loss) which will not be transferred to the statement of income, net of tax	**(9,059)**	415	**(4,171)**	(63)	5,833
Other comprehensive income (loss) for the period	**254,204**	56,250	**104,079**	62,761	(57,953)
Total comprehensive income (loss) for the period	**(369,561)**	59,496	**(563,957)**	61,374	(144,114)
Attributable to:					
Company shareholders	**(372,873)**	55,757	**(565,029)**	60,051	(148,477)
Non-controlling interests	**3,312**	3,739	**1,072**	1,323	4,363
Total comprehensive income (loss) for the period	**(369,561)**	59,496	**(563,957)**	61,374	(144,114)

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

Interim Consolidated Statements of Changes in Equity

NIS in thousands	Attributable to Company shareholders: 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
For the period of nine months ended September 30, 2019 (unaudited)										
Balance as of January 1, 2019	143,382	1,009,801	(2,271)	448,369	180,329	(39,309)	3,157,874	4,898,175	48,745	4,946,920
Impact of the initial adoption of IFRS 16	-	-	-	-	-	-	(12,598)	(12,598)	-	(12,598)
Income for the period	-	-	-	-	-	-	(626,243)	(626,243)	2,478	(623,765)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(28,226)	-	-	-	-	(28,226)	-	(28,226)
Foreign currency translation differences applied to the statement of income	-	-	11,466	-	-	-	-	11,466	-	11,466
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	706,306	-	-	-	706,306	1,459	707,765
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(309,687)	-	-	-	(309,687)	(118)	(309,805)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	21,695	-	-	-	21,695	6	21,701
Actuarial losses from defined benefit plan	-	-	-	-	-	-	(12,806)	(12,806)	(100)	(12,906)
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	3,813	(143,004)	-	-	3,813	(135,378)	(413)	(135,791)
Other comprehensive income (loss) for the period, net of tax	-	-	(12,947)	275,310	-	-	(8,993)	253,370	834	254,204
Total comprehensive income (loss) for the period	-	-	(12,947)	275,310	-	-	(635,236)	(372,873)	3,312	(369,561)
Transactions with shareholders which were applied directly to equity:										
Expiration of warrants for senior employees	-	5,888	-	-	-	-	(5,888)	-	-	-
Share-based payments	-	-	-	-	-	-	(8)	(8)	-	(8)
Balance as of September 30, 2019	143,382	1,015,689	(15,218)	723,679	180,329	(39,309)	2,504,144	4,512,696	52,057	4,564,753

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to Company shareholders								Non-controlling interests	Total capital
NIS in thousands	**Share capital**	**Premium on shares**	**Translation reserve**	**Capital reserve with respect to available for sale assets**	**Other capital reserves**	**Capital reserve from transactions with non-controlling interests**	**Retained earnings**	**Total**		
For the period of nine months ended September 30, 2018 (unaudited)										
Balance as of January 1, 2018	143,367	1,001,880	(24,429)	533,373	180,329	(39,309)	3,251,608	5,046,819	44,382	5,091,201
Income for the period	-	-	-	-	-	-	(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 the statement of income	-	-	-	(209,295)	-	-	-	(209,295)	(544)	(209,839)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	21,822	-	-	-	21,822	6	21,828
Actuarial losses from defined benefit plan	-	-	-	-	-	-	515	515	17	532
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	(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 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

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

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to Company shareholders								Non-controlling interests	Total capital
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of three months ended September 30, 2019 (unaudited)										
Balance as of July 1, 2019	**143,382**	**1,012,503**	**(8,379)**	**608,836**	**180,329**	**(39,309)**	**3,180,363**	**5,077,725**	**50,985**	**5,128,710**
Income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(668,890)**	**(668,890)**	**854**	**(668,036)**
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	**-**	**-**	**(8,867)**	**-**	**-**	**-**	**-**	**(8,867)**	**-**	**(8,867)**
Foreign currency translation differences applied to the statement of income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**-**	**-**	**-**	**260,846**	**-**	**-**	**-**	**260,846**	**391**	**261,237**
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	**-**	**-**	**-**	**(96,858)**	**-**	**-**	**-**	**(96,858)**	**(48)**	**(96,906)**
Impairment loss with respect to available for sale financial assets transferred to the statement of income	**-**	**-**	**-**	**10,504**	**-**	**-**	**-**	**10,504**	**3**	**10,507**
Actuarial gains (losses) from defined benefit plan	**-**	**-**	**-**	**-**	**-**	**-**	**(5,903)**	**(5,903)**	**(42)**	**(5,945)**
Tax benefit (tax) with respect to components of comprehensive (loss) income	**-**	**-**	**2,028**	**(59,649)**	**-**	**-**	**1,760**	**(55,861)**	**(86)**	**(55,947)**
Other comprehensive income (loss) for the period, net of tax	**-**	**-**	**(6,839)**	**114,843**	**-**	**-**	**(4,143)**	**103,861**	**218**	**104,079**
Total comprehensive income (loss) for the period	**-**	**-**	**(6,839)**	**114,843**	**-**	**-**	**(673,033)**	**(565,029)**	**1,072**	**(563,957)**
Transactions with shareholders which were applied directly to equity:										
Expiration of warrants for senior employees	**-**	**3,186**	**-**	**-**	**-**	**-**	**(3,186)**	**-**	**-**	**-**
Balance as of September 30, 2019	**143,382**	**1,015,689**	**(15,218)**	**723,679**	**180,329**	**(39,309)**	**2,504,144**	**4,512,696**	**52,057**	**4,564,753**

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

Interim Consolidated Statements of Changes in Equity (Cont.)

	Attributable to Company shareholders								Non-controlling interests	Total capital
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of three months ended September 30, 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 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 the statement of income	-	-	-	(74,506)	-	-	-	(74,506)	(89)	(74,595)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	6,835	-	-	-	6,835	2	6,837
Actuarial losses from defined benefit plan	-	-	-	-	-	-	(138)	(138)	10	(128)
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	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 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 Company shareholders									
For the year ended December 31, 2018 (Audited)										
Balance as of January 1, 2018	143,367	1,001,880	(24,429)	533,373	180,329	(39,309)	3,251,608	5,046,819	44,382	5,091,201
Income for the period	-	-	-	-	-	-	(91,445)	(91,445)	5,284	(86,161)
Components of other comprehensive income (loss):								-		-
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	28,640	-	-	-	-	28,640	-	28,640
Foreign currency translation differences for foreign operations applied to profit and loss	-	-	92	-	-	-	-	92	-	92
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	117,006	-	-	-	117,006	(797)	116,209
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(287,181)	-	-	-	(287,181)	(669)	(287,850)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	41,012	-	-	-	41,012	39	41,051
Actuarial gains from defined benefit plan	-	-	-	-	-	-	8,252	8,252	29	8,281
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	(6,574)	44,159	-	-	(2,438)	35,147	477	35,624
Other comprehensive income (loss) for the period, net of tax	-	-	22,158	(85,004)	-	-	5,814	(57,032)	(921)	(57,953)
Total comprehensive income for the period	-	-	22,158	(85,004)	-	-	(85,631)	(148,477)	4,363	(144,114)
Transactions with shareholders which were applied directly to equity:										
Exercise and expiration of warrants for senior employees	15	7,921	-	-	-	-	(7,936)	-	-	-
Share-based payments	-	-	-	-	-	-	(167)	(167)	-	(167)
Balance as of December 31, 2018	143,382	1,009,801	(2,271)	448,369	180,329	(39,309)	3,157,874	4,898,175	48,745	4,946,920

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
		2019	2018	2019	2018	2018
NIS in thousands		Unaudited				Audited
Cash flows from operating activities						
Income (loss) before taxes on income	(A)	**1,410,274**	574,645	**(558,615)**	981,614	(550,845)
Income tax received (paid)		**75,572**	(13,825)	**(10,730)**	(5,308)	(72,799)
Net cash from operating activities		**1,485,846**	560,820	**(569,345)**	976,306	(623,644)
Cash flows from investing activities						
Consideration from disposal of property, plant and equipment		**10**	7	**6**	2	217
Consideration from disposal of investments in other investee companies		**349**	22,354	**-**	13,688	50,090
Consideration from disposal of investment in available for sale financial assets by companies which are not insurance and finance companies		**-**	15,598	**-**	-	26,098
Investment in available for sale financial assets by companies that are not insurance and finance companies		**-**	(15,054)	**-**	-	(15,054)
Investment in shares and loans in investee companies		**(25,129)**	-	**(33)**	-	-
Investment in property, plant and equipment		**(17,791)**	(29,623)	**(1,522)**	(19,643)	(20,699)
Investment in intangible assets		**(132,511)**	(186,364)	**(51,839)**	(60,795)	(282,004)
Net cash used in investing activities		**(175,072)**	(193,082)	**(53,388)**	(66,748)	(241,352)
Cash flows from financing activities						
Costs of issue and exchange of deferred liability notes		**(10,280)**	-	**(10,280)**	-	-
Consideration from issue of deferred liability notes		**830,000**	-	**830,000**	-	-
Repayment of deferred liability notes		**(22,300)**	(50,899)	**-**	-	(50,899)
Repayment of principal with respect to lease liability		**(50,564)**	-	**(17,102)**	-	-
Paid interest on deferred liability notes		**(99,705)**	(102,013)	**(41,331)**	(55,033)	(115,981)
Net cash used in financing activities		**647,151**	(152,912)	**761,287**	(55,033)	(166,880)
Impact of exchange rate fluctuations on cash and cash equivalent balances		**(44,507)**	28,622	**(19,860)**	(5,951)	43,752
Net increase (decrease) in cash and cash equivalents		**1,913,418**	243,446	**118,694**	848,574	(988,124)
Cash and cash equivalents at beginning of period	(B)	**4,947,185**	5,935,309	**6,741,909**	5,330,181	5,935,309
Cash and cash equivalents at end of period	(C)	**6,860,603**	6,178,755	**6,860,603**	6,178,755	4,947,185

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

Interim Consolidated Statements of Cash Flows (Cont.)

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
NIS in thousands	Unaudited				Audited
(A) Cash flows from operating activities before taxes on income [1) 2)]					
Income (loss) for the period	(623,765)	3,246	(668,036)	(1,387)	(86,161)
Items not involving cash flows:			-		
The Company's share in the income of investee companies accounted by the equity method	4,233	(3,099)	6,561	(1,067)	25,668
Dividends received from investee companies accounted by the equity method	12,631	-	233	-	19,253
Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	1,148,330	431,704	468,392	204,024	462,703
Change in liabilities with respect to investment-linked insurance contracts and investment contracts	3,624,905	3,848,141	1,741,016	2,141,536	2,020,818
Change in deferred acquisition costs	(9,668)	12,573	(10,849)	21,297	(28,965)
Change in reinsurance assets	(411,533)	(45,352)	(90,000)	(322)	(177,603)
Depreciation of property, plant and equipment and right-of-use asset	66,362	30,189	24,126	10,307	41,593
Amortization of intangible assets	169,161	159,083	58,400	54,622	216,174
Impairment of intangible assets	-	114,824	-	-	114,824
Loss from disposal of property, plant and equipment	13	6	-	(2)	98
Loss from right-of-use asset	69	-	13	-	-
Interest and linkage differences accrued with respect to deferred liability notes	111,950	101,366	23,012	32,678	132,553
Interest accrued and revaluation of liabilities to banking corporations and others	(114,928)	(17,443)	100,462	(301,006)	118,418
Change in fair value of investment property for investment-linked contracts	60,038	(21,990)	26,975	6,418	(55,422)
Change in fair value of other investment property	14,096	(1,384)	7,680	1,549	(8,932)
Share-based payment transactions	(8)	6	-	51	(167)
Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts	(4,029,159)	(927,530)	(469,327)	(1,058,407)	1,985,142
Taxes on income (tax benefit)	(322,082)	(5,975)	(319,761)	3,681	(81,692)
Net loss (profit) from other financial investments:					
Marketable debt assets	(6,609)	(32,908)	51,158	40,283	(30,741)
Non-marketable debt assets	(286,409)	(389,795)	(50,732)	(224,982)	(266,560)
Stocks	(106,867)	(44,603)	(33,583)	(17,965)	(72,831)
Others	(265,759)	87,780	(111,478)	(24,236)	203,108
Financial investments and investment property for investment-linked contracts:					
Acquisition of investment property	(56,098)	(67,161)	(53,042)	(21,595)	(74,951)
Consideration from the sale of investment property	55,099	-	55,099	-	-
Acquisitions net of financial investments	1,586,961	(1,892,232)	(1,133,102)	(156,153)	(3,939,414)
Receipts (investments) from the sale of (investment in) available for sale financial assets and investment property in insurance business operations:					
Marketable debt assets	(584,873)	144,746	(660,032)	(344,566)	138,969
Non-marketable debt assets	122,942	158,456	7,660	525,322	106,440
Stocks	92,632	(73,029)	41,503	(13,196)	(28,711)
Others	535,733	(48,998)	152,975	15,644	(239,162)
Acquisition of other investment property	(23,747)	(26,729)	(22,673)	(8,429)	(29,545)
Consideration from the sale of other investment property	54,901	-	54,901	-	-

1) Cash flows from operating activities include cash flows with respect to acquisitions and net sales of financial investments and investment property derived from activities with respect to insurance contracts and investment contracts.

2) Cash flows from operating activities include cash flows with respect to received dividends and interest, as specified in Annex E.

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

Interim Consolidated Statements of Cash Flows (Cont.)

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
NIS in thousands	Unaudited				Audited
(A) Cash flows from operating activities before taxes on income (Cont.)					
Changes in other items in the statement of financial position, net					
Securities held for trading by consolidated companies which are not insurance companies	**3,271**	3,218	**135**	583	3,605
Other accounts receivable	**585,471**	(208,225)	**199,723**	128,636	(706,238)
Outstanding premiums	**53,688**	(98,269)	**90,454**	85,235	16,986
Other accounts payable	**(49,176)**	(617,496)	**(46,282)**	(113,958)	(334,888)
Liabilities with respect to employee benefits, net	**(1,531)**	1,525	**(196)**	(2,981)	4,786
Total cash flows from operating activities before taxes on income	**1,410,274**	574,645	**(558,615)**	981,614	(550,845)
(B) Cash and cash equivalents at beginning of period:					
Cash and cash equivalents for investment-linked contracts	**3,648,899**	4,529,446	**5,179,373**	4,200,311	4,529,446
Other cash and cash equivalents	**1,298,286**	1,405,863	**1,562,536**	1,129,870	1,405,863
Balance of cash and cash equivalents at beginning of period	**4,947,185**	5,935,309	**6,741,909**	5,330,181	5,935,309
(C) Cash and cash equivalents at end of period:					
Cash and cash equivalents for investment-linked contracts	**4,921,403**	4,874,893	**4,921,403**	4,874,893	3,648,899
Other cash and cash equivalents	**1,939,200**	1,303,862	**1,939,200**	1,303,862	1,298,286
Balance of cash and cash equivalents at end of period	**6,860,603**	6,178,755	**6,860,603**	6,178,755	4,947,185
(D) Cash flows with respect to interest and dividends received, included under operating activities:					
Interest received	**1,494,389**	1,541,528	**421,836**	496,885	2,222,119
Dividend received	**306,923**	334,902	**117,561**	80,026	455,819
(E) Operations which are not associated with cash flows					
Investment in assets against other accounts payable	-	-	-	-	14,699

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, 2019 (hereinafter: the "**Financial Statements**") include the statements of the Company and its subsidiaries (hereinafter, jointly: the "**Group**"), as well as the Group's interests in joint ventures and associates.

As of the reporting date, approximately 6.85% 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 (the "**Trustee**"), 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 4.98% of the Company's issued capital, and in total, 11.83% of the Company's issued capital[1] (approximately 11.79% at full dilution).

IDB Development also engaged in swap transactions with various banking institutions, with respect to shares in the Company which it sold to third parties (hereinafter: the "**Buyers**" and the "**Swap Transactions**", as applicable), which, as of the publication date of the report, amounted to a rate of approximately 10%. IDB Development clarified that, in accordance with the terms of the swap transactions, it is unaware of the buyers' identity. For details regarding the swap transactions, see Note 1(b)(i) below[2].

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 (through corporations under his control). IDB Development constitutes a reporting corporation, due to the fact that its bonds are listed for trading on the Tel Aviv Stock Exchange.

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

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

On August 21, 2013, in accordance with the Commissioner's demand, IDB Development submitted an irrevocable power of attorney to Mr. Moshe Terry, 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.

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[1] On March 22, 2017, IDB Development reported that it had pledged approximately 4.99% (4.87% at full dilution, which constitute as of the present date approximately 4.98% and approximately 4.96% at full dilution) of the Company's shares which are held by IDB Development in favor of the trustee for the bondholders (Series K) of IDB Development. For details regarding the issuance of bonds (Series K) of IDB Development, see section 4(b) below.

[2] It is noted that IDB Development announced that, in accordance with legal position number 101-22, which was published by the Israel Securities Authority on February, 28, 2019 (the "Authority's Position"), and for the sake of prudence, it is considered (in accordance with the Authority's position) as holding approximately 44.3% (at that time) of the Company's issued and paid-up share capital, whereby, with respect to approximately 24% (at that time), IDB Development is considered as the holder jointly with third parties, whose identity is not known to it, in accordance with the terms of the swap transactions.
The staff of the Israel Securities Authority clarified to the Company that, as stated in its position, the position entered into effect beginning on its date of publication, and therefore, it does not apply to existing transactions which have not yet concluded, and whose commencement date was before the publication date of the position.

Note 1: General (Cont.)

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

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

On February 20, 2017, the trustee transferred to IDB Development shares of the Company which constitute approximately 1% of its issued share capital and voting rights, which were pledged by it as specified in footnote 1 above, and on May 3, 2017, August 31, 2017, January 1, 2018 and May 3, 2018, August 30, 2018, January 2, 2019, May 3, 2019, September 4, 2019 and November 20, 2019, shares of the Company were sold which together constitute approximately 43% of the Company's shares, as specified in section 3 below, such that, as of the publication date of the report, IDB Development holds, directly and through the trustee, a total of approximately 11.83% of the Company's issued capital[1] (approximately 11.79% at full dilution).

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

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

During the period since the appointment of the trustee, various directives have been received from the Commissioner regarding the appointment of directors in the Group, including through a committee which was appointed for this purpose.

Note 1: General (Cont.)

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

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

   Directors and outside directors of the Company and of Clal Insurance were appointed, from time to time, in accordance with the appointed committee's recommendations.

   It is noted that, in accordance with the circular regarding an institutional entity's board of directors, the board of directors of an institutional entity will appoint a committee from among its members, to search for candidates to serve as independent directors. On August 19, 2019, the Company was informed by the Commissioner that the foregoing obligation applies to the Company, despite the fact that a committee was appointed for the purpose of appointing directors in the Company and in Clal Insurance, as stated above, since only 15% of the Company's shares are held by the trustee (the trustee's holdings at the time), and only regarding those shares may the appointment of directors in the Company and in Clal Insurance be performed by the director appointment committee, which in any case is not currently active.

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

   Further to the request of 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, and if such an agreement is signed, the potential buyer will have the option to complete the process of receiving a control permit from the Commissioner by and no later than June 30, 2016.

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

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

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

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

Note 1: General (Cont.)

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

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

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

Note 1: General (Cont.)

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

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

    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 (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").

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

   In the ruling, it was determined that the trustee is subject, in his actions, to the instructions of the Commissioner with respect to the sale of the Company's shares, and that the judgment which was exercised by the Commissioner, by ordering the trustee to work towards selling 5% of the Company's shares in accordance with the outline, constituted reasonable and proportional judgment. It was further determined that the sale of the shares, as stated above, must be done by the trustee at the best price which can be obtained for them on the sale date (and on this matter, the Court accepted the position of the trustee, according to which the best way is to sell the shares by way of a tender). Additionally, in the ruling, it was clarified that it applies to the instruction to sell 5% of the aforementioned shares only, where after such sale, the Commissioner will be required to exercise judgment again, 4 months later (and at that time as well, the Commissioner will be required to take into account all of the relevant considerations, as listed by the Court, as well as the changes in circumstances, if any). IDB Development filed with the Supreme Court an appeal against the ruling, which was dismissed without ordering expenses.

Note 1: General (Cont.)

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

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

I. (Cont.)

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

Accordingly, on May 3, 2017, after the Court approved the aforementioned motion, and on August 31, 2017, January 1, 2018, 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 end 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. For details regarding an additional swap transaction in which IDB Development engaged with respect to some of the Company's shares which it sold to Bank Hapoalim Ltd. (hereinafter: "**Bank Hapoalim**"), see section 5 below.

As part of IDB Development's understandings vis-à-vis the Commissioner from December 18, 2018, IDB Development undertook to avoid, in the future, entering into any additional swap transactions beyond those which currently apply to the Company's shares, as specified above, and to avoid extending the existing swap transactions in connection with the Company's shares.[3]

Additionally, in accordance with the aforementioned understandings with the Commissioner, on January 2, 2019, IDB Development sold shares which constitute approximately 4.5% of the Company's issued capital, which were held by the trustee, through an over the counter transaction. Additionally, and further to the aforementioned understandings which were reached with the Commissioner, on January 2, 2019, the swap transaction concluded which had been implemented in May 2017, with respect to shares which constitute 1% of the Company's issued capital. The terms of the swap transaction continued to apply with respect to the other shares of the Company which form the subject of this swap transaction, and which constituted approximately 4% of the Company's issued capital until May 2019 (see below).

On April 15, 2019, the trustee for the bondholders (Series I) of IDB Development (the "Trustee for the Bondholders (Series I)") sent a letter to the Commissioner, in which the trustee for the bondholders (Series I) requested the Commissioner to instruct the suspension of the sale of the Company's shares by the trustee.

[3] For details regarding the Authority's position, see footnote 2 above.

Note 1: General (Cont.)

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

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

   I. (Cont.)
   On April 16, 2019, the Commissioner instructed the trustee to continue working in accordance with the provisions of the outline, and to sell 5% of the means of control in the Company which are held by the trustee by May 4, 2019 (the "Commissioner's Instruction").
   On April 30, 2019, the Trustee for the Bonds (Series I) filed with the District Court of Jerusalem (the "Court") an urgent administrative petition against the Commissioner, the trustee and IDB Development, in which the Court was requested, inter alia, to order the Commissioner and the trustee to suspend the sale of the Company's shares, until a determination has been reached regarding the request for a control permit which the controlling shareholder of IDB Development submitted to the Commissioner, with respect to the Company (see below), or until another date, as determined by the Court; or alternatively, to order the Commissioner to reconsider his instruction to the trustee, while taking into account, inter alia, and in addition to considerations involving the insurer's stability, also considerations involving the interests of the creditors of IDB Development and of the institutional entities which hold bonds of IDB Development.
   In parallel with the petition, the trustee for the bondholders (Series I) also filed an urgent motion for the issuance of an interim injunction and a provisional injunction (on an ex parte basis) (the "Motion for an Interim Injunction"), in which the Court was requested to order the Commissioner and the trustee to refrain from executing the Commissioner's instructions until a determination has been reached regarding the petition. On May 2, 2019, the Court dismissed the motion for an interim injunction, and on May 7, 2019, at the request of the trustee for the bondholders (Series I), the Court ordered that the motion be struck out.
   On May 2, 2019, IDB Development engaged in agreements with two third parties which are unrelated to IDB Development (the "Buyers"), according to which each of the buyers will acquire Company shares in the Company 4.99% of its issued capital, in consideration of a cash payment of NIS 47.7 per share (the "Price Per Share"). Additionally, one of the buyers was given an option to acquire additional shares, which constitute approximately 3% of the Company's issued capital, for a period of 120 days, subject to the receipt of a holding permit, in consideration of a cash payment of NIS 50 per share. On August 29, 2019, the option holder, Mr. Moshe Arkin, announced the exercise of the option, after he received a holding permit for the Company's shares. Additionally, IDB Development engaged in an agreement with a third buyer, which is unrelated to IDB Development, and which will acquire the shares through a special purpose company (a company wholly owned by Mr. Eyal Lapidot) (the "Additional Buyer"), according to which the additional buyer will receive from IDB Development an option, valid for a period of 50 days, to acquire shares which constitute 4.99% of the Company's issued capital (and no less than 3% of its issued capital), in consideration of a cash payment of NIS 47.7 per share. The consideration with respect to the option shares will be paid by the additional buyer, in a manner whereby 10% of the consideration will be paid in cash, and the remainder through a loan which will be provided to the additional buyer by IDB Development and/or by a related party thereof, or alternatively, by a banking corporation and/or financial institution in their place (the "Seller's Loan").
   The terms of the loan include, inter alia, the following: assuming that the option is exercised in full, the total amount of the loan will be approximately NIS 118 million. The loan will bear fixed annual interest at a rate of 4%, and will be repaid (principal and interest) in a single payment at the end of 5 years after the provision date of the loan (subject to prepayments, including in case of dividend distributions by the Company). The Company's shares which will be acquired as part of the exercise of the option will not be pledged in favor of IDB Development; however, the buyer undertook to create a negative pledge in favor of IDB Development (viz., that the only activity of the abovementioned special purpose company will be the holding of the Company's shares, that it will not engage in any other activity and/or transaction whatsoever, that it will not take any other loan or debt whatsoever, and that it will not sell and/or pledge and/or convey any other right to its shares and to the Company's shares which it will acquire during the loan period, except if determined otherwise in the agreement). Restrictions were also established with respect to the sale of Company shares which will be acquired as part of the exercise of the option, as stated above.

Note 1: General (Cont.)

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

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

I. (Cont.)

On June 16, 2019, the additional buyer announced its exercise of the option. IDB Development reported that it is evaluating alternatives to finance the loan.

On September 16, 2019, IDB Development announced that it had received a binding offer from a financial entity (the "Offerer" and the "Offer", respectively) in which it was stated that the offerer would acquire from IDB Development all of IDB Development's rights and obligations in connection with the seller's loan, in consideration of a total of NIS 93 million (assuming that the total loan amount to be transferred to the additional buyer will amount to NIS 118 million), which will be transferred to IDB Development on the provision date of the seller's loan, and a total of NIS 0.5 million, which will be transferred to IDB Development at the end of 12 months after the provision date of the aforementioned loan.

Additionally, according to the offer, insofar as the aforementioned loan (and all of the amounts have accrued with respect thereto) has been repaid in full by the additional buyer until the end of 12 months after the date of its provision, the offerer will pay to IDB Development an additional sum equal to 10% of the profit which the offerer has derived from the aforementioned transaction, and insofar as the loan (and all of the amounts which have accrued thereupon) has been repaid in full by the additional buyer by the end of 24 months after the date of its provision, the offerer will pay to IDB Development an additional sum equal to 5% of the profit which the offerer has derived from the aforementioned transaction.

On October 31, 2019, IDB Development engaged in agreements for the execution of the transaction with the offerer and the additional buyer (after approval was received from the board of directors of IDB Development), in accordance with the conditions specified above, and on November 7, 2019, the transaction was completed, in which approximately 4.99% of the Company's shares were transferred to the additional buyer (a company owned by Mr. Eyal Lapidot), which form the subject of the swap transaction in which IDB Development engaged with a financing entity in January 2018, which concluded in accordance with the IDB Development's notice to the aforementioned financing entity.

It is further noted that Mr. Lapidot submitted a request to the Commissioner and the Company's Chairman of the Board to be appointed as a director in the Company.

The agreements with the buyers and the agreement with the additional buyer shall hereinafter be referred to as: the "Agreements". The agreements include, inter alia, an undertaking by one of the buyers and by the additional buyer not to sell the acquired shares during agreed upon periods. It is hereby clarified that each of the buyers and the additional buyer undertook, towards IDB Development, that no arrangements or understandings whatsoever exist between them and the other buyers and/or the additional buyer (as applicable), regarding the joint holding of the Company's shares which form the subject of the agreements.
The total scope of the Company's shares which may be acquired by the aforementioned three buyers, insofar as the three agreements will be completed, and all of the options thereunder exercised, amounts to approximately 18% of the Company's issued capital.

On May 2, 2019, the swap transaction concluded which was commenced in May 2017, in connection with the Company's shares which constitute approximately 4% of its issued capital, through a sale to one of the buyers (the "**Second Buyer**"). On May 3, 2019, a sale was completed of the Company's shares which constitute approximately 4.99% of its issued capital, which were held by the trustee, to the first buyer, and on May 5, 2019, the swap transaction concluded which was commenced in August 2017, in connection with shares in the Company which constitute 1% of the Company's shares, through a sale to the second buyer. The terms of the swap transaction continued to apply with respect to the other shares of the Company which form the subject of the aforementioned swap transaction, and which constitute approximately 4% of the Company's issued capital, until September 2019 (see below).

Note 1: General (Cont.)

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

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

I. (Cont.)

On August 15, 2019 the Commissioner notified the trustee that, in accordance with the provisions of the outline, and after the Commissioner again evaluated the need for the sale, and its economic implications, and in consideration of the provisions of the aforementioned ruling, the Commissioner instructed the trustee to continue working according to the outline in place of IDB Development, in accordance with all of the authorities which were conferred upon him by virtue of the outline, and to work to sell 5% of the means of control in the Company which are held by him. In the letter, the Commissioner stated that the aforementioned sale will not be implemented through a swap transaction, but rather through a different sale technique which will not lead to the formation of any ties between IDB Development, any related party thereof or any other party on its behalf, and the Company's shares, which would result, inter alia, in the increased property or economic exposure of the aforementioned entities to the Company, and it will be presented to the Commissioner for approval before it is implemented in practice, by September 2, 2019.

Further to the Commissioner's notice, IDB Development reported that on August 27, 2019, it had received an (additional) binding offer from entities (the "Managers") representing classified investors (regarding whom the managers confirmed that they are not acting in a manner which could create for them joint control of the Company, or joint holdings, together with other parties, of the Company's means of control, at a rate which would require a permit in accordance with the provisions of the Control Law) for the acquisition of shares in the Company which constitute up to approximately 26% of the Company's shares, in accordance with the conditions and mechanisms specified therein (the "Transaction"). As specified in the offer, the transaction may be performed in consideration of cash, or in consideration of bonds (Series I) of IDB Development, or in consideration of bonds (Series N) of IDB Development, or a combination of the aforementioned components, in IDB Development's discretion, depending on the scope of the transaction which it is interested in executing.

Accordingly, on September 3, 2019, IDB Development notified the managers of its acceptance of the foregoing offer, such that IDB Development sold, on September 4, 2019, approximately 6% of the Company's issued capital (which includes approximately 1% of the Company's issued capital which was held through swap transactions), as well as the shares which the Commissioner instructed the trustee to sell (approximately 5% of the Company's issued capital), in consideration of cash, bonds (Series I) of IDB Development, and bonds (Series N) of IDB Development.

IDB Development reported that on November 16, 2019, after approval was received from IDB Development's board of directors, IDB Development notified the managers regarding the acceptance of their binding offer for the sale of the Company's shares, in a manner whereby IDB Development will execute a transaction for the sale of 4,336,549 Company shares, which constitute approximately 7.8% of its issued capital, in consideration of: (a) a cash payment in the amount of approximately NIS 82,175,100 million, with respect to approximately 2.8% of the Company's shares; (b) NIS 135,891,912 par value of IDB Development bonds (Series I) (the "Bonds (Series I)"), at a price of NIS 0.75 per each NIS 1 in the par value of the bonds (Series I); and (c) NIS 54,976,874 par value of IDB Development bonds (Series N) (the "Bonds (Series N)"), at a price of NIS 78 per each NIS 1 in the par value of the bonds (Series N). The scope of the purchase from each series was determined according to the prices which were offered in the offer which was received, and after implementing the restrictions which IDB Development had accepted upon itself in IDB Development's letter of undertaking towards its bondholders.

On November 20, 2019, IDB Development completed the sale of shares which constitute approximately 2.8% of the Company's issued capital which were held by the trustee, in an over the counter transaction, at a price of NIS 52.50 per share. Additionally, on that same date, IDB Development completed a sale of additional shares, which constitute approximately 0.7% of the Company's issued capital, which were also held by the trustee, in an over the counter transaction, at an average price of approximately NIS 52.62 per share.

Note 1: General (Cont.)

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

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

I. (Cont.)

The clearing with respect to the part of the transaction referenced in sections (b) and (c) above was performed on November 21, 2019 will be performed in two corresponding and integrated transactions: the first involving the sale of the Company's shares for cash at a price of NIS 52.25 per share, representing a total consideration of approximately NIS 144.8 million (the "Cash Consideration"); and the second involving the purchase, by IDB Development, of bonds (Series I) and bonds (Series N), in accordance with the consideration specified above. It is noted that in accordance with the provisions of the deed of trust for the bonds (Series M) of IDB Development, the cash consideration was deposited in a trust account which is pledged in favor of the bonds (Series M) of IDB Development.

Additionally, on November 21, 2019, the sale of Company shares which constitute approximately 5% of the Company's issued capital was completed, in an over the counter transaction, at a price of NIS 52.25 per share, through the conclusion of the swap transaction in which IDB Development engaged with a financing entity in May 2018. The aforementioned swap transaction concluded in accordance with IDB Development's notice to the financing entity, as stated above.

IDB Development reported that it is continuing to evaluate various alternatives for the sale of the Company's shares at a scope of no less than an additional 5% of the Company's issued capital (which IDB Development is obligated to sell by January 4, 2020, in accordance with the outline). As part of the above, IDB Development will evaluate the performance of a competitive process for the sale of the aforementioned shares, for a consideration which may be paid in cash and/or in consideration of marketable securities (including bonds (Series I) or bonds (Series N) of IDB Development). It is emphasized that the foregoing regarding the sale of the Company's additional shares constitutes forward looking information, which may not materialize, or may materialize differently (including in different scopes) than that described, inter alia, due to market conditions, IDB Development's liquidity needs, and other factors which are not under its control.

Note 1: General (Cont.)

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

3. Proceedings involving the sale of control of the Company and request for a control permit

A. Proceedings involving the sale of control of the Company

On December 18, 2018, IDB Development announced that the Board of Directors and management of IDB Development will continue evaluating various alternatives for the sale of the control of the Company (through methods other than the sale of tranches of Company shares in accordance with the outline) to various entities (the "Sale Of Control"), including by contacting Discount Investment Corporation Ltd. ("**DIC**"), a company which is controlled by the controlling shareholder of IDB Development, regarding the evaluation of such a sale, and subject to the provisions of the law, the approval of the competent organs of IDB Development (and, as relevant, also the approval of the competent organs of DIC), and the required regulatory approvals, including the Commissioner's approval.

Accordingly, on January 17, 2019, the independent committee that was appointed by the Board of Directors of IDB Development for the purpose of formulating an offer to sell the control of the Company to DIC and discussing the terms of the aforementioned transaction, contacted DIC's Chairman of the Board via letter, in which DIC offered to commence a process of negotiations towards the acquisition of the control of the Company (the "**Letter**"). It is noted that IDB Development did not offer any terms for the transaction in the letter.

On March 28, 2019, the controlling shareholder of IDB Development, Mr. Eduardo Elsztain, (the "Controlling Shareholder of IDB Development"), submitted to the Commissioner a request for a permit (the "Request") for control of the Company and of Clal Insurance. The request pertains to shares in the Company which are held by IDB Development, and to additional Company shares, regarding which IDB Development engaged in the aforementioned swap transactions (all or some). On July 21, 2019, the controlling shareholder of IDB Development informed IDB Development that he had notified the Commissioner of his withdrawal of the request.

See above for details regarding the managers' offer dated August 27, 2019, to purchase Company shares which constitute up to approximately 26% of the Company's shares, in accordance with the conditions and mechanisms specified therein, which was partially implemented.

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 4.96% 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 "Cash Consideration" and the "Base Shares"). The current number of base shares is 3,810,716 (constituting approximately 6.85% of the Company's issued and paid-up capital).

(3) On November 19, 2019, IDB Development issued bonds (Series O), and pledged in favor of the aforementioned bondholders the shares specified in section 1 above, and the cash consideration specified in section 2 above, in place of the pledges in favor of the bonds (Series K) and (Series M), which will be repaid.

Note 1: General (Cont.)

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

4. The Concentration Law

The Concentration Law was published in December 2013, and is intended to reduce the level of concentration in the Israeli economy, through several central processes, including, inter alia, the imposition of restrictions on incorporation through a pyramid structure, the imposition of increased corporate governance rules on pyramid companies, creating a separation between holdings of significant real operations and of significant financial operations, and establishing a "insurer with no controlling shareholder" mechanism.

- In accordance with the provisions of the Concentration Law, a pyramid holding structure is restricted to two tiers only[4]. Notwithstanding the above, the transitional provisions of the Concentration Law determine that a company which was a second tier company at the time of the law's publication, and for as long as it remains as such, is entitled to continue holding control of an other tier company until six years after the publication date (December 10, 2019), if it held control of that company before the publication date (the "Transition Period"). The Concentration Law prescribes provisions in case of control of a reporting corporation, which constitutes an other tier company, in breach of the law, which primarily include depositing the means of control of the other tier company with a trustee, for the sake of selling them in accordance with the instructions which the Court's instructions to the trustee. As of the present date, IDB Development is considered a "first tier company", the Company is considered as "second tier company", and Clalbit Finance - a reporting corporation controlled by Clal Insurance - is considered an "other (third) tier company", as these terms are defined in the Concentration Law.

  Therefore, if Clalbit Finance continues to be considered as an other tier company after the end of the transition period, the Company and/or Clal Insurance may be required to appoint a trustee or to perform actions which result in Clalbit Finance not being considered an other tier company, and Clal Insurance may, inter alia, transfer its shares in Clalbit Finance to a third party, or merge Clalbit Finance into Clal Insurance, or merge Clal Insurance into the Company, or petition the Court with a motion for remedies, in accordance with the law.

- In accordance with the transitional provisions which were prescribed in the Concentration Law, beginning on December 10, 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.[5]

  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. IDB Development is a significant real corporation, and accordingly, the Group's member companies which are not institutional entities were also included in the list of concentration entities, and were classified as significant real corporations. Clal Insurance and additional institutional entities in the Group were also included in the list of significant financial entities.

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[4] A tier company is a company which constitutes a reporting corporation, in accordance with the definitions of the Concentration Law. The terms tier company, second tier company and other tier company are as defined in the Concentration Law.

[5] It is noted that, during the transition period, a prohibition applies against increasing the effective sales turnover or the effective credit of the real corporation, or the total asset value of the financial entity, as a result of the acquisition of another real corporation or financial entity, a merger with such a corporation or entity, or an acquisition of the operations of such a corporation or entity.

Note 1: General (Cont.)

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

4. The Concentration Law (Cont.)

   Therefore, the continued control by Dolphin Netherlands, the controlling shareholder of IDB Development, of significant real corporations, may affect the ability of IDB Development to hold control of the Group's institutional entities, or to hold more than 10% of a certain type of the means of control of the Group's institutional entities (or more than 5% of a certain type of the means of control, in case the Company or the institutional entities are considered an insurer with no controlling shareholder), without derogating from the restrictions applicable to IDB Development's continued control of the Company, in accordance with the Commissioner's instructions, as stated above.

   Additionally, insofar as the Company will continue being considered as a concentration entity, and therefore as a significant real corporation, this may affect its ability to hold the control of the Group's institutional entities or to hold the means of control therein, as stated above, beginning on December 10, 2019, and may also affect the ability to appoint corporate officers in significant real corporations of the Group, as directors in financial entities of the Group.

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

   Until November 8, 2018, Bank Hapoalim held 9.47% of the Company's shares.

   For details regarding an agreement between IDB Development and 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 Company shares (all or some) by Bank Hapoalim, see the notes to holder no. 1 in the report regarding interested parties and corporate officers with respect to the corporation's securities, which was published by the Company on October 9, 2018 (reference number 2018-01-094068).

   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 for the purpose of finding several buyers, with whom Bank Hapoalim will 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, and which will be completed on a single day, and no later than November 10, 2018 (the "**Acquisition Date**").

   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 over the counter transactions for the sale of (all of) the sold shares, in unconditional over the counter transactions, and that the acquisition of the shares had been performed by them at that time. In accordance with the terms of the agreement, the shareholders agreement was terminated.

   IDB Development also reported that it had engaged in a swap transaction with a banking institution in connection with approximately 5% of the Company's shares, according to a base price of NIS 62 per share, in accordance with the same principles as those which applied in previous swap transactions which were performed by IDB Development with respect to the Company's shares which it held, as stated in section 2(i) above.

6. Implications

   As of the reporting date, the Company is 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 the Company (including as a result of the implementation of the Commissioner's directives with respect to the application of the mechanism for an insurer with no controlling shareholder), and which may affect, inter alia, the reputation and ratings of the Company and of the Group's member companies.
   Additionally, the transfer of the control shares in the Company 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, 2018 (hereinafter: the "**Annual Financial Statements**"). Furthermore, these financial statements were compiled in accordance with the provisions of Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent to which these regulations apply to a corporation that consolidates insurance companies.

B. Use of estimates and judgment

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

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

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

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

	Index in lieu	Known index	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
			%		
For the period of nine months ended					
September 30, 2019	**0.6**	**0.5**	**(11.3)**	**(7.1)**	**(10.7)**
September 30, 2018	1.1	1.1	1.5	4.6	1.2
For the period of three months ended					
September 30, 2019	**(0.3)**	**(0.7)**	**(6.3)**	**(2.4)**	**(5.3)**
September 30, 2018	0.2	0.2	(0.9)	(0.6)	(1.4)
For the year ended December 31, 2018	0.8	1.2	3.3	8.1	2.4

	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
As of September 30, 2019	**3.805**	**3.482**	**4.280**
As of September 30, 2018	4.216	3.627	4.739
As of December 31, 2018	4.292	3.748	4.793

Note 3: Significant Accounting Policies

The Group's accounting policy, as applied in the interim financial statements, was unchanged relative to the accounting policy which was implemented in the annual reports, excluding:

A. Standards adopted for the first time

International Financial Reporting Standard (IFRS) 16, Leases

Beginning on January 1, 2019 (hereinafter: the "Date Of Initial Adoption"), the Group is adopting International Financial Reporting Standard (IFRS) 16, Leases (in this section: "IFRS 16" or the "Standard"), which replaced International Accounting Standard (IAS) 17, Leases (in this section: "IAS 17" or the "Previous Standard").

The main effect of the adoption of the standard is reflected in the cancellation of the current demand for lessees to classify a lease as an operating (off-balance sheet) or finance lease, and the presentation of a standard model for lessees' accounting treatment of all leases, similarly to the method of accounting for finance leases according to the previous standard. Until the adoption date of the standard, the Group classified most of the leases in which it is the lessee as operating leases, since it did not substantially bear all risks and returns from the assets. Leased assets which were classified as finance leases primarily included office buildings, backup sites and vehicles.

In accordance with the standard, regarding agreements in which the Group is the lessee, the Group recognizes a right-of-use asset and a lease liability on the commencement date of the lease contract, for all leases in which the Group has the right to control the use of the identifiable assets for a defined time period, excluding the exceptions specified in the standard. Accordingly, the Group recognizes depreciation and amortization expenses with respect to the right-of-use asset, assesses the need to record impairment with respect to the right-of-use asset, in accordance with the provisions of IAS 36, and recognizes financing expenses with respect to the lease liability. Therefore, beginning on the date of the standard's initial adoption, rent payments pertaining to assets which are leased under an operating lease, which were presented under the item for general and administrative expenses in the statement of income, are recognized as assets, and the depreciation expenses with respect thereto are presented as depreciation and amortization expenses.

The Group chose to adopt the easement in the transitional provisions, which stipulates that lease liabilities will be calculated according to the present value of the future lease payments, discounted by the incremental interest as of the date of initial adoption, and in parallel, will recognize an identical amount in liabilities in a right-of-use asset, except for leases of buildings and sites, for which the Group will recognize, on the date of initial adoption, a right-of-use asset at book value, as if the standard had been adopted as from the lease commencement date. In other words, with respect to buildings and sites, the Group will measure the value which would have been obtained had the requirements of the standard been adopted on the date of engagement, while determining the right-of-use asset at amortized cost as of the date of initial adoption. As a result, the adoption of the standard resulted in an adjustment of retained earnings on the date of initial adoption.

Additionally, as part of its adoption of the standard, the Group also chose to adopt the following easements:

(1) To adopt the practical easement regarding the recognition and measurement with respect to leases of assets of low value, for each lease separately.
(2) Not to separate non-lease components from lease components, and to treat all components as a single lease component.
(3) To use a standard discount rate for a portfolio of leases with similar characteristics;

Note 3: Significant Accounting Policies

A. International Financial Reporting Standard (IFRS) 16, Leases (Cont.)

The following table presents the cumulative effects of the sections which were affected by the initial adoption in the statement of financial position as of January 1, 2019:

NIS in millions	According to IAS 17 (Audited)	Change (Unaudited)	According to IFRS 16 (Unaudited)
Right-of-use asset	-	568	568
Leasing expenses payable	(26)	26	-
Deferred tax assets	6	6	12
Lease liabilities	-	(613)	(613)
Retained earnings	(3,158)	13	(3,145)

Impact of the adoption of the standard during the reporting period

Impact on operating results due to the adoption of IFRS 16, in connection with leases which were classified as operating leases according to IAS 17
During the reporting period:

Instead of recognizing the leasing expenses with respect to the aforementioned leases, the Group recognized depreciation expenses and financing expenses in immaterial amounts.

Presented below are the main changes to the accounting policy following the adoption of the standard, beginning on January 1, 2019:

(1) Determining whether an arrangement contains a lease

On the date of engagement in the lease, the Group determines whether the arrangement constitutes a lease or contains a lease, including assessing whether the arrangement involves a transfer of the right to control the use of an identifiable asset for a certain period of time, in exchange for payment. When assessing whether an arrangement involves a transfer of the right to control the use of an identifiable asset, the Group evaluates whether it has the following two rights throughout the lease period:
(A) The right to essentially obtain all of the economic benefits from the use of the identifiable asset; and:
(B) The right to direct the use of the identifiable asset.

For lease contracts which include non-lease components, such as services or maintenance, that are associated with the lease component, the Group chose to account for the contract as a single lease component, without separating the components.

(2) Leased assets and lease liabilities

Contracts which give the Group the right to use a leased asset for a certain period of time in exchange for a consideration, are treated as leases. Upon initial recognition, the Group recognizes a liability in the amount of the present value of the future lease payments (such payments do not include certain variable lease payments), and in parallel, the Group recognizes a right-of-use asset in the amount of the lease liability, adjusted with respect to lease payments which were paid in advance or which accrued, plus direct costs which materialized in the lease.

Since it is not possible to easily determine the interest rate implicit in the Group's leases, the Group used, for the purpose of measuring the lease liability, nominal discount rates according to the yield curve which is used for loans in the rating group of Clal Insurance, in the relevant lifetimes of the various leases. Following initial recognition, the right-of-use asset is treated at cost, and is amortized throughout the lease period or the asset's useful lifetime, whichever is earlier.

Note 3: Significant Accounting Policies

A. International Financial Reporting Standard (IFRS) 16, Leases (Cont.)

Presented below are the main changes to the accounting policy following the adoption of the standard, beginning on January 1, 2019: (Cont.)

(3) Lease period

The lease period is determined as the period during which the lease is not cancelable, together with periods which are covered by an option to extend or cancel the lease, if the lessee is reasonably certain to exercise or not exercise the option, respectively.

(4) Variable lease payments

Variable lease payments which are linked to an index or exchange rate are initially measured using the index or rate which applies on the lease commencement date, and are included in the measurement of the lease liability. When changes have occurred to the cash flows of future lease fees, which are due to changes in the index or exchange rate, the balance of the liability is updated against the right-of-use asset.

Other variable lease payments which are not included in the measurement of the liability are applied to the statement of income on the date when the conditions for those payments have materialized.

(5) Amortization of right-of-use asset

After the lease commencement date, the right-of-use asset is measured at cost less accumulated amortization, and less accrued impairment losses, and is adjusted with respect to remeasurements of the lease liability. The amortization is calculated on a straight line basis throughout the useful lifetime or the contractual lease period, whichever is earlier, as follows:

- Land for telecommunication sites 6-15 years
- Buildings 7-20 years
- Vehicles 3 years

(6) Re-assessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances, which is under the Group’s control, and which affected the decision of whether it is reasonably certain that the Group will exercise an option, which was not previously included in the determination of the lease period, or that it will not exercise an option which was previously included in the determination of the lease period, the Group remeasures the lease liability according to the updated lease payments, using an updated discount rate. The change in the liability’s book value is recognized against the right-of-use asset, or is recognized in profit and loss if the book value of the right-of-use asset has been amortized in its entirety.

(7) Assets leased by the Group

Operating leases

Leases which do not involve a transfer of substantially all of the risks and benefits associated with the ownership of the underlying asset are classified as operating leases.
The Group recognizes lease payments from operating leases as income on a straight line basis throughout the lease period.

Initial direct costs which materialized in the process of obtaining operating leases are added to the book value of the underlying asset, and are recognized as an expense throughout the lease period, on the same basis as the income from the lease.

Note 3: Significant Accounting Policies

B. Use of estimates and judgment

Critical estimates

Legal claims which are not in the ordinary course of business -
If the hearing of a legal claim (it is hereby clarified, for the avoidance of doubt, that the hearing of a claim does not include determinations regarding motions to recognize class actions and other interim motions) in a certain instance is determined against the Group's member companies, a provision will be recognized or updated in the financial statements which are published for the first time after the date of the determination, even if, in the opinion of group management, based on the opinion of its legal counsel, the result in an appeal to a higher instance will be different, and that at the end of the proceedings, the Group will not be charged (except in cases where the appeal is highly likely to be accepted).

Note 4: Segmental Reporting

A. General

The Group is engaged in the following operating segments:

1. **Long term savings**

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

2. **Health insurance**

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

3. **Non-life insurance**

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

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

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

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

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

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

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

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

5. **Operations which were not allocated to segments**
   This operation includes the Group's headquarters, which primarily includes capital, liabilities that are not a part of insurance operations, and assets held against them in Clal Insurance, as well as the Company's separate balances and results.

Note 4: Segmental Reporting (Cont.)

B. Seasonality

1. Long-term savings segment

In general, premium revenue in life insurance, and management fee revenue 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, with respect to which contributions are provided.

2. Non-life insurance segment

In general, premium revenue 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.)

C. 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
	2019	2018	2018	2019	2018	2018	2019	2018	2018	2019	2018	2018
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	-	-	-	-	-	-	4,486,152	4,330,990	5,845,913	4,486,152	4,330,990	5,845,913
Premiums earned by reinsurers	-	-	-	-	-	-	111,911	135,911	135,807	111,911	135,911	135,807
Premiums earned on retention	-	-	-	-	-	-	4,374,241	4,195,079	5,710,106	4,374,241	4,195,079	5,710,106
Income from investments, net, and financing income	111,401	123,146	158,559	2,130	2,431	2,634	6,137,069	2,902,245	802,520	6,250,600	3,027,822	963,713
Income from management fees	131,601	133,122	175,627	209,345	205,273	271,359	632,139	448,325	436,111	973,085	786,720	883,097
Income from commissions	-	-	-	-	-	-	16,731	34,553	28,213	16,731	34,553	28,213
Other expenses	-	-	-	(14)	-	-	-	-	-	(14)	-	-
Total income	243,002	256,268	334,186	211,461	207,704	273,993	11,160,180	7,580,202	6,976,950	11,614,643	8,044,174	7,585,129
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	107,098	118,506	152,437	-	-	-	11,129,655	6,673,465	5,815,721	11,236,753	6,791,971	5,968,158
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	(91,952)	(69,904)	(81,589)	(91,952)	(69,904)	(81,589)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	107,098	118,506	152,437	-	-	-	11,037,703	6,603,561	5,734,132	11,144,801	6,722,067	5,886,569
Commissions, marketing expenses and other acquisition costs	45,180	42,265	56,488	81,698	77,797	106,356	561,344	554,470	742,225	688,222	674,532	905,069
General and administrative expenses	76,178	81,936	107,633	129,945	128,934	177,013	290,620	282,953	381,421	496,743	493,823	666,067
Impairment of intangible assets	-	114,824	114,824	-	-	-	-	-	-	-	114,824	114,824
Other expenses	2,685	4,784	7,854	3,442	1,081	1,365	-	184	184	6,127	6,049	9,403
Financing expenses (income)	-	-	(2)	152	5	4	10,317	6,739	2,322	10,469	6,744	2,324
Total expenses	231,141	362,315	439,234	215,237	207,817	284,738	11,899,984	7,447,907	6,860,284	12,346,362	8,018,039	7,584,256
Share in the results of investee companies accounted by the equity method, net	-	-	-	(614)	(1,095)	(1,281)	349	1,260	(8,929)	(265)	165	(10,210)
Income (loss) before taxes on income	11,861	(106,047)	(105,048)	(4,390)	(1,208)	(12,026)	(739,455)	133,555	107,737	(731,984)	26,300	(9,337)
Other comprehensive income (loss) before taxes on income	1,887	-	-	3,640	(436)	(3,707)	68,157	34,169	35,885	73,684	33,733	32,178
Total comprehensive income (loss) before taxes on income	13,748	(106,047)	(105,048)	(750)	(1,644)	(15,733)	(671,298)	167,724	143,622	(658,300)	60,033	22,841
	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
	2019	2018	2018	2019	2018	2018	2019	2018	2018	2019	2018	2018
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	2,390,268	2,338,664	2,355,594	-	-	-	20,294,911	19,653,589	19,509,798	22,685,179	21,992,253	21,865,392
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	67,901,415	62,670,270	60,985,176	67,901,415	62,670,270	60,985,176
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).							5,046,999	4,628,865	6,282,926	5,046,999	4,628,865	6,282,926

Note 4: Segmental Reporting (Cont.)

C. 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
	2019	2018	2018	2019	2018	2018	2019	2018	2018
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	**996,587**	1,576,595	2,106,995	**1,759,802**	1,741,672	2,324,119	**-**	-	-
Premiums earned by reinsurers	**50,737**	224,555	300,418	**786,559**	699,554	943,808	**-**	-	-
Premiums earned on retention	**945,850**	1,352,040	1,806,577	**973,243**	1,042,118	1,380,311	**-**	-	-
Income from investments, net, and financing income	**176,799**	199,582	11,461	**121,557**	118,431	135,505	**313**	2,512	4,553
Income from management fees	**-**	-	-	**-**	-	-	**-**	4,481	5,974
Income from commissions	**3,726**	7,035	8,760	**149,189**	149,026	201,612	**103,102**	99,711	134,315
Other income (expenses)	**-**	-	-	**42**	67	73	**(9)**	2	2
Total income	**1,126,375**	1,558,657	1,826,798	**1,244,031**	1,309,642	1,717,501	**103,406**	106,706	144,844
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**1,312,122**	1,457,819	1,822,451	**1,277,824**	1,181,582	1,562,129	**-**	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(188,293)**	(290,769)	(471,418)	**(657,390)**	(427,108)	(553,777)	**-**	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**1,123,829**	1,167,050	1,351,033	**620,434**	754,474	1,008,352	**-**	-	-
Commissions, marketing expenses and other acquisition costs	**377,056**	371,347	520,420	**424,203**	421,051	572,422	**79,769**	77,931	103,404
General and administrative expenses	**53,342**	54,660	73,487	**59,538**	52,245	73,377	**10,512**	12,694	20,032
Other expenses	**216**	-	-	**-**	-	10	**2,846**	3,117	849
Financing expenses (income)	**10,577**	10,040	12,318	**(3,457)**	7,135	11,325	**783**	294	388
Total expenses	**1,565,020**	1,603,097	1,957,258	**1,100,718**	1,234,905	1,665,486	**93,910**	94,036	124,673
Share in the results of investee companies accounted by the equity method, net	**393**	427	(5,039)	**(4,562)**	2,252	(9,159)	**-**	-	-
Income (loss) before taxes on income	**(438,252)**	(44,013)	(135,499)	138,751	76,989	42,856	9,496	12,670	20,171
Other comprehensive income (loss) before taxes on income	**77,096**	19,056	(29,613)	**45,662**	27,413	3,847	**(2,859)**	449	1,170
Total comprehensive income (loss) before taxes on income	**(361,156)**	(24,957)	(165,112)	**184,413**	104,402	46,703	**6,637**	13,119	21,341

	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2019	2018	2018	2019	2018	2018	2019	2018	2018
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**2,897,225**	2,429,845	2,675,508	**6,214,859**	6,194,884	6,107,310	**-**	-	-
Liabilities with respect to investment-linked insurance contracts and investment contracts	**1,108,188**	4,545,204	4,401,472	**-**	-	-	**-**	-	-

Note 4: Segmental Reporting (Cont.)

C. 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
	2019	2018	2018	2019	2018	2018	2019	2018	2018
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	**-**	-	-	**(1,537)**	(1,603)	(2,009)	**7,241,004**	7,647,654	10,275,018
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**949,207**	1,060,020	1,380,033
Premiums earned on retention	**-**	-	-	**(1,537)**	(1,603)	(2,009)	**6,291,797**	6,587,634	8,894,985
Income from investments, net, and financing income	**229,012**	93,095	130,090	**(25)**	(352)	(453)	**6,778,256**	3,441,090	1,244,869
Income from management fees	**-**	-	-	**1,259**	(3,667)	(4,874)	**974,344**	787,534	884,197
Income (expenses) from commissions	**-**	-	-	**(56,274)**	(57,656)	(81,554)	**216,474**	232,669	291,346
Other income	**-**	3	-	**(9)**	-	-	**10**	72	75
Total income	**229,012**	93,098	130,090	**(56,586)**	(63,278)	(88,890)	**14,260,881**	11,048,999	11,315,472
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**-**	-	-	**(2,167)**	(2,211)	(2,044)	**13,824,532**	9,429,161	9,350,694
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(937,635)**	(787,781)	(1,106,784)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**-**	-	-	**(2,167)**	(2,211)	(2,044)	**12,886,897**	8,641,380	8,243,910
Commissions, marketing expenses and other acquisition costs	**-**	-	-	**(56,267)**	(57,068)	(81,250)	**1,512,983**	1,487,793	2,020,065
General and administrative expenses	**46,805**	58,458	83,250	**(2,579)**	4,147	(5,983)	**664,361**	676,027	910,230
Impairment of intangible assets	**-**	-	-	**-**	-	-	**-**	114,824	114,824
Other expenses (income)	**(374)**	(50)	29	**-**	762	406	**8,815**	9,878	10,697
Financing expenses (income)	**110,631**	100,979	132,048	**436**	(267)	(472)	**129,439**	124,925	157,931
Total expenses	**157,062**	159,387	215,327	**(60,577)**	(54,637)	(89,343)	**15,202,495**	11,054,827	11,457,657
Share in the results of investee companies accounted by the equity method, net	**201**	255	(1,260)	**-**	-	-	**(4,233)**	3,099	(25,668)
Income (loss) before taxes on income	**72,151**	(66,034)	(86,497)	**3,991**	(8,641)	453	**(945,847)**	(2,729)	(167,853)
Other comprehensive income (loss) before taxes on income	**198,045**	2,196	(103,406)	**(1,633)**	148	2,247	**389,995**	82,995	(93,577)
Total comprehensive income (loss) before taxes on income	**270,196**	(63,838)	(189,903)	**2,358**	(8,493)	2,700	**(555,852)**	80,266	(261,430)
	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2019	2018	2018	2019	2018	2018	2019	2018	2018
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**-**	-	-	**(1,938)**	(986)	(1,215)	**31,795,325**	30,615,996	30,646,995
Liabilities with respect to investment-linked insurance contracts and investment contracts	**-**	-	-	**(17,801)**	(21,254)	(19,751)	**68,991,802**	67,194,220	65,366,897

Note 4: Segmental Reporting (Cont.)

C. 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	
	2019	2018	2019	2018	2019	2018	2019	2018
NIS in thousands	Unaudited							
Gross premiums earned	**-**	-	**-**	-	**1,474,437**	1,506,774	**1,474,437**	1,506,774
Premiums earned by reinsurers	**-**	-	**-**	-	**37,621**	44,236	**37,621**	44,236
Premiums earned on retention	**-**	-	**-**	-	**1,436,816**	1,462,538	**1,436,816**	1,462,538
Income (loss) from investments, net, and financing income	**16,126**	37,204	**(341)**	198	**990,639**	1,668,506	**1,006,424**	1,705,908
Income from management fees	**44,879**	48,569	**72,100**	68,840	**198,164**	221,051	**315,143**	338,460
Income from commissions	**-**	-	**-**	-	**4,726**	9,665	**4,726**	9,665
Other expenses	**-**	-	**(3)**	-	**-**	-	**(3)**	-
Total income	**61,005**	85,773	**71,756**	69,038	**2,630,345**	3,361,760	**2,763,106**	3,516,571
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**15,404**	35,705	**-**	-	**2,978,307**	3,101,996	**2,993,711**	3,137,701
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	**-**	-	**(32,700)**	(21,218)	**(32,700)**	(21,218)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**15,404**	35,705	**-**	-	**2,945,607**	3,080,778	**2,961,011**	3,116,483
Commissions, marketing expenses and other acquisition costs	**15,557**	13,593	**27,746**	26,270	**178,498**	181,067	**221,801**	220,930
General and administrative expenses	**25,746**	30,081	**41,840**	42,729	**95,260**	94,317	**162,846**	167,127
Other expenses	**879**	921	**783**	557	**-**	-	**1,662**	1,478
Financing expenses (income)	**2**	(3)	**52**	(6)	**1,767**	2,701	**1,821**	2,692
Total expenses	**57,588**	80,297	**70,421**	69,550	**3,221,132**	3,358,863	**3,349,141**	3,508,710
Share in the results of investee companies accounted by the equity method, net	**-**	-	**(468)**	(366)	**(174)**	609	**(642)**	243
Income (loss) before taxes on income	**3,417**	5,476	**867**	(878)	**(590,961)**	3,506	**(586,677)**	8,104
Other comprehensive income before taxes on income	**494**	-	**915**	910	**32,865**	18,825	**34,274**	19,735
Total comprehensive income (loss) before taxes on income	**3,911**	5,476	**1,782**	32	**(558,096)**	22,331	**(552,403)**	27,839
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to the reserve)					**1,729,646**	1,618,546	**1,729,646**	1,618,546

Note 4: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

	Health		Non-life		Other		Not allocated to segments		Adjustments and offsets		Total	
	For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
NIS in thousands	Unaudited											
Gross premiums earned	**337,424**	551,382	**591,949**	596,525	**-**	-	**-**	-	**(462)**	(729)	**2,403,348**	2,653,952
Premiums earned by reinsurers	**15,036**	76,041	**273,900**	247,758	**-**	-	**-**	-	**-**	-	**326,557**	368,035
Premiums earned on retention	**322,388**	475,341	**318,049**	348,767	**-**	-	**-**	-	**(462)**	(729)	**2,076,791**	2,285,917
Income from investments, net, and financing income	**22,007**	127,649	**1,817**	20,069	**87**	825	**76,517**	53,059	**208**	(122)	**1,107,060**	1,907,388
Income from management fees	**-**	-	**-**	-	**-**	1,494	**-**	-	**214**	(1,216)	**315,357**	338,738
Income from commissions	**1,745**	2,302	**50,270**	52,430	**33,122**	33,451	**-**	-	**(17,909)**	(18,508)	**71,954**	79,340
Other income	**-**	-	**20**	38	**7**	2	**-**	2	**(3)**	-	**21**	42
Total income	**346,140**	605,292	**370,156**	421,304	**33,216**	35,772	**76,517**	53,061	**(17,952)**	(20,575)	**3,571,183**	4,611,425
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**680,228**	560,567	**407,860**	361,141	**-**	-	**-**	-	**(663)**	(1,222)	**4,081,136**	4,058,187
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(66,115)**	(107,166)	**(181,261)**	(103,045)	**-**	-	**-**	-	**-**	-	**(280,076)**	(231,429)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**614,113**	453,401	**226,599**	258,096	**-**	-	**-**	-	**(663)**	(1,222)	**3,801,060**	3,826,758
Commissions, marketing expenses and other acquisition costs	**131,020**	135,923	**148,598**	146,626	**26,408**	26,559	**-**	-	**(17,905)**	(18,320)	**509,922**	511,718
General and administrative expenses	**17,840**	20,608	**19,326**	18,286	**4,587**	4,198	**11,291**	21,280	**1,720**	2,430	**217,610**	233,929
Other expenses (income)	**1**	-	**-**	-	**1,026**	1,053	**(327)**	(408)	**-**	-	**2,362**	2,123
Financing expenses (income)	**(2,121)**	1,203	**(1,257)**	(804)	**235**	97	**22,501**	32,568	**286**	(86)	**21,465**	35,670
Total expenses	**760,853**	611,135	**393,266**	422,204	**32,256**	31,907	**33,465**	53,440	**(16,562)**	(17,198)	**4,552,419**	4,610,198
Share in the results of investee companies accounted by the equity method, net	**139**	268	**(5,777)**	465	**-**	-	**(281)**	91	**-**	-	**(6,561)**	1,067
Income (loss) before taxes on income	**(414,574)**	(5,575)	**(28,887)**	(435)	**960**	3,865	**42,771**	(288)	**(1,390)**	(3,377)	**(987,797)**	2,294
Other comprehensive income (loss) before taxes on income	**23,438**	17,049	**14,132**	12,883	**(931)**	149	**90,160**	46,092	**(1,047)**	(1)	**160,026**	95,907
Total comprehensive income (loss) before taxes on income	**(391,136)**	11,474	**(14,755)**	12,448	**29**	4,014	**132,931**	45,804	**(2,437)**	(3,378)	**(827,771)**	98,201

Note 4: Segmental Reporting (Cont.)

D. Additional information regarding the main insurance branches included in the non-life insurance segment

	Liability branches					
	Compulsory motor			Liabilities and others branches [1)]		
	For the period of nine months ended September 30		For the year ended December 31	For the period of nine months ended September 30		For the year ended December 31
	2019	2018	2018	2019	2018	2018
NIS in thousands	Unaudited		Audited	Unaudited		Audited
Gross premiums	**359,318**	367,605	466,725	**262,827**	248,439	333,907
Reinsurance premiums	**227,335**	220,553	281,482	**93,210**	76,018	119,565
Premiums on retention	**131,983**	147,052	185,243	**169,617**	172,421	214,342
Change in unearned premium balance, on retention	**(2,470)**	17,124	25,270	**(11,338)**	(14,416)	(2,850)
Premiums earned on retention	**129,513**	164,176	210,513	**158,279**	158,005	211,492
Income from investments, net, and financing income	**53,275**	51,682	58,708	**45,682**	38,166	43,132
Income from commissions	**45,884**	41,218	55,791	**10,086**	9,508	12,852
Total income	**228,672**	257,076	325,012	**214,047**	205,679	267,476
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**278,138**	327,252	422,470	**333,212**	282,792	342,604
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(198,622)**	(156,185)	(222,708)	**(199,153)**	(115,817)	(91,090)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**79,516**	171,067	199,762	**134,059**	166,975	251,514
Commissions, marketing expenses and other acquisition costs	**58,133**	54,990	75,823	**73,882**	70,359	96,960
General and administrative expenses	**9,936**	7,606	10,818	**6,599**	4,891	7,471
Financing expenses (income)	**(883)**	2,077	3,563	**(80)**	154	394
Total expenses	**146,702**	235,740	289,966	**214,460**	242,379	356,339
Share in the profits (losses) of associate companies, net	**(2,190)**	1,081	(4,396)	**(1,459)**	720	(2,932)
Income (loss) before taxes on income	**79,780**	22,417	30,650	**(1,872)**	(35,980)	(91,795)
Other comprehensive income before taxes on income	**18,047**	14,064	4,582	**15,676**	10,367	3,422
Total comprehensive income (loss) before taxes on income	**97,827**	36,481	35,232	**13,804**	(25,613)	(88,373)

	As of September 30		As of December 31	As of September 30		As of December 31
	2019	2018	2018	2019	2018	2018
	Unaudited		Audited	Unaudited		Audited
Gross	**2,216,642**	2,310,481	2,284,274	**2,492,573**	2,353,326	2,328,034
Reinsurance	**737,832**	520,148	575,942	**1,044,852**	916,212	877,243
Retention	**1,478,810**	1,790,333	1,708,332	**1,447,721**	1,437,114	1,450,791

1) Liabilities and others 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, 2018, constitutes approximately 70%, approximately 72% and approximately 66%, respectively, of total premiums in those branches.

Note 4: Segmental Reporting (Cont.)

D. 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
	2019	2018	2018	**2019**	2018	2018	**2019**	2018	2018	**2019**	2018	2018
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums	**531,287**	564,672	713,301	**81,572**	82,043	109,793	**607,782**	564,665	727,652	**1,842,786**	1,827,424	2,351,378
Reinsurance premiums	**59,439**	1,525	1,952	**40,387**	40,793	54,675	**447,564**	427,110	554,786	**867,935**	765,999	1,012,460
Premiums on retention	**471,848**	563,147	711,349	**41,185**	41,250	55,118	**160,218**	137,555	172,866	**974,851**	1,061,425	1,338,918
Change in unearned premium balance, on retention	**32,329**	(25,172)	7,152	**296**	84	(307)	**(20,425)**	3,073	12,128	**(1,608)**	(19,307)	41,393
Premiums earned on retention	**504,177**	537,975	718,501	**41,481**	41,334	54,811	**139,793**	140,628	184,994	**973,243**	1,042,118	1,380,311
Income from investments, net, and financing income	**12,990**	12,288	13,804	**649**	7,174	9,375	**8,961**	9,121	10,486	**121,557**	118,431	135,505
Income from commissions	**487**	-	-	**10,695**	12,678	16,823	**82,037**	85,622	116,146	**149,189**	149,026	201,612
Other income	**-**	-	-	**42**	67	73	**-**	-	-	**42**	67	73
Total income	**517,654**	550,263	732,305	**52,867**	61,253	81,082	**230,791**	235,371	311,626	**1,244,031**	1,309,642	1,717,501
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**348,863**	348,534	462,293	**37,346**	14,566	23,762	**280,265**	208,438	311,000	**1,277,824**	1,181,582	1,562,129
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(13,945)**	430	236	**(24,414)**	(7,560)	(13,779)	**(221,256)**	(147,976)	(226,436)	**(657,390)**	(427,108)	(553,777)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**334,918**	348,964	462,529	**12,932**	7,006	9,983	**59,009**	60,462	84,564	**620,434**	754,474	1,008,352
Commissions, marketing expenses and other acquisition costs	**129,469**	135,711	182,935	**8,389**	7,440	9,640	**154,330**	152,551	207,064	**424,203**	421,051	572,422
General and administrative expenses	**14,691**	11,684	16,535	**14,315**	13,922	18,129	**13,997**	14,142	20,424	**59,538**	52,245	73,377
Other expenses	**-**	-	-	**-**	-	10	**-**	-	-	**-**	-	10
Financing expenses (income)	**(195)**	343	1,013	**(1,737)**	1,756	3,180	**(562)**	2,805	3,175	**(3,457)**	7,135	11,325
Total expenses	**478,883**	496,702	663,012	**33,899**	30,124	40,942	**226,774**	229,960	315,227	**1,100,718**	1,234,905	1,665,486
Share in the profits (losses) of associate companies, net	**(411)**	203	(824)	**-**	-	-	**(502)**	248	(1,007)	**(4,562)**	2,252	(9,159)
Income (loss) before taxes on income	**38,360**	53,764	68,469	**18,968**	31,129	40,140	**3,515**	5,659	(4,608)	**138,751**	76,989	42,856
Other comprehensive income (loss) before taxes on income	**3,843**	3,317	1,476	**5,706**	(2,810)	(6,831)	**2,390**	2,475	1,198	**45,662**	27,413	3,847
Total comprehensive income before taxes on income	**42,203**	57,081	69,945	**24,674**	28,319	33,309	**5,905**	8,134	(3,410)	**184,413**	104,402	46,703

	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
	2019	2018	2018	**2019**	2018	2018	**2019**	2018	2018	**2019**	2018	2018
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross	**493,144**	526,857	495,220	**51,224**	71,835	63,741	**961,276**	932,385	936,041	**6,214,859**	6,194,884	6,107,310
Reinsurance	**57,257**	922	684	**24,474**	37,262	31,979	**662,120**	598,838	620,069	**2,526,535**	2,073,382	2,105,917
Retention	**435,887**	525,935	494,536	**26,750**	34,573	31,762	**299,156**	333,547	315,972	**3,688,324**	4,121,502	4,001,393

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, 2018, constitutes approximately 76%, approximately 77% and approximately 77%, respectively, of the total premiums in these branches.

Note 4: Segmental Reporting (Cont.)

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

	Liability branches				Property branches							
	Compulsory motor		Liabilities and others branches [2]		Motor property		Credit insurance		Property and others branches [1]		Total	
	For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30		For the period of three months ended September 30	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
NIS in thousands	Unaudited											
Gross premiums	**109,672**	109,014	**88,259**	72,675	**159,838**	166,215	**26,389**	27,054	**167,564**	167,160	**551,722**	542,118
Reinsurance premiums	**69,872**	67,165	**33,128**	22,361	**45,545**	508	**13,138**	13,456	**118,986**	125,415	**280,669**	228,905
Premiums on retention	**39,800**	41,849	**55,131**	50,314	**114,293**	165,707	**13,251**	13,598	**48,578**	41,745	**271,053**	313,213
Change in unearned premium balance, on retention	**2,146**	11,858	**(2,081)**	3,261	**45,072**	16,335	**369**	325	**1,490**	3,775	**46,996**	35,554
Premiums earned on retention	**41,946**	53,707	**53,050**	53,575	**159,365**	182,042	**13,620**	13,923	**50,068**	45,520	**318,049**	348,767
Income (loss) from investments, net, and financing income	**1,489**	8,727	**1,309**	6,757	**(191)**	2,308	**(1,117)**	745	**327**	1,532	**1,817**	20,069
Income from commissions	**15,280**	16,164	**3,545**	3,165	**449**	-	**3,693**	3,686	**27,303**	29,415	**50,270**	52,430
Other income	**-**	-	**-**	-	**-**	-	**20**	38	**-**	-	**20**	38
Total income	**58,715**	78,598	**57,904**	63,497	**159,623**	184,350	**16,216**	18,392	**77,698**	76,467	**370,156**	421,304
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**81,812**	118,927	**94,331**	115,418	**115,632**	108,072	**9,527**	4,505	**106,558**	14,219	**407,860**	361,141
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(59,107)**	(65,327)	**(13,985)**	(33,097)	**(13,162)**	(279)	**(6,330)**	(1,352)	**(88,677)**	(2,990)	**(181,261)**	(103,045)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**22,705**	53,600	**80,346**	82,321	**102,470**	107,793	**3,197**	3,153	**17,881**	11,229	**226,599**	258,096
Commissions, marketing expenses and other acquisition costs	**21,090**	19,315	**24,696**	24,885	**43,926**	46,847	**2,549**	2,401	**56,337**	53,178	**148,598**	146,626
General and administrative expenses	**3,484**	3,000	**2,387**	1,762	**4,741**	4,587	**4,547**	4,286	**4,167**	4,651	**19,326**	18,286
Impairment of intangible assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Financing expenses (income)	**(355)**	(1,215)	**(44)**	(383)	**(97)**	(20)	**(570)**	(240)	**(191)**	1,054	**(1,257)**	(804)
Total expenses	**46,924**	74,700	**107,385**	108,585	**151,040**	159,207	**9,723**	9,600	**78,194**	70,112	**393,266**	422,204
Share in the profits (losses) of associate companies, net	**(2,773)**	223	**(1,849)**	149	**(520)**	42	**-**	-	**(635)**	51	**(5,777)**	465
Income (loss) before taxes on income	**9,018**	4,121	**(51,330)**	(44,939)	**8,063**	25,185	**6,493**	8,792	**(1,131)**	6,406	**(28,887)**	(435)
Other comprehensive income before taxes on income	**5,846**	5,467	**5,222**	4,095	**1,095**	1,316	**1,282**	1,082	**687**	923	**14,132**	12,883
Total comprehensive income (loss) before taxes on income	**14,864**	9,588	**(46,108)**	(40,844)	**9,158**	26,501	**7,775**	9,874	**(444)**	7,329	**(14,755)**	12,448

1) Property and others branches primarily include the results of the business property and apartment insurance branches, which during the three month period ended on the reporting date, and during the corresponding period last year, constituted approximately 70% and approximately 77%, respectively, of total premiums in those branches.
2) Other liabilities branches primarily include the results of the third party liability and employers' liability insurance branches, which, during the three month period ended on the reporting date, constituted approximately 77% and approximately 75%, respectively, of total premiums in those branches.

Note 4: Segmental Reporting (Cont.)

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

Data for the period of nine months ended September 30, 2019 (unaudited)

	Life insurance policies which include a savings component (including riders) by policy issue 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:	**153,376**	**1,206,383**	**966**	**2,594,963**	**472,294**	**57,361**	**4,485,343**
Receipts with respect to investment contracts charged directly to insurance reserves	**-**	**-**	**-**	**560,847**	**-**	**-**	**560,847**
Financial margin including management fees 2)	**247,752**	**457,069**	**1,539**	**171,139**	**-**	**-**	**877,499**
Payments and changes in liabilities with respect to insurance contracts, gross	**1,402,052**	**5,160,437**	**(390)**	**4,138,598**	**243,316**	**33,266**	**10,977,280**
Payments and changes in liabilities with respect to investment contracts	**-**	**-**	**25**	**152,351**	**-**	**-**	**152,376**
Total comprehensive income (loss)	**(356,623)**	**(282,907)**	**2,761**	**(59,554)**	**((1,880**	**26,905**	**(671,298)**

Data for the period of three months ended September 30, 2019 (unaudited)

	Life insurance policies which include a savings component (including riders) by policy issue 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:	**48,089**	**401,265**	**118**	**838,332**	**162,400**	**23,231**	**1,473,434**
Receipts with respect to investment contracts charged directly to insurance reserves	**-**	**-**	**-**	**255,209**	**-**	**-**	**255,209**
Financial margin including management fees 2)	**86,919**	**139,478**	**(300)**	**57,708**	**-**	**-**	**283,805**
Payments and changes in liabilities with respect to insurance contracts, gross	**483,305**	**1,220,805**	**327**	**1,143,373**	**86,761**	**6,966**	**2,941,537**
Payments and changes in liabilities with respect to investment contracts	**-**	**-**	**(14)**	**36,784**	**-**	**-**	**36,770**
Total comprehensive income (loss)	**(297,447)**	**(265,075)**	**(553)**	**150**	**(10,021)**	**14,850**	**(558,096)**

Data for the period of nine months 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
Total comprehensive income (loss)	91,370	212,445	6,806	(100,951)	(23,217)	(18,729)	167,724

Data for the period of three months ended September 30, 2018 (unaudited)

NIS in thousands	Life insurance policies which include a savings component (including riders) by policy issue date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
	Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	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
Total comprehensive income (loss)	(35,335)	115,213	(63)	(37,866)	(11,515)	(8,103)	22,331

Data for the year ended December 31, 2018 (Audited)

NIS in thousands	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
	Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	225,225	1,668,439	6,367	3,253,148	611,943	81,573	5,846,695
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	437,013	-	-	437,013
Financial margin including management fees [2)]	77,978	221,280	2,785	212,603	-	-	514,646
Payments and changes in liabilities with respect to insurance contracts, gross	1,032,393	1,594,873	1,087	2,884,899	253,321	67,813	5,834,386
Payments and changes in liabilities with respect to investment contracts	-	-	126	(18,792)	-	-	(18,665)
Total comprehensive income (loss)	179,263	88,209	10,332	(161,447)	19,969	7,296	143,622

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 details regarding the health insurance segments

Data for the period of nine months ended September 30, 2019 (unaudited)

NIS in thousands	Long term care Individual [1)]	Long term care Collective [2)]	Health other **) Long term	Health other **) Short term	Total
Gross premiums	**198,960**	**67,504**	**643,530*)**	**89,122*)**	**999,116**
Payments and changes in liabilities with respect to insurance contracts, gross	**613,926**	**351,151**	**307,733**	**39,312**	**1,312,122**
Total comprehensive income (loss)	**(352,873)**	**(71,154)**	**54,412**	**8,460**	**(361,155)**

*) Of which, individual premiums in the amount of NIS 580,432 thousand and collective premiums in the amount of NIS 152,220 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 period of nine months ended September 30, 2018 (unaudited)

NIS in thousands	Long term care Individual [1)]	Long term care Collective [2)]	Health other **) Long term	Health other **) Short term	Total
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
Total comprehensive income (loss)	(62,707)	(15,153)	34,747	18,156	(24,957)

*) 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 period of three months ended September 30, 2019 (unaudited)

NIS in thousands	Long term care Individual [1)]	Long term care Collective [2)]	Health other **) Long term	Health other **) Short term	Total
Gross premiums	**66,616**	**11,250**	**216,511*)**	**42,469*)**	**336,846**
Payments and changes in liabilities with respect to insurance contracts, gross	**432,140**	**120,424**	**110,264**	**17,400**	**680,228**
Total comprehensive income (loss)	**(367,150)**	**(40,455)**	**8,794**	**7,676**	**(391,135)**

*) Of which, individual premiums in the amount of NIS 195,787 thousand and collective premiums in the amount of NIS 69,193 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 period of three months ended September 30, 2018 (unaudited)

NIS in thousands	Long term care Individual [1)]	Long term care Collective [2)]	Health other **) Long term	Health other **) Short term	Total
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
Total comprehensive income (loss)	6,397	(8,093)	(1,668)	14,838	11,474

*) 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.

Note 4: Segmental Reporting (Cont.)

F. Additional details regarding the health insurance segments (Cont.)

Data for the year ended December 31, 2018 (audited)

	Long term care		Health other **)		
NIS in thousands	Individual [1]	Collective [2]	Long term	Short term	Total
Gross premiums	256,634	919,513	812,682 *)	118,946 *)	2,107,775
Payments and changes in liabilities with respect to insurance contracts, gross	244,235	1,103,958	419,689	54,569	1,822,451
Total comprehensive income (loss)	(54,291)	(129,733)	2,269	16,643	(165,112)

*) Of which, individual premiums in the amount of NIS 725,433 thousand and collective premiums in the amount of NIS 206,195 thousand.
**) The most material coverage included in other long term health insurance is medical expenses; with respect to short term, it is international travel.

1) See Note 8(a)(1)(a) in the financial statements for details regarding the low interest rate environment and its impact on the insurance liabilities.
2) See Note 8(f) to the financial statements for details regarding the agreements with Maccabi and Leumit health funds.

Note 5: Financial Instruments

A. Assets for Investment-Linked Contracts

1. Composition:

	As of September 30		As of December 31
	2019	2018	2018
NIS in thousands	Unaudited		Audited
Investment property *)	**2,941,301**	2,959,118	3,000,340
Financial investments			
Marketable debt assets	**27,022,783**	26,609,050	26,681,982
Non-marketable debt assets	**6,256,007**	6,619,078	6,236,989
Stocks	**12,981,803**	10,854,615	10,553,676
Other financial investments	**14,366,838**	14,967,980	14,712,586
Total financial investments *)	**60,627,431**	59,050,723	58,185,233
Cash and cash equivalents	**4,921,403**	4,874,893	3,648,899
Other **)	**604,718**	649,221	1,286,776
Total assets for investment-linked contracts	**69,094,853**	67,533,955	66,121,248

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

Note 5: Financial Instruments (Cont.)

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

2. Additional information regarding fair value

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

	As of September 30, 2019			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	**23,566,099**	**3,456,684**	**-**	**27,022,783**
Non-marketable debt assets	**-**	**6,173,766**	**82,241**	**6,256,007**
Stocks	**12,226,403**	**-**	**755,400**	**12,981,803**
Other financial investments *)	**9,655,535**	**1,326,013**	**3,385,290**	**14,366,838**
Total financial investments	**45,448,037**	**10,956,463**	**4,222,931**	**60,627,431**
*) Of which, with respect to derivatives	90,988	425,526	-	516,514

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

	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 December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
NIS in thousands	**Audited**			
Financial investments:				
Marketable debt assets	23,419,841	3,262,141	-	26,681,982
Non-marketable debt assets	-	6,111,400	125,589	6,236,989
Stocks	9,895,056	-	658,620	10,553,676
Other financial investments *)	9,176,074	2,319,475	3,217,037	14,712,586
Total financial investments	42,490,971	11,693,016	4,001,246	58,185,233
*) Of which, with respect to derivatives	220,212	168,962	-	389,174

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

**) For details regarding the levels of the hierarchy, see Note 2(e)(3) to the annual financial statements.

Note 5: Financial Instruments (Cont.)

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

2. Additional information regarding fair value (Cont.)

B. Financial assets measured at fair value level 3

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands		**Unaudited**		
Balance as of January 1, 2019	**125,589**	**658,620**	**3,217,037**	**4,001,246**
Total income (loss) recognized in the statement of income	**9,945**	**(8,261)**	**12,918**	**14,602**
Acquisitions	**-**	**190,919**	**698,236**	**889,155**
Sales	**-**	**(56,904)**	**(537,610)**	**(594,514)**
Redemptions	**(48,105)**	**-**	**-**	**(48,105)**
Interest and dividend receipts	**(5,188)**	**(28,974)**	**(5,291)**	**(39,453)**
Balance as of September 30, 2019	**82,241**	**755,400**	**3,385,290**	**4,222,931**
Total income (loss) for the period included under profit and loss with respect to held financial assets as of September 30, 2019	**11,921**	**(3,200)**	**12,283**	**21,004**

	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 with respect to 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 July 1, 2019	**84,515**	**680,445**	**3,328,350**	**4,093,310**
Total income (loss) recognized in the statement of income	**(650)**	**16**	**15,602**	**14,968**
Acquisitions	**-**	**78,584**	**212,394**	**290,978**
Sales	**-**	**-**	**(169,923)**	**(169,923)**
Redemptions	**(436)**	**-**	**-**	**(436)**
Interest and dividend receipts	**(1,188)**	**(3,645)**	**(1,133)**	**(5,966)**
Balance as of September 30, 2019	**82,241**	**755,400**	**3,385,290**	**4,222,931**
Total income (loss) for the period included under profit and loss with respect to held financial assets as of September 30, 2019	(677)	16	15,176	14,515

Note 5: Financial Instruments (Cont.)

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

2. Additional information regarding fair value (Cont.)

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

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
	Unaudited			
Balance as of 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 with respect to held financial assets as of September 30, 2018	(1,979)	(865)	42,617	39,773

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
	Audited			
Balance as of January 1, 2018	138,451	560,179	2,609,200	3,307,830
Total income recognized in the statement of income	8,588	84,528	419,064	512,180
Acquisitions	6,010	42,415	553,174	601,599
Sales	-	-	(353,347)	(353,347)
Redemptions	(38,109)	-	-	(38,109)
Interest and dividend receipts	(5,313)	(28,502)	(11,054)	(44,869)
Transfers to level 3 *)	15,962	-	-	15,962
Balance as of December 31, 2018	125,589	658,620	3,217,037	4,001,246
Total income for the period included under profit and loss with respect to held financial assets as of December 31, 2018	8,562	84,528	418,975	512,065

*) With respect to debt assets for which the use of quotes was discontinued, and which were transferred to level 3.

Note 5: Financial Instruments (Cont.)

B. Other financial investments

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

	As of September 30, 2019	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**16,087,039**	**24,886,293**
Other non-convertible debt assets	**5,321,168**	**6,026,005**
Deposits in banks	**742,370**	**877,964**
Total non-marketable debt assets	**22,150,577**	**31,790,262**
Impairment applied to income statement (cumulative)	**81,351**	

	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 December 31, 2018	
	Book value	Fair value
NIS in thousands	Audited	
Government bonds		
HETZ bonds and treasury deposits	15,775,836	22,256,270
Other non-convertible debt assets	5,454,217	5,888,428
Deposits in banks	760,290	843,219
Total non-marketable debt assets	21,990,343	28,987,917
Impairment applied to income statement (cumulative)	85,256	

*) 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, 2019			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	**6,095,666**	**128,262**	**-**	**6,223,928**
Non-marketable debt assets	**-**	**3,299**	**-**	**3,299**
Stocks	**1,153,745**	**-**	**320,852**	**1,474,597**
Other financial investments *)	**775,545**	**74,941**	**1,717,569**	**2,568,055**
Total financial investments	**8,024,956**	**206,502**	**2,038,421**	**10,269,879**
*) Of which, with respect to derivatives	1,513	74,941	18,290	94,744

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

	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 December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
NIS in thousands	**Audited**			
Financial investments:				
Marketable debt assets	4,905,717	326,145	-	5,231,862
Non-marketable debt assets	-	3,411	-	3,411
Stocks	1,125,733	-	291,242	1,416,975
Other financial investments *)	1,118,082	82,034	1,662,261	2,862,377
Total financial investments	7,149,532	411,590	1,953,503	9,514,625
*) Of which, with respect to derivatives	34,557	26,564	-	61,121

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

Note 5: Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3

NIS in thousands	Stocks	Other financial investments	Total
		Unaudited	
Balance as of January 1, 2019	**291,242**	**1,662,261**	**1,953,503**
Total income (loss) which was recognized:			
Under profit and loss	**8,356**	**96,102**	**104,458**
Under other comprehensive income	**(17,764)**	**(49,235)**	**(66,999)**
Acquisitions	**46,935**	**245,862**	**292,797**
Sales	**-**	**(236,904)**	**(236,904)**
Interest and dividend receipts	**(7,917)**	**(517)**	**(8,434)**
Balance as of September 30, 2019	**320,852**	**1,717,569**	**2,038,421**
Total income for the period included under profit and loss with respect to held financial assets as of September 30, 2019	**8,356**	**95,931**	**104,287**

NIS in thousands	Stocks	Other financial investments	Total
		Unaudited	
Balance as of January 1, 2018	253,539	1,306,606	1,560,145
Total recognized income:			
Under profit and loss	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 with respect to held financial assets as of September 30, 2018	5,886	34,278	40,164

NIS in thousands	Stocks	Other financial investments	Total
		Unaudited	
Balance as of July 1, 2019	**293,416**	**1,697,235**	**1,990,651**
Total income (loss) which was recognized:			
Under profit and loss	**2,805**	**30,838**	**33,643**
Under other comprehensive income	**(8,685)**	**(2,945)**	**(11,630)**
Acquisitions	**36,091**	**69,565**	**105,656**
Sales	**-**	**(76,983)**	**(76,983)**
Interest and dividend receipts	**(2,775)**	**(141)**	**(2,916)**
Balance as of September 30, 2019	**320,852**	**1,717,569**	**2,038,421**
Total income for the period included under profit and loss with respect to held financial assets as of September 30, 2019	**2,805**	**30,659**	**33,464**

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 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 with respect to 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 January 1, 2018	253,539	1,306,606	1,560,145
Total recognized income:			
Under profit and loss	12,464	46,284	58,748
Under other comprehensive income	20,342	158,343	178,685
Acquisitions	17,506	345,425	362,931
Sales	-	(193,450)	(193,450)
Interest and dividend receipts	(12,609)	(947)	(13,556)
Balance as of December 31, 2018	291,242	1,662,261	1,953,503
Total income for the period included under profit and loss with respect to held financial assets as of December 31, 2018	12,464	48,089	60,553

Note 5: Financial Instruments (Cont.)

C. Financial liabilities

1. Composition of fair value:

	As of September 30				As of December 31	
	2019		2018		2018	
	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 *)	**163,968**	**163,968**	182,966	182,966	333,884	333,884
Loans from banking corporations **)	**111,938**	**118,374**	111,938	115,251	111,938	114,300
Marketable deferred liability notes [2)]	**3,928,520**	**4,294,962**	3,116,497	3,344,222	3,133,717	3,347,438
Total financial liabilities presented at amortized cost [1)]	4,040,458	4,413,336	3,228,435	3,459,473	3,245,655	3,461,738
After deducting interest payable with respect to deferred liability notes, presented under the item for other accounts payable	**21,548**		21,423		35,840	
Total financial liabilities	**4,182,878**	**4,577,304**	3,389,978	3,642,439	3,543,699	3,795,622
*) Of which, with respect to investment-linked liabilities	**132,384**	**132,384**	130,001	130,001	239,423	239,423

**) Presented at fair value level 2, in accordance with the fair margin, see section D below.
2) See Note 8(c) below for details regarding the issuance.

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, 2019			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Derivatives	**13,527**	**150,441**	**-**	**163,968**
Total financial liabilities	**13,527**	**150,441**	**-**	**163,968**

	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 December 31, 2018			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Audited			
Derivatives	27,386	306,498	-	333,884
Total financial liabilities	27,386	306,498	-	333,884

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. Dividends and management of the Company's capital requirements

Further to that stated in Note 16(c) and (d) to the annual statements, the balance of distributable earnings as of the reporting date, in accordance with the Companies Law, and in accordance with the undertakings regarding capital supplementation which were given by the Company within the framework of the permits for control of institutional entities which are held by the Company (without taking into account the cancellation of the control permit on May 8, 2014, and the implications thereof, as specified in Note 16(e)5 to the financial statements), amounts to approximately NIS 2 billion. The possibility of distributing dividends is also affected by the investee companies' ability to distribute dividends subject to their capital requirements and liquidity needs.

B. The Solvency II-based economic solvency regime which applies to the Group's insurance companies

The Company received the Commissioner's approval for the audit of the economic solvency ratio report as of December 31, 2018, and accordingly, beginning with the financial statements as of June 30, 2019 the Company is required to comply with the provisions of the Solvency II-based economic solvency regime only.

According to the results of the calculation as of June 30, 2019, the insurance companies in the Group are complying with the capital requirements, and have a significant capital surplus beyond the capital required in accordance with the provisions for the distribution period and the stock scenario adjustment.
The calculation which was conducted by the insurance companies in the Group as of June 30, 2019, was not audited or reviewed as part of the audit of the financial statements. It is emphasized that the forecasts and assumptions which constituted the basis for the preparation of the economic solvency ratio report are mostly based on past experience, as indicated in actuarial studies which are conducted from time to time. In light of the reforms taking place in the capital, insurance and savings market, and the changes in the economic environment, historical data does not necessarily predict future results.

The calculation is sometimes based on assumptions regarding future events, and actions of management which may not necessarily materialize, or may materialize differently from the assumptions which were used as the basis for the calculation. Additionally, actual results may differ significantly from the calculation, in light of the fact that the combined scenarios of events may materialize in a manner which is significantly different from the assumptions in the calculation.

For additional details regarding events subsequent to the reporting date, see also section 3.2.3 of the board of directors' report, and the economic solvency ratio report of Clal Insurance as of June 30, 2019, which is published on the Group's website at https://www.clalbit.co.il/aboutclalinsurance/financialstatementsandpressrelease.

Note 7: Contingent Liabilities and Claims

Presented below are details regarding claims which are not in the ordinary course of business, as follows: material claims[6] whose filing as class actions was approved; Pending motions to approve class action status for material claims; Material and immaterial class actions which concluded during the reporting period, until its signing date, other material claim and derivative claims against the Group's member companies.

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

A. Class action claims

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

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

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

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

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

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

[6] 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 (see Chapter D in section 13(f) of the periodic report for 2018) with respect to income, according to the calculation of forecasted comprehensive loss, divided by the average annual comprehensive income or comprehensive loss in the last three years, calculated based on the last 12 quarters for which audited or reviewed financial statements were published; It is hereby clarified that the income/loss which is attributed to the event, and the income/loss in each quarter, are calculated according to their absolute values. A claim may also be considered material for the purpose of such disclosure when the Company is unable to estimate the total exposure.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

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

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

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 factorF18[7] 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 proceedings are currently in the claim handling stage.	The plaintiff estimates the number of the class members as 37,752 members, and accordingly, the monetary compensation to all of the class members is estimated at NIS 107 million, in each year.[8]

7 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.

8 The specified amount refers to the estimated 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.

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

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

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 January 2019, the plaintiff petitioned for the expansion of the class of represented plaintiffs, as defined in the Court's decision to approve from August 2015, such that it will also include all policyholders of Clal who received and/or will receive insurance benefits to which duly calculated interest was not added, from the date of the claim's approval as a class action, until a final ruling has been given on the matter. The Court determined it would reach a determination regarding the motion as part of the ruling.	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, for which the motion to approve was dismissed, with respect to linkage differentials, in an additional amount of NIS 490 million.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
5.	1/2008 District - Tel Aviv	Clal Insurance and additional insurance companies	According to the plaintiff, the defendants charge sub-annual installments, a payment which is collected in life insurance policies wherein the insurance tariff is determined as an annual amount, though the payment is executed in several installments (hereinafter: "**Sub-Annual Installments**"), in excess of the permitted amount, with such charges being implemented, allegedly, in a number of ways: collection of sub-annual installments with regard to the "policy factor", collection of Sub-Annual Installments at a rate higher than that permitted according to the Control of Insurance circulars, collection of sub-annual installments with respect to the savings component in life insurance policies, and collection of sub-annual installments with regard to non-life insurance policies.	Repayment of all amounts unlawfully collected by the defendants, and a mandamus order requiring the defendants to change their ways of action with regard to the matters listed in the claim.	Any person who engaged in an insurance contract with any of the defendants, and from whom payment was collected with respect to the sub-annual installments component, in circumstances or in an amount which deviated from what is permitted.	The Commissioner filed his position on the case, in which he accepted the position of the insurance companies. In July 2016, the Court approved the claim as a class action. The Group which was approved includes anyone who engaged with the defendants, or with any one of them, in an insurance contract, and from whom sub-annual installments were collected with respect to the following components: with respect to the savings component in life insurance of the "hybrid" type, which were sold by Clal Insurance in the past, with respect to the "policy factor", which is a fixed monthly amount that is added to the premium, and which is intended to cover expenses, and with respect to health, disability, critical illness, loss of working capacity and long-term care policies (the "Collection Components"). The Court's decision was given despite the position of the Commissioner of Insurance which was submitted at the request of the Court, as stated above. The cause of action for which the claim was approved as a class action is unlawful collection of sub-annual installments with respect to the collection components. The requested remedy is the reimbursement of the amounts which were unlawfully collected during the seven years preceding the filing of the claim and thereafter, i.e., from January 2001, and a mandamus order ordering the defendants to rectify their conduct. In December 2016, the defendants filed with the Supreme Court a motion for leave to appeal against the decision to approve the claim as a class action (the "Motion for Leave to Appeal"), and in May 2018, the Supreme Court accepted Motion for Leave to Appeal, heard it as an appeal, and gave a ruling in which the appeal was accepted, and the claim accordingly dismissed. In June 2018, the plaintiffs filed a motion to hold an additional hearing regarding the ruling, with respect to some of the determinations specified therein. In July 2019, a decision was given to approve holding an additional discussion on this matter, before an extended panel of 7 judges.	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 received from 2012 onwards, and are 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. In February 2019, the defendants withdrew the motion for leave to appeal, in accordance with the Supreme Court's suggestion, and therefore, the proceedings are currently in the stage of handling the claim before the District Court.	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 of the filing date of the claim, as a nominal total of approximately NIS 2,325 million. Out of this amount, a total of approximately NIS 661.9 million is attributed to Clal Insurance, according to its alleged market share.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
7.	7/2014 District - Center	Clal Insurance	According to the plaintiff, Clal Insurance overcollects premiums in compulsory and/or third party and/or policies of the "Specified Driver" type (hereinafter: the "**Policy**"), in cases where the youngest driver who is expected to use the vehicle on a routine basis (hereinafter: the "**Driver**") is expected to reach, during the insurance period, an age and/or driving experience level at which Clal Insurance begins collecting reduced premiums (hereinafter, respectively: "**Eligible Age**" and "**Eligible Experience Level**"). The plaintiff contends that Clal Insurance should be required to calculate the premiums by other means, also in case of renewal of the policy after a previous insurance period, and that Clal Insurance should be required to initiate disclosure to the holders of motor policies, of any kind whatsoever, 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 parties are conducting mediation proceedings between them.	The total claim amount was estimated by the plaintiff as a total of approximately NIS 26 million. The estimate of damage, as stated in the class action plaintiff's affidavit of evidence in chief, amounted to a cumulative total of approximately NIS 100 million, with respect to a period of 11 years.

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.	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 Holding and IDB Development.	In January 2017, the Court approved the handling of the claim as a class action against Clal Batucha, and dismissed the motion with respect to the directors. 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. 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[9]. 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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[9] The Company reported the claim to the insurers of the professional liability insurance policies under which it is covered. The Company is unable, at this stage, to estimate the amount of damages and the scope of insurance coverage.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
9.	6/2013 District - Tel Aviv	Clal Insurance	The plaintiff, who is a holder of collective long term care insurance through a comprehensive pension fund, and who was recognized as requiring long term care, contends that Clal Insurance pays to its policyholders reduced and insufficient insurance benefits, in a manner which does not include the addition of linkage differentials and interest.	Motion to issue a declaratory ruling and a reimbursement order, for the payment of duly calculated linkage differentials and interest, from the date of the occurrence of the insurance event until the date of actual payment, in accordance with section 28 of the Insurance Contract Law, 1981; and the prospective correction of the omission.	Anyone who received, during the 7 years prior to the filing of this claim and/or who will receive, until a ruling has been given on the claim, insurance benefits from Clal Insurance, where duly calculated interest and linkage differentials were not added to the insurance benefits.	In October 2015, the State Attorney filed its position with the Court, according to which it supports the position of Clal Insurance on the aforementioned matter. In February 2017, the Court approved the claim as a class action. The Group which was approved includes all beneficiaries in the original and renewed collective insurance policy of Makefet policyholders, who received from the respondent, during the 7 years prior to the filing of the motion to approve, insurance benefits with no additional linkage differentials. The requested remedy is payment of the entire linkage differentials to which the class members are entitled. The Court's decision was given despite the position of the Commissioner of Insurance which was submitted regarding the case, at the request of the Court, which supports the position of Clal Insurance on the aforementioned subject. In June 2018, the parties filed with the Court a motion to approve a settlement arrangement. In accordance with the settlement arrangement, partial compensation will be paid to the class members in whose name the claim was filed, and who meet the conditions specified in the settlement agreement. The Attorney General of Israel filed a position with respect to the proposed settlement arrangement, in which it was stated that he did not consider it appropriate to object to the proposed settlement. The Court decided to appoint an examiner to evaluate the proposed settlement arrangement, and the parties amended the settlement in accordance with the examiner's report. The settlement arrangement's entry into effect is conditional upon the receipt of approval from the Court, the provision of which is uncertain.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 473.8 million.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
10.	2/2014 District - Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance abuses the fact that the policyholder does not pay, for a certain period, the savings component in a life insurance policy which includes a savings component and a risk component, and fundamentally and grossly violates the policy terms by implementing unilateral changes to the policy (shortening the policy period, changing the insurance commencement date and increasing the policyholder's age at the start of insurance coverage), which leads to an unlawful increase in the real premium cost, although the premium for the risk component in the policy has been paid in full. According to the plaintiff, Clal Insurance thereby causes policyholders to incur damages in significant amounts.	To order Clal Insurance to pay the excess premium amounts which it collected by first moving the insurance commencement date until the date when the claim was approved as a class action, with the addition of the maximum linkage differentials and interest permitted by law. To receive an order prohibiting Clal Insurance from continuing its collection of premiums at rates higher than the rate specified in the policy. Alternatively, to order Clal Insurance to pay an appropriate and adequate amount in favor of the entire public, in an amount equal to the collection fees which were collected and not reimbursed to the payer, with the addition of duly calculated linkage differentials and interest.	Any person who obtained and/or who was insured by a life insurance policy, and who did not pay the savings component in this policy in its entirety, from the policy preparation date until the date of entitlement for a monthly annuity according to the policy, and from whom premiums were unlawfully overcollected, due to the change in the insurance commencement date.	In December 2017, the Court approved the claim as a class action. The class which was approved includes anyone who engaged in, and/or who was covered by, a life insurance policy which includes a savings component and a risk component, and who did not pay one of the policy components in full, from the policy preparation date until the date of eligibility for a monthly stipend under the policy, or until the settlement or expiration of the policy, whose insurance start date was "moved forward" by the respondent. The claim was approved with the causes of action of breach of contract, deception and unjust enrichment. The claimed remedies include reimbursement of the excess premium amounts which were collected by Clal Insurance, as alleged by the plaintiffs, beyond the amounts specified in the policy, and an order prohibiting Clal Insurance from continuing its collection of premiums at rates higher than the rate specified in the policy. The proceedings are currently in the claim handling stage.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 20 million.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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
11.	5/2015 District - Jerusalem	Clal Insurance and an additional insurance company	According to the plaintiff, after years during which his deceased mother was insured under a collective life insurance policy, which Clal Insurance sold to the association of pensioners under the "Netiv - Southern and Central Region" pension fund (hereinafter: the "**Association**" and the "**Policy**", respectively), and who paid premiums as required, Clal Insurance unilaterally and unlawfully canceled the policy, because the policy was a losing policy, and did not reimburse the premiums which it had charged. The plaintiff also contends that Clal Insurance illegally collected premiums from policyholders with respect to June 2014, after the date when the policy was canceled.	To order Clal Insurance to pay to each of the class members who did not receive the benefits of the policy, the entire premiums which were collected from them with respect to the policy over the years when they were insured, with the addition of duly calculated interest and linkage.	Anyone who was insured by Clal Insurance in a policy which was canceled on March 2, 2014, as well as all policyholders under the policy from whom Clal Insurance collected premiums in June 2014.	In May 2019, the Court dismissed the claim for reimbursement of all premiums which were paid with respect to the policy over the years. The Court approved the claim as a class action against Clal Insurance and against the association, on the grounds of breach of the provisions of the Insurance Contract Law, 1981, the Control of Insurance Business Regulations (Collective Life Insurance), 1999, the provisions of the policy and on grounds of negligence, and determined that Clal Insurance had not properly alerted the policyholders of the cancellation of the insurance contract, and that the association had breached, inter alia, the fiduciary duty and duty of care which applied to it as the "policyholder". The approved class includes the beneficiaries of the retirees who are covered under the collective insurance contract, who passed away since the cancellation date of the insurance contract until the termination date of the insurance period specified in the insurance contract (a two year period). The claimed remedy is payment of insurance benefits to the class members. The proceedings are currently in the claim handling stage.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 90 million.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	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 announce changes in management fees once the members reached retirement age. The proceedings are currently in the claim handling stage.	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
2.	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.	In April 2019, the parties filed with the Court a motion to approve a settlement arrangement. In accordance with the settlement arrangement, Clal Insurance will provide to the class members, as defined in the settlement agreement, a database of international travel insurance days free of charge, which may be used in accordance with the provisions of the settlement agreement. The settlement arrangement's entry into effect is conditional upon the receipt of approval from the Court, the provision of which is uncertain.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 70 million.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	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.
4.	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 proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs contend that the damage cannot be estimated at this stage, but estimate it at tens or even hundreds of millions of NIS. The personal damage claimed by the plaintiff from Clal Insurance, as alleged, amounts to a total of approximately NIS 32,500 (without linkage differentials and interest).

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
5.	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 was 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.
6.	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. After the dismissal of the aforementioned motion for leave to appeal, which the plaintiff had filed with the Supreme Court, the plaintiff filed with the Court an amended motion to approve, which pertained to the specific causes of action which were determined by the Court, as stated above.	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
7.	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
8.	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.

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.	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) 7/2019 Regional Court - Tel Aviv (5)	Clal Pension and Provident Funds Clal Insurance "Atudot" - Pension Fund for salaried Employees and Self-Employees Ltd. (a subsidiary of Clal Insurance (held 50%)) (hereinafter: "**Atudot**")	The five 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 them, 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 five 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 defendants, and holders of managers' insurance policies, from whom investment management expenses were collected during the seven years preceding the filing of the relevant claim.	In May 2018, the position of the Capital Market, Insurance and Savings Authority was filed, within the framework of the proceedings which are being conducted before the Regional Labor Court of Jerusalem, which, in general, supported the position of Clal Pension and Provident Funds. In June 2018, the Authority's responses to the questions which had been addressed to it were filed, within the framework of the proceedings 11(1) and 11(4). The proceedings are currently in the stage of hearing the motions to approve the claims as class actions. It is noted that in May 2019, the District Court of the Central District decided to approve a motion to approve a class action regarding the collection of direct expenses in individual life insurance policies (the "**Decision to Approve**"). In the decision to approve, it was determined that the absence of a clear provision in the policy regarding the collection of direct expenses constitutes a negative arrangement, and therefore, the defendants were not entitled to collect those expenses. In October 2019, a motion for leave to appeal the decision to approve was filed with the Supreme Court, and in November 2019, a decision was given, stating that a hearing would be conducted regarding the motion for leave to appeal. The institutional entities in the Group are not parties to these proceedings.	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 class 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. In claim 5, which refers to the pension fund managed by Atudot, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 41 million. Verify against Atudot's financial statements

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.	9/2016 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
11.	11/2016 District - Tel Aviv (1) 09/2016 District Tel Aviv (2)	Clal Insurance and an additional insurance company	The claims involve the assertion that due to "lack of knowledge" because of the non-provision and publication of a students personal accidents insurance policy (the "Policy") for the policyholders and their families, the policyholder avoid exercising their right to compensation by virtue of the policy.	The plaintiffs in claim (1) request the issuance of orders against the defendants and the Commissioner of Insurance, and request, inter alia, the appointment of a committee, with the participation of external representatives, which will be authorized to discuss and determine all of the claims, and the transfer of the burden of proof to the insurer. The plaintiffs in claim (2) request, inter alia, the issuance of mandamus orders for compensation with respect to the hassle and cost of printing, in a total amount of NIS 1.5 for each class member, and an extension of the prescription period, including a determination stating that the prescription period was suspended in September 2006.	The plaintiff in claim (1) classified the plaintiffs into several groups, with respect to students who were born after October 25, 1995, and who, from ages 3 to 19 (the period of their studies in Israel, from kindergarten until the end of high school in 12th or 13th grade), went through an accident, due to which they suffered a physical injury, and who did not receive insurance benefits under the policy, as follows: (1) the "tooth fracture" group, (2) the "medical expenses" group, (3) the "disability" group, (4) and the "cases of death" group. The plaintiff further requests the establishment of an additional sub-group for each of the Groups of plaintiffs mentioned above, whose members are people and/or their parents and/or their heirs who were born and/or who studies in Israel between the years 1974 and 1995, and who were injured after 1992, and who claimed that they were not aware of the scope of the policy, and on behalf of all policyholders - all students and their parents from September 1992 until now - who were injured. The plaintiff in claim (2) requests to represent all students, at school or at home or at kindergarten, in the State of Israel, who were covered under a policy and who did not receive it at their house, beginning with the school year beginning in September 2006 and/or any student whose cause of action against the insurance company prescribed, beginning in September 2006.	In April 2018, following the plaintiffs' joint motion regarding the two claims, it was determined that the two claims would be consolidated into a single claim, accordingly, in July 2019, and the parties filed a joint motion to approve the class action. The proceedings are currently in the stage of hearing the motions to approve the claims as class actions.	According to the plaintiffs in claim (1), their alleged personal damages are in the range from NIS 150 to NIS 6,260. The plaintiffs estimate the alleged damage for the members of the "tooth fracture", "medical expenses" and "all defendants" groups together, as a total of approximately NIS 1.439 billion. The plaintiffs have not specified an estimate regarding the damage caused to the other groups. According to the plaintiffs in claim (2), the damage claimed for all class members amounts to a total of approximately NIS 23 million, plus interest and linkage, beginning with the school year of September 2006.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
12.	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 a hearing before the Labor Court. In February 2019, the defendants filed a motion to add the president of the business organizations as additional defendants in the motion (hereinafter: the "**Motion**"). In May 2019, the Court dismissed the motion, and in parallel, approved the motion of the Chamber of Commerce to join the proceedings with the status of *amicus curiae*. 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.

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.	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.	In May 2019, the parties filed with the District Court of Tel Aviv a motion to approve a settlement arrangement (hereinafter: the "Settlement Arrangement"), according to which Clal Insurance undertook to pay, to the members of the class which was defined in the settlement arrangement, compensation according to the amounts and rates which were determined in the settlement arrangement. The settlement arrangement includes provisions regarding the method used to effect the payment to the class members, regarding the sending of notices, and a future arrangement regarding the which form the subject of the settlement. In September 2019, the Attorney General filed objections to certain provisions of the settlement arrangement, due to the fact that, according to his position, it does not reflect the best interests of the class members. The settlement arrangement's entry into effect is conditional upon the receipt of court approval, the provision of which is uncertain.	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
14.	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 parties are conducting mediation proceedings between them.	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.

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.	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.
16.	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
17.	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.
18.	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
19.	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 at 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
20.	8/2018 Regional Labor Court of Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance paid, to holders of guaranteed-return insurance policies which were issued between the years 1962 and 1990 ("**Guaranteed-Return Policies**"), interest according to rates which were lower than the rates which it was required to pay in accordance with the publication issued by the Authority of Capital Markets, Insurance and Savings (hereinafter: the "**Capital Market Authority**"), and as a result, that it performed unjust enrichment at the expense of policyholders. It was further asserted that Clal Insurance did not pay interest in arrears to policyholders in cases involving arrears in the redemption of funds from guaranteed-return policies.	The payment of the difference between the interest rate which Clal Insurance actually paid to holders of guaranteed-return policies, and the interest rate which it would have been required to pay in accordance with the publication of the Capital Market Authority, and the update to unredeemed guaranteed-return policies, in accordance with the interest rate which were published by the Capital Market Authority. The plaintiff is also petitioning for payment of 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.	In September 2019, the Court decided to request the position of the Capital Market, Insurance and Savings Authority regarding the motion. 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
21.	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, against the policyholder's interests, without the policyholders' express consent.	Declaratory relief determining 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 damage which was incurred due to the unilateral amendments.	Holders, during the 7 years preceding the filing date of the claim, of life, accident, illness and disability insurance policies, and whose policy terms were changed for the worse following the unilateral decision of Clal Insurance, without their express consent.	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 at NIS 4,947,000. The plaintiffs assert that, after receiving all of the relevant data from Clal Insurance, they will be able to accurately estimate the extent of the alleged overcollection.
22.	11/2018 District - Center	Clal Insurance	The plaintiffs contend that Clal Insurance breaches its contractual obligation under the policy, and allegedly refuses to pay, to holders of comprehensive motor insurance policies for vehicles weighing over 3.5 tons, compensation with respect to the vehicle's loss of value as a result of the insurance event, although the policy covers the "damage" caused to the vehicle, while affecting the assessments which are prepared by the arrangement loss adjusters.	Declaratory relief; Ordering Clal Insurance to indemnify all of its policyholders who were covered under the policy, and whose vehicles suffered and/or will suffer loss value as a result of the insurance event, as well as any other remedy considered by the Court to be appropriate and just, in light of the circumstances.	All policyholders of Clal Insurance who acquired and/or will acquire from Clal Insurance comprehensive motor insurance for vehicles weighing up to 3.5 tons, and whose vehicles, as a result of the insurance event, as defined in the policy, suffered and/or will suffer damage in the form of loss of value.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. The parties initiated mediation proceedings.	The plaintiff estimates the amount of damages incurred by the class members at approximately NIS 75 million. The plaintiff's personal damage was estimated at a total of NIS 21,605.

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.	1/2019 District - Jerusalem	Clal Insurance and two additional insurance companies	The plaintiffs contend that the defendants unlawfully hold funds originating from the dispatch of unredeemed checks, and which were sent to policyholders, whose eligibility for insurance benefits or for reimbursement of premiums has been recognized by the defendants.	Payment of the insurance benefits or reimbursement of the premiums, plus linkage and interest from the date when they were recognized by the defendants, through the payment methods which are held by the defendants; Additionally, to order the defendants to perform, in the future, insurance payments using the same payment method as that which is used by the policyholder to pay the premiums; And to order the defendants that if it is not possible to locate the class members, the Guardian General should be contacted and informed of the funds which are held by them.	Anyone who meets one or more of the following conditions: (1) Policyholders of the defendants, whose eligibility for insurance benefits or for the reimbursement of insurance premiums was recognized by the defendants, and to whose registered address checks were sent which had not been redeemed by the policyholders, for any reason whatsoever; (2) Policyholders of the defendants regarding whom, on the date of dispatch of the aforementioned checks, or thereabouts, the defendants had details of their bank account or debit card, through which and/or from which premiums were collected by the defendants, or regarding whom the defendants had the possibility to find such details.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The claim does not include calculation of the aggregate damage incurred by the class members; however, this amount was estimated at exceeding NIS 2.5 million.
24	3/2019 District- Jerusalem	Clal Insurance	The plaintiffs contend that the defendant issues personal accident policies to its policyholders upon their purchase of international travel insurance, without their consent, and in a misleading manner.	An order to reimburse the funds which were collected by the defendant to each of the class members, with respect to the payment of a personal accidents insurance policy during the last seven years	Any policyholder who, when purchasing an international travel insurance policy, was also added at that time, without their consent, to personal accidents insurance, and who was unlawfully charged monthly premium payments up to 7 years before the filing date of the claim.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the damage incurred by the class members at approximately NIS 17 million. The personal damage claimed by the defendant amounts to NIS 1,044.
25	6/2019 Regional Labor Court of Tel Aviv	Clal Insurance	The plaintiff contends that the defendant systematically reduces the benefits of loss of working capacity insurance which it pays to its policyholders by virtue of loss of working capacity insurance policies of the profit sharing type, by unlawfully deducting management fees and nominal interest.	Repayment in kind of the funds which were unlawfully withheld, according to the plaintiff, from the class members, and crediting the savings in the policies with respect to the released premium funds. The plaintiff is also petitioning for a declaration announcing the non-validity of the provisions in the policies pertaining to the deduction of interest and management fees from the returns to which policyholder are entitled.	All holders, or former holders, of profit-sharing loss of working capacity policies which included a mechanism for linking the monthly compensation and/or premium release payments to the investment portfolio’s returns, beginning with the 25th payment, to whom Clal Insurance paid monthly compensation and/or release for a period exceeding 24 months, and deducted from the returns, beginning with the 25th payment, interest and/or management fees.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The total damage allegedly incurred by all of the class members was estimated by the plaintiff in the amount of NIS 2,402,836,000.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
26	10/2019 District-Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance unlawfully collects linkage differentials and interest with respect to premiums in motor property policies, which are paid on the dates listed in the policy schedule. Alternatively, it was asserted that if the Court determines that Clal Insurance is entitled to collect linkage differentials and interest, as stated above, then its calculation of linkage differentials is performed unlawfully, and the linkage differentials should be calculated according to the difference between the index which was published either 30 days after the commencement date of the insurance period or after the date of submission of the account for the premiums (whichever is later), and the index on the date of actual payment	To repay to the class members the amounts with respect to the charges, plus linkage differentials and interest from the date they were charged until the date of their repayment	Anyone who purchased from the defendant an individual motor insurance policy, where it was determined, in the policy schedule, that the premiums will be paid according to the determined amounts and dates, and who paid on those dates, but were still charged linkage differentials and interest by Clal Insurance, during the seven years preceding the filing of the motion. alternatively, insofar as the Court has determined that Clal Insurance was entitled to add linkage differentials and interest with respect to the premium payments, the plaintiff requests to define the class which it wishes to represent as including anyone who purchased from the defendant an individual motor insurance policy, where it was determined, in the policy schedule, that the premiums will be paid according to the determined amounts and dates, and from whom linkage differentials were charged, were not calculated according to the difference between the index which was published either 30 days after the commencement date of the insurance period or after the date of submission of the account for the premiums (whichever is later), and the index on the date of actual payment	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	Estimated at a total of no less than NIS 5,000,000
27	10/2019 District-Center	Clal Insurance	The plaintiff contends that Clal Insurance collects, in life insurance policies, premiums which include an addition for “sub-annual installments”, with respect to premium payments which are made in monthly installments, without clearly and explicitly agreeing upon and disclosing the matter in the policy. The plaintiff contends that Clal Insurance is thereby breaching the provisions of the policy and other legislative provisions, and systematically misleading policyholders. The plaintiff also contends that the demand for payment of the addition with respect to sub-annual installments constitutes a discriminatory condition in a standard contract.	To grant declaratory relief ordering Clal Insurance to cancel the charge with respect to “sub-annual installments”, and to compensate the class members, according to the rate of damages which they incurred, including repaying to the class members the premiums with respect to “sub-annual installments” which they paid prior to the filing date of the claim. The plaintiff is also petitioning to order Clal Insurance to correct the annual reports to policyholders, and to send to them reports which include details regarding the addition of the “sub-annual installments” which are being collected from them, and which will be collected from them, until the policy conclusion date, and to allow them to choose between prepayment of the premiums each year, without the addition of “sub-annual installments”, and payment of monthly premiums, which include the addition of “sub-annual installments”.	Any policyholder of Clal Insurance who purchased from it a life insurance policy, in which they were obligated to pay premiums which include an addition with respect to “sub-annual installments”, without having explicitly specified in the policy that the policy includes an addition with respect to “sub-annual installments”, for payment of the premium in monthly installments	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	NIS 1.8 billion

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
28.	11/2019 District-Center	Clal Insurance	The plaintiff contends that Clal Insurance collected management fees in life insurance policies combined with savings of the "profit sharing" type which were issued before January 12, 2004 (hereinafter: the "**Relevant Policies**"), in rates which deviate from what is permitted, without any legal and/or contractual basis.	A remedy of repaying the amount of management fees which were unlawfully collected from the class members, and a mandamus order instructing Clal Insurance to change its operating method with respect to the collection of management fees in the relevant policies from this point forward.	Anyone who was or is a holder of the relevant policies of Clal Insurance, and from whom Clal Insurance collected, during the 7 years preceding the filing date of the claim, and until the approval date of the claim as a class action, management fees which deviate from what is permitted in accordance with the Control of Financial Services Regulations (Insurance) (Terms of Insurance Contracts), 1981, according to their wording at the time, and/or in accordance with the provisions of the policy.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	NIS 120 million
29.	11/2019 District-Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance collected management fees from the cumulative savings in life insurance policies combined with savings, without having obtained the policyholders' consent, in breach and violation of the policy terms, and/or without having received approval from the regulator for charging the aforementioned amounts[10].	Repayment of the management fees which were overcollected from the class members, and a mandamus order instructing Clal Insurance to discontinue the collection of management fees from the cumulative savings in the relevant policies, from this point forward, and to restore the insurance contract's original conditions	Anyone who was or is a holder of the relevant policies of Clal Insurance, and from Clal Insurance collected, during the 7 years preceding the filing date of the claim, management fees in breach of the agreement with the policyholders.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	Approximately NIS 22 million.

[10] The represented class was defined by the plaintiff by including holders of the Company's life insurance policies which include a savings component; however, *prima facie*, it appears the assertions made in the statement of claim refer to a certain type of policies, which were sold from 2000 to 2004.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions, material claims and motions to approve class action status for material claims which concluded during the reporting period, until its signing[11]

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	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.	In June 2019, the Court approved the plaintiff's motion to withdraw the claim.	The cumulative damage incurred by the class members was estimated by the defendant at a total of NIS 21,415,031.

[11] This section includes details regarding claims which concluded during the reporting year, and which were not reported in the financial statements for 2018, and also applies 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 a settlement arrangement. This section does not refer to followup on the implementation of the arrangements (including changes made thereunder) which were determined in the aforementioned decisions, and which may continue over time.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions, material claims and motions to approve class action status for material claims which concluded during the reporting period, until its signing. (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	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. In October 2019, the Court approved the settlement arrangement in the claim, and gave it force of ruling.	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.)

A3. Material class actions, material claims and motions to approve class action status for material claims which concluded during the reporting period, until its signing (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	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.	In September 2019, further to the plaintiffs' agreed-upon motion which was filed with the Court, following its recommendation to withdraw the motion to approve and the claim, a ruling was given in which the plaintiffs' withdrawal was approved.	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.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions, material claims and motions to approve class action status for material claims which concluded during the reporting period, until its signing (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	9/2016 Regional Labor Court of Tel Aviv	Clal Insurance	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 class 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 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'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 plaintiff's representative, who sought, following the amendment to the Control of Financial Products Law (Provident Funds), 2005, to evaluate whether the aforementioned amendment made the proceedings unnecessary. In May 2019, the class action plaintiff filed with the Regional Labor Court of Tel Aviv a motion to strike the claim, without ordering expenses, which was approved in October 2019.	The amount of the class action against the defendant amounts to a total of approximately NIS 479 million.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

1. In addition to the material class actions which are described in Note 7(a)(a1), the pending motions for the approval of class action status for material claims, as described in Note 7(a)(a2), and the motions to approve class action status for material claims which were withdrawn during the reporting period, as described in Note 7(a)(a3), there are pending against the Company and/or its subsidiaries motions to approve class actions which, according to the Company's estimate, are immaterial[12], and regarding which a detailed description was therefore not included in the financial statements. As of the reporting date, 16 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 352 million[13].

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.

[12] See note 1 above regarding the significance threshold.

[13] The foregoing number includes one filed claim whose status as a class action has been approved, one claim in which Clal Insurance is a formal defendant, and no remedies are requested against it, and two claims in which the amount claimed was not attributed to the Company only, but to additional companies as well. The aforementioned amount does not include two claims in which the plaintiff did not specify the claim amount, but estimated it at tens of millions of NIS, and one claim in which the plaintiffs did not specify the claim amount, but estimated it as millions of NIS. For additional information regarding all class actions, see Note 7(c) below.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

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

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 regulatory authorities, 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.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

2. (Cont.)

The 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, inter alia, 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 with respect to deposits which will be performed beginning from the application date of the regulations. 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 process of implementing the handling of the issue in the systems of the institutional entities during the reporting year resulted in an improvement in the scope of pension monies which were received in the Company from employers and associated in the systems to members and policyholders, relative to the previous period; however, institutional entities in the Group are still in the process of implementing and addressing the issues which come up as part of the adoption of the circular regarding the payment deposit method. 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. However, it is noted that the entry into effect 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.

Following the Commissioner's audit report, which was received by Clal Insurance and which noted deficiencies, mostly pertaining to the manner of implementation of the Payment Regulations, Clal Insurance submitted to the Commissioner a response to address the findings of the report, which, subject to the Commissioner's satisfaction, will allow the continued marketing of pension products by Clal Insurance. Clal Insurance began implementing work plan, as part of the timetables which were formulated for its implementation. The Company is currently holding discussions with the Commissioner regarding the implementation of the plan.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

2. (Cont.)

Additionally, further to the provisions of the Commissioner's circular from November 2012, regarding data with respect to members' rights (institutional entities circular 2014-9-13) (the "**Circular**"), which obligated the institutional entity to cleanse the data which confer rights upon members, in order to ensure that the recording of members' rights in the information systems is as reliable, complete, accessible and retrievable as possible, until the middle of 2016. The Group's institutional entities implemented, after the publication of the circular, in 2013, a gap survey with respect to the members and policyholders who manage policies and/or accounts in the Group's institutional entities ("**Cleansing Tasks**"), and also worked during the reporting period on the implementation of a comprehensive process of data cleansing with respect to the systems in the long-term savings segment. In general, as of the publication date of the report, most of the tasks involving the cleansing of data regarding accrued balances of policyholders have been completed. The Group's institutional entities are continuing their data cleansing activities with respect to members and policyholders, including with reference to additional gaps which are identified from time to time, including as regards the automation of classification of funds, in accordance with the layers of the regulatory directives, over the years, and these are in the final stages of handling. At this stage, the institutional entities in the Group are unable to estimate the scope, cost, and full implications of the aforementioned activities, or the scope of the future gaps in data cleansing, which may result from regulatory changes, due, inter alia, to the complexity of the products, the fact that they are long term products, and due to the multiplicity of automation systems in the segment, and their limitations. The Group's institutional entities update their insurance liabilities from time to time, as required.

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, on the retention of current products, including with respect to the business model of the branch and the current portfolio of products.

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

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

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

2. (Cont.)

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

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

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.)

Further to that stated in Note 42(b)(b1) to the annual financial statements, in May 2019, a motion for leave to appeal was struck out, with the petitioner's consent, with respect to a decision to dismiss (which was given in September 2018) a claim which had been filed with the District Court of Tel Aviv-Yafo for the cancellation of a ruling against Clal Finance Batucha Investment Management Ltd. and Clal Finance Management Ltd. (companies which were previously under the Company's control, hereinafter, jointly: the "**Clal Finance Companies**"). The dismissed claim pertained to the cancellation of a ruling which was given in February 2009, 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 with respect to the plaintiff's investment portfolio, in which the Clal Finance companies were ordered to pay to the plaintiffs, through arbitration, a total amount of approximately NIS 95 million, plus linkage differentials and interest, from the date of the arbitrator's decision until the date of actual payment.

The Company is not party to the aforementioned proceedings; 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. 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, IDB Development Corporation Ltd. and Discount Investment Corporation Ltd. are required to indemnify the Company for any direct damage, expense or loss which the Company (or any of its subsidiaries) has incurred, 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 of DIC during the period from May 2010 up to and including March 2011, including Clal Holdings and Clal Finance (all, jointly: the **Respondents**”)[14].	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.	A motion to approve a derivative claim and a derivative claim (hereinafter: the “**Derivative Claim**”), which included assertions against dividend distributions which DIC had declared, during the period from May 2010 up to and including March 2011. In November 2019, the Court approved an agreed-upon motion to dismiss the derivative claim against the Company and against Clal Finance, without ordering expenses.	The claim amount attributed to the Company, to Clal Finance and to two additional shareholders who are associated with IDB Development or with the controlling shareholders of DIC, amounts to approximately NIS 44 million, including the amounts which were distributed as dividends, as stated above, and interest on the aforementioned amounts until the filing date of the motion (the aforementioned amount was not divided among the shareholders of the defendants).

[14] The Company and Clal Finance are defendants, due to their status as shareholders of DIC during the relevant period.

Note 7: Contingent Liabilities and Claims (Cont.)

C. Summary details regarding exposure to claims

Presented below are details concerning the total amount claimed in class action suits, both material and immaterial, which were approved for filing as class actions, in pending motions to approve claims as class actions, in pending motions to approve derivative claims and other materials claims, as specified by the plaintiffs in their claims (nominally) within the framework of the statements of claim which were filed against companies in the Group. It is noted that in most of the cases the amount claimed by the plaintiffs is an estimated amount only, and that the exact amount will be decided within the framework of the legal proceedings. It is noted that the above amount does not include claims for which the representative plaintiff has not stated an amount. Furthermore, it is hereby clarified that the claimed amount does not necessarily constitute quantification of the Company's actual exposure amount, which may eventually turn out to be lower or higher[15].

Type of claim	Number of claims	Amount claimed NIS in millions
	Unaudited	
A. Claims approved as class actions		
1. Amount pertaining to the Company specified	8	2,688
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 [16]	2	-
4. Annual amount specified (and accordingly, the total amount is period-dependent) [17]	1	107
B. Pending motions to approve claims as class actions		
1. Amount pertaining to the Company specified	31	7,784
2. The claim was filed against a number of entities, with no specific amount attributed to the Company.[18]	6	4,540
3. Claim amount not specified / possible range specified /[19]	11	-
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	-	-
3. Claim amount not specified	-	-

In addition to the details provided in sections (a) and (b) above, the Company and/or the consolidated companies are also party to other legal proceedings, which are not in the ordinary course of business, are not class actions / derivative claims, and are not material claims, which were initiated by customers, former customers and various third parties, for a total sum of approximately NIS 59 million (a total of approximately NIS 70 million as of December 31, 2018). The causes of action claimed against the Company and/or the consolidated companies in these proceedings are multiple and varied.

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15 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, and do not include a claim against reserves, as specified in section (a)(a2)(9).

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

17 The specified amount refers to an estimation 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.

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

19 These motions include one motion for inclusion as a formal defendant, one motion in which the plaintiff did not specify the claim amount, but estimated it as many millions of NIS, another motion which was estimated at hundreds of millions of NIS, and three motions which were estimated at tens of millions of NIS.

Note 7: Contingent Liabilities and Claims (Cont.)

D. Exposure due to regulatory provisions, audits 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 specified in section (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:

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

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.

   At this stage, the Company is implementing the outline, and it is still unable to estimate its full implications, which depend, inter alia, on the conduct of policyholders, and on the effective framework for implementation.

Note 7: Contingent Liabilities and Claims (Cont.)

D. Exposure due to regulatory provisions, audits 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 portfolio of investment-linked insurance contracts, 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 accordance with Atudot's financial statements, an investee held by Clal Insurance (50%), in 2017 an audit of the pension fund was conducted on behalf of the Commissioner, on the subject of members' rights. On August 7, 2019, Atudot received the draft audit report, to which the Company is required to respond by September 26, 2019. The draft audit report pertains to major issues associated with the pension fund's activity, including the issue of groups, the fund regulations, management fees and management expenses, data cleansing, actuarial reporting, and withdrawal of monies from the fund. In accordance with Atudot's reports, as of the approval date of the financial statements, Atudot filed its response to the findings of the draft audit report by the specified deadline. Additionally, on August 7, 2019, the Company received a letter from the Commissioner which included, in light of the draft audit report which was sent, an immediate directive regarding a change to the method used to pay members upon the withdrawal of funds. It was further stated that Atudot may submit its comments and objections by August 29, 2019. The Company was informed that as of the approval date of the financial statements, Atudot submitted its response to the findings of the draft audit report by the specified deadline. The Company was informed that as of the approval date of the financial statements, until all of the discussion processes vis-à-vis the Capital Market Authority have been concluded, and until the final audit report has been received, Atudot is unable to estimate the impact of the draft report.

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

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

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

At this preliminary stage, it is not possible to estimate the chances of the motions to approve class action status which are specified in sections (a)(a2)(25), (a)(a2)(26), (a)(a2)(27), (a)(a2)(28) and (a)(a2)(29) above.

The provision which is included in the financial statements as of September 30, 2019, with respect to all of the legal claims and exposures specified in sections (a), (b), (c) and (d) above, amounted to a total of approximately NIS 132 million (a total of approximately NIS 154 million as of December 31, 2018).

Note 8: Additional Events During and After the Reporting Period

A. Actuarial estimates

1. <u>Changes in main estimates and assumptions which were used to calculate liabilities</u>

Further to that stated in Note 39(e)(e1)(d)(1) to the annual financial statements, regarding the strengthening of insurance reserves in light of the low interest rate environment, and its impact on the discount rates in life and long-term care insurance:

A. Discount rate used to calculate the liabilities to supplement the annuity and paid pension reserves

During the reporting period and during the three month period ended on the reporting date, the risk-free interest rate curve decreased, and the estimated rate of return in the portfolio of assets held against insurance liabilities changed. 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.

B. Paid pension liabilities and liabilities to supplement annuity reserves:

Liabilities to supplement the annuity reserve are calculated in accordance with the guidelines specified in the consolidated circular, section 5, part 2, chapter 1(c), in accordance with life expectancy, based on mortality tables which were created based on the tables which were published in March 2013 (hereinafter: the "**Annuity Reserves Circular**").

Liabilities to supplement annuity reserves are calculated for policies which are in effect (paid and settled), which allow lifetime annuity payouts, and which have not yet reached the annuity withdrawal stage, or whose policyholders who reached retirement age but have not yet begun actually receiving an annuity (the "**Policies**").

1. Calculation of the liability to supplement the annuity reserve

Further to that stated in Note 39(e)(e1)(a)(4) to the annual financial statements, liabilities to supplement annuity reserves are calculated, inter alia, in accordance with the probability of annuity withdrawal upon retirement (realization of eligibility for annuity), in accordance with the annuity tracks which policyholders are expected to choose, and based on life expectancy in accordance with mortality tables, which were published in the annuity reserves circular.
Insofar as the probability of annuity withdrawal is higher, the liabilities required to supplement the annuity reserve are also higher. Additionally, insofar as the difference between the updated mortality tables in the annuity reserves circular (which indicate increased life expectancy) and the mortality tables which were used to price the guaranteed annuity factors in the policies is greater, the paid pension liability and the liability to supplement annuity reserves are also higher.
From time to time, the Company conducts studies in which it evaluates the rate of policyholders who are expected to realize their eligibility to receive annuities, the mix of annuity tracks that retiring policyholders choose to receive, which were used to estimate the annuity payment period, as well as other parameters which affect the amount of the liability to supplement the annuity reserve. The realization rates and annuity tracks are adjusted to the various insurance plans and savings types.

2. Gradual provision to supplement the annuity reserve using the K factor

Additionally, in accordance with the annuity reserves circular, the provision to supplement the annuity reserve was made gradually, with respect to funds which accrued in the policies until the end of the reporting period, using the K factor, which was determined, upon the initial adoption of the annuity reserves circular, in order to secure a reserve for the payment of a full annuity in accordance with the policyholders' expected annuity withdrawal date (hereinafter: "Basic K", 0.2% for guaranteed-return policies and 0.96% for investment-linked policies).

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

A. Actuarial estimates (Cont.)

1. Changes in main estimates and assumptions which were used to calculate liabilities (Cont.)

B. Paid pension liabilities and liabilities to supplement annuity reserves (Cont.)

2. Gradual provision to supplement the annuity reserve using the K factor (Cont.)

On a quarterly basis, the Company evaluates whether the K factor results in adequate distribution of the annuity payment reserve, based on an analysis which is based on conservative financial and actuarial assumptions, indicating that the management fees and/or financial margin which are investments held against the reserve with respect to the policy and the premium payments for the policy, may generate future income beyond the basic K, which suffice to cover all of the expenses, and insofar as a gap exists, the reserves for supplementation of the annuity reserve are updated by updating the K factor. The greater the K factor, the lower the liability for supplementation of the annuity reserve which will be recognized in the financial statements, and the greater the amount which will be deferred and recorded in the future.

In general, the K factor which is used to distribute the reserves for supplementation of the annuity reserve will not exceed the basic K factor.

During the reporting period and during the three month period ended on the reporting date, the Company updated the figures regarding life expectancy (see section D below) and expected retirement age (see section E below). Additionally, during the reporting period and during the three month period ended on the reporting date, the risk-free interest rate curve decreased. As a result, the K factor was updated in the manner specified in the following table:

	As of September 30		**As of June 30**		**As of December 31**
	2019	**2018**	**2019**	**2018**	**2018**
	Unaudited				**Audited**
K factors used by the Company:					
For guaranteed-return policies	**0.0%**	0.0%	**0.0%**	0.0%	0.0%
For investment-linked policies	**0.64%**	0.95%	**0.88%**	0.96%	0.96%
Discount rates used by the Company	**2.4%-2.79%**	2.4%-2.79%	**2.1%-2.79%**	2.4%-2.79%	2.6%-2.79%

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

A. Actuarial estimates (Cont.)

1. Changes in main estimates and assumptions which were used to calculate liabilities (Cont.)

C. Liability adequacy test (LAT)

Further to that stated in Note 3(d)1(d) to the annual financial statements, the Company periodically evaluates the liability adequacy test (LAT) in accordance with the LAT circular. During the reporting period and during the three month period ended on the reporting date, the risk-free interest rate curve decreased, which led to an increase of the additional provision, which was partially offset by the update to liabilities for paid pensions and for supplementation of the annuity reserve, in light of the change in the life expectancy assumptions (see section D below), and due to the update to the projected annuity withdrawal date (see section E below).

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
	2019	2018	2019	2018	2018
NIS in millions	Unaudited		Unaudited		Audited
Life insurance					
Change in the discount interest rate which was used to calculate the liability to supplement the annuity and paid pension reserves	**(48)**	36	**(32)**	-	85
Change in pension reserves following the decreased forecast of future income (K factor)	**(695)**	119	**(608)**	(17)	135
Total effect of interest rate changes on the liability to supplement the annuity and paid pension reserves	**(743)**	155	**(640)**	(17)	220
Change in mortality assumptions used to calculate paid pension liabilities and liabilities to supplement annuity reserves (see section D)	**(353)**	-	**-**	-	-
Change to the assumption regarding the annuity withdrawal rate upon retirement in the calculation of liabilities to supplement the annuity reserve (see section e)	**539**	-	**419**	-	-
Total effects on the liability to supplement the annuity and paid pension reserves	**(557)**	155	**(221)**	(17)	220
Liability adequacy test (LAT) (see section F)	**(499)**	46	**(464)**	(58)	75
Total life insurance	**(1,056)**	201	**(685)**	(75)	295
Long-term care in the health segment - Liability adequacy test (LAT) (see section F)	**(402)**	(73)	**(377)**	(13)	-
Total income (loss) before tax	**(1,458)**	128	**(1,062)**	(87)	295

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

A. Actuarial estimates (Cont.)

1. Changes in main estimates and assumptions which were used to calculate liabilities (Cont.)

D. Change in provisions pertaining to life insurance plans combined with savings, which include “annuity factors representing a life expectancy guarantee”

In July 2019, the Commissioner published a draft “amendment to the provisions of the consolidated circular regarding the measurement of liabilities - update to the series of demographic assumptions in life insurance and update to the mortality improvement model for insurance companies and pension funds”, as well as a position paper on the matter (hereinafter: the “**Draft**”), which was published as a final circular in November 2019 (hereinafter: the “**Circular**”). The circular specifies updated default assumptions, which will be used by the insurance companies in their calculation of liabilities with respect to life insurance policies, which allow the receipt of an annuity in accordance with guaranteed conversion rates, based on current demographic assumptions, in accordance with the annuity reserves circular. Additionally, managing companies of pension funds which operate according to the mutual insurance framework will calculate, based on these assumptions, the actuarial balance sheet of the funds under their management, and will determine accordingly the factors which are included in their regulations, beginning from the following periods.

The circular addresses, inter alia, changes in life expectancy, including future improvements, and the resulting implications on the amounts of reserves, and on the method for designing them. The circular also includes a new mortality tables for retirees of insurance companies, which, for the first time, is based, inter alia, on the mortality experience of the insurance companies’ retirees.

Further to that stated in Note 39(e)(e1)(b)2(b) to the annual financial statements, the reserves to supplement annuity reserves and paid pension reserves are calculated in accordance with the mortality tables which are included in the annuity reserves circular, and therefore, in the financial statements as of June 30, 2019, the Company increased its estimates regarding liabilities with respect to insurance contracts in the amount of approximately NIS 305 million, of which a total of approximately NIS 43 million was with respect to paid pension liabilities, in the amount of approximately NIS 310 million with respect to the liabilities to supplement the annuity reserve (see section B above), (a total of NIS 353 million together), while on the other hand, it reduced, in the amount of approximately NIS 48 million, the additional provision in light of the liability adequacy test (see section C above), due to the trends indicated in the draft.

The publication of the circular and the position paper including final estimates had no significant impact on the financial statements.

E. Annuity withdrawal rate upon retirement

Further to that stated in Note 39(e)(e1)(b)3, regarding the periodic estimation of annuity withdrawal rates upon retirement, during the reporting period the Company improved the model for determining the annuity withdrawal rate upon retirement, following new studies which it conducted, in light of the accumulated experience on the subject, regarding the trend towards differing rates of annuity withdrawal, in accordance with retirement age, which was different than that determined in the annuity reserves circular. As a result, the Company reduced its estimates regarding the liabilities in the amount of approximately NIS 455 million, which includes a total of approximately NIS 539 million with respect to the liability to supplement the annuity reserve, and on the other hand, a total of approximately NIS 84 million representing the increased provision due to the liability adequacy test. (The impact in the current quarter amounted to a total of approximately NIS 300 million, including a total of approximately NIS 419 million with respect to the liability to supplement the annuity reserve, and on the other hand, an increase in the amount of approximately NIS 119 million of the additional provision in light of the liability adequacy test).

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

A. Actuarial estimates (Cont.)

1. Changes in main estimates and assumptions which were used to calculate liabilities (Cont.)

F. Investment policy with respect to managed assets against equity and insurance liabilities

During the reporting period and during the three month period ended on the reporting date, the Company's investment committee and board of directors approved and updated the investment policy, and the corresponding allocation of managed assets against capital and insurance liabilities in the life, health and non-life insurance segments, in consideration of the returns and lifetimes of the liabilities, and the required liquidity.

Further to that stated in Note 3(d)1(d) to the annual financial statements, regarding the calculation of the excess fair value over the book value of the backing assets, as part of the liability adequacy test in accordance with the LAT circular, and in Note 39(e)(e1)(b)(1)(c) to the annual financial statements regarding the discount rate, the foregoing updates resulted in a reduction, in the amount of approximately NIS 293 million, of the provisions which were required due to the decreased interest rates (approximately NIS 206 million in life insurance, and approximately NIS 87 million in long-term care insurance in the health branch) as of September 30, 2019.

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

Discount rate for National Insurance annuities

Further to that stated in Note 39(e)(e2)(4)(f) to the annual financial statements, regarding the inter-ministerial committee to evaluate the discount rate for compensation with respect to physical injury in tort cases (hereinafter: the "**Committee**"), it is noted that, in June, the committee submitted its final recommendations on the matter to the Supreme Court.

The recommendations include the determination of a standard discount interest rate at a rate of 3%, and a mechanism for updating the interest rate in the future.

Subsequently, on August 8, 2019, a ruling was given which adopted the committee's major conclusions (hereinafter: the "**Ruling**"), and which determined, inter alia, that the discount interest rate in tort compensation, which is used to discount insurance benefits for policyholders, will remain at a fixed rate of 3% for all injured parties (hereinafter: the "**Determined Discount Rate**") and that until the expected legislative amendment on the matter, it will be possible to change the determined discount rate, if a deviation occurs from the discount rate mobility band which was determined in the committee's report, which will amount to one percent in each direction (in general, excluding extraordinary circumstances, wherein the Accountant General will be entitled not to implement the update. An evaluation of deviations from the mobility band will be conducted once every two years, based on an evaluation of the half year preceding that date, and according to the investment yields of AA rated corporate bonds over a 25 year period).

It was further determined in the ruling, with respect to the discount rates which will be used by insurers for the purpose of deducting National Insurance Institute compensation from the policyholders, and for the purpose of paying subrogation claims to the National Insurance Institute, that during the interim period, until the amendment to the National Insurance Regulations (Discounting), 1978 (hereinafter: the "**Discounting Regulations**"), according to the committee's recommendations, the insurers' consent to deduct National Insurance Institute compensation from insurance benefits for policyholders, according to a discount rate of 3%, will remain in effect. However, it was determined that in light of the harm caused to the injuring parties, it is presumed that, until the amendment to the Discounting Regulations, National Insurance will also have recourse to the injuring party, through a demand according to a discount rate of 3% ("**Subrogation Claims of the National Insurance Institute**").

The ruling's impact on the financial results during the reporting period, without addressing, at this stage, also a possible change, in accordance with the Supreme Court's recommendation, regarding the discount rate with respect to the payment of National Insurance subrogation claims, is a reduction of the insurance reserves in the amount of approximately NIS 122 million, before tax. The balance of the provision as of September 30, 2019 amounted to approximately NIS 45 million before tax. An increase of approximately NIS 3 million in the third quarter of 2019.

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

A. Actuarial estimates (Cont.)

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

On August 18, 2019, a motion was filed to extend the deadline for submission of a petition for an additional hearing regarding the ruling. The motion was filed by the plaintiff and by Ofek Back to Life Association and the Israel Bar Association, which were added to the proceedings with the status of *amicus curiae*. In this motion, it was alleged that the subject is a matter of principle with broad implications, and that there are several points which justify, at least, the filing of a petition for an additional hearing, including the assertion that the ruling had changed well established and well known precedence on all matters associated with the risk level of investment, which applies to the injured party, which in the past was low; and dismissal of the assertion regarding the need to take into account the tax deduction which applies to investments, and the adoption of the committee's recommendations over the opinions of economists which were submitted to the Court.

B. Shelf prospectus of the Company and of Clalbit Finance

On August 29, 2019, the Company published a shelf prospectus. The shelf prospectus allows the Company, inter alia, to issue ordinary Company shares, preferred shares, bonds (including by way of extension of existing series of the Company's bonds, insofar as any have been issued), bonds convertible into Company shares, warrants exercisable into Company shares, warrants exercisable into bonds, bonds convertible into Company shares, marketable securities, and any other security which by law may be issued by virtue of a shelf prospectus on the relevant date.

Additionally, on August 29, 2019, Clalbit Finance published a shelf prospectus. The shelf prospectus allows Clalbit Finance, inter alia, to issue bonds (including by way of extension of existing series of bonds of Clalbit Finance, insofar as any will be issued), warrants exercisable into bonds, and marketable securities. In general, the consideration for the bonds which will be issued by Clalbit Finance by virtue of the shelf prospectus will be deposited in Clal Insurance, which will be responsible for their repayment towards the bondholders, and which will be recognized by Clal Insurance as Tier 2 capital.

C. Issuance of Tier 2 capital

On September 24, 2019, Clalbit Finance issued to the public bonds (Series K), by virtue of the shelf prospectus which it published on August 29, 2019 (hereinafter: the "Bonds").

In the issuance, Clalbit Finance raised
a total of NIS 830,000 thousand par value of bonds (Series K). The principal will be repaid in a single payment on March 31, 2033. The principal and interest are not CPI-linked. The interest on the bonds (Series K) is paid each year in two semi-annual payments, beginning on March 31, 2020, on March 31 and September 30 of each calendar year from 2020 to 2033. The stated annual interest rate is 2.64%, and the effective annual interest rate is 2.79%, assuming early redemption. The issuance costs amounted to a total of approximately NIS 10,280 thousand.

The total consideration (gross) which was received by Clalbit Finance following the issuance of the new bonds was deposited in Clal Insurance as a deferred deposit, with identical repayment and interest terms as those of the bonds. The bonds are recognized as Tier 2 capital in Clal Insurance, and have an equal status and equal repayment priority as deferred bonds which were issued by Clalbit Finance and/or Clal Insurance which constitute Tier 2 subordinated capital, Tier 2 hybrid capital and Tier 3 hybrid capital, and as bonds which have been issued and/or will be issued by Clalbit Finance and/or Clal Insurance which are of the Tier 2 equity instrument type, and are subordinate to the other liabilities of Clal Insurance, excluding the rights of creditors in accordance with Tier 1 capital.

For details regarding the issuance rating, see section D below.

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

C. Issuance of Tier 2 capital (Cont.)

Additional terms of the bonds:

1. Right to early redemption

Clalbit Finance will be entitled, without providing the right of choice to the bondholders and/or to the trustee, to redeem the bonds through a full or partial early redemption, upon the fulfillment of the following conditions:

The first date when the Clalbit Finance will be entitled to redeem the bonds through a full or partial early redemption will be March 31, 2027 (the "First Date of Early Redemption"), whereby after that date, Clalbit Finance will be entitled to redeem the liability certificates through full or partial early redemption at any time. The frequency of the early redemptions will not exceed one redemption per quarter.

Insofar as the Company has not exercised its aforementioned right of early redemption with respect to all of the bonds, then after the interest payment date with respect to the bonds, which will be 3 years before the principal repayment date, i.e., March 31, 2030 (the "Effective Redemption Date of the Additional Interest"), additional interest will be paid to the bondholders, beyond the interest which applied to the bonds until that time, with respect to the remaining period (from the effective redemption date for the additional interest which was unused, as stated above, until the actual redemption date), which will be at a rate of 50% of the original risk margin which was determined in the issuance. The original risk margin is 1.69%.
The minimum amount for performance of early redemption is NIS 1 million par value of bonds.
In any case, early redemption may not be performed with respect to a part of the principal of the bonds, if the unpaid principal balance which would remain after the early redemption would be less than NIS 3.2 million.

Early redemption is possible in either of the following cases:
A. The bond has been converted into an equity instrument of identical or superior quality;
B. Advance approval has been received from the Commissioner, according to the stipulated conditions. In general, early redemption will be possible if the economic equity of Clal Insurance, after the early redemption, exceeds the solvency capital requirement (SCR), as this term is defined in the economic solvency regime circular.

2. Deferral of principal and/or interest payment dates upon the fulfillment of suspending circumstances

Upon the fulfillment of any of the suspending circumstances specified below, the principal payment and/or interest payments will be deferred, as applicable, with respect to the bonds:

A. With respect to the deferral of interest payments - In accordance with the last financial statements of Clal Insurance which were published prior to the payment date, Clal Insurance has no distributable earnings, as defined in the Companies Law.

With respect to the deferral of principal and/or interest payments:

B. In accordance with the last financial statements of Clal Insurance which were published prior to the payment date, the equity of Clal Insurance is lower than the capital requirement for suspending circumstances, and Clal Insurance has not performed a capital supplementation (as this term is defined in the economic solvency regime circular) as of the publication date of the financial statements.
C. The board of directors of Clal Insurance instructed the deferral of an interest payment or the deferral of a principal payment, if it has determined that there is a near and present concern regarding the ability of Clal Insurance to fulfill the capital requirement in suspending circumstances, or to repay, when they come due, liabilities whose priority is higher than that of the bonds, provided that advance approval for the above has been received from the Commissioner.
D. The Commissioner orders the deferral of the principal payment, if he believes that it would have an adverse effect on the solvency ratio, or that there is a near and present concern regarding the ability of Clal Insurance to fulfill the solvency capital requirement.

Amounts of principal and/or interest which have been deferred, as stated above, will accrue interest from the date of the deferral until the date of actual payment, according to the interest rate which applies to the bonds at that time.

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

D. Rating

Further to Note 25(d) to the annual financial statements, the Company hereby announces that Midroog Ltd., which rates Clal Insurance Company Ltd. ("Clal Insurance"), a subsidiary of the Company, and deferred liability notes of Clalbit Finance Ltd., a subsidiary of Clal Insurance, published, in September 2019, a rating report which maintained the current insurance financial strength (IFS) rating (Aa1) of Clal Insurance, with a stable outlook, as well as the current rating (Aa2) (hyb) of the deferred liability notes (Series A) which were issued by Clalbit Finance, and the current rating (Aa3) (hyb) of the deferred liability notes (Series C, I and J) which were issued by Clalbit Finance, with a stable outlook. Midroog also determined a rating of (Aa3) (hyb), stable outlook, for the raising of deferred liability notes (Series K) in the amount of NIS 830 million par value, which Clal Insurance Company Ltd. raised through Clalbit Finance Ltd.

Additionally, in September 2019, S&P Maalot published a rating report which maintained the rating of Clal Insurance at (AA+), and changed the rating outlook to negative.

E. Merger of companies into Clal Insurance

Further to that stated in Note 9(c)(2) to the annual financial statements, during the reporting period, the companies Clal Consumer Credit, Clal Credit and Finance Ltd. and HaClal HaRishon Ltd. were merged into Clal Insurance Company Ltd. The merger applies retroactively, beginning on January 1, 2019, and had no material impact on the financial statements.

Additionally, the companies Clal Factoring and Clal Business Credit were distributed as a payment in kind dividend from Clal Credit and Finance to the Company.

F. Agreements vis-à-vis Maccabi and Leumit health funds

In accordance with the provisions of section 8.1.2.2 in the chapter "description of the corporation's business" in the 2018 periodic report, in 2018, Maccabi and Leumit health funds published new tenders for the selection of an insurer in a different framework of engagement, such that the winning insurer will bear 20% of the risk (as opposed to the situation whereby Clal Insurance bore the entire insurance risk). In accordance with the notices given by the funds, Clal Insurance did not win the tender. Therefore, beginning on January 1, 2019, Clal Insurance ceased being the insurer of Maccabi health fund, and beginning on April 1, 2019, Clal Insurance ceased being the insurer of Leumit health fund.

Accordingly, as from January and April 2019, respectively, the Company does not collect premiums with respect to collective policyholders of Maccabi and Leumit health funds. These premiums amounted, in 2018, to a total of approximately NIS 745 million and approximately NIS 129 million, respectively.

Further to that stated in section 8.1.2.2(c) in the chapter "description of the corporation's business" in the periodic report for 2018, the Company noted that the termination of the engagement with Maccabi and Leumit health funds is expected to result in a gradual reduction of the direct expenses with respect to the discontinued activity, over a period of 3 years. Total direct expenses in 2018 with respect to the Maccabi and Leumit transactions amounted to a total of approximately NIS 18 million. Additionally, indirect expenses which had been attributed to the Maccabi and Leumit transactions, in the amount of approximately NIS 25 million, were re-allocated in 2019 to the various activities, mostly in the health segment. This allocation also affected the cash flow forecast, and increased the insurance reserves for 2018 in the individual health branch (which are calculated using the gross premium reserve method), in the amount of approximately NIS 14 million.

In 2018, the impact of the Maccabi and Leumit health funds transaction on the results for 2018 amounted to loss of approximately NIS 94 million and of approximately NIS 8 million, respectively. The main components of loss in 2018 from the Maccabi and Leumit health funds transaction were due to the deficiency of investment income required to cover the increase in insurance liabilities, and the update to the actuarial model in the long-term care branch, inter alia, in light of the negative development in claims, and the implications due to the publication of the amendment to the provisions of the consolidated circular regarding the settlement of long-term care claims.

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

F. Agreements vis-à-vis Maccabi and Leumit health funds (Cont.)

During the reporting period, the impact of the Maccabi and Leumit health funds transaction amounted to loss of approximately NIS 53 million and loss of approximately NIS 4 million, respectively. During the current quarter, the impact of the Maccabi and Leumit health funds transaction was loss of approximately NIS 32 million and NIS 7 million, respectively.

It is hereby clarified that the books of Clal Insurance include a liability with respect to long-term care claims, which originated during the period of long-term care insurance with the health funds, which concluded, as stated above, and which will be paid after the reporting date.

As specified in section8.1.2.2 (c) of the chapter "description of the corporation's business" in the periodic report for 2018, in light of the new framework for engagement in the funds' long-term care insurance segments, the winning insurer's scope of insurance liability is significantly lower than that which applied to Clal Insurance in those insurance segments, according to the previous framework. Additionally, in consideration of the preliminary phase of the regulatory changes with respect to claim settlement in the long term care insurance segment, which were published in the circular regarding the settlement of long term care claims, as specified in section 8.1.2.2 of the chapter "description of the corporation's business" in the periodic report for 2018 (some of which are scheduled to enter into effect in September 2019), and in consideration of the prices at which, to the best of Clal Insurance's knowledge, the funds engaged with the insurers that won the tenders, Clal Insurance estimates that the profit which it would have gained from the transactions, had it won, would have been low.

G. Update to compensation policy

Further to that stated in the chapter "compensation policy" in the annual financial statements,

the Company's compensation policy was updated and approved on October 27, 2019 by the general meeting, further to the board of directors' approval and the compensation committee's recommendation (the "Compensation Policy").

The policy update was intended, inter alia, to adjust the policy according to the provisions of the law which apply to institutional entities, and particularly, to the amendments which were published by the Commissioner in the compensation circular dated July 2019, and in general, established easements with respect to the compensation circular, in light of developments which have occurred following the enactment of the Executive Compensation Law, the update to the Companies Law, and the update to the directives of the Commissioner of Banks on the subject of compensation. The proposed compensation policy also amends, adds to and supplements the Company's compensation policy, regarding issues and subjects which, with the passage of time since the adoption of the Company's compensation policy, have been found deficient, or alternatively, are inconsistent with the spirit of the times and the conventional market practice at the present time.

Presented below are details regarding certain main amendments to the Company's compensation policy:

1. Directors' compensation - in accordance with the compensation policy, the salaries of outside directors, independent directors, and other directors in the Company (excluding the Chairman of the Board), who hold office from time to time, will be the maximum compensation which may be paid, including with respect to expertise, as determined by in accordance with the Compensation Regulations, as updated from time to time.
2. Update to the minimum conditions for payment of variable component - in accordance with the compensation policy, the conditions are cumulative: non-fulfillment of suspending circumstances in connection with any of the liability certificates which have been issued by Clalbit Finance Ltd. which are recognized as Tier 2 capital or as Tier 2 hybrid capital in accordance with the solvency circular; Fulfillment of the solvency ratio of Clal Insurance, as required in accordance with the provisions of the regulatory arrangement (including the distribution period), including equity transactions which were performed prior to the publication date of the aforementioned ratio, whereby the board of directors is entitled to determine the fulfillment of the aforementioned minimum condition if it believes that the non-fulfillment of that condition was due to a significant exogenous event, which affected the entire insurance branch in Israel; absence of loss.

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

H. Update to compensation policy (Cont.)

3. Distribution of variable bonus - In accordance with the compensation policy, and in order to substantiate the variable component which is paid in cash from a long term perspective, 50% of the total variable compensation of the corporate officer will be deferred for payment in subsequent years, and will be paid only in case the Company has fulfilled the conditions for its release which have been determined in the compensation policy of the Group's institutional entities, as it stands from time to time. It was further clarified that the distribution rate of the variable compensation may change insofar as the compensation circular allows it, and in accordance with the policy.

   It is noted that the compensation policy of the Group's institutional entities specifies that each deferred component of variable compensation will be paid to officers, or will be exercisable by officers, as applicable, only in case, on the vesting date, Clal Insurance fulfilled the minimum solvency ratio, as defined in the compensation policy, as required on the first payment date of the variable component. In case Clal Insurance has not fulfilled the aforementioned ratio, the vesting of part of the relevant deferred bonus will be deferred to the next date when Clal Insurance fulfills that ratio, according to the last known ratio which Clal Insurance has published, including any equity transactions which have been performed as of the publication date.

   Approval was also given to apply the aforementioned rules regarding distribution and release also to parts of the variable bonus which were distributed in the past, but which have not yet been paid, as part of the compensation policy, with respect to corporate officers in the Company, including the CEO.

   It is noted that the aforementioned deferred and unpaid bonus amounts were provided, in their entirety, in the Company's financial statements, in the years for which they were granted, as applicable.

4. Qualitative annual bonus - in accordance with the provisions of the updated compensation circular, the compensation policy determines that the compensation committee and the board of directors will be entitled to approve, for any of the officers, with respect to the bonus year, a personal qualitative bonus, which will not exceed 3 months' base salary[20], for each of the officers. It is hereby clarified that the qualitative personal bonus is in addition to the annual bonus to which the officer will be entitled. The aforementioned easement was due, inter alia, to the easements which were approved with respect to Amendment 20 to the Companies Law, and the updated compensation circular, and in light of the fact that the bonus in question is discretionary, which in any case is not contingent upon conditions.

   Therefore, in light of these circumstances, an amendment to the compensation policy was approved, such that the aforementioned change will also apply to the qualitative personal bonus with respect to 2019, insofar as a variable annual bonus, as stated above, has been approved.

5. Immaterial change to the compensation of officers - in accordance with the updated compensation circular, the compensation policy determines that an immaterial change to the compensation of officers will not require approval from the compensation committee and board of directors, if it has been approved by the CEO, and complies with the compensation policy.

[20] "Base salary" - The cost of all of the fixed compensation components, with respect to a certain year. Including components associated with salary such as a vehicle, telephone, reimbursement of expenses, social benefits and fringe benefits, vacation days, convalescence pay, sick days, etc.).

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

1. Assets for investment-linked contracts

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

NIS in thousands	As of September 30 2019	As of September 30 2018	As of December 31 2018
	Unaudited	Unaudited	Audited
Investment property *)	**2,941,301**	2,959,118	3,000,340
Financial investments			
Marketable debt assets	**27,022,783**	26,609,050	26,681,982
Non-marketable debt assets	**6,256,007**	6,619,078	6,236,989
Stocks	**12,981,803**	10,854,615	10,553,676
Other financial investments	**14,366,838**	14,967,980	14,712,586
Total financial investments *)	**60,627,431**	59,050,723	58,185,233
Cash and cash equivalents	**4,921,403**	4,874,893	3,648,899
Other **)	**604,718**	649,221	1,286,776
Total assets for investment-linked contracts	**69,094,853**	67,533,955	66,121,248

*) 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

NIS in thousands	As of September 30, 2019 Fair value through profit and loss	Available for sale	Loans and receivables	Total
Marketable debt assets [a)]	**93,345**	**6,114,603**	**-**	**6,207,948**
Non-marketable debt assets [b)]	**3,299**	**-**	**22,150,262**	**22,153,561**
Stocks [c)]	**-**	**1,474,476**	**-**	**1,474,476**
Others [d)]	**225,325**	**2,342,693**	**-**	**2,568,018**
Total other financial investments	**321,969**	**9,931,772**	**22,150,262**	**32,404,003**

NIS in thousands	As of September 30, 2018 Fair value through profit and loss	Available for sale	Loans and receivables	Total
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

NIS in thousands	As of December 31, 2018 Fair value through profit and loss	Available for sale	Loans and receivables	Total
Marketable debt assets [a)]	128,088	5,087,775	-	5,215,863
Non-marketable debt assets [b)]	3,411	-	21,986,582	21,989,993
Stocks [c)]	-	1,416,905	-	1,416,905
Others [d)]	166,784	2,695,537	-	2,862,321
Total other financial investments	298,283	9,200,217	21,986,582	31,485,082

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, 2019	
	Book value	Amortized cost 1)
NIS in thousands	Unaudited	
Government bonds	**4,037,501**	**3,764,715**
Other debt assets		
Other non-convertible debt assets	**2,170,447**	**2,073,550**
Total marketable debt assets	**6,207,948**	**5,838,265**
Impairment applied to income statement (cumulative)	**5,227**	

	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
Total marketable debt assets	5,304,329	5,241,581
Impairment applied to income statement (cumulative)	7,181	

	As of December 31, 2018	
	Book value	Amortized cost 1)
NIS in thousands	Audited	
Government bonds	3,179,217	3,190,229
Other debt assets		
Other non-convertible debt assets	2,036,646	2,061,600
Total marketable debt assets	5,215,863	5,251,829
Impairment applied to income statement (cumulative)	17,148	

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, 2019	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**16,087,039**	**24,886,293**
Other non-convertible debt assets, excluding deposits in banks	**5,324,152**	**6,028,989**
Deposits in banks	**742,370**	**877,964**
Total non-marketable debt assets	**22,153,561**	**31,793,246**
Impairment applied to income statement (cumulative)	**81,351**	

	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 December 31, 2018	
	Book value	Fair value
NIS in thousands	Audited	
Government bonds		
HETZ bonds and treasury deposits	15,775,836	22,256,270
Other non-convertible debt assets, excluding deposits in banks	5,453,867	5,888,078
Deposits in banks	760,290	843,219
Total non-marketable debt assets	21,989,993	28,987,567
Impairment applied to income statement (cumulative)	68,325	

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

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, 2019	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable stocks	**1,153,601**	**1,034,900**
Non-marketable stocks	**320,875**	**351,965**
Total stocks	**1,474,476**	**1,386,865**
Impairment applied to income statement (cumulative)	**136,298**	

	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 December 31, 2018	
	Book value	Cost
NIS in thousands	Audited	
Marketable stocks	1,125,663	1,080,466
Non-marketable stocks	291,242	304,336
Total stocks	1,416,905	1,384,802
Impairment applied to income statement (cumulative)	148,232	

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, 2019	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	**773,742**	**730,849**
Non-marketable financial investments	**1,794,276**	**1,352,637**
Total other financial investments	**2,568,018**	**2,083,486**
Impairment applied to income statement (cumulative)	**86,193**	

	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 December 31, 2018	
	Book value	Cost
NIS in thousands	Audited	
Marketable financial investments	1,171,473	1,139,247
Non-marketable financial investments	1,690,848	1,268,509
Total other financial investments	2,862,321	2,407,756
Impairment applied to income statement (cumulative)	85,994	

1. Other financial investments primarily include investments in basket certificates, participation certificates in mutual funds, investment funds, financial derivatives, futures contracts, options and structured products.

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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, 2019, 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 26, 2019

Somekh Chaikin
Certified Public Accountants

Kost Forer Gabbay and Kasierer
Certified Public Accountants

Joint Auditors

Interim Data Regarding the Financial Position

	As of September 30		As of December 31
	2019	2018	2018
NIS in thousands	Unaudited		Audited
Assets			
Investments in investee companies	**4,472,029**	5,059,590	4,855,501
Loans and balances of investee companies	**14**	65	14
Other accounts receivable	**167**	99	67
Other financial investments:			
Marketable debt assets	**14,846**	25,911	14,864
Stocks	**121**	196	70
Total other financial investments	**15,004**	26,107	14,990
Cash and cash equivalents	**41,484**	28,219	33,441
Total assets	**4,528,698**	5,114,080	4,904,013
Capital			
Share capital	**143,382**	143,381	143,382
Premium on shares	**1,015,689**	1,008,889	1,009,801
Capital reserves	**849,481**	706,168	587,118
Retained earnings	**2,504,144**	3,244,144	3,157,874
Total capital	**4,512,696**	5,102,582	4,898,175
Liabilities			
Other accounts payable	**15,642**	11,498	5,657
Balances of investee companies	**360**	-	181
Total liabilities	**16,002**	11,498	5,838
Total capital and liabilities	**4,528,698**	5,114,080	4,904,013

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

November 26, 2019				
Approval date of the financial statements	Danny Naveh Chairman of the Board	Yoram Naveh Chief Executive Officer	Eran Cherninsky Executive VP Finance Division Manager	Tal Cohen Senior VP, Comptrollership Division Manager

Interim Data Regarding Income

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
NIS in thousands	Unaudited				Audited
Company's share in the income (loss) of investee companies, net of tax	**(624,193)**	509	**(668,051)**	(1,566)	(89,475)
Others	**74**	200	**(26)**	8	255
Total income	**(624,119)**	709	**(668,077)**	(1,558)	(89,220)
General and administrative expenses	**1,775**	2,313	**683**	931	2,890
Other expenses	**349**	(753)	**130**	58	(665)
Total expenses	**2,124**	1,560	**813**	989	2,225
Income (loss) before taxes on income	**(626,243)**	(851)	**(668,890)**	(2,547)	(91,445)
Taxes on income (tax benefit)	**-**	-	**-**	-	-
Income (loss) for the period	**(626,243)**	(851)	**(668,890)**	(2,547)	(91,445)

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

Interim Data Regarding Comprehensive Income

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
NIS in thousands	Unaudited				Audited
Income (loss) for the period	**(626,243)**	(851)	**(668,890)**	(2,547)	(91,445)
Other comprehensive income: Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to the statement of income:					
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**51**	201	**21**	6	28
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	**-**	(39)	**-**	-	(39)
Other comprehensive income (loss) with respect to investee companies which has been or will be transferred to the statement of income, net of tax	**262,312**	56,042	**107,983**	62,664	(62,835)
Other comprehensive income (loss) for the period which has been or will be transferred to the statement of income, before tax	**262,363**	56,204	**108,004**	62,670	(62,846)
Taxes (tax benefit) with respect to other components of comprehensive income (loss)	**-**	-	**-**	-	-
Other comprehensive income (loss) for the period which following initial recognition in comprehensive income has been or will be transferred to the statement of income, net of tax	**262,363**	56,204	**108,004**	62,670	(62,846)
Components of other comprehensive income which will not be transferred to the statement of income:					
Other comprehensive income (loss) with respect to investee companies which will not be transferred to the statement of income, net of tax	**(8,993)**	404	**(4,143)**	(72)	5,814
Other comprehensive income (loss) for the period which will not be transferred to the statement of income, net of tax	**(8,993)**	404	**(4,143)**	(72)	5,814
Other comprehensive income (loss) for the period	**253,370**	56,608	**103,861**	62,598	(57,032)
Total comprehensive income (loss) for the period	**(372,873)**	55,757	**(565,029)**	60,051	(148,477)

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

Interim Data Regarding Cash Flows

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
NIS in thousands	Unaudited				Audited
Cash flows from operating activities					
Income (loss) for the period	**(626,243)**	(851)	**(668,890)**	(2,547)	(91,445)
Adjustments:					
Company's share in the income (loss) of investee companies	**624,193**	(509)	**668,051**	1,566	89,475
Dividends from investee companies	**-**	8,400		-	-
Income from other financial investments	**37**	144	**134**	(8)	588
	624,230	8,035	**668,185**	1,558	99,101
Changes to other items in the data regarding financial position, net:					
Change in other accounts receivable	**(100)**	52	**(133)**	116	84
Change in other accounts payable	**9,985**	4,195	**10,110**	5,240	(1,646)
	9,885	4,247	**9,977**	5,356	(1,562)
Cash which were received during the period for: Net cash from operating activities with respect to transactions with investee companies	**171**	(408)	**173**	77	(349)
Net cash from operating activities	**8,043**	11,023	**9,445**	4,444	5,745
Cash flows from investing activities					
Investment in available for sale financial assets	**-**	(15,054)	**-**	-	(15,054)
Consideration from sale of available for sale financial assets	**-**	15,598	**-**	-	26,098
Net cash from (used in) investing activities	**-**	544	**-**	-	11,044
Increase (decrease) in cash and cash equivalents	**8,043**	11,567	**9,445**	4,444	16,789
Cash and cash equivalents at beginning of period	**33,441**	16,652	**32,039**	23,775	16,652
Cash and cash equivalents at end of period	**41,484**	28,219	**41,484**	28,219	33,441

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, 2018, and with the condensed consolidated interim financial statements as of September 30, 2019 (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.

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

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

For this purpose, the members of management include:

1. Yoram Naveh, CEO of the Company and of Clal Insurance, and CEO of Clal Finance Ltd.;
2. Eran Cherninsky, Executive VP of Clal Insurance, Financial Division Manager;
3. Yossi Dori, Executive VP of Clal Insurance, Investments Division Manager and CEO of Canaf;
4. Hadar Brin Weiss, Executive VP of Clal Insurance, Legal Counsel;
5. Eran Shahaf, Executive VP of Clal Insurance, Internal Auditor;
6. Moshe Ernst, Executive VP of Clal Insurance, Long Term Savings Division Manager;
7. Elite Caspi, Executive VP of Clal Insurance, Non-Life Insurance Division Manager;
8. David Arnon, Executive VP of Clal Insurance, Health Insurance Division Manager;
9. Yaron Shamay, Executive VP of Clal Insurance, Customers and Distribution Division Manager;
10. Nis Agmon, Executive VP of Clal Insurance, Resources Division Manager;
11. Liat Strauss, Senior VP of Clal Insurance, Service and Operations Unit Manager;
12. Dror Sessler, Executive VP of Clal Insurance, Claims Unit Manager;
13. Shlomi Taman, Executive VP of Clal Insurance, Business Unit Manager;
14. Hila Conforti, Executive VP of Clal Insurance, Chief Risk Officer;
15. Adi Kaplan, Executive VP of Clal Insurance, CEO of Clalbit Systems Ltd.;
16. Galli Schved, Senior VP of Clal Insurance, Marketing, Strategy and Spokesmanship Division Manager.

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

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

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

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

In the quarterly report regarding the effectiveness of internal control over financial reporting and disclosure which was attached to the report for the period ended June 30, 2019 (hereinafter: the "Last Quarterly Report Regarding Internal Control"), internal control was found to be effective.

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

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

Executive Certification
Certification of the CEO

I, Yoram Naveh, hereby certify the following:

1. I have evaluated the quarterly report of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for the third quarter of 2019 (hereinafter: the "**Reports**").

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

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

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

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

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

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

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

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

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

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

November 28, 2019

Yoram Naveh
Chief Executive Officer

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

I, Eran Cherninsky, hereby certify the following:

1. I have evaluated the financial statements and the other financial information which is included in the interim reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for the third quarter of 2019 (hereinafter: the "**Reports**").

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

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

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

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

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

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

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

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

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

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

November 28, 2019

Eran Cherninsky
Executive VP of Clal Insurance
Financial Division Manager

Executive Certification
Certification of the Comptrollership Division Manager

I, Tal Cohen, hereby certify the following:

1. I have evaluated the financial statements and the other financial information which is included in the interim reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for the third quarter of 2019 (hereinafter: the "**Reports**").

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

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

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

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

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

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

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

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

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

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

November 28, 2019

Tal Cohen
Senior VP
Comptrollership Division Manager

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

Clal Insurance Company Ltd.
Certification

I, Yoram Naveh, hereby certify the following:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter: the “**Company**”) for the quarter ended September 30, 2019 (hereinafter: the “**Report**”).

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

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

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

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

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

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

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

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

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

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

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

November 28, 2019

Yoram Naveh
Chief Executive Officer

Clal Insurance Company Ltd.
Certification

I, Eran Cherninsky, hereby certify the following:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for the quarter ended September 30, 2019 (hereinafter: the "**Report**").

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

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

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

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

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

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

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

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

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

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

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

November 28, 2019

Eran Cherninsky
Executive VP of Clal Insurance
Financial Division Manager

Clal Insurance Company Ltd.
Certification

I, Tal Cohen, hereby certify the following:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for the quarter ended September 30, 2019 (hereinafter: the "**Report**").

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

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

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

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

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

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

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

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

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

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

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

November 28, 2019

Tal Cohen
Senior VP
Comptrollership Division Manager