Clal Insurance Enterprises Holdings Ltd.

As of June 30, 2020

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 June 30, 2020 (hereinafter: the "**Board of Directors' Report"**) reviews the principal changes which occurred in the operations of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") during the first six months of 2020 (hereinafter: the "**Reporting Period**") and during the three months ended June 30, 2020 (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 based on the assumption that the reader also has available the full periodic report for the year ended December 31, 2020 (hereinafter: the "**Periodic Report**" and/or the "**Annual Financial Statements**").

1. Description of the Company's Controlling Shareholders

In the Commissioner's letter dated December 8, 2019, it was determined that there is no entity which holds, directly or indirectly, the Company's means of control.

For additional details regarding the holdings in the Company during the reporting period, see Note 1 to the financial statements.

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

A. Coronavirus

Following the outbreak of the coronavirus in China, and the spread of the virus to many other countries, economic activity declined beginning in the first quarter of 2020 in many regions around in the world, including in Israel (hereinafter: the "**Crisis**"). These changes have also adversely affected, and continue to adversely affect, the Group's activities and profitability. The Group is also exposed, in light of its activity, to declines in capital markets, to declines in economic activity, and to the materialization of insurance risks due to the crisis. For details regarding the sensitivity and exposure to risk factors, see also Note 39(c)(2) to the financial statements for 2019, and an update to the interest rate sensitivity in Note 2(d) to the financial statements.

The crisis is affecting the Group in the following ways:

1. The Company's activity - business continuity

The crisis was defined as an emergency event which led to the imposition of restrictions on movement and employment, and which caused, inter alia, employee absence from workplaces in general, and in the Group in particular, and the furloughing of some employees.
The Group's ability to continue providing a high level of service to its agents, policyholders and customers, and to operate certain core processes, is critical to the Company's business continuity. During the period of the crisis, the Company acted in accordance with the business continuity policy and plan of the Group and of the Group's institutional entities: the Group has a business continuity management (BCM) unit and a business continuity plan which includes identification of critical processes that are required for recovery, emergency files which are intended to facilitate activities on the level of the various divisions, and a technological disaster recovery unit, allowing rapid technological recovery. As the crisis began, the Company took action in accordance with the business continuity plan, which allowed, inter alia, employees to work remotely immediately and securely, using technology which had been implemented in the organization in advance. In general, the Company is continuing to provide service in all of its operating segments. Once routine economic activity resumed, the Company returned most of its employees to work at the Company's offices, and is continuing to comply with the instructions issued by professional and regulatory entities.

2. Capital markets and the Group's assets

A. Financial assets:

During the crisis period, significant declines were recorded in global and Israeli capital markets, due to the coronavirus outbreak. Declines in capital markets reduce the value of the assets which are managed by the Group's institutional entities, both on its own behalf (nostro), and on behalf of members and policyholders. This decrease lessened during the second quarter and after the reporting date, and was even entirely offset in some capital markets around the world.

Due to the crisis, during the reporting period the Company recorded investment losses in the nostro portfolios in the amount of approximately NIS 50 million before tax.
In the first quarter of 2020, investment losses were recorded in the nostro portfolio in the amount of approximately NIS 550 million, while in the second quarter of 2020 capital markets increased, which moderated the losses, and investment income was recorded in the amount of approximately NIS 500 million. Additionally, during the period from the balance sheet date until proximate to the approval date of the financial statements, an additional increase was recorded in capital markets, and investment income was recorded in the nostro portfolios in the amount of approximately NIS 350 million before tax. Additionally, with respect to the Group's non-marketable assets, and in accordance with the Commissioner's letter dated April 19, 2020, regarding the calculation of the value of non-marketable assets held against investment-linked liabilities, the Group evaluated the impact of the crisis on the fair value of its managed non-marketable investment assets. Presented below are the results of the test:

Investment property - most of the Company's investment properties are office buildings. Based on an evaluation which the Company conducted, and in accordance with opinions which were received from independent external valuers, it appears that, according to the data which was available to the valuers as of the approval date of the financial statements, no indications were found of changes in the discount rates and working assumptions underlying the valuation of the real estate properties as of December 31, 2019. Accordingly, without changing the discount rates component, the Group established estimates regarding the adverse effects on the forecasted cash flows from revenue-generating properties, due to the arrangements which were implemented in practice, in certain cases, until ordinary activity resumes, and re-assessed the value of the assets accordingly.

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

A. Coronavirus (Cont.)

2. Capital markets and the Group's assets (Cont.)

Other non-marketable financial investments, including investment funds - The Company tested for impairment of investments, using information which was received from the fund managers, and amortized the nostro portfolios in the financial statements.

The total sum of the foregoing effect with respect to investment property and other non-marketable financial investments in the first half of the year amounted to impairment of approximately NIS 54 million before tax. It is noted, with respect to investment-linked policies, that the impairment is of an immaterial scope, and its impact on the operating results in the financial statements is also immaterial.

From the beginning of the year until the reporting date, a decrease occurred in the value of assets managed by the Group through investment-linked policies, provident funds and pension funds, which is estimated at around 3%, and which is expected to affect the scope of variable and fixed management fees that will be collected by the Group's institutional entities from the assets they manage. As of the publication date of the financial statements, negative real returns were recorded in the profit sharing insurance policies which, until the loss has been recouped, will prevent the Company from collecting variable management fees in the amount of approximately NIS 300 million before tax.

As of March 31, 2020, the balance of variable management fees which the Company will refrain from collecting, as stated above, amounted to approximately NIS 580 million. In the second quarter of 2020, following the market increases, this balance decreased in the amount of approximately NIS 280 million.

During the period from the balance sheet date until the approval of the financial statements, the value of managed assets increased relative to June 30, 2020, at an estimated rate of approximately 3%, and additionally, the balance of variable management fees which the Company will refrain from collecting, as stated above, was offset, in the amount of approximately NIS 200 million, such that, proximate to the approval date of the report, the balance of variable management fees which the Company will refrain from collecting amounts to a total of approximately NIS 100 million before tax.

B. Impairment test of tangible and intangible assets:

Intangible assets, including goodwill and deferred acquisition costs - The Company evaluated the need for an update to the impairment test as of March 31, 2020. An update to the impairment test before one year has passed is required in light of indicators of impairment, due to the effects of the crisis. Following an evaluation of these indicators and an evaluation of the recoverable amounts, it was found that the recoverable amount of the aforementioned cash generating units exceeded their book value, and that there was no need to record impairment.

It is noted that, in the pension and provident segment, the excess value of the cash-generating unit as of March 31, 2020 was significantly less than the excess as of December 31, 2019. Presented below are the assumptions which were used to calculate the enterprise value:

In the provident segment, the discount interest rate before tax was approximately 10.7%; after tax - approximately 9.2% (in 2019, the real interest rate before tax was approximately 10.1%; after tax - approximately 8.8%). Long-term growth rate of approximately 0% (similarly to 2019).

In the pension segment, the discount interest rate before tax was approximately 11%; after tax - approximately 8.6% (in 2019, the real interest rate before tax was approximately 10.1%; after tax - approximately 8.2%).

As of June 30, 2020, the Company had no indications suggesting an additional impairment test was required.

C. Changes in the risk-free interest rate, and the effect of changes in the excess asset value of non-marketable assets which affect insurance liabilities in the health insurance segment - see Note 8(b).

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

A. Coronavirus (Cont.)

3. Operating results in insurance

As a result of the crisis, Clal Insurance is exposed to insurance risk, which is reflected in an effect on its insurance liabilities, in the Group segments:

A. Long-term savings segment

1. Decrease in the collection of contributions and redemptions in pension and provident funds
In the second quarter of 2020, there was a significant decline in the collection of current premiums due to the crisis. In April there was a decrease of approximately 6%, and in May a decrease of approximately 8%, while in June, the decrease lessened, and amounted to approximately 2%, in the scope of contributions which were deposited in pension funds relative to the average contributions in the first quarter.
The decrease in current collection of contributions in pension funds was mostly due to the decrease in the employment rate and the sharp increase in the number of furloughed employees in the economy. In July 2020, the moderation of the decline in the collection of contributions continued. The Decline in the collection of contributions in pension funds affected the scope of management fees which were collected from contributions in the second quarter. It is further noted that activity decreased in the provident fund segment, both in routine deposits and in one-time deposits, as well as in the amount of transfers. There was also an increase in redemption requests in the study funds in March, which lessened during the three month period ended June 30, 2020.

2. Managers' insurance in life insurance
In the second quarter, a decrease was recorded in the scope of current collection in managers' insurance policies. This decrease was also mostly attributable to the decrease of the employment rate, and the sharp increase in the number of furloughed employees in the economy. This trend lessened in July 2020.

The aforementioned decreases in the long-term savings segment, in current premiums and contributions, are expected to lessen over time, insofar as the economy comes back to normal. However, insofar as the economy does not fully resume routine activity, and the number of furloughed or dismissed employees remains high, or in case the state of the economy changes for the worse, this could lead to reduced current collections and an increase in the cancellation rate for these products, which could have a significantly adverse impact on the Company's revenues and asset value.

The Company worked by various means to allow its customers who were not employed during the first months after the crisis to maintain their insurance coverage, and for this purpose, it has provided an array of solutions, including maintaining insurance coverage for policyholders whose employers reported that they have been furloughed for three months, providing the possibility to postpone payments for individual policies in the life insurance and health insurance segments, as well as the possibility to collect temporary risk from the accrual in savings policies which also include insurance coverage.

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

A. Coronavirus (Cont.)

3. Operating results in insurance (Cont.)

B. Insurance risks and reinsurance -

According to Clal Insurance's assessment, and to the best of its knowledge, until the approval date of the financial statements, it had no significant direct insurance exposures due to the crisis in the non-life insurance segment, except for the Company's exposure to credit insurance. Following the crisis, the exposure to credit defaults in the credit insurance activity increased, and the Group updated the insurance reserves in an immaterial sum, including in consideration of the actions taken by the state as part of the assistance plan for the Israeli economy, through credit insurance. There is also exposure, in an unquantifiable amount, to an increase of insurance fraud from businesses in crisis. In the long-term savings and health segments, in accordance with the development of the crisis until the approval date of the financial statements, no significant insurance exposures materialized, with respect to morbidity and mortality, which were directly related to the coronavirus pandemic. It is hereby clarified that the foregoing applies to the development of the crisis until the approval date of the financial statements, and insofar as another wave of coronavirus infections occurs, and depending on the measures implemented by the government, one or more of the insurance risks in the Company's operating segments could materialize. In this regard, it is noted that the state of employment in the economy, and the rise of unemployment rates, have a negative impact with respect to the chances of loss of working capacity claims, both in terms of the frequency of loss of working capacity claims, and in terms of extending the duration of existing claims, and accordingly, the potential to negatively affect the Company's profits.

International travel insurance - Due to the near-total suspension of international flights, the scope of premiums in the international travel insurance activity of Clal Insurance, as of the reporting period, has declined significantly. This trend continued until the approval date of the financial statements. It is further noted that Clal Insurance adjusted the policy regarding international travel insurance policy sales according to the risk assessment regarding the destination countries, from time to time. However, the results in this sector had no significant impact on the Company's results. According to the assessment of Clal Insurance, the scopes of exposure in international travel insurance and in the other operating segments in health insurance due to the coronavirus pandemic are immaterial, according to the estimate as of the publication date of the report.

Regarding the reinsurer's stability risk, which could materialize insofar as the reinsurers suffer significant losses due to the crisis - the Board of Directors of Clal Insurance has established maximum exposure frameworks for the reinsurers with whom Clal Insurance has engaged, based on their international ratings. Clal Insurance mostly engages with reinsurers rated A or higher. Clal Insurance is monitoring the status of the reinsurers to which it is exposed, and as of the approval date of the financial statements, it is not aware of any significant change for the worse in their ability to service their liabilities. For additional details regarding the Company's exposure to reinsurers, see Note 39(f)(8), and for details regarding the Company's policy with respect to reinsurance exposure, see Note 39(f)(8) to the financial statements for 2019.

4. Liquidity, financial position and financing sources

The event has no significant impact on the liquidity, financial strength and financing sources which are available to the Company, and the Company is fulfilling the contractual restrictions and financial covenants which were determined for it in the trust deeds. For details regarding the financial covenants of the bonds and suspending circumstances of the liability certificates, see Note 25 to the annual financial statements.

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

A. Coronavirus (Cont.)

5. Cybersecurity risks

The number of cyber attacks increased during the global crisis. As part of the Company's overall preparedness plan, the Company has taken significant steps to defend itself against the many cybersecurity threats arising during this period, including using intelligence sources, with an emphasis on phishing attacks, comprehensive testing of the robustness of the organization's cybersecurity apparatus, in consideration of the changing threats, while implementing proactive measures in the Company's protective infrastructure; Providing a rapid response through the response teams, in order to investigate suspicious attempts to remotely connect to the Company's network, or any irregular activity of employees; Increasing technological controls and issuing guidelines to increase awareness among the Company's employees; The Company is continuing to strictly and continuously manage cybersecurity risks in accordance with the changing threats.

6. Motions to approve claims as class actions

In light of the restriction on activities as part of the efforts to contain the spread of the coronavirus, motions were filed against Clal Insurance and against other insurance companies to approve the claims as class actions, alleging an easing of the risk in the insurance branches which allegedly signify that the policyholders are entitled to a corresponding reimbursement of premiums. 3 motions to approve class actions were filed against Clal Insurance, as stated above, in the motor (property, compulsory), apartment and business insurance segments. For additional details, see Note 7 to the financial statements.

7. General and administrative expenses

Following the Commissioner's announcement on March 18, 2020, in light of the fact that the institutional entities had transitioned to work in a limited format, and in light of the restrictions on movement and employment which were imposed beginning in March 2020, the Group began operating in a limited format, in which a considerable number of employees were placed on continuous leave, and were given the opportunity to use accumulated vacation days, or alternatively, to be furloughed. Each employee whose was furloughed in March 2020 was given a one-time bonus in the amount of NIS 3,000. Additionally, other Company employees were instructed to use vacation days, until the end of 2020, in accordance with the guidelines given by managers, and in accordance with the Company's needs, in a manner which reflects, on average, one weekly vacation day per employee.

As the crisis continued, the period of continuous leave extended for most of the employees, until the end of May 2020, as well as the instruction to use vacation days. The Company's Board of Directors also approved a pay cut for managers with personal contracts, beginning in May 2020, such that the Company's Chairman of the Board and CEO will have pay cuts of 10%, members of management will have pay cuts of 8%, and other managers with personal contracts with all pay cuts of 3%-6%, until the end of 2020. The Company is also working to adjust its workforce according to the decrease in activity. Additionally, after the reporting date, the Company offered a voluntary retirement program to some of its employees. The Company is also working to reduce additional expenses such as marketing expenses, and other general and administrative expenses.

According to the estimate of Company management, the estimated savings in the Group's expenses due to the foregoing changes amounts to approximately NIS 60 million in 2020. The decrease was mostly reflected in the second quarter. However, the actual results of the aforementioned processes may differ from the estimated savings, in light of the dependence on several variables, whose materialization is outside of the control of the Group's member companies.

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

A. Coronavirus (Cont.)

8. Impact of the results on the solvency ratio

Regarding the solvency ratio in the period after the reporting date, according to the Company's estimate, despite the implications of the crisis which are negative *per se*. It is fulfilling the capital requirements which apply to it in consideration of the distribution provisions, even before taking into account beneficial effects of the Commissioner's draft directives on the matter. It is emphasized that the calculation which will take into account the above and other developments is expected to be calculated as of December 31, 2020, and to be published in May 2021. For additional details, see Note 6 to the interim consolidated financial statements.

The Company's foregoing assessment regarding the possible implications of the coronavirus crisis on the business activities of the Company and its subsidiaries, in terms of the aspects described above, in a challenging business environment, as well as other aspects of which it is not currently aware, and on its results, are uncertain, since the event is ongoing, and is not under the Company's control.
It is noted that economic activity began to gradually resume; however, as of the approval date of the report, the economy has not yet returned to full activity, and even activities which were fully resumed, were resumed subject to various restrictions associated with maintaining social distancing. Therefore, at this stage, there is uncertainty regarding the pace of recovery in the Israeli economy. It is further noted that a new outbreak of the virus, and continuation of the crisis intensifying into a recession, both in the local market and in global markets, would severely damage the Company's business.

B. Retrospective adoption of the "consolidated circular regarding the measurement of liabilities - liability adequacy test"

Comprehensive income in 2019 and in the six and three month periods ended June 30, 2019 was restated due to the retrospective adoption of the provisions of the Commissioner's circular on the subject of "consolidated circular regarding the measurement of liabilities - liability adequacy test", which dictated that the liability adequacy test will be calculated by grouping life insurance products into a single insurance portfolio, instead of calculating the liability adequacy test for each life insurance product separately. For additional details, see Note 2(d) to the financial statements. The effect of the retrospective adoption on the results in the first six months of last year was an increase in comprehensive income in life insurance, in the amount of approximately NIS 35 million before tax (approximately NIS 23 million net of tax); in the corresponding period last year, an increase in comprehensive loss in the amount of approximately NIS 41 million before tax (increase in loss in the net total of approximately NIS 27 million net of tax); and in 2019, an increase of approximately NIS 648 million before tax (approximately NIS 427 million net of tax). Retained earnings as of December 31, 2018 increased in the amount of approximately NIS 146 million before tax (approximately NIS 90 million net of tax).
For details regarding the impact of the aforementioned change had on the Company's financial statements, including on the sensitivity tests, see Note 2 to the financial statements.

C. Conclusion of Danny Naveh's tenure as Chairman of the Board

For details regarding the conclusion of Danny Naveh's tenure as Chairman of the Board, see Note 8(d) to the financial statements.

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

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

A. The Company's results during the reporting period

Gross premiums earned, contributions and receipts with respect to investment contracts during the reporting period amounted to a total of approximately NIS 9,656 million, as compared with a total of approximately NIS 9,112 million in the corresponding period last year, an increase of approximately 6%.

Comprehensive loss after tax attributable to company shareholders during the reporting period amounted to a total of approximately NIS 345 million, as compared with comprehensive income of approximately NIS 215 million in the corresponding period last year.

The decrease in income and the transition to loss during the reporting period were primarily due to the negative returns in capital markets due to the coronavirus crisis, which resulted in investment losses in the first quarter, which partially lessened in the second quarter of 2020, as compared with positive returns in the corresponding period last year. As a result, during the reporting period, the financial margin in life insurance amounted to a total of approximately NIS 257 million, as compared with a total of approximately NIS 594 million last year and a liability to policyholders arose with respect to the collection of variable management fees in the portfolio of profit-sharing policies in life insurance in the amount of approximately NIS 300 million. Investment losses which were not allocated to segments amounted to a total of approximately NIS 52 million during the reporting period, as compared with investment income of approximately NIS 258 million in the corresponding period last year. For details regarding the continued recovery in the capital markets after the reporting date, see section C below. Additionally, due to the low interest rate environment, in life insurance the annuity and paid pension reserves increased in the amount of approximately NIS 135 million during the reporting period, as compared with a total of approximately NIS 103 million last year. Additionally, during the reporting period, investment losses were recorded in excess investments over the income required to cover the insurance liabilities in the health and non-life segments, relative to last year.

In the corresponding period last year the Company also decreased the liabilities with respect to insurance contracts due to the implications of the Winograd committee, in the amount of approximately NIS 125 million. Profit was also recorded in the amount of approximately NIS 120 million due to the change in the assumed retirement age last year, with no significant impact during the reporting period.

On the other hand, loss in the amount of approximately NIS 353 million was recorded last year, due to the change in mortality assumptions, with no effect on the reporting period.
Additionally, insurance reserves decreased in the amount of approximately NIS 204 million, as compared with an increase of the reserves in the amount of approximately NIS 24 million in the corresponding period last year, mostly due to the attribution of a part of the excess fair value of the assets above their book value, with respect to the calculation of LAT in the long-term care segment, which were attributed, in the past, to life insurance, as specified in the following table.

Return on equity in annual terms during the reporting period amounted to a negative rate of 12.1%, as compared with a positive rate of 8.6% in the corresponding period last year.

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

2.1 Financial information by operating segments (Cont.)

A. The Company's results during the reporting period (Cont.)

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 D below).

	1-6		4-6		Year
	2020	2019	2020	2019	2019
NIS in millions		Unaudited			Audited
Life insurance -					
Loss with respect to change in the discount interest rate used in the calculation of the liability to supplement the annuity and paid pension reserves	**19**	(16)	**63**	11	(26)
Loss with respect to change in pension reserves following the decreased forecast of future income (K factor)	**(154)**	(87)	**(20)**	(87)	(805)
Total effect of interest rate changes on the liability to supplement the annuity and paid pension reserves [1]	**(135)**	(103)	**43**	(76)	(831)
Loss with respect to change in mortality assumptions used in the calculation of paid pension liabilities and liabilities to supplement annuity reserves[4]	**-**	(353)	**-**	(353)	(353)
Profit with respect to change in other assumptions used in the calculation of liabilities to supplement annuity reserves [4]	**-**	120	**-**	120	762
Total special effects - life insurance [1] [2] [3]	**(135)**	(336)	**43**	(309)	(422)
Non-life insurance - Impact due to the consequences of the Winograd and Kaminetz Committees	**(3)**	125	**(1)**	151	122
Long-term care insurance in the health segment - Liability adequacy test (LAT) [3]	**204**	(24)	**(54)**	11	(537)

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 39(e) to the annual financial statements.
2. **Retrospective adoption of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT)**
   The comprehensive income in 2019 and in the corresponding six and three month periods least year was restated due to the retrospective adoption of the consolidated circular regarding the measurement of liabilities - liability adequacy test, which stipulates that the liability adequacy test will be calculated by grouping life insurance products into a single insurance portfolio, instead of calculating the liability adequacy test for each life insurance product separately. For additional details, see section 2(b) above.
3. **Amendment to the provisions of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT)**
   During the reporting period, the provision with respect to the liability adequacy test (LAT) decreased in the amount of approximately NIS 204 million, of which a total of approximately NIS 381 million was due to the adoption of amendments to the provisions of the circular, and in the quarter - NIS 132 million, due to the update to the illiquidity premium rate. For additional details, see section 2.1.3 below.
4. **Change in mortality assumptions and change in other assumptions**
   For details regarding the change in mortality assumptions in the calculation of paid pension liabilities and in the supplementation of the annuity reserve, and changes in other assumptions regarding the calculation of the liability to supplement the annuity reserve, see Note 43(a) to the annual financial statements.

It is noted that as of the reporting date, the balance of the LAT provision amounts to approximately NIS 333 million (the balance is with respect to long-term care in the health segment). For additional details, see Note 8(b) to the financial statements.

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

2.1 Financial information by operating segments (Cont.)

B. The Company's results during the quarter

Gross premiums earned, contributions and receipts with respect to investment contracts in the current quarter amounted to a total of approximately NIS 4,451 million, as compared with a total of approximately NIS 4,598 million in the corresponding period last year, a decrease of approximately 3%, due to the decrease in premiums from managers' products in life insurance, due to the coronavirus crisis, as stated above.

Comprehensive income after tax attributable to company shareholders in the current quarter amounted to a total of approximately NIS 139 million, as compared with comprehensive loss of approximately NIS 44 million in the corresponding period last year.

The transition to profit in the current quarter was mostly due to loss in the amount of approximately NIS 353 million last year, due to the change in mortality assumptions, with no effect on the current quarter, and the reduction of the annuity and paid pension reserves in the amount of approximately NIS 43 million in the current quarter, as compared with an increase of the reserves in the amount of approximately NIS 76 million last year, also due to the increase in returns in the capital markets relative to the corresponding period last year, which were reflected in the current quarter in an increase in investment income. For details regarding the continued recovery in the capital markets after the reporting date, see section C below.

On the other hand, in the current quarter, the Company increased liabilities with respect to insurance contracts due to the implications of the Winograd committee, in the amount of approximately NIS 1 million, as compared with a decrease of reserves in the amount of approximately NIS 151 million last year. For additional details, see section 2.1.2 below. Loss was also recorded in the amount of NIS 120 million, due to the change in the retirement age assumption last year, with no effect on the reporting period.

Additionally, mostly due to the attribution of a part of the excess fair value of the assets above their book value, with respect to the calculation of LAT in the long-term care segment, which were attributed, in the past, to life insurance, the insurance reserves increased in the amount of approximately NIS 54 million, as compared with the decrease of reserves in the amount of approximately NIS 11 million in the corresponding period last year, as specified in the following table.

Return on equity in annual terms in the current quarter amounted to a rate of 10.7%, as compared with a negative rate of 3.4% in the corresponding period last year.

C. Events after the balance sheet date

- Coronavirus crisis

  During the period from the balance sheet date until proximate to the approval date of the financial statements, the trend of recovery in capital markets continued, and investment income was recorded in the nostro portfolios in the amount of approximately NIS 350 million before tax

  As stated above, as of the publication date of the financial statements, negative real returns were recorded in the profit sharing insurance policies which, until the loss has been recouped, will prevent the Company from collecting variable management fees in the amount of approximately NIS 300 million before tax.

  During the period after the balance sheet date, due to the increase in capital markets, this balance was offset in the amount of approximately NIS 200 million, such that, proximate to the approval date of the report, the balance of variable management fees which the Company will refrain from collecting amounts to a total of approximately NIS 100 million before tax.
  At this stage, it is not possible to estimate the implications of the increases in the financial markets on the results for the third quarter of 2020, or on the economic solvency ratio, inter alia, with reference to the continued developments in financial markets until the end of the third quarter of 2020, and the above does not constitute any estimate regarding the Company's expected financial results for 2020.

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

2.1 Financial information by operating segments (Cont.)

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

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

		1-6		4-6		Year
		2020	2019	2020	2019	2019
NIS in millions	Item	Unaudited		Unaudited		Audited
Life insurance	2.1.1.1	**(295)**	(78)	**(4)**	(274)	207
Pension	2.1.1.4	**4**	(3)	**9**	(4)	1
Provident	2.1.1.3	**1**	10	**4**	5	16
Total long-term savings division		**(290)**	(71)	**8**	(272)	223
Non-life insurance	2.1.2	**(138)**	199	**80**	129	107
Health	2.1.3	**40**	30	**29**	5	(452)
Financing expenses	2.1.6	**68**	88	**35**	59	212
Other and items not included in the insurance branches	2.1.4	**(74)**	236	**124**	110	488
Total comprehensive income (loss) before tax		**(530)**	307	**206**	(88)	152
Taxes (tax benefit) on comprehensive income		**(185)**	90	**66**	(44)	59
Total comprehensive income (loss) for the period, net of tax		**(345)**	217	**140**	(44)	93
Attributable to Company shareholders		**(345)**	215	**139**	(44)	89
Attributable to non-controlling interests		**-**	2	**2**	1	4
Return on equity in annual terms (in percent) *)		**(12.1)**	8.6	**10.7**	(3.4)	1.8

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

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

2.1 Financial information by operating segments (Cont.)

2.1.1 Long-term savings

2.1.1.1 Life insurance operations

Life insurance	1-6		4-6		Note
	2020	2019	2020	2019	
Gross premiums earned	**2,851**	3,012	**1,360**	1,514	The decrease in premiums during the reporting period and during the quarter was due to the decrease in premiums in managers' insurance products in life insurance, due to the coronavirus crisis, as stated above.
Comprehensive income (loss)	**(295)**	(78)	**(4)**	(274)	**Reporting period** - The increase in loss during the reporting period were primarily due to the investment loss during the reporting period, due to the coronavirus crisis, relative to the corresponding period last year. For additional details regarding the coronavirus crisis, see section 2(a) above. During the reporting period, gross real returns were achieved in profit sharing policies at a negative rate of 5.44%, as compared with a positive rate of 6.32% last year, such that the financial margin in life insurance amounted to a total of approximately NIS 257 million, as compared with a financial margin of approximately NIS 594 million last year. During the reporting period, collection of variable management fees was not recorded, and a liability to policyholders was created with respect to the collection of variable management fees in the amount of approximately NIS 300 million, as compared with collection of approximately NIS 206 million last year. It is noted that, after the reporting date, most of the liability to policyholders with respect to the collection of management fees was closed, in the amount of approximately NIS 200 million, such that, proximate to the approval date of the report, the balance of variable management fees which the Company will refrain from collecting amounts to a total of approximately NIS 100 million before tax. Additionally, during the reporting period, due to the low interest rate environment, the reserves for annuity reserves and paid pension increased in the amount of approximately NIS 135 million, as compared with an increase of the reserves in the amount of approximately NIS 103 million in the corresponding period last year. Additionally, profit was recorded in the amount of approximately NIS 120 million, due to the change in the assumption regarding retirement age last year, with no effect on the reporting period. On the other hand, loss in the amount of approximately NIS 353 million was recorded last year, due to the change in mortality assumptions, with no effect on the reporting period. **Quarter** - The decrease in loss in the current quarter was mostly due to loss in the amount of approximately NIS 353 million last year, due to the change in mortality assumptions, with no effect on the current quarter. Additionally, during the quarter, the annuity and paid pension reserves increased in the amount of approximately NIS 43 million, as compared with an increase of the reserves in the amount of approximately NIS 76 million in the corresponding period last year. On the other hand, profit was recorded in the amount of approximately NIS 120 million, due to the change in the assumption regarding retirement age last year, with no effect on the current quarter.
Redemption rates of life insurance policies from the average reserve, in annual terms	**1.6%**	1.8%	**1.7%**	1.9%	
Investment income applied to policyholders after management fees	**(3,810)**	3,678	**3,239**	1,202	

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

2.1 Financial information by operating segments (Cont.)

2.1.1 Long-term savings

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

	1-6		4-6		Year
NIS in millions	2020	2019	2020	2019	2019
Variable management fees	-	206	-	35	485
Fixed management fees	**236**	228	**117**	114	466
Total management fees	**236**	434	**117**	149	952
Total financial margin and	**257**	594	**189**	189	1,281
Current premiums	**2,562**	2,662	**1,235**	1,354	5,283
Non-recurring premiums	**289**	349	**124**	159	703
Total gross premiums earned	**2,851**	3,012	**1,360**	1,513	5,986
Current premiums	**39**	37	**16**	17	80
Non-recurring premiums	**804**	269	**218**	164	1,105
Total premiums with respect to pure	**843**	306	**234**	181	1,185

Details regarding the rates of return in profit-sharing policies *)

	Policies issued during the years 1992 to 2003 (Fund J)				
	1-6		4-6		Year
In percent	2020	2019	2020	2019	2019
Real return before payment of management fees	**(5.44)**	6.32	**5.96**	0.86	12.59
Real return after payment of management fees	**(5.71)**	5.39	**5.80**	0.61	10.44
Nominal return before payment of management fees	**(6.09)**	7.60	**5.75**	2.37	12.93
Nominal return after payment of management fees	**(6.36)**	6.65	**5.59**	2.12	10.78

	Policies issued beginning in 2004 (New J Fund)				
	1-6		4-6		Year
In percent	2020	2019	2020	2019	2019
Real return before payment of management fees	**(5.35)**	6.23	**6.16**	0.86	12.53
Real return after payment of management fees	**(5.84)**	5.68	**5.88**	0.59	11.36
Nominal return before payment of management fees	**(6.00)**	7.51	**5.94**	2.37	12.87
Nominal return after payment of management fees	**(6.50)**	6.95	**5.67**	2.10	11.70

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

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

2.1 Financial information by operating segments (Cont.)

2.1.1. Long-term savings (Cont.)

2.1.1.3 Provident fund operations

	1-6		4-6		
	2020	**2019**	**2020**	**2019**	**Note**
Comprehensive income	**1**	10	**4**	5	The decrease in income during the reporting period were primarily due to investment losses in the managing company's nostro portfolio, as compared with investment income in the corresponding period last year, and the increase in agent commissions with respect to compensation for members due to the coronavirus crisis.
Contributions	**1,064**	1,001	455	491	

2.1.1.4 Pension operations

	1-6		4-6		
	2020	**2019**	**2020**	**2019**	**Note**
Comprehensive income (loss)	**4**	(3)	**9**	(4)	The transition to income in the reporting period and in the current quarter was mostly due to the decrease in payroll expenses relative to last year, as part of the actions which were performed due to the coronavirus crisis (for additional details, see section 2(a) above) and the decrease in agent commissions, which were offset during the reporting period by investment losses in the nostro portfolio of the managing company relative to last year, and the increase in expenses with respect to compensation of members due to the coronavirus crisis.
Contributions	**3,054**	2,966	**1,485**	1,501	

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

2.1 Financial information by operating segments

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

	1-6		4-6		
	2020	2019	2020	2019	Note
Non-life insurance					
Gross premiums	**1,346**	1,291	**661**	604	
Comprehensive income	**(138)**	199	**80**	129	**Reporting period** - The transition to from income loss during the reporting period was mostly due to the decrease in surplus investment income over the income required to cover the increase in insurance liabilities due to discounting and linkage. Additionally, 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 a decrease of the provision in the amount of approximately NIS 125 million in the corresponding period last year. **Quarter** - The decrease in income was due to the increase of the provision with respect to the implications of the Winograd committee, in the amount of approximately NIS 1 million, as compared with a decrease of the provision in the amount of approximately NIS 150 million in the corresponding period last year. On the other hand, an increase was recorded in surplus investment income over the income required to cover the increase in insurance liabilities, due to discounting and linkage and a decrease in claims, mostly in the property branches.
Motor property					
Gross premiums	**355**	371	**149**	156	**Reporting period and quarter** - The decrease in premiums was primarily due to the competitive conditions in the field, which resulted in erosion of premium rates.
Comprehensive income before tax	**27**	33	**34**	19	**Reporting period** - The decrease in income was mostly due to the decrease in investment income, which was partly offset by the decrease in claims. **Quarter** - The improvement in income was mostly due to the decrease in claims and the increase in investment income.
Gross LR	**58%**	67%	**48%**	65%	
LR on retention	**51%**	67%	**41%**	65%	
Gross CR	**85%**	95%	**76%**	93%	
CR on retention	**85%**	95%	**77%**	94%	
Compulsory motor					
Gross premiums	**264**	250	**119**	106	
Comprehensive income (loss)	**(64)**	83	**20**	45	**Reporting period** - The transition from income to loss was mostly due to the decrease in surplus investment income over the income required to cover the increase in insurance liabilities. An increase was also recorded in the provision with respect to the implications of the Winograd committee, in the amount of approximately NIS 2 million, as compared with a decrease of the provision in the amount of approximately NIS 63 million in the corresponding period last year. **Quarter** - On the other hand, an increase was recorded in the provision with respect to the recommendation 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 75 million in the corresponding period last year. On the other hand, an increase was recorded in surplus investment income over the income required to cover the increase in insurance liabilities.

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

2.1 Financial information by operating segments (Cont.)

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

	1-6		4-6		
	2020	2019	2020	2019	Note
Property and others branches					
Gross premiums	**465**	440	**249**	231	
Comprehensive income (loss)	**16**	6	**33**	(1)	**Reporting period** - The improvement in income was mostly due to the decrease in claims in the property branches, which was partially offset by the decrease in investment income. **Quarter** - The improvement in income was mostly due to the decrease in claims in the fire and property branches, and the increase in investment income.
Gross LR	**20%**	47%	**18%**	53%	
LR on retention	**31%**	46%	**18%**	54%	
Gross CR	**44%**	76%	**40%**	82%	
CR on retention	**74%**	105%	**51%**	114%	
Credit insurance					
Gross premiums	**54**	55	**27**	28	
Comprehensive income	**(2)**	17	**13**	6	**Reporting period** - The decrease in income and the transition to loss during the reporting period were due to the increase in the provisions for claims, in light of the Company's estimates that the consequences of the coronavirus crisis on the markets will include an increase in the rate of defaults in the Israeli market and in foreign markets, as well as investment losses due to the coronavirus crisis. **Quarter** - The increase in income was mostly due to the growth in investment income in the current quarter relative to last year.
LR on retention	**66%**	35%	**9%**	37%	
CR on retention	**94%**	66%	**35%**	71%	
Liability branches					
Gross premiums	**209**	175	**117**	83	
Comprehensive income	(115)	60	**(19)**	60	**Reporting period** - The transition to loss was mostly due to the decrease in surplus investment income over the income required to cover the increase in insurance liabilities due to discounting and linkage. An immaterial increase was also recorded in the provision with respect to the implications of the Winograd committee, as compared with a decrease of the provision in the amount of approximately NIS 63 million in the corresponding period last year. There was also a change for the worse in claims relative to last year in the third party and employers' liability insurance sub-branches. **Quarter** - The transition to loss was mostly due to the immaterial increase in the provision with respect to the recommendation of the Winograd committee, as compared with the decrease of the provision in the amount of approximately NIS 76 million in the corresponding period last year. There was also a deterioration in claims relative to last year in the third party liability sub-branch. On the other hand, an increase was recorded in surplus investment income over the income required to cover the increase in insurance liabilities.

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

2.1 Financial information by operating segments (Cont.)

2.1.3. Health insurance

	1-6		4-6		
	2020	**2019**	**2020**	**2019**	**Note**
Gross premiums earned	**652**	659	**316**	321	
Comprehensive income (loss)	**40**	30	**29**	5	**Reporting period** - The increase in income during the reporting period was mostly due to the decrease of the provision with respect to the liability adequacy test (LAT), which affected comprehensive income in the reporting period in the amount of approximately NIS 204 million, as compared with an increase of the provision in the amount of approximately NIS 24 million last year. On the other hand, losses were recorded in investments required to cover the increase in insurance liabilities, as compared with the investment income in the corresponding period last year. For details regarding the provisions of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT), see Note 8(b)3 to the financial statements. **In the quarter** - The increase in income was mostly due to the increase in surplus investment income over the income required to cover the increase in insurance liabilities, as compared with the corresponding period last year, and also due to positive development in claims in the illness and hospitalization branch, which was reflected in the actuarial model. On the other hand, an increase was recorded in the provision with respect to the liability adequacy test (LAT), which affected comprehensive income in the current quarter in the amount of approximately NIS 54 million, as compared with a decrease of the provision in the amount of approximately NIS 11 million the corresponding quarter last year. For details regarding the provisions of the illiquidity premium circular, see Note 8(b)(3)(c) to the financial statements.

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

2.1 Financial information by operating segments (Cont.)

2.1.3. Health insurance (Cont.)

	1-6		4-6		
Long-term care branch - comprehensive income	**2020**	**2019**	**2020**	**2019**	**Note**
Individual	**91**	14	**(20)**	13	Reporting period - The increase in income was due to the decrease of the provision with respect to the liability adequacy test (LAT) during the reporting period, in the amount of approximately NIS 200 million, as compared with the increase of the provision in the amount of approximately NIS 24 million in the corresponding period last year. This effect was partly offset by losses in investments required to cover the increase in insurance liabilities, as compared with investment income which was recorded in the corresponding period last year. Quarter - The decrease in income and the transition to loss in the current quarter, relative to the corresponding period last year, were mostly due to the increase of the provision with respect to the liability adequacy test in the current quarter in the amount of approximately NIS 54 million, as compared with a decrease of the provision in the amount of approximately NIS 11 million the corresponding quarter last year. On the other hand, in the current quarter an increase was recorded 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	**(72)**	(31)	**(5)**	(32)	**Reporting period** - The increase in loss during the reporting period, as compared with the corresponding period last year, was primarily due to the loss in surplus investments over the income required to cover the increase in insurance liabilities, as compared with the profit in the corresponding period last year. This effect was offset by the positive development in claims, and by the decrease of the provision with respect to the liability adequacy test (LAT), which affected comprehensive income in the reporting period in the amount of approximately NIS 3 million. **Quarter** - The decrease in loss was mostly due to the lesser negative development in claims, which was reflected in the actuarial model in the current quarter, relative to the corresponding period last year.
Illness and hospitalization branch - comprehensive income					
Long term	**21**	46	**53**	22	**Reporting period** - The decrease in income during the reporting period was mostly due to the greater loss in investment income required to cover the increase in insurance liabilities, as compared with the profit in the corresponding period last year, which was partly offset by the positive development in claims. **Quarter** - The increase in income in the current quarter, as compared with the corresponding period last year, was due to the increase in surplus investment income over the income required to cover the increase in insurance liabilities, as well as the positive development in claims
Short term	**(1)**	1	**1**	1	

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

2.1 Financial information by operating segments (Cont.)

2.1.3. Health insurance (Cont.)

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				
	1-6		4-6		Year
NIS in millions	2020	2019	2020	2019	2019
Investment income (loss) applied to policyholders	**(66)**	80	**55**	24	147

2.1.4 Other and items not included in the insurance branches

	1-6		4-6		
NIS in millions	2020	2019	2020	2019	Note
Total comprehensive income (loss) before tax	**(74)**	236	**124**	110	**Reporting period** - The decrease in income and the transition to loss during the reporting period were mostly due to investment losses in the amount of approximately NIS 52 million during the reporting period, as compared with investment income in the amount of approximately NIS 258 million in the corresponding period last year.

2.1.5 General and administrative expenses

General and administrative expenses during the reporting period amounted to a total of approximately NIS 436 million, as compared with a total of approximately NIS 447 million last year, a decrease of approximately 2.5%. and in the quarter amounted to a total of approximately NIS 214 million, as compared with a total of approximately NIS 223 million in the corresponding period last year, a decrease of approximately 4%. For additional details regarding the reduction of general and administrative expenses due to the coronavirus crisis, see section 2(a)(7).

2.1.6 Financing expenses in operations which are not allocated to segments

The Group's financing expenses are affected primarily by the change in the known consumer price index (see Note 2 to the financial statements) and by raisings and repayments of debt.
Financing expenses in the reporting period amounted to a total of approximately NIS 68 million, as compared with approximately NIS 88 million in the corresponding period last year. The decrease during the reporting period was due to the decrease of 0.7% in the consumer price index, as compared with the increase of 1.2% last year.
During the quarter, expenses amounted to a total of approximately NIS 35 million, as compared with a total of approximately NIS 59 million in the corresponding period last year.
The increase in financing expenses during the quarter was due to the decrease of 0.2% in the consumer price index, as compared with the increase of 1.5% in the corresponding period last year.

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

2.2 Principal data from the consolidated statements of financial position

2.2.1. Assets

NIS in millions	As of August 16 2020	As of June 30 2020	As of June 30 2019	As of December 31 2019	Rate of change from December to June %
Other financial investments [1]	**32,371**	**31,845**	31,640	32,362	(2)
Assets managed for others (non-nostro) in the Group (NIS in millions):					
For investment-linked insurance contracts and investment contracts	**72,099**	**69,922**	67,976	72,814	(4)
For provident fund members [1]	**36,124**	**35,231**	35,113	37,044	(5)
For pension fund members *)	**79,983**	**76,601**	72,717	78,120	(2)
Total assets managed for others	**188,206**	**181,754**	175,806	187,978	(3)
Total managed assets	**220,577**	**213,599**	207,446	220,340	(3)
*) Out of this amount, total assets managed by Atudot Havatika	**11,534**	**11,387**	10,868	11,550	(1)

1. The consolidated financial statements do not include the assets managed in provident funds (except for provident funds 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.

2.2.2. Financial liabilities

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

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

2.2 Principal data from the consolidated statements of financial position

2.2.3. Capital and capital requirements

A. Capital requirements in accordance with the provisions for implementation of an 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. In accordance with the outline for implementing the provisions of the economic solvency regime according to the European framework, which was published by the Commissioner in March 2020, it was determined that the date for publication of the economic solvency ratio report as of December 31, 2019, will be August 31, 2020 (instead of May 31, 2020), and that insurance companies will be exempt from the requirement to calculate and report the economic solvency ratio as of June 30, 2020. In August 2020. a letter was received from the Capital Market Authority announcing that the date for publication of the solvency ratio report will be September 30, 2020.

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 December 31, 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, see Note 6 to the financial statements.

On November 28, 2019, 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.

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 by the auditors.

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

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

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

2.2.3. Capital and capital requirements (Cont.)

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 25(b) to the annual 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	2,771	3,120

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

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

2.2.3. Capital and capital requirements (Cont.)

A. Capital requirements in accordance with the provisions for implementation of an economic solvency regime [1] (Cont.)

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]
MCR	1,632	1,620
Equity for the purpose of MCR	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.

B. Developments after June 30, 2019

1. For details regarding the provisions regarding the implementation of the Solvency II-based solvency regime, see Note 6(b) to the annual financial statements, Note 16(e) to the annual financial statements, and section 4.1.2 below.

2. For updates regarding the second half of 2019, see section 3.1(c) of the board of directors' report for 2019. For events during the reporting period and after the reporting date, and for their potential effects on the solvency ratio, see section 2.1(a)-(c) and section 2(a)(8) above.

C. The Company's capital target

In March 2020, Clal Insurance established a preliminary capital target for the solvency ratio, in accordance with the economic solvency regime, at a rate of 108%, which will be developed gradually to a rate of 118% in 2024. The Board of Directors of Clal Insurance also determined that the capital target will be evaluated from time to time, inter alia, in accordance with business and regulatory developments. It is hereby clarified that the determination of the aforementioned target does not guarantee that Clal Insurance will fulfill it at all times, and does not constitute an undertaking of Clal Insurance to distribute dividends.

It is further noted that insofar as the draft amendment referenced in Note 6(b) to the financial statements and in section 4.1.2 below enters into effect, it is expected to result in a re-evaluation of the capital target.

2.3. Financing sources

The Company considers it highly important to maintain and hold sufficient cash balances, in a manner that will allow it to repay its current liabilities, guarantees and letters of indemnity which it provided for the liabilities of wholly owned investee companies (see Note 39(d)(1) to the annual financial statements), and also to support, insofar as required, the capital needs of Clal Insurance and the liquidity needs with respect to the operations of other investee companies in the Group. Additional financing sources include, inter alia, dividend distributions from investee companies and the option to dispose investments in investee companies, debt raisings from the banking system and/or from the public, and capital raisings.

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

2.3. Financing sources (Cont.)

2.3.1. Liquid resources and credit facilities *)

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

NIS in millions	Balance as of June 30, 2020	Proximate to the publication date of the report
Liquid resources of the Company (solo)	641	607**)

*) As of the reporting period, the Company has no credit facilities.
**) For details regarding a purchase of securities after the reporting date, see Note 8(e) to the financial statements.

2.3.2. Financing characteristics

A. The Company, due to its status as a holding company, evaluates, within the context of financing and liquidity, the value of its assets against its liabilities, as well as the existence of liquid resources available to it, and also evaluates the reasonable accessibility of those resources, as required to continue its operations.

B. The Company's operations (investments, general and administrative expenses and dividend distributions) are generally financed by dividends received from investee companies, by loans from banking corporations, and by considerations received from the sale of assets.

C. For details regarding the main financial movements in the Company (solo), see the interim cash flow data attributed to the Company itself (solo), which are included in the interim report.

D. For details regarding the Company's distributable earnings, which are adjusted to the Company's capital requirements, and regarding capital and capital requirements in the consolidated institutional entities and other companies in the Group, see Note 16 to the annual financial statements.

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

During the reporting period, significant investment loss was recorded due to the sharp declines in financial markets, which occurred due to the coronavirus crisis. For additional details regarding the Group's response to the coronavirus crisis, including an analysis of the effects the coronavirus pandemic on the Group, see section 2 above.

Parameter	Data for the period
Developments in the Israeli economy and employment rate	According to the data of the Central Bureau of Statistics (third estimate for the first quarter of 2020), GDP decreased by 6.9 % in the first quarter (in annual terms), at fixed prices and after deducting the effects of seasonality. Following an increase of 4.6% (in annual terms) in the fourth quarter of 2019. In August the Central Bureau of Statistics published the first estimate of growth in the second quarter of 2020, which indicated that GDP has **decreased** by 28.7% in annual terms (this decline was not exceptional relative to other countries during the coronavirus period). There was a significant decline in all components of GDP, except for a significant increase in public expenditure, with the most severe damage seen in approximately 13% of private consumption, as well as a decrease of 9% in investments, 12.6% in imports, and 8% in exports. According to the macro-economic forecast of the Bank of Israel (July 2020), GDP is expected to decrease by 6% in 2020 due to the coronavirus crisis. A recovery is expected in 2021, and the economy is expected to grow by approximately 7.5%. According to the labor force survey of the Central Bureau of Statistics for the second quarter of 2020 (as compared with the first quarter of 2020): • Unemployment rate from the labor force among persons aged 15 or older: 4.1% (3.5% in the previous quarter). • Participation rate in the labor force among persons aged 15 or older: 61.7% (62.7% in the previous quarter). • Employment rate among persons aged 15 or older: 59.2% (60.4% in the previous quarter). • Unemployment rate in the labor force among persons aged 25-64: 3.4% (as compared with 3.2% in the previous quarter). • Participation rate in the labor force among persons aged 25-64: 78.8% (79.8% in the previous quarter). • Employment rate among persons aged 25-64: 76.1% (77.3% in the previous quarter). According to the data for the **first half of July**, the unemployment rate from the labor force among persons aged 15 or older was 5.2%. The Central Bureau of Statistics also published extended unemployment data, also including employees who were affected by the coronavirus crisis, and who are not included under the foregoing definition of "unemployed". According to these data, approximately 12.3% of the workforce is considered unemployed, stopped working due to dismissal or closure of their workplace in the months March - July 2020, or temporarily absent from their work all week, due to reasons associated with the coronavirus pandemic.
Inflation data	In the second quarter, the known consumer price index decreased at a rate of 0.7%. Since the beginning of the year, the known consumer price index decreased at a rate of 0.8%. The CPI fell by 1.1% during the last twelve months. According to the Bank of Israel's July forecast, negative inflation of around 1.1% is expected in 2020. After the reporting date, the consumer price index for July was published, which increased by a rate of 0.2%.

<table>
<tr><th>Parameter</th><th>Data for the period</th></tr>
<tr><td>Exchange rates</td><td>
During the second quarter of 2020, the NIS rose vs. the USD by approximately 2.5%, and weakened vs. the EUR by approximately 0.1%.
Foreign currency balances in the Bank of Israel at the end of June 2020 amounted to approximately USD 147.3 billion, as compared with approximately USD 126 billion at the end of March 2020.
The Bank of Israel’s exchange activity, which began last March in order to solve the liquidity crisis, was reduced to USD 2.3 billion (the original scope of the plan was around USD 15 billion).
</td></tr>
<tr><td>Development of the interest rate and yields</td><td>
For details the impact of the low interest rate environment, see Note 8(b) to the financial statements.
The Bank of Israel interest rate is currently 0.1%, after being reduced by approximately 0.15% during the first quarter.
According to the assessment of the Bank of Israel’s research division from July 2020, the Bank of Israel interest rate is expected to remain around 0%-0.1% one year from now (third quarter of 2021).
</td></tr>
<tr><td>Developments in the capital market in Israel and around the world (in terms of local currency)</td><td>
<table>
<tr><th>In percent</th><th>1-6</th><th></th><th>4-6</th><th></th><th>Year</th></tr>
<tr><th>Stock indices in Israel</th><th>2020</th><th>2019</th><th>2020</th><th>2019</th><th>2019</th></tr>
<tr><td>Tel Aviv 35</td><td>(20.3)</td><td>9.2</td><td>1.0</td><td>3.6</td><td>15.0</td></tr>
<tr><td>Tel Aviv 90</td><td>(14.9)</td><td>18.0</td><td>8.6</td><td>7.1</td><td>40.3</td></tr>
<tr><td>Tel Aviv 125</td><td>(18.0)</td><td>11.4</td><td>3.8</td><td>4.7</td><td>21.3</td></tr>
<tr><td>Tel Aviv Growth</td><td>(11.1)</td><td>15.9</td><td>15.9</td><td>0.4</td><td>26.1</td></tr>
<tr><td>Bond indices in Israel</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>General</td><td>(1.7)</td><td>5.0</td><td>3.4</td><td>1.7</td><td>8.7</td></tr>
<tr><td>Telbond CPI-linked</td><td>(6.5)</td><td>5.9</td><td>1.3</td><td>2.0</td><td>7.3</td></tr>
<tr><td>Telbond NIS-linked</td><td>(6.4)</td><td>5.0</td><td>1.9</td><td>1.2</td><td>8.6</td></tr>
<tr><td>Government CPI-linked</td><td>0.9</td><td>5.7</td><td>4.0</td><td>2.1</td><td>10.3</td></tr>
<tr><td>Government NIS-linked</td><td>1.9</td><td>3.7</td><td>3.0</td><td>1.4</td><td>8.3</td></tr>
<tr><td>Global stock indices</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Dow Jones</td><td>(9.6)</td><td>14.7</td><td>14.7</td><td>2.6</td><td>22.5</td></tr>
<tr><td>NASDAQ</td><td>11.7</td><td>21.4</td><td>27.5</td><td>3.6</td><td>35.6</td></tr>
<tr><td>Nikkei Tokyo</td><td>(5.8)</td><td>6.3</td><td>17.8</td><td>0.3</td><td>18.2</td></tr>
<tr><td>CAC - Paris</td><td>(17.5)</td><td>17.1</td><td>13.3</td><td>3.5</td><td>26.4</td></tr>
<tr><td>FTSE - London</td><td>(18.1)</td><td>10.4</td><td>10.1</td><td>2.0</td><td>12.1</td></tr>
<tr><td>DAX - Frankfurt</td><td>(7.1)</td><td>17.4</td><td>24.7</td><td>7.6</td><td>25.5</td></tr>
<tr><td>MSCI WORLD</td><td>(7.5)</td><td>16.4</td><td>16.4</td><td>3.4</td><td>25.8</td></tr>
</table>
For details regarding the effects on the financial results, see section 2 above and Note 5 to the financial statements.
</td></tr>
</table>

Parameter	Data for the period
Global economic developments	The first half of 2020 was significantly affected by the coronavirus crisis, which paralyzed the global economy for several months, and which severely affected global growth. In recent months a gradual process of deconfinement and easing of restrictions has begun. In response to the crisis, governments and central banks worked to implement unprecedented fiscal and monetary incentivization programs, to support their economies and markets. **USA** - A significant economic downturn began in March, with many market sectors being shut down, which continued throughout most of the second quarter. The American economy contracted in the second quarter by approximately 32.9% (in annual terms), and the Fed left interest rates at 0%-0.25%. The Fed also continued a bond-buying program, unprecedented in its scope and in terms of the mix of purchased products, including government bonds, mortgage-backed bonds and corporate bonds. In parallel, the federal government launched a fiscal support program which included bonuses and support at a scope of approximately USD 3 trillion, in order to support businesses that suffered from the crisis, paralyzed industries, private citizens and the unemployed. After years of growth in the labor market and very low unemployment rates of around 3.5%, the total number of unemployed skyrocketed to approximately 17 million at the end of June 2020, and the unemployment rate was approximately 11.1% (after reaching 14.7% at the peak). In parallel with the implementation of the significant monetary and fiscal monetary measures described above, in the second quarter financial markets corrected a significant part of the declines which had occurred in the first quarter, due to the flattening of infection curves, and the attempts to re-open the economy during the second quarter. There was also a significant deterioration in the relationship between the United States and China, in light of the approaching general election in the US (November 2020), Donald Trump's declining approval rate, and President Trump's allegations that China had initially concealed the coronavirus outbreak. As of the time of writing, the United States and China have closed consulates and representations of one another, and have implemented various export restrictions, and prejudiced the autonomous status of Hong Kong. **Europe** - All European countries suffered from the coronavirus outbreak on the continent, with the main centers of the pandemic being Italy, Great Britain and Spain. European countries imposed severe lockdown and social distancing measures, which caused the European economy to shrink by 12.1% in the second quarter (in quarterly terms). In June, after most European countries managed to contain the pandemic and to flatten the curve, countries began lifting restrictions, reducing social distancing demands, and even opening borders between European countries. The European Central Bank launched asset purchase programs at a scope of EUR 1.1 trillion, lifted the restriction on purchasing from bond series, and launched a loan program with simplified conditions. The countries of the European Union also launched fiscal incentivization programs at a scope of EUR 3.2 trillion, to support businesses and sectors which were harmed by the coronavirus crisis, and to provide assistance to citizens of the EU countries, and for the first time a joint incentivization plan was launched, based on the issuance of bonds shared by the EU countries, at a scope of EUR 750 billion, including bonuses and loans to the various countries. The interest rate remained unchanged; however, a decision was reached to implement measures to make it even easier for banks to obtain financing, by deepening the negative interest rate applicable to their loans. **China** - The first country to undergo the virus outbreak, and among the first to resume regular activity already in the beginning of the second quarter. The Chinese economy grew by 11.5% in the second quarter (in quarterly terms). During this period, the Chinese government incentivized the Chinese economy through fiscal means which included investment in infrastructure, support for local governments, tax cuts and postponement of loan payments. The Central Bank launched plans to support liquidity and cut interest rates. Additionally (and as stated above), the relationship between China and the United States changed for the worse.

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 of Capital Markets, Insurance and Savings, as applicable, after the date of publication of the annual financial statements.

4.1. General

4.1.1. Board of directors of institutional entities - transitional provision

Further to that stated in section 10.2.1 of the description of the corporation's business in the Company's financial statements for 2019, in connection with the circular regarding the board of directors of institutional entities, in April 2020 the Commissioner published transitional provisions in amendment of the board of directors circular, in light of the coronavirus pandemic (hereinafter: the "**Coronavirus Event**"), including the need for institutional entities to take action quickly and effectively in order to deal with the implications of the situation, while restricting their activity (including a significant increase in remote work).
The amendment includes several expedients and adjustments to the work methods of the board of directors and its committees, which are intended to facilitate the activities of the board of directors and management of institutional entities, and to allow them to focus on the critical and urgent needs at this time, which mostly apply until June 30, 2020, including in connection with the cancellation of the obligation to physically convene in certain circumstances; Providing the possibility to postpone discussions on issues and reports with deadlines specified in the Commissioner's directives, under specific conditions; Providing the possibility to hold board or committee meetings, as applicable, which are shared by the institutional entity and its parent company, in certain circumstances; Postponement of the deadline for approving minutes; Obligation to report to the Commissioner regarding meetings dealing with the coronavirus event.
In July 2020, the Commissioner published a draft extension of the transitional provision, which extended the aforementioned expedients until September 30, 2020, except regarding the possibility of postponing certain discussions of the Board of Directors regarding subjects and reports, the dates of which were specified in the Commissioner's directives.

4.1.2. Provisions regarding the implementation of a Solvency II-based economic solvency regime

Further to that stated in section 10.2.3 in the chapter "description of the corporation's business" in the Company's periodic reports for 2019, regarding an outline which was published by the Commissioner regarding the implementation of the provisions of Solvency II, according to the European framework (hereinafter: the "**Outline**"), in August 2020, the Commissioner published a third draft amendment to the consolidated circular regarding instructions for implementing the Solvency II-based economic solvency regime for insurance companies (hereinafter: the "**Draft Amendment**"), and a draft circular regarding the disclosure of the economic solvency ratio, and an update to the date for reporting and publishing the solvency ratio as of December 31, 2019 (hereinafter: the "**Update to the Reporting Date**"). In April, the Commissioner published a draft regarding principles for the calculation of the discount during the distribution period under the Solvency II-based economic solvency regime (hereinafter: the "**Draft Principles Document**"), further to the consultation paper regarding the implementation of the transitional provisions under the economic solvency regime (the "**Consultation Paper**"), which was published in November 2019, and a circular regarding the quantitative impact study to evaluate adjustments to the Solvency II-based economic solvency regime for insurance companies (the "**Quantitative Impact Study**"), which was published in January 2020.
According to the draft amendment and the draft principles document, an insurance company may, with the Commissioner's approval, adopt different distribution provisions than the existing ones (which address a gradual increase of the capital requirements until December 2024). The alternative distribution provisions allow gradual linear distribution, until December 31, 2032, of the increase in economic insurance reserves (including the risk margin) on retention, calculated as of December 31, 2019, vs. the accounting reserves on retention as of that date, with reference to certain tax reserves. The use of the alternative method, and the amount of the discount, are subject to the Commissioner's approval regarding the fulfillment of principles, in his discretion, and regarding the fulfillment of the restrictions specified in the draft. The implementation of the potential discount could have a significantly positive effect on the economic solvency ratio of Clal Insurance; however, there is uncertainty regarding the implementation of the draft in practice, regarding the final version of the changes, insofar as they are accepted, and regarding the Commissioner's considerations regarding the granting of approval.

The draft amendment also includes various adjustments to the solvency regime, mostly with reference to the calculation of the capital requirements. The main adjustments which were made include expedients with respect to market risk components, including a potentially significant reduction in the stock scenario, which can be applied to 75% of the total investment in shares held against investment-linked liabilities, and other investments which meet the specified conditions for recognition as long term held shares; Expansion of the reduction in the amount of the scenario for investments in infrastructure; adding the option to recognize absorbed losses with respect to a deferred tax asset as part of the scenario; and expansion of the recognition through means of risk mitigation for investment-linked liabilities. Additional adjustments were also made to other components of the calculation which the Company does not expect will have a significant impact on the results.

In accordance with the update to the reporting date, the Authority intends to work towards applying the directives regarding the economic solvency regime according to the framework which was adopted in Europe in September 2020. Regarding the reporting and publication of the economic solvency ratio, it was determined that the date for publication of the economic solvency ratio report as of December 31, 2019, will be postponed, and will be published on September 30, 2020 (instead of August 31, 2020), and that insurance companies will be exempt, on a one-time basis, from the requirement to calculate and report the economic solvency ratio as of June 30, 2020.

In addition to the foregoing, the Commissioner announced, as part of the outline, that in 2020 the Authority intends to publish draft directives regarding the implementation of the own risk and solvency assessment (ORSA), which are based on the provisions of the current European Directive on the subject.

It is noted that, in accordance with the Insurance Law, the Commissioner is entitled to issue instructions to insurers regarding their required equity, in addition to the minimum required equity pursuant to the Insurance Law, and following consultation with the Finance Committee.

If and when the draft amendment becomes final, the required solvency ratio, in consideration of the distribution provisions, is expected to improve relative to the ratio which would have been calculated according to the current framework, which will be published as part of the report as of December 31, 2019, which is expected to be published on September 30, 2020, as stated above.

The Company's estimates regarding the implications of the aforementioned drafts 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 may change depending on the final wording of the various directives, if published, and in light of the fact that actual implementation may differ significantly from the forecast, and in light of the steps which will be taken by the Group's member companies.

4.1.3. Amendment to the provisions of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT)

For details regarding the amendment to the provisions of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT), see Note 8(b) to the financial statements.

4.1.4. Road map for the adoption of IFRS 17, Insurance Contracts

On June 7, 2020, the Commissioner published a road map for the adoption of IFRS 17, Insurance Contracts (hereinafter: the "**Standard**"), which set the initial adoption date of the standard in Israel as beginning with the quarterly and annual periods beginning on January 1, 2023, and determined the main preparatory steps and timetables which are intended to ensure that insurance companies in Israel are prepared to appropriately adopt the standard, inter alia, in terms of the adjustment and operation of information systems, managing and documenting the project, formulating an accounting policy, performing quantitative evaluations, and the required method of public disclosure. For additional details, see Note 3(b) to the financial statements.

4.1.5. The Insurance Contract Law

In July 2020, the proposed Insurance Contract Law (Amendment No. 10) (Extension of Prescription Period), 2020, was published, which mostly involves an extension of the prescription period in life insurance, illness and hospitalization insurance and long-term care insurance from three years to seven years. The proposed law also includes provisions in connection with the delivery of notice to policyholders regarding the expected prescription period, and before the end of the prescription period.

The acceptance of the aforementioned amendment could lead to an increase in the Company's insurance liabilities.

The Company's estimates regarding the implications of the draft legislation regarding the extension of the prescription period in insurance 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 depending on the final wording of the amendment, if published, and in light of the fact that actual implementation may differ from the forecast, and depends, inter alia, on the conduct of policyholders.

4.2 Directives due to the coronavirus pandemic

The Commissioner announced a series of measures in light of the coronavirus pandemic, including the following:

4.2.1 In the investment management segment - lifting of barriers in the capital market, with the aim of protecting savers' funds and improving liquidity in the stock exchange:

- Expansion of the policy regarding the provision of a permit for the holding of an institutional entity's means of control, at a rate of up to 7.5%, for entities managing customer funds, including for insurers which have a controlling shareholder. The directive will allow the submission of requests to hold up to 7.5% of institutional entities.
- Allowing the possibility to hold over 20% of the shares of a company, or control of a company, due to the forfeiture of a pledge or the receipt of shares in a debt settlement, subject to rules which were determined.
- The possibility to prepare a condensed economic analysis, in a format which was approved by the investment committee, with respect to bond purchases on the secondary market; Extension of the analysis validity period by several months; The possibility to establish an alternative policy regarding legal stipulations and financial covenants in bond purchases on the secondary market, subject to the approval of the investment committees. Transitional provision in effect until July 31, 2020.
- Easing of requirements to report deviations from the Investment Regulations, and extension of the period allowed to correct deviations. Transitional provision in effect until June 30, 2020.
- Possible expedients regarding the provision of loans to members, including with respect to the extension of loan periods. Transitional provision in effect until September 30, 2020.
- Possibility to invest in up to 49% of a marketable bond series (instead of 25%). The difference can only result from investment in members' funds. Transitional provision in effect until September 30, 2020.
- The possibility, subject to the approval of the investment committee, to obligate members to pay management fee expenses with respect to investment in ETF's held for trading in which, until the date of the regulation, the collection of management fees was not permitted. Transitional provision in effect until June 30, 2020.
- A consultation paper issued by the Control of Insurance Office regarding the possibility of arrangements with solvent companies that have run into cash flow difficulties, including the possibility to postpone interest and/or principal payments by up to one year, against compensation in interest, through expedited procedures.

4.2.2 Regarding insurance coverages -

- In June 2020, the Control of Financial Services Regulations (Provident Funds)(Insurance Coverages in Provident Funds)(Transitional Provision), 2020 were published in the Official Gazette, which mostly include an extension of the temporary risk period (the automatic insurance coverage which is given to holders of managers' insurance policies and in pension funds when discontinuing deposits) to 12 months, instead of 5 months, and applying it also to policies which do not include that mechanism, except regarding classic policies.

- In the non-life insurance segment, a transitional provision was published in July 2020 which allows the suspension of an insurance policy for policyholders interested in this possibility, while also allowing insurance companies to extend the renewal period, beyond the days specified in the notice regarding the conclusion of the insurance period, when the insurance company is unable to reach the policyholder.

4.2.3 Postponement of regulatory reforms

The Commissioner published several directives, including postponing the date of entry into effect of various provisions, and postponing deadlines for reporting to the Authority on various matters.

4.3 Long-term savings

4.3.1 Expenses in connection with investment management

In addition to the management fees, the institutional entities collect expenses in connection with investment management, subject to the provisions of the Control of Finance Services Regulations (Provident Funds) (Direct Expenses Due To Performance Of Transactions), 2008 (hereinafter: the "**Direct Expenses Regulations**"), which specify the types of expenses which can be charged to members, and apply a cumulative quantitative annual restriction of 0.25% of the assets on the amount of expenses which can be charged to the members with respect to some of the expense items which are included in the Expense Regulations.

In November 2019, draft regulations were published which extended the period during which the restriction applied on direct expenses which can be collected from assets in the funds against investment-linked liabilities, for another two years (until December 31, 2021) (hereinafter: the "**Extension Draft**"), in order to allow the Authority to complete the in-depth study which it began regarding the implementation of the expense restriction by institutional entities. In December 2019, the Commissioner published a clarification regarding the extension of the validity of legislation with respect to the dispersal of the 22nd Knesset, which includes, inter alia, the extension of the Expense Regulations by three months, beginning on the date of convention of the 23rd Knesset. In mid-June 2020, the three month period since the swearing in of the 23rd Knesset concluded.

On June 3, 2020, the Minister of Finance signed the draft extension, and submitted it to the Knesset Finance Committee for approval, which on July 1 approved the extension of the Regulations until the end of February 2021. The Finance Committee's approval to extend validity was given while determining that the Authority will update the Finance Committee regarding the work of a professional and independent committee to evaluate the subject of direct expenses, which is intended to evaluate whether the external management of certain investments increases net returns for savers.

Non-extension of the aforementioned regulations, or approval thereof in a different framework than the current framework, could have a significant impact on all matters associated with the provisions of the expired regulations.

The Company's estimate in connection with the implications of the Direct Expense Regulations constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, due, inter alia, to the provisions which will be determined with respect to the extension and/or contents of the Expense Regulations, if and insofar as they are published.

4.3.2 Withdrawal of funds from small accounts in provident funds

In June 2020, an amendment was published to the circular regarding "withdrawal of funds from small accounts in provident funds", the threshold was increased at which managing companies will be obligated to perform an initiated withdrawal, and to send to members who own small accounts a check by mail with respect to the accrued balance, such that the threshold will amount to NIS 6,500 (excluding accounts of members with whom contact has been lost), and provisions were also determined regarding the provision of notice to members (with an accrual of up to NIS 8,000) on the subject.

The aforementioned amendment is expected to result in a decrease of the Company's income from management fees.

The information presented on all matters associated with the possible implications of the draft amendment to the circular regarding the withdrawal of funds from small accounts in provident funds constitutes forward looking information, which is based on the Company's estimates and assessments, and actual results may differ significantly from the forecast, inter alia, in light of the conduct of members.

4.3.3 Pension Advice and Marketing Law Memorandum

In July 2020 the Control of Financial Services Law (Consulting, Marketing and Pension Clearing System)(Amendment No. 11), 2020 was published, in which it was proposed to allow a banking corporation, or another party engaged in pension advice on its behalf, to give pension advice over the telephone, or through digital means. The Company believes that insofar as the proposed law is accepted and becomes binding, it will increase competition in the segment of pension advice and marketing through banks, which could make the pension advice and marketing segment more centralized, and could also result in exposure of the Company's institutional entities to the payment of commissions with respect to pension portfolios which were sold in the past through other marketing channels.

The information presented on all matters associated with the possible implications of the draft legislation regarding the pension advice possibilities of banking corporations constitutes forward looking information, which is based on the Company's estimates and assessments, and actual results may differ significantly from the forecast, inter alia, according to the final wording of the amendment, insofar as it will be published, and in light of the fact that actual implementation may differ from the forecast, and depends, inter alia, on the conduct of banking corporations.

4.3.4 Reduction of restrictions on monetary transfers between provident funds

In August 2020, the Finance Committee approved an amendment to the Control of Finance Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds) (Amendment), 2020 (hereinafter: the "**Draft Amendment to the Transfer of Funds Regulations**"). The main proposed amendments include providing the possibility for members who have reached retirement age to transfer funds from a provident fund for investment to an annuity paying provident fund, in order to allow members to enjoy the tax benefits associated with that product, and providing the possibility to transfer funds from a provident fund for investment to another provident fund for investment.

According to the Company's estimate, the entry into effect of the draft amendment to the Transfer of Funds Regulations, insofar as it is accepted as a binding version, will result in the lifting of barriers to transfer which currently exist in the market regarding monetary transfers and increasing the competition over the product of provident funds for investment.

The information presented on all matters associated with the possible implications of the draft amendment to the Transfer of Funds Regulations reform constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. Actual implementation may differ significantly from the forecast, and is significantly dependent on the final wording of the published directive, and on the following factors: the steps which will be taken by the member companies in the Group; the conduct of the competing institutional entities; the preferences of members and policyholders and their conduct with respect to their products; the implications of other legal provisions in the segment; and their combined impact, together with the aforementioned provisions.

4.3.5 Draft amendment to the circular regarding management fees - transitional provision

In July 2020, the a draft circular was published regarding management fees in pension savings instruments - amendment - transitional provision due to the coronavirus event (hereinafter: the "**Draft Amendment To The Management Fees Circular**"), in which it was proposed to determine that an institutional entity will be entitled to increase the rate of management fees before the end of the discount period which was determined for the customer, due to the discontinuation of payments for savings which are transferred to the provident fund for the member, which did not occur due to the employer, only after 12 months have passed since the date when the savings payments were discontinued (instead of 6 months, according to the wording of the circular regarding management fees in pension savings instruments).

The Company believes that the entry into effect of the draft amendment to the management fees circular will result in a decrease in the Company's income from management fees.

The information presented on all matters associated with the possible implications of the draft amendment to the circular regarding management fees - transitional provision, constitutes forward looking information, which is based on the Group's estimates and assessments as of the publication date of the report. Actual implementation may differ significantly from the forecast, and is significantly dependent on the steps which will be taken by the member companies in the Group; the conduct of the competing institutional entities; the preferences of members and policyholders; and their conduct with respect to their products.

4.4 Health insurance

4.4.1 Personal accidents insurance

Further to that stated in section 8.1.2.1.C of the chapter " "description of the corporation's business" in the Company's periodic reports for 2019, in June 2020, an "amendment to the provisions of the consolidated circular - volume 6, part 3, chapters 2, 3 and 4 - personal accidents insurance" was published (hereinafter: the "**Circular Regarding Personal Accidents**"), which includes provisions which are intended to regulate the sale process and insurance coverage in the personal accidents branch. The main provisions of the circular regarding personal accidents include: determining a basic level for the policy, to include covers for death, disability, hospitalization, convalescence days, fractures and burns, whereby an insurance company will be entitled to propose extensions to the basic layer, with the Commissioner's approval. Permission was also given to continue marketing plans which include coverage for accidental death only, or coverage for accidental disability only. The personal accidents circular established a standard and broad definition of an "accident"; It was determined that the insurance period in personal accidents policies will not exceed two years, except with respect to accidental death or accidental disability plans only, which are sold as an extension of life insurance - risk only, in which case the insurance period is the same as the insurance period in the base policy. Transitional provisions were established which will apply for a period of two years after the application date, according to which insurance companies will be required to send to insurance applicants, at the end of a telephone sale process, a message including an explanation regarding the insurance, in which the insurance applicant will be required to actively approve their consent to join the insurance, the imposition of an obligation on insurance companies to maintain an internal monitoring mechanism regarding the method of addition to personal accidents insurance, with an emphasis on certain population groups which were defined in the draft, and the imposition of an obligation on insurance companies to notify current personal accident policyholders, by SMS, of the option to transfer to personal accident policies according to the new format. The circular included unique and restrictive provisions regarding the addition of policyholders to personal accidents policies, including a provision stating that the addition actions will be made directly vis-à-vis the insurance applicant by an insurance company or by a license holder; 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 circular, the application date will be February 1, 2021, 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 provision stipulating that actions involving the sale of personal accidents policies will be done by an insurance company or by a license holder entered into effect on the publication date of the circular.

The Company is evaluating the implications of the personal accidents circular, which is expected to impose difficulties on sale processes of personal accident policies, including regarding the possibility of continuing to market the policies according to the current format, which may affect the policy period, the scope of insurance coverage given thereunder, and may increase claim settlement costs. The sale of life insurance products may also be affected, due to the provisions of the circular regarding personal accidents which stipulate that coverage for accidental death and accidental disability will be marketed in accordance with the provisions of the circular. **The Company's estimate regarding the impact of the 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 conduct of Clal Insurance and competing entities, and the pricing method of these products.**

4.5 Non-life insurance

4.5.1 Arbitration of motor property claims

In July 2020 a proposal was published, within the framework of draft proposed decisions under the Economic Arrangements Law for 2020, involving an amendment to the Courts Law (Consolidated Version), 1984, in a manner which would impose an obligation to conduct arbitration in order to resolve disputes in connection with property damages in the motor property branch, between the insurance companies themselves, and between the insurance companies and the leasing companies (hereinafter: the **"Draft Proposed Decision Regarding Arbitration In Motor Property Claims**").
In the draft proposed decision regarding arbitration in motor property claims, it was proposed to determine that a claim which has been filed with the Magistrate's Court for payment of damages due to property damage caused in a road accident, will be transferred for mandatory arbitration, provided that the litigants in the claim are an insurance company or a company whose main activity is the leasing or rental of motor vehicles, whereby the litigants must offer policyholders to join as a party to the proceedings in order to claim their losses.
It is further proposed to determine that the dispute will be resolved online, through an arbitrator who will be appointed by the parties, by consent, out of a list which will be created, and if they are unable to agree by consent - by the Court. The proposal also includes rules regarding the determination of the arbitrator's fees, and the minimum requirements they are required to meet in order to be appointed.
The mandatory arbitration award will not be binding towards any party which is not a party to the proceedings in practice, and which has not agreed to join as a party to the proceedings.

According to the assessment of Clal Insurance, insofar as the draft proposed decision regarding arbitration in motor property claims is approved, as currently phrased, it could lead to an increase in the Company's settlement costs regarding motor property claims, impose difficulties on the resolution of disputes through settlement methods, impose difficulties on the collection of deductibles from policyholders, and lead to additional litigation vis-à-vis relevant parties which are not party to the arbitration proceedings.
The information presented on all matters associated with the possible implications of the proposed decision regarding arbitration in motor property claims constitutes forward looking information, which is based on the Company's estimates and assessments, and actual results may differ significantly from the forecast, inter alia, in light of the final wording of the legislative amendment on the matter, the characteristics of the arbitration mechanism which will be created, and the conduct of competitors, leasing companies and customers.

4.5.2 <u>Subrogation claims of the National Insurance Institute</u>

Further to that stated in section 7.1.1.1.d(1) of the chapter "description of the corporation's business" in the Company's periodic reports for 2019, regarding the Economic Efficiency Law (Legislative Amendments to Achieve Budgetary Goals for 2019), 2018 (hereinafter: the "**Economic Efficiency Law for 2019**"), in which changes were made to the mechanism for the settling accounts between the National Insurance Institute and the insurance companies, with respect to the subrogation right of the National Insurance Institute from the insurance companies in claims by virtue compulsory motor policies, in a manner whereby the current specific subrogation arrangement mechanism was canceled, according to which the settling of accounts is performed separately with respect to each claim, and instead it was determined that the insurer will submit to the National Insurance Institute, each year, a fixed annual amount to cover its liability with respect to all of the subrogation claims by virtue of compulsory motor policies, both with respect to past period, from 2014, and prospectively (hereinafter: the "**New Subrogation Arrangement**" and the "**Fixed Amount**"); and further to the publication of the Draft National Insurance Regulations (Transfer Of Annual Amount From Insurer To Institution For Road Accident), 2019, in June 2019 (hereinafter: the "**Draft New Subrogation Arrangement Regulations**"), which would have regulated the method used to determine the fixed amount, and allow the entry into effect of the Economic Efficiency Law for 2019, the Company hereby reports that, following a hearing which was conducted for the insurance companies regarding the Draft New Subrogation Arrangement Regulations, and assertions which were raised by the insurance companies in the hearing with respect to difficulties in implementing the proposed settlement with respect to the past, negotiations are being conducted between the National Insurance Institute, with the support of the Ministry of Finance, and the Israel Insurance Association, with the aim of reaching a new agreed-upon arrangement, according to which the Economic Efficiency Law for 2019 and the New Subrogation Arrangement Regulations will be amended such that the new subrogation arrangement will apply with respect to future events beginning on January 1, 2021, while with respect to the past, the parties will continue operating similarly to the situation which existed prior to the enactment of the Economic Efficiency Law for 2019, and to settle each subrogation claim separately. As part of the agreed-upon arrangement which is being formulated, the insurance companies will provide to the National Insurance Institute an advance amount for the payment of subrogation claims, in a total amount equal to 4.0271% of the insurance premiums which were collected by each company during the years 2014-2018, and the insurance companies will also undertake to extend the prescription period with respect to claims in accordance with section 328 of the National Insurance Law, with respect to cases which occurred during the years 2014 and 2015, by one more year (hereinafter: the "**Amended Subrogation Arrangement**").

According to the Company's estimate, insofar as the amended subrogation arrangement enters into effect, the matter should not significantly affect the Company's financial statements.

The information presented on all matters associated with the Draft New Subrogation Arrangement Regulations, and the negotiations with the National Insurance Institute regarding the new amended subrogation arrangement, constitute forward looking information, which is based on the information that is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the final version of the New Subrogation Arrangement Regulations, on whether a final and binding agreement is reached with the National Insurance Institute and the Ministry of Finance regarding the amended subrogation arrangement, on completing the enactment of the Economic Efficiency Law for 2020, on the method of settling specific claims vis-à-vis the National Insurance Institute, relative to the past period, and on the insurance premiums which will be collected in the future.

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.
Events after the balance sheet date, for details regarding the change in the investment policy of Clal Holdings, see Note 8(e) to the financial statements.

Linkage bases report as of June 30, 2020

	Israeli currency		Foreign currency				Other non-monetary items	Insurance company in Israel	
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other			Total
Intangible assets	-	-	-	-	-	-	51,296	1,213,220	1,264,516
Deferred tax assets	-	-	-	-	-	-	7,820	1,836	9,656
Deferred acquisition costs	-	-	-	-	-	-	-	2,028,737	2,028,737
Property, plant and equipment	-	-	-	-	-	-	11,325	194,986	206,311
Right-of-use asset	-	-	-	-	-	-	97,877	422,279	520,156
Investments in associates	-	-	-	-	-	-	35,826	168,518	204,344
Investment property for investment-linked contracts	-	-	-	-	-	-	-	3,139,259	3,139,259
Other investment property	-	-	-	-	-	-	2,942	1,259,109	1,262,051
Reinsurance assets	-	-	-	-	-	-	-	3,590,294	3,590,294
Current tax assets	-	1,176	-	-	-	-	-	184,181	185,357
Other accounts receivable	12,584	-	250	-	-	-	310	1,031,996	1,045,140
Outstanding premiums	2,761	-	-	-	-	-	-	817,353	820,114
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	60,625,448	60,625,448
Other financial investments									
Marketable debt assets	-	-	-	-	-	-	-	5,225,865	5,225,865
Non-marketable debt assets	-	-	-	-	-	-	-	22,230,178	22,230,178
Stocks	-	-	-	-	-	-	76	1,346,939	1,347,015
Other	-	-	-	-	-	-	18	3,042,391	3,042,409
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	5,294,621	5,294,621
Other cash and cash equivalents	804,311	-	204	253	-	-	-	1,567,314	2,372,082
Total assets	819,656	1,176	454	253	-	-	207,490	113,384,524	114,413,553

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

Effect of market risks on business results (Cont.)

Linkage bases report - as of June 30, 2020 (Cont.)

	Israeli currency		Foreign currency				Other non-monetary items	Insurance company in Israel	
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other			Total
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	31,142,997	31,142,997
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	69,409,940	69,409,940
Deferred tax liabilities	-	-	-	-	-	-	185	430,153	430,338
Liabilities with respect to employee benefits, net	22,771	-	-	-	-	-	-	67,194	89,965
Lease liabilities	-	110,128	-	-	-	-	-	471,052	581,180
Other accounts payable	85,450	-	-	-	-	-	-	2,992,348	3,077,798
Current tax liabilities	-	1,276	-	-	-	-	-	-	1,276
Financial liabilities	-	-	-	-	-	-	-	4,274,699	4,274,699
Total liabilities	108,221	111,404	-	-	-	-	185	108,788,383	109,008,193
Total exposure	711,435	(110,228)	454	253	-	-	207,305	4,596,141	5,405,360

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 Clal Insurance have evaluated, as of the end of the period covered in this report, the effectiveness of the controls and procedures regarding disclosure of Clal Insurance. Based on this evaluation, the CEO, the Executive VP of Clal Insurance and Financial Division Manager and the Senior VP Comptrollership Division Manager of Clal Insurance have concluded that, as of the end of the aforementioned period, the controls and procedures involving the disclosures made by Clal Insurance are effective for the purpose of recording, processing, summarizing and reporting the information which Clal Insurance is required to disclose in the quarterly report, in accordance with the provisions of the law, and the reporting directives which were issued by the Commissioner, and by the date specified in those directives.

During the quarter ended June 30, 2020, no change took place in the institutional entity's internal control over financial reporting which could have materially influenced, or which could have been reasonably expected to materially influence, the institutional entity's internal control over financial reporting.

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

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

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

Tel Aviv, August 20, 2020

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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 June 30, 2020, as well as the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for six 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.

Scope of the Review

We have conducted our review in accordance with Review Standard (Israel) 2410 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, 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, 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,
August 20, 2020

Somekh Chaikin
Certified Public Accountants

Kost Forer Gabbay and Kasierer
Certified Public Accountants

Joint Auditors

Interim Consolidated Statements of Financial Position

		As of June 30		As of December 31
		2020	2019	2019
NIS in thousands	Note	Unaudited		Audited
Assets				
Intangible assets		**1,264,516**	1,312,670	1,297,627
Deferred tax assets		**9,656**	8,829	9,953
Deferred acquisition costs		**2,028,737**	1,972,358	2,021,204
Property, plant and equipment		**206,311**	224,523	219,785
Right-of-use asset		**520,156**	561,124	541,700
Investments in investee companies accounted by the equity		**204,344**	223,952	183,649
Investment property for investment-linked contracts		**3,139,259**	2,970,333	3,097,370
Other investment property		**1,262,051**	1,249,727	1,250,039
Reinsurance assets		**3,590,294**	3,300,912	3,551,810
Current tax assets		**185,357**	130,972	282,539
Other accounts receivable		**1,045,140**	854,111	798,786
Outstanding premiums		**820,114**	913,622	700,148
Financial investments for investment-linked contracts	5	**60,625,448**	59,025,002	62,397,461
Other financial investments:	5			
Marketable debt assets		**5,225,865**	5,414,864	5,935,408
Non-marketable debt assets		**22,230,178**	22,107,505	22,469,858
Stocks		**1,347,015**	1,483,407	1,357,758
Others		**3,042,409**	2,634,153	2,598,556
Total other financial investments		**31,845,467**	31,639,929	32,361,580
Cash and cash equivalents for investment-linked contracts		**5,294,621**	5,179,373	6,554,645
Other cash and cash equivalents		**2,372,082**	1,562,536	2,558,717
Total assets		**114,413,553**	111,129,973	117,827,013
Total assets for investment-linked contracts	5	**69,921,952**	67,975,818	72,813,606

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 June 30 2020	As of June 30 2019	As of December 31 2019
		Unaudited		Audited
Capital				
Share capital		**155,448**	143,382	155,448
Premium on shares		**1,638,693**	1,012,503	1,636,478
Capital reserves		**635,248**	741,477	817,419
Retained earnings		**2,923,410**	3,293,572 *)	3,088,161 *)
Total capital attributable to Company shareholders		**5,352,799**	5,190,934	5,697,506
Non-controlling interests		**52,561**	50,985	52,869
Total capital		**5,405,360**	5,241,919	5,750,375
Liabilities				
Liabilities with respect to non-investment-linked insurance		**31,142,997**	31,146,499 *)	31,444,910 *)
Liabilities with respect to investment-linked insurance		**69,409,940**	67,250,786	71,833,004
Deferred tax liabilities		**430,338**	506,362 *)	606,843 *)
Liabilities with respect to employee benefits, net		**89,965**	86,383	96,269
Lease liabilities		**581,180**	608,018	591,263
Other accounts payable		**3,077,798**	2,995,800	3,269,153
Current tax liabilities		**1,276**	145	513
Financial liabilities	5	**4,274,699**	3,294,061	4,234,683
Total liabilities		**109,008,193**	105,888,054	112,076,638
Total capital and liabilities		**114,413,553**	111,129,973	117,827,013

*) Adopted retrospectively, see Note 2(d).

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

August 20, 2020				
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 six months ended June 30 2020	For the period of six months ended June 30 2019	For the period of three months ended June 30 2020	For the period of three months ended June 30 2019	For the year ended December 31 2019
	Unaudited				Audited
Gross premiums earned	**4,693,775**	4,837,656	**2,274,290**	2,426,620	9,666,116
Premiums earned by reinsurers	**702,263**	622,650	**354,695**	312,871	1,264,885
Premiums earned on retention	**3,991,512**	4,215,006	**1,919,595**	2,113,749	8,401,231
Income from investments, net, and	**(3,646,187)**	5,671,196	**3,941,619**	2,278,287	9,680,469
Income from management fees	**459,145**	658,987	**226,870**	263,569	1,409,977
Income from commissions	**148,247**	144,520	**71,041**	70,396	283,918
Other income	**347**	(11)	**222**	(17)	49
Total income	**953,064**	10,689,698	**6,159,347**	4,725,984	19,775,644
Payments and changes in liabilities with respect to insurance contracts and	**162,892**	9,708,673 *)	**5,681,754**	4,388,244 *)	18,116,499 *)
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(388,300)**	(657,559)	**(204,483)**	(368,428)	(1,316,678)
Payments and changes in liabilities with respect to insurance contracts and	**(225,408)**	9,051,114	**5,477,271**	4,019,816	16,799,821
Commissions, marketing expenses and	**927,939**	1,003,061	**440,145**	535,968	2,000,103
General and administrative expenses	**435,732**	446,751	**213,982**	222,610	891,255
Impairment of intangible assets	**-**	-	**-**	-	17,241
Other expenses	**3,899**	6,453	**1,535**	3,108	9,629
Financing expenses	**62,915**	107,974	**42,648**	73,972	236,288
Total expenses	**1,205,077**	10,615,353	**6,175,581**	4,855,474	19,954,337
Share in the results of investee companies accounted by the equity	**(7,221)**	2,328	**(4,783)**	4,349	(7,128)
Income (loss) before taxes on income	**(259,234)**	76,673	**(21,017)**	(125,141)	(185,821)
Taxes on income (tax benefit)	**(92,510)**	9,551 *)	**(13,010)**	(57,211) *)	(58,896) *)
Income (loss) for the period	**(166,724)**	67,122	**(8,007)**	(67,930)	(126,925)
Attributable to:					
Company shareholders	**(166,912)**	65,498	**(9,192)**	(68,752)	(130,196)
Non-controlling interests	**188**	1,624	**1,185**	822	3,271
Income (loss) for the period	**(166,724)**	67,122	**(8,007)**	(67,930)	(126,925)
Earnings (loss) per share attributable to Company shareholders:					
Basic earnings (loss) per share (in NIS)	**(2.47)**	1.18	**(0.14)**	(1.24)	(2.32)
Diluted earnings (loss) per share (in NIS)	**(2.47)**	1.18	**(0.14)**	(1.24)	(2.32)
Number of shares used to calculate					
Basic	**67,645**	55,579	**67,645**	55,579	56,043
Diluted	**67,645**	55,579	**67,645**	55,579	56,043

*) Adopted retrospectively, see Note 2(d).

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

Interim Consolidated Statements of Comprehensive income

	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
NIS in thousands	Unaudited				Audited
Income (loss) for the period	**(166,724)**	67,122 *)	**(8,007)**	(67,930) *)	(126,925) *)
Other comprehensive income (loss):					
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	**(1,477)**	(19,359)	**(8,942)**	(11,154)	(27,977)
Foreign currency translation differences for foreign operations applied to profit and loss	**(650)**	11,466	**-**	11,466	11,905
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**(287,504)**	446,528	**266,751**	140,495	952,784
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	**(84,752)**	(212,899)	**(44,924)**	(108,821)	(616,044)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	**97,358**	11,194	**21,571**	9,160	33,450
Other comprehensive income (loss) for the period which has been or will be transferred to the statement of income, before tax	**(277,025)**	236,930	**234,456**	41,146	354,118
Tax (tax benefit) with respect to available-for-sale financial assets	**(93,975)**	83,702	**83,216**	14,084	126,539
Tax (tax benefit) with respect to other components	**(340)**	(1,785)	**(2,057)**	83	(3,651)
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	**(94,315)**	81,917	**81,159**	14,167	122,888
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	**(182,710)**	155,013	**153,297**	26,979	231,230
Components of other comprehensive income which will not be transferred to the statement of income:					
Actuarial income (loss) from defined benefit plan	**6,359**	(6,961)	**(7,066)**	(3,845)	(16,337)
Tax (tax benefit) with respect to components of other comprehensive income which will not be transferred to the statement of income	**1,940**	(2,073)	**(2,044)**	(1,162)	(4,952)
Other comprehensive income (loss) which will not be transferred to the statement of income, net of tax	**4,419**	(4,888)	**(5,022)**	(2,683)	(11,385)
Other comprehensive income (loss) for the period	**(178,291)**	150,125	**148,275**	24,296	219,845
Total comprehensive income (loss) for the period	**(345,015)**	217,247	**140,268**	(43,634)	92,920
Attributable to:					
Company shareholders	**(344,707)**	215,007	**138,554**	(44,449)	88,796
Non-controlling interests	**(308)**	2,240	**1,714**	815	4,124
Total comprehensive income (loss) for the period	**(345,015)**	217,247	**140,268**	(43,634)	92,920

*) Adopted retrospectively, see Note 2(d).

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								Non-controlling interests	Total capital
	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of six months ended June 30, 2020 (unaudited)										
Balance as of January 1, 2020	155,448	1,636,478	(14,692)	691,091	180,329	(39,309)	3,088,161	5,697,506	52,869	5,750,375
Income (loss) for the period	-	-	-	-	-	-	(166,912)	(166,912)	188	(166,724)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations	-	-	(1,477)	-	-	-	-	(1,477)	-	(1,477)
Foreign currency translation differences applied to the	-	-	(650)	-	-	-	-	(650)	-	(650)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	(286,635)	-	-	-	(286,635)	(869)	(287,504)
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(84,775)	-	-	-	(84,775)	23	(84,752)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	97,333	-	-	-	97,333	25	97,358
Actuarial gains from defined benefit plan	-	-	-	-	-	-	6,293	6,293	66	6,359
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	340	93,693	-	-	(1,917)	92,116	259	92,375
Other comprehensive income (loss) for the period, net of tax	-	-	(1,787)	(180,384)	-	-	4,376	(177,795)	(496)	(178,291)
Total comprehensive loss for the period	-	-	(1,787)	(180,384)	-	-	(162,536)	(344,707)	(308)	(345,015)
Transactions with shareholders which were applied										
Expiration of warrants for senior employees	-	2,215	-	-	-	-	(2,215)	-	-	-
Balance as of June 30, 2020	155,448	1,638,693	(16,479)	510,707	180,329	(39,309)	2,923,410	5,352,799	52,561	5,405,360

Interim Consolidated Statements of Changes in Equity (Cont.)

NIS in thousands	Attributable to Company shareholders								Non-controlling interests	Total capital
	Share capital	Premium on shares	Translatio n reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of six months ended June 30 (unaudited)										
Balance as of January 1, 2019 (Audited)	143,382	1,009,801	(2,271)	448,369	180,329	(39,309)	3,248,232 *)	4,988,533	48,745	5,037,278
Impact of the initial adoption of IFRS 16	-	-	-	-	-	-	(12,598)	(12,598)	-	(12,598)
Income for the period	-	-	-	-	-	-	65,498 *)	65,498	1,624	67,122
Components of other comprehensive income										
Foreign currency translation differences applied to	-	-	11,466	-	-	-	-	11,466	-	11,466
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(19,359)	-	-	-	-	(19,359)	-	(19,359)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	445,460	-	-	-	445,460	1,068	446,528
Change, net, in the fair value of available for sale financial assets transferred to the statement of	-	-	-	(212,829)	-	-	-	(212,829)	(70)	(212,899)
Impairment loss with respect to available for sale financial assets transferred to the statement of	-	-	-	11,191	-	-	-	11,191	3	11,194
Actuarial losses from defined benefit plan	-	-	-	-	-	-	(6,903)	(6,903)	(58)	(6,961)
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	1,785	(83,355)	-	-	2,053	(79,517)	(327)	(79,844)
Other comprehensive income (loss) for the period, net of tax	-	-	(6,108)	160,467	-	-	(4,850)	149,509	616	150,125
Total comprehensive income for the period	-	-	(6,108)	160,467	-	-	60,648	215,007	2,240	217,247
Transactions with shareholders which were										
Expiration of warrants for senior employees	-	2,702	-	-	-	-	(2,702)	-	-	-
Share-based payments	-	-	-	-	-	-	(8)	(8)	-	(8)
Balance as of June 30, 2019	143,382	1,012,503	(8,379)	608,836	180,329	(39,309)	3,293,572	5,190,934	50,985	5,241,919

*) Adopted retrospectively, see Note 2(d).

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

Interim Consolidated Statements of Changes in Equity (Cont.)

NIS in thousands	Attributable to Company shareholders								Non-controlling interests	Total capital
	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the period of three months ended June 30, 2020 (unaudited)										
Balance as of April 1, 2020	**155,448**	**1,638,205**	**(9,594)**	**351,084**	**180,329**	**(39,309)**	**2,938,082**	**5,214,245**	**50,847**	**5,265,092**
Income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(9,192)**	**(9,192)**	**1,185**	**(8,007)**
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(8,942)	-	-	-	-	(8,942)	-	(8,942)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	265,912	-	-	-	265,912	839	266,751
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(44,925)	-	-	-	(44,925)	1	(44,924)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	21,565	-	-	-	21,565	6	21,571
Actuarial losses from defined benefit plan	-	-	-	-	-	-	(7,022)	(7,022)	(44)	(7,066)
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	2,057	(82,929)	-	-	2,030	(78,842)	(273)	(79,115)
Other comprehensive income (loss) for the period, net of tax	**-**	**-**	**(6,885)**	**159,623**	**-**	**-**	**(4,992)**	**147,746**	**529**	**148,275**
Total comprehensive income (loss) for the period	**-**	**-**	**(6,885)**	**159,623**	**-**	**-**	**(14,184)**	**138,554**	**1,714**	**140,268**
Transactions with shareholders which were applied directly to equity:										
Expiration of warrants for senior employees	-	488	-	-	-	-	(488)	-	-	-
Balance as of June 30, 2020	**155,448**	**1,638,693**	**(16,479)**	**510,707**	**180,329**	**(39,309)**	**2,923,410**	**5,352,799**	**52,561**	**5,405,360**

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 June 30, 2019 (unaudited)										
Balance as of April 1, 2019	143,382	1,011,681	(8,608)	582,088	180,329	(39,309)	3,365,863 *)	5,235,426	50,170	5,285,596
Income for the period	-	-	-	-	-	-	(68,752) *)	(68,752)	822	(67,930)
Components of other comprehensive income (loss):										
Foreign currency translation differences applied to the statement of	-	-	11,466	-	-	-	-	11,466	-	11,466
Foreign currency translation differences for foreign operations	-	-	(11,154)	-	-	-	-	(11,154)	-	(11,154)
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	140,459	-	-	-	140,459	36	140,495
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(108,793)	-	-	-	(108,793)	(28)	(108,821)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	9,158	-	-	-	9,158	2	9,160
Actuarial losses from defined benefit plan	-	-	-	-	-	-	(3,831)	(3,831)	(14)	(3,845)
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	(83)	(14,076)	-	-	1,157	(13,002)	(3)	(13,005)
Other comprehensive income (loss) for the period, net of tax	-	-	229	26,748	-	-	(2,674)	24,303	(7)	24,296
Total comprehensive income for the period	-	-	229	26,748	-	-	(71,426)	(44,449)	815	(43,634)
Transactions with shareholders which were applied directly to										
Expiration of warrants for senior employees	-	822	-	-	-	-	(822)	-	-	-
Share-based payments	-	-	-	-	-	-	(43)	(43)	-	(43)
Balance as of June 30, 2019	143,382	1,012,503	(8,379)	608,836	180,329	(39,309)	3,293,572	5,190,934	50,985	5,241,919

*) Adopted retrospectively, see Note 2(d).

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

Interim Consolidated Statements of Changes in Equity (Cont.)

NIS in thousands	Attributable to 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 year ended December 31, 2019 (Audited)										
Balance as of January 1, 2019	143,382	1,009,801	(2,271)	448,369	180,329	(39,309)	3,248,232 *)	4,988,533	48,745	5,037,278
Impact of the initial adoption of IFRS 16	-	-	-	-	-	-	(12,598)	(12,598)	-	(12,598)
Income for the period	-	-	-	-	-	-	(130,196) *)	(130,196)	3,271	(126,925)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	(27,977)	-	-	-	-	(27,977)	-	(27,977)
Foreign currency translation differences for foreign operations applied to profit and loss	-	-	11,905	-	-	-	-	11,905	-	11,905
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	951,089	-	-	-	951,089	1,695	952,784
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(615,751)	-	-	-	(615,751)	(293)	(616,044)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	33,441	-	-	-	33,441	9	33,450
Actuarial losses from defined benefit plan	-	-	-	-	-	-	(16,222)	(16,222)	(115)	(16,337)
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	3,651	(126,057)	-	-	4,913	(117,493)	(443)	(117,936)
Other comprehensive income (loss) for the period, net of tax	-	-	(12,421)	242,722	-	-	(11,309)	218,992	853	219,845
Total comprehensive income for the period	-	-	(12,421)	242,722	-	-	(141,505)	88,796	4,124	92,920
Transactions with shareholders which were applied directly to equity:										
Expiration of warrants for senior employees	-	5,960	-	-	-	-	(5,960)	-	-	-
Issuance of share capital	12,066	620,717	-	-	-	-	-	632,783	-	632,783
Share-based payments	-	-	-	-	-	-	(8)	(8)	-	(8)
Balance as of December 31, 2019	155,448	1,636,478	(14,692)	691,091	180,329	(39,309)	3,088,161	5,697,506	52,869	5,750,375

*) Adopted retrospectively, see Note 2(d).

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

Interim Consolidated Statements of Cash Flows

NIS in thousands	Annex	For the period of six months ended June 30 2020	For the period of six months ended June 30 2019	For the period of three months ended June 30 2020	For the period of three months ended June 30 2019	For the year ended December 31 2019
		Unaudited				Audited
Cash flows from operating activities						
Before taxes on income	(A)	**(1,273,694)**	1,965,895	**865,731**	1,811,679	3,061,668
Income tax received (paid)		**106,351**	86,302	**7,076**	(9,915)	65,312
Net cash from operating activities		**(1,167,343)**	2,052,197	**872,807**	1,801,764	3,126,980
Cash flows from investing activities						
Consideration from disposal of property, plant and equipment		**4**	4	**4**	-	284
Consideration from disposal of investments in investee companies		**15,005**	3,343	**15,005**	3,343	25,416
Consideration from disposal of investment in available for sale financial assets by companies which are not insurance and finance companies		**-**	-	**-**	-	14,413
Investment in shares and loans in investee companies		**(47,411)**	(25,096)	**(90)**	(6)	(25,080)
Investment in property, plant and equipment		**(4,835)**	(16,269)	**(1,341)**	(14,125)	(35,674)
Investment in intangible assets		**(82,739)**	(80,672)	**(43,041)**	(55,441)	(201,735)
Net cash used in investing activities		**(119,976)**	(118,690)	**(29,463)**	(66,229)	(222,376)
Cash flows from financing activities						
Issuance of share capital (after deducting issuance costs)		**-**	-	**-**	-	632,783
Consideration from issue of deferred liability notes		**-**	-	**-**	-	1,660,221
Costs of issue of deferred liability notes		**-**	-	**-**	-	(12,359)
Repayment of deferred liability notes		**(22,172)**	(22,300)	**(22,172)**	(22,300)	(787,372)
Repayment of lease liability		**(25,023)**	(33,462)	**(8,800)**	(16,473)	(67,473)
Paid interest on deferred liability notes		**(65,569)**	(58,374)	**(16,118)**	(17,289)	(113,682)
Net cash used in financing activities		**(112,764)**	(114,136)	**(47,090)**	(56,062)	1,312,118
Impact of exchange rate fluctuations on cash and cash equivalent balances		**(46,576)**	(24,647)	**(16,918)**	(10,623)	(50,545)
Net increase (decrease) in cash and cash equivalents		**(1,446,659)**	1,794,724	**779,336**	1,668,850	4,166,177
Cash and cash equivalents at beginning of period	(B)	**9,113,362**	4,947,185	**6,887,367**	5,073,059	4,947,185
Cash and cash equivalents at end of period	(C)	**7,666,703**	6,741,909	**7,666,703**	6,741,909	9,113,362

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

Interim Consolidated Statements of Cash Flows (Cont.)

NIS in thousands	For the period of six months ended June 30 2020	For the period of six months ended June 30 2019	For the period of three months ended June 30 2020	For the period of three months ended June 30 2019	For the year ended December 31 2019
	Unaudited				Audited
(A) Cash flows from operating activities before taxes on income [1) 2)]					
Income (loss) for the period	**(166,724)**	67,122 *)	**(8,007)**	(67,930) *)	(126,925) *)
Items not involving cash flows:			**-**		
The Company's share in the income of investee companies accounted by the equity method	**7,221**	(2,328)	**4,783**	(4,349)	7,128
Dividends received from investee companies accounted by the equity method	**221**	9,404	**-**	-	14,492
Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	**(301,913)**	645,215 *)	**(8,930)**	506,223 *)	943,626 *)
Change in liabilities with respect to investment-linked insurance contracts and investment contracts	**(2,423,064)**	1,883,889	**4,198,448**	1,858,509	6,466,107
Change in deferred acquisition costs	**(7,533)**	1,181	**12,580**	22,281	(47,665)
Change in reinsurance assets	**(38,484)**	(321,533)	**(48,465)**	(196,552)	(572,431)
Depreciation of property, plant and equipment and right-of-use asset	**45,205**	42,236	**22,734**	19,876	92,775
Amortization of intangible assets	**115,850**	110,761	**59,075**	54,238	229,626
Impairment of intangible assets	**-**	-	**-**	-	17,241
Profit (loss) from disposal of property, plant and equipment	**(4)**	13	**(4)**	-	70
Loss (profit) from right-of-use asset	**(18)**	56	**(17)**	56	125
Interest and linkage differences accrued with respect to deferred liability notes	**68,267**	88,938	**35,574**	59,628	148,489
Interest accrued and revaluation of liabilities to banking corporations and others	**114,847**	(215,390)	**(556,257)**	(23,847)	(123,959)
Change in fair value of investment property for investment-linked contracts	**38,996**	33,063	**39,041**	18,729	(20,135)
Change in fair value of other investment property	**19,533**	6,416	**7,880**	4,819	80
Share-based payment transactions	**-**	(8)	**-**	(43)	(8)
Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts	**4,532,456**	(3,559,832)	**(2,911,797)**	(967,072)	(5,867,076)
Taxes on income (tax benefit)	**(92,510)**	9,551 *)	**(13,010)**	(57,211) *)	(58,896) *)
Net loss (profit) from other financial investments:					
Marketable debt assets	**(36,825)**	(57,767)	**(4,243)**	(68,546)	(114,175)
Non-marketable debt assets	**115,443**	(235,677)	**187,406**	(146,315)	(64,573)
Stocks	**108,042**	(73,284)	**24,244**	(21,564)	(184,131)
Others	**83,766**	(154,281)	**30,347**	(32,452)	(341,548)
Financial investments and investment property for investment-linked contracts:					
Acquisition of investment property	**(80,885)**	(3,056)	**(7,734)**	(926)	(131,994)
Consideration from the sale of investment property	**-**	-	**-**	-	55,099
Acquisitions net of financial investments	**(2,760,443)**	2,720,063	**(1,533,589)**	265,137	1,654,848
Receipts (investments) from the sale of (investment in) available for sale financial assets and investment property in insurance business operations:					
Marketable debt assets	**612,581**	75,159	**(312,786)**	(132,188)	(232,954)
Non-marketable debt assets	**124,236**	115,282	**435,245**	505,162	(418,175)
Stocks	**(210,498)**	51,129	**(122,640)**	28,735	266,691
Others	**(553,258)**	382,758	**32,419**	2,450	579,120
Acquisition of other investment property	**(32,782)**	(1,074)	**(3,159)**	(237)	(55,547)
Consideration from the sale of other investment property	**-**	-	**-**	-	54,901

*) Adopted retrospectively, see Note 2(d).

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 six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
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	**25**	3,136	**3**	2,502	4,871
Other accounts receivable	**(246,354)**	385,748	**1,308,392**	168,855	441,073
Outstanding premiums	**(119,966)**	(36,766)	**(55,701)**	(22,440)	176,708
Other accounts payable	**(189,177)**	(2,894)	**51,351**	35,550	269,615
Liabilities with respect to employee benefits, net	**55**	(1,335)	**2,548**	601	(825)
Total cash flows from operating activities before taxes on income	**(1,273,694)**	1,965,895	**865,731**	1,811,679	3,061,668
(B) Cash and cash equivalents at beginning of period:					
Cash and cash equivalents for investment-linked contracts	**6,554,645**	3,648,899	**4,783,897**	3,874,042	3,648,899
Other cash and cash equivalents	**2,558,717**	1,298,286	**2,103,470**	1,199,017	1,298,286
Balance of cash and cash equivalents at beginning of period	**9,113,362**	4,947,185	**6,887,367**	5,073,059	4,947,185
(C) Cash and cash equivalents at end of period:					
Cash and cash equivalents for investment-linked contracts	**5,294,621**	5,179,373	**5,294,621**	5,179,373	6,554,645
Other cash and cash equivalents	**2,372,082**	1,562,536	**2,372,082**	1,562,536	2,558,717
Balance of cash and cash equivalents at end of period	**7,666,703**	6,741,909	**7,666,703**	6,741,909	9,113,362
(D) Cash flows with respect to interest and dividends received, included under operating activities:					
Interest received	**1,011,895**	1,072,553	**654,001**	656,051	2,177,448
Dividend received	**184,968**	189,362	**74,980**	96,898	479,198

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 June 30, 2020 (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.

During the years 2013 to 2019, as a precaution, the Company considered IDB Development Corporation Ltd. ("**IDB Development**") as the Company's controlling shareholder.

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.

On December 8, 2019, the Company received a letter from the Commissioner (the "**Commissioner's Letter**"), in which the Commissioner announced, inter alia, that in light of the changes which occurred in IDB Development's stake in the Company, the Commissioner evaluated the issue of the control of the Company. In accordance with the Commissioner's letter, as part of the aforementioned evaluation, the positions of the Ministry of Justice, the Israel Securities Authority and the Competition Authority were received as well. The findings of the aforementioned evaluation, which, according to the Commissioner's position, are based on the Company's representations, indicated that, as of the date of the letter, there is no entity which holds, directly or indirectly, the Company's means of control, in a manner which would create an obligation to obtain a permit for the control of the Company in accordance with section 32(b) of the Control of Financial Services (Insurance) Law, 1981 (the "**Insurance Law**"), and therefore, the Company is required to receive a permit from the Commissioner for the control of Clal Insurance Company ("**Clal Insurance**"). Further to the foregoing, on July 21, 2020 the Company received a letter from the Commissioner entitled "update regarding the outline for exercising the means of control of Clal Insurance", specifying, inter alia, the Commissioner's reference to the arrangements which will apply to exercising the Company's means of control in Clal Insurance, the appointment of directors in Clal Insurance, and participation in the general meeting of Clal Insurance (the "Outline for Exercising the Means of Control"). Discussions are being held between the Company and the Commissioner in connection with the outline for exercising the aforementioned control permit. For additional details regarding the appointment of directors in the Company and in Clal Insurance, see section B.4. below.

B. Developments during the reporting period with respect to IDB Development's holdings in the Company

1. Appointment of a trustee for the controlling shareholder's holdings in the Company's shares

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 struggles for control of the IDB Group which took place during the relevant period.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to IDB Development's holdings in the Company (Cont.)

1. Appointment of a trustee for the controlling shareholder's holdings in the Company's shares (Cont.)

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

During the period since the appointment of the trustee, clarifications were received by the Company from the Commissioner, regarding the relationship between IDB Development and its controlling shareholders, and the Company and entities under its control.

2. Establishment of an outline over time for the sale of IDB Development's control and holdings in the Company, legal proceedings, and implementation of the outline during the years 2017-2019

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.

On January 7, 2016, the Commissioner notified IDB Development and Mr. Eduardo Elsztain that from that date onwards, IDB Development was required to comply with the provisions of the outline, which requires, in general, the sale of means of control on the stock exchange or in over the counter transactions at a minimum rate of 5% in each four month period, up to the rate permitted by law for the holding of an insurer without a permit from the Commissioner, including through sale of the means of control on the stock exchange or in over the counter transactions.

Additionally, in accordance with the approval which was given by the Commissioner and the Court, approval was given for IDB Development to sell the shares by way of a "swap transaction", 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 executed through a banking institution, in accordance with the price which was determined by agreement between IDB Development and the third party.

Accordingly, during the period from May 3, 2017 to August 30, 2018, IDB Development sold Company shares which together constituted 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. Additionally, on November 8, 2018, IDB Development reported that it had engaged in a swap transaction with a banking institution in connection with approximately 5% of the Company's shares, which were sold by Bank Hapoalim Ltd., 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 above.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to IDB Development's holdings in the Company (Cont.)

2. Establishment of an outline over time for the sale of IDB Development's control and holdings in the Company, legal proceedings, and implementation of the outline during the years 2017-2019 (Cont.)

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.

During the period from 2017 until the publication date of the report, shares in the Company were sold such that the holding rate of IDB Development decreased from approximately 55% of the Company's issued and paid-up share capital to a total rate (as of the publication date of the report, and following a share issuance which was performed by the Company in December 2019) of approximately 8.51% of the Company's issued capital[1] (approximately 8.49% fully diluted), of which approximately 3.51% of the held shares are held through the trustee, and approximately 5.0% are held directly[1]. On May 4, 2020, the District Court of Tel Aviv-Yafo accepted a motion of IDB Development (which was filed with the Commissioner's consent), and ordered the postponement of the sale of 3.2% of the Company's shares in accordance with the outline, until September 3, 2020 (instead of May 3, 2020).

As the Company was informed, 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). During 2019 and until the reporting date, all of the swap transactions concluded.

[1] On November 19, 2019, IDB Development issued bonds (Series O), and pledged in favor of the holders of the aforementioned bonds approximately 4.09% of the Company's shares which are held by IDB Development (approximately 4.08% of the Company's shares (fully diluted), and as of the reporting date, approximately 5% are pledged in favor of the bondholders (Series O), as well as the cash proceeds from the additional shares of the Company which are held by the Trustee, as stated above (the "**Base Shares**"), instead of a lien on the aforementioned collateral in favor of the bondholders (Series K and Series M) of IDB Development, which were repaid in November 2019. The current total number of base shares is 3,382,243 Company shares (constituting approximately 5% of the Company's issued and paid-up capital).

Note 1: General (Cont.)

B. Developments during the reporting period with respect to IDB Development's holdings in the Company (Cont.)

3. Engagements of IDB Development with buyers:

As the Company was informed, 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. One of the buyers was also given the option to acquire additional shares which constitute approximately 3% of the Company's issued capital (Mr. Arkin, who exercised the option, and who holds a permit for holding the Company, as described below). 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 "Lapidot"), according to which he will receive from IDB Development an option to acquire shares which constitute 4.99% of the Company's issued capital (and no less than 3% of its issued capital). It was further determined that the consideration with respect to the share options will be paid by Lapidot in a manner whereby 10% of the consideration will be paid in cash, and the remainder through a loan which will be provided to Lapidot (the "Seller's Loan").

The agreements with the buyers and the agreement with Lapidot (jointly: the "Buyers") include, inter alia, an undertaking not to sell the acquired shares during agreed-upon periods. The buyers declared and undertook towards IDB Development that no arrangements or understandings whatsoever exist between them and the other buyers, regarding the joint holding of the Company's shares which form the subject of the agreements.

In accordance with the seller's loan, 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, Lapidot undertook to create a negative pledge in favor of IDB Development (in other words, the only activity of the abovementioned special purpose company will be to hold 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.

On June 16, 2019, Lapidot announced that he was exercising the option. On September 16, 2019, IDB Development announced that it had received a binding offer from a financial entity (the "**Offeror**"), according to which the offeror would acquire from IDB Development all of IDB Development's rights and obligations in connection with the seller's loan. On October 31, 2019, IDB Development entered into agreements for the execution of the transaction with the offeror and Lapidot, and on November 7, 2019, the transaction was closed, and 4.99% of the shares were transferred to a company owned by Lapidot.

It is further noted that, on October 31, 2019, Mr. Lapidot submitted a request to the Commissioner and the Company's Chairman of the Board to be appointed as a director in Clal Insurance. In accordance with the examiner's report, the Commissioner rejected Mr. Lapidot's request.

Further to the Company's message on the matter after the examiner's report, the Commissioner responded that he would not agree to any new appointments in Clal Insurance, in general, until a search committee has been formed, and only then will it be possible to discuss changes to the composition of the Board of Directors. The Commissioner further clarified that the request was not dismissed on a personal basis, and that a formal request to appoint Eyal Lapidot as a director in Clal Insurance had not been submitted through the officers system, as required in accordance with the provisions of the law, and in any case, his candidacy had not been evaluated. As of the publication date of the report, to the best of the Company's knowledge, four entities have received a permit for holding means of control, including two institutional entities.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to IDB Development's holdings in the Company (Cont.)

3. Engagements of IDB Development with buyers (Cont.)

On May 11 and 12, 2020, Clal Insurance received a copy of the Commissioner's letters to Mr. Moshe (Mori) Arkin and to Mr. Alfred Akirov (to each of them separately), in which he clarified, further to the reports dated May 6 and 10, 2020 (see section 5 below), that the holding permit which was given to Mr. Arkin, with respect to the holding of up to 8% of the Company's shares, and the holding permit which was given to Mr. Akirov, for the holding of up to 10% of the Company's shares, dated April 5, 2020, does not allow them, or any other party on their behalf, to take action, either independently or together with others, in a manner which would result in their ability to direct the activity of Clal Insurance, inter alia, through involvement in decision making processes regarding the appointment of its directors and officers.

It is hereby clarified that, as of the publication date of the report, the obligation to report to the Company regarding the stakes of shareholders in the Company applies only to interested parties, as defined in the Securities Law, 1968, and that the Company has no information regarding the status of the holding permits, or any changes which have made thereto, beyond the above.

4. Provisions regarding the appointment of directors in the Company and in Clal Insurance, and separation of the discussions of the Board 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) above), 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 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.

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.

In the Commissioner's letter dated December 8, 2019, in which it was determined that there is no entity which holds, directly or indirectly, the Company's means of control, the Commissioner determined, in consideration of the presumption which is prescribed in the definition of an "insurer", in accordance with section 31A of the Control Law, that the provisions of the Control Law regarding arrangements for the appointment of directors in an insurer with no controlling shareholder, apply both to the Company and to Clal Insurance[2]. In these circumstances, he considered it appropriate to determine, in the conditions of the permit for control of Clal Insurance, that without derogating from the provisions of any applicable law, the method for appointing directors in the Company and in Clal Insurance will be similar to the mechanisms currently prescribed in the Control Law regarding the appointment of directors in an insurer with no controlling shareholder, as specified below: a proposal to appoint directors in the Company and in Clal Insurance may be presented by anyone who is entitled to do so by law, and by the director appointment committee which was established in accordance with section 41m of the Control Law (the "Committee"), or, if a committee has not been appointed, or if the committee is unable to propose candidates for appointment, the Commissioner will establish an alternative mechanism for proposing directors, without prejudice to the right of another shareholder to propose candidates by law, insofar as any such right is available.

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[2] In accordance with the Commissioner's letter, according to the definitions presented in section 31A of the Control Law, both the Company and Clal Insurance are considered "insurers" for the purpose of evaluating the control of Clal Insurance.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to IDB Development's holdings in the Company (Cont.)

4. Provisions regarding the appointment of directors in the Company and in Clal Insurance, and separation of the discussions of the Board of Directors (Cont.)

On this matter, see also section 3 above - the Commissioner's clarification which the Company received after the publication of the examiner's report.

On July 2, 2020, and further to the notice of the Chairman of the Board in connection with the conclusion of his tenure (see Note 8(d) below), the Company's Board of Directors sent a preliminary inquiry to the Commissioner, in order to receive his opinion in connection with the resolution of the Company's Board of Directors to take action to strengthen the Board of Directors of Clal Insurance, by appointing additional directors among the directors holding office in the Company (who are not outside directors), to the Board of Directors of Clal Insurance. On July 2, 2020 the Company received the Commissioner's response, stating that a director search and appointment committee had not yet been appointed in Clal Insurance, and that exercising the means of control with respect to the composition of the Board of Directors of Clal Insurance, and particularly, the appointment of directors in Clal Insurance by the Company's Board of Directors, in its role as the Company's representative as the shareholder in Clal Insurance, before a control permit has been given, will be considered as action in compliance with the Commissioner's instructions. The Commissioner also announced that reasonable grounds exist to object, by virtue of section 41J of the Control Law, to the appointment of directors holding office in the Company as directors in Clal Insurance, due to the real concern, in light of the current state of affairs, regarding the existence of a conflict of interest in accordance with section 41i(a).

Additionally, as stated above, on July 21, 2020, the Company received from the Commissioner an outline for exercising the means of control of Clal Insurance, which included, inter alia, reference to the method for appointing directors in Clal Insurance and in the Company.

The Commissioner's position, as reflected in his aforementioned letter, is that in light of the Group's corporate structure, according to which Clal Insurance is a private company controlled by the Company, which is a public company, and which has no ultimate controlling shareholder, and with the aim of realizing the intent of the Control Law regarding an insurer with no controlling shareholder, and to establish a comprehensive and appropriate arrangement regarding the holding structure of Clal Insurance at this time, it is necessary to create an outline to ensure the realization of the relevant purposes, in accordance with certain principles, of which the main ones are specified below. In accordance with the outline for exercising the means of control, these principles will be set forth, inter alia, in the control permit which will be given to the Company, by virtue of the Commissioner's authority pursuant to section 32(b) of the Control Law, as follows: an external committee is to be formed, which will recommend the appointment of directors in Clal Insurance in accordance with the provisions of the Supervision Law regarding a insurer without a control core (the "Committee"). In light of the above, the Commissioner established an outline for the selection of directors, as specified in his letter, which primarily stated the following: A. All of the directors in Clal Insurance (excluding outside directors and independent directors) will be presented to the general meeting for approval once per year.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to IDB Development's holdings in the Company (Cont.)

4. Provisions regarding the appointment of directors in the Company and in Clal Insurance, and separation of the discussions of the Board of Directors (Cont.)

B. In general, the Board of Directors of Clal Insurance is expected to present all of its members for re-appointment. C. The committee will also propose candidates to the Board of Directors. D. For the sake of guaranteeing the independence of the Board of Directors of Clal Insurance, as part of the Commissioner's considerations in accordance with his authority to approve officers, the Commissioner will exercise his authority in order to cause a situation where most of the Board members will have been recommended by the committee, and to ensure an "absence of affinity", as defined in section 240(b) of the Companies Law, 1999, mutatis mutandis, between candidates for tenure as directors in Clal Insurance and the Company.

It is further noted that, in accordance with the outline, no instructions of the Commissioner were established regarding the appointment of directors in the Company; however, it was determined that anyone who was proposed the appointment of one third of the directors holding office in the Company, and whose proposal has been accepted, will be considered as its controlling shareholder, and accordingly, may be required to obtain a control permit from the Commissioner.

The Commissioner also specified in his letter several additional rules according to which, inter alia, the appointment of a CEO for Clal Insurance will be done through a search committee, and the process of concluding the CEO's tenure will be done with the knowledge and consent of the Board of Directors of Clal Insurance, including an evaluation of all considerations, and it will not be permitted to hold joint meetings between the Board of Directors of the Company and of Clal Insurance.

Discussions are being held between the Company and the Commissioner regarding the outline letter for exercising the means of control, as stated above.

In February and May 2020, the general meeting of Clal Insurance approved an extension of the tenure of independent directors in Clal Insurance, in accordance with the recommendation of an internal search committee which is comprised of directors (mostly outside directors) that was created in accordance with the Board of Directors' Circular[3].

5. The examiner's report and subsequent events and developments

Following the meetings which were held between the Company's Chairman of the Board and the Company's CEO on May 3 and 4, 2020, regarding the conclusion of the CEO's tenure, and the exchange of letters between each of them and the Company's board of directors (hereinafter: the "**Events Involving Discussion of the CEO's Tenure**"), which were announced and published in the media, at the request of the Israel Securities Authority, on May 10, 2020, in an immediate report of the Company (reference number 2020-01-045729), on May 11, 2020, the Audit Committee of Clal Insurance appointed, in coordination with the Commissioner, the Supreme Court Justice (Emeritus) Prof. Yoram Danziger as an examiner on its behalf (the "Examiner"), to examine the entire set of circumstances pertaining to the events involving the discussion of the CEO's tenure, including all related aspects, including examining corporate governance aspects pertaining to the process, contact with the shareholders, the assertions which were raised in the correspondence between the Company's Chairman of the Board and the Company's CEO, and reference to the manner of proposing an alternative CEO.

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[3] In accordance with the Commissioner's clarification, and in accordance with the provisions of section 5(3) of the circular, and notwithstanding the requirement in section 52 of the circular, which determines that the search committee is required, inter alia, to identify suitable candidates for appointment as independent directors, when renewing the tenure of a person who is serving as an outside director in the institutional entity, the search committee is entitled not to conduct a process of identifying additional candidates, in accordance with the provisions of section 52 of the circular, provided that the committee has evaluated the qualifications of the aforementioned director, and their suitability for the position, in accordance with section 52(b) of the circular.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to IDB Development's holdings in the Company (Cont.)

5. The examiner's report and subsequent events and developments (Cont.)

The draft examiner's report was submitted to the Audit Committee of Clal Insurance. On June 10, 2020, after the Audit Committee of Clal Insurance accepted the final examiner's report, it submitted it for the first time to the Board of Directors of Clal Insurance, and to the Company's Board of Directors.

On June 14, 2020, Mr. Danny Naveh, the Chairman of the Board of the Company and of Clal Insurance, announced that he did not intend to renew his tenure in any or all of the coming meetings of the Company and of Clal Insurance, and specified the circumstances which led to that decision (see the immediate report dated June 14, 2020, reference number 2020-01-061770).

On June 25, 2020 the Company was informed that the Board of Directors of Clal Insurance had held a discussion regarding the conclusions, the recommendations of the report, and the consequences of the personal conclusions which were included in the report, and decided, inter alia, that in consideration of the fact that the right approach for Clal Insurance at this time would be a period of stability, while focusing on business and organizational activities, for the sake of continuing the Company's development and the implementation of its work plans within the framework of the strategic plan, that at least until the end of 2020, a discussion will not be held regarding the replacement of the CEO. The Board of Directors of Clal Insurance also established various provisions regarding the examiner's recommendations, which, in general, he found acceptable, and they were submitted to the relevant organs in the Group for their reference or implementation, as applicable, through the establishment of appropriate rules and policies. For additional details, see the immediate report dated June 28, 2020 (reference number 2020-01-058843). Clal Insurance's decision was reached without any involvement by the Company in its decision-making process.

On June 30, 2020, Mr. Naveh requested to immediately terminate the engagement between him and the Company and Clal Insurance, with respect to his tenure as the Chairman of the Board of the aforementioned companies, and accordingly, also to conclude his tenure as a director, and specified the circumstances which led to his request (see the immediate report dated June 30, 2020, reference number 2020-01-061354).

On July 13, 2020, following discussions in the Company's Audit Committee and Board of Directors in connection with the examiner's report, the Company's Board of Directors decided that discussions or decisions of the Board of Directors regarding the continued tenure of the CEO would be made based on the Company's business results and performance. The Company's Board of Directors accepted the recommendation of the Company's Audit Committee, to work towards evaluating and formulating certain guidelines and internal policies, pertaining to the Company, in accordance with the examiner's recommendations. For additional details, see the immediate report dated July 13, 2020 (reference number 2020-01-067378).

The Company's Board of Directors decided to accept the Chairman's request, following the approval of the financial statements for the second quarter of 2020, subject to finding a solution in Clal Insurance regarding the minimum number of members serving in the Board of Directors.

Further to the aforementioned announcement of the Chairman of the Board, and in accordance with the Commissioner's approval, the Board of Directors of Clal Insurance passed a resolution, on July 20, 2020, to appoint Mr. Dror Barzilay, who serves, inter alia, as an independent director in Clal Pension and Provident Funds and in Atudot, as an outside director in Clal Insurance, beginning from the conclusion date of Mr. Naveh's tenure.

Accordingly, Mr. Naveh will cease serving as the Chairman of the Board and as a director in the Company and in Clal Insurance at the end of August 20, 2020.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to IDB Development's holdings in the Company (Cont.)

5. The examiner's report and subsequent events and developments (Cont.)

Additionally, on July 21, 2020, the Company received the Commissioner's reference to the events and facts which were specified in the examiner's report, in which the Commissioner welcomed and supported the examiner's report and its findings, and requested to delve deeper into certain issues, and as part of the above, the Commissioner believes that, in circumstances involving an insurer without a control core (including a holding company which is an insurer's controlling shareholder, and where the majority of its assets constitute holding of an insurer), then beyond the boundaries which may apply to any other public company without a control core, it would be appropriate impose more stringent restrictions on the nature of the relationship with the shareholders, and to prevent the existence of external pressure on the institutional entity's investment infrastructure. Regarding the replacement of Clal Insurance's CEO, the Commissioner stated that the process of concluding the tenure of an insurer's CEO should be done with the knowledge and consent of the insurer's board of directors, following a comprehensive process which should include reference to the entire set of relevant considerations, through a decision made with awareness, and free of any foreign considerations, and that the decision to appoint a new CEO for an insurer must be made within the framework of a process which includes the appointment of a search committee. According to the Commissioner's position, a situation of an insurer with no controlling shareholder requires the existence of a mechanism to ensure that directors and executive officers of the insurer are chosen in a manner which allows the appointment of the most suitable candidates, while protecting the interests of the Company as a whole, which requires an orderly and transparent process of selecting the appropriate candidate, as well as processes regarding the dismissal and discontinuation of tenure of executives holding office, and certainly the CEO.

6. Implications

As of the reporting date, the Company is unable to assess the full impact of the results of the aforementioned events on the Company, inter alia, due to the fact that it is holding discussions with the Commissioner regarding the outline of the control permit, whose provisions, as currently phrased, significantly restrict the Company's influence over the actions of Clal Insurance, and over the appointment of officers therein. The aforementioned uncertainty also applies in light of additional changes which may occur in the future, due to its holding structure, due to the fact that it is a company without a control core, and due to the fact that the provisions of the Control Law with respect to an insurer with no controlling shareholder do not apply to it, due to the different corporate structure of the large insurance companies in Israel, relative to the standard structure in banks, according to which the insurance companies, including Clal Insurance, are private companies which are controlled by a holding company, including the Company, which is a public company without a control core.

Additionally, the entire set of changes and events specified above may affect, inter alia, the reputation of the Company and the Group's member companies. It is noted that a future transfer of the control of the Company to a third party 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.

Note 1: General (Cont.)

C. Coronavirus

Following the coronavirus outbreak in China, and the spread of the virus to many other countries, economic activity declined, beginning in the first quarter of 2020, in many regions around in the world, including in Israel (hereinafter: the "**Crisis**"). These changes have also adversely affected, and continue to adversely affect, the Group's activities and profitability. The Group is also exposed, in light of its activity, to declines in capital markets, to declines in economic activity, and to the materialization of insurance risks due to the crisis. For details regarding the sensitivity and exposure to risk factors, see also Note 39(c)(2) to the financial statements for 2019, and an update to the interest rate sensitivity in Note 2(d) to the financial statements.

The crisis is affecting the Group in the following ways:

1. The Company's activity - business continuity

The crisis was defined as an emergency event which led to the imposition of restrictions on movement and employment, and which caused, inter alia, employee absence from workplaces in general, and in the Group in particular, and the furloughing of some employees.

The Group's ability to continue providing a high level of service to its agents, policyholders and customers, and to operate certain core processes, is critical to the Company's business continuity. During the period of the crisis, the Company acted in accordance with the business continuity policy and plan of the Group and of the Group's institutional entities: the Group has a business continuity management (BCM) unit and a business continuity plan which includes identification of critical processes that are required for recovery, emergency files which are intended to facilitate activities on the level of the various divisions, and a technological disaster recovery unit, allowing rapid technological recovery. As the crisis began, the Company took action in accordance with the business continuity plan, which allowed, inter alia, employees to work remotely immediately and securely, using technology which had been implemented in the organization in advance. In general, the Company is continuing to provide service in all of its operating segments. Once routine economic activity resumed, the Company returned most of its employees to work at the Company's offices, and is continuing to comply with the instructions issued by professional and regulatory entities.

2. Capital markets and the Group's assets

A. Financial assets:

During the crisis period, significant declines were recorded in global and Israeli capital markets, due to the coronavirus outbreak. Declines in capital markets reduce the value of the assets which are managed by the Group's institutional entities, both on its own behalf (nostro), and on behalf of members and policyholders. This decrease lessened during the second quarter and after the reporting date, and was even entirely offset in some capital markets around the world.

Due to the crisis, during the reporting period the Company recorded investment losses in the nostro portfolios in the amount of approximately NIS 50 million before tax.
In the first quarter of 2020, investment losses were recorded in the nostro portfolio in the amount of approximately NIS 550 million, while in the second quarter of 2020 capital markets increased, which moderated the losses, and investment income was recorded in the amount of approximately NIS 500 million. Additionally, during the period from the balance sheet date until proximate to the approval date of the financial statements, an additional increase was recorded in capital markets, and investment income was recorded in the nostro portfolios in the amount of approximately NIS 350 million before tax.
Additionally, with respect to the Group's non-marketable assets, and in accordance with the Commissioner's letter dated April 19, 2020, regarding the calculation of the value of non-marketable assets held against investment-linked liabilities, the Group evaluated the impact of the crisis on the fair value of its managed non-marketable investment assets. Presented below are the results of the test:

Note 1: General (Cont.)

C. Coronavirus (Cont.)

2. Capital markets and the Group's assets (Cont.)

A. Financial assets: (Cont.)

Investment property - most of the Company's investment properties are office buildings. Based on an evaluation which the Company conducted, and in accordance with opinions which were received from independent external valuers, it appears that, according to the data which was available to the valuers as of the approval date of the financial statements, no indications were found of changes in the discount rates and working assumptions underlying the valuation of the real estate properties as of December 31, 2019. Accordingly, without changing the discount rates component, the Group established estimates regarding the adverse effects on the forecasted cash flows from revenue-generating properties, due to the arrangements which were implemented in practice, in certain cases, until ordinary activity resumes, and re-assessed the value of the assets accordingly.

Other non-marketable financial investments, including investment funds - The Company tested for impairment of investments, using information which was received from the fund managers, and amortized the nostro portfolios in the financial statements.

The total sum of the foregoing effect with respect to investment property and other non-marketable financial investments in the first half of the year amounted to impairment of approximately NIS 54 million before tax. It is noted, with respect to investment-linked policies, that the impairment is of an immaterial scope, and its impact on the operating results in the financial statements is also immaterial.

From the beginning of the year until the reporting date, a decrease occurred in the value of assets managed by the Group through investment-linked policies, provident funds and pension funds, which is estimated at around 3%, and which is expected to affect the scope of variable and fixed management fees that will be collected by the Group's institutional entities from the assets they manage. As of the publication date of the financial statements, negative real returns were recorded in the profit sharing insurance policies which, until the loss has been recouped, will prevent the Company from collecting variable management fees in the amount of approximately NIS 300 million before tax.

As of March 31, 2020, the balance of variable management fees which the Company will refrain from collecting, as stated above, amounted to approximately NIS 580 million. In the second quarter of 2020, following the market increases, this balance decreased in the amount of approximately NIS 280 million.

During the period from the balance sheet date until the approval of the financial statements, the value of managed assets increased relative to June 30, 2020, at an estimated rate of approximately 3%, and additionally, the balance of variable management fees which the Company will refrain from collecting, as stated above, was offset, in the amount of approximately NIS 200 million, such that, proximate to the approval date of the report, the balance of variable management fees which the Company will refrain from collecting amounts to a total of approximately NIS 100 million before tax.

Note 1: General (Cont.)

D. Coronavirus (Cont.)

2. Capital markets and the Group's assets (Cont.)

B. Impairment test of tangible and intangible assets:

Intangible assets, including goodwill and deferred acquisition costs - The Company evaluated the need for an update to the impairment test as of March 31, 2020. An update to the impairment test before one year has passed is required in light of indicators of impairment, due to the effects of the crisis. Following an evaluation of these indicators and an evaluation of the recoverable amounts, it was found that the recoverable amount of the aforementioned cash generating units exceeded their book value, and that there was no need to record impairment.

It is noted that, in the pension and provident segment, the excess value of the cash-generating unit as of March 31, 2020 was significantly less than the excess as of December 31, 2019. Presented below are the assumptions which were used to calculate the enterprise value:

In the provident segment, the discount interest rate before tax was approximately 10.7%; after tax - approximately 9.2% (in 2019, the real interest rate before tax was approximately 10.1%; after tax - approximately 8.8%). Long-term growth rate of approximately 0% (similarly to 2019).

In the pension segment, the discount interest rate before tax was approximately 11%; after tax - approximately 8.6% (in 2019, the real interest rate before tax was approximately 10.1%; after tax - approximately 8.2%).

As of June 30, 2020, the Company had no indications suggesting an additional impairment test was required.

C. Changes in the risk-free interest rate, and the effect of changes in the excess asset value of non-marketable assets which affect insurance liabilities in the health insurance segment - see Note 8(b).

Note 1: General (Cont.)

E. Coronavirus (Cont.)

3. Operating results in insurance

As a result of the crisis, Clal Insurance is exposed to insurance risk, which is reflected in an effect on its insurance liabilities, in the Group segments:

A. Long-term savings segment -

1. Decrease in the collection of contributions and redemptions in pension and provident funds -
In the second quarter of 2020, there was a significant decline in the collection of current premiums due to the crisis.
The decrease in current collection of contributions in pension funds was mostly due to the decrease in the employment rate and the sharp increase in the number of **furloughed employees** in the economy.

2. Managers' insurance in life insurance -
In the second quarter, a decrease was recorded in the scope of current collection in managers' insurance policies. This decrease was also mostly attributable to the decrease of the employment rate, and the sharp increase in the number of furloughed employees in the economy. This trend lessened in July 2020.

The Company worked by various means to allow its customers who were not employed during the first months after the crisis to maintain their insurance coverage, and for this purpose, it has provided an array of solutions, including maintaining insurance coverage for policyholders whose employers reported that they have been furloughed for three months, providing the possibility to postpone payments for individual policies in the life insurance and health insurance segments, as well as the possibility to collect temporary risk from the accrual in savings policies which also include insurance coverage.

B. Insurance risks and reinsurance -

According to Clal Insurance's assessment, and to the best of its knowledge, until the approval date of the financial statements, it had no significant direct insurance exposures due to the crisis in the non-life insurance segment, except for the Company's exposure to credit insurance. Following the crisis, the exposure to credit defaults in the credit insurance activity increased, and the Group updated the insurance reserves in an immaterial sum, including in consideration of the actions taken by the state as part of the assistance plan for the Israeli economy, through credit insurance.
International travel insurance - Due to the near-total suspension of international flights, the scope of premiums in the international travel insurance activity of Clal Insurance, as of the reporting period, has declined significantly. This trend continued until the approval date of the financial statements. It is further noted that Clal Insurance adjusted the policy regarding international travel insurance policy sales according to the risk assessment regarding the destination countries, from time to time. However, the results in this sector had no significant impact on the Company's results. According to the assessment of Clal Insurance, the scopes of exposure in international travel insurance and in the other operating segments in health insurance due to the coronavirus pandemic are immaterial, according to the estimate as of the publication date of the report.

Note 1: General (Cont.)

C. Coronavirus (Cont.)

3. Operating results in insurance (Cont.)

B. Insurance risks and reinsurance (Cont.)

Regarding the reinsurer's stability risk, which could materialize insofar as the reinsurers suffer significant losses due to the crisis - the Board of Directors of Clal Insurance has established maximum exposure frameworks for the reinsurers with whom Clal Insurance has engaged, based on their international ratings. Clal Insurance mostly engages with reinsurers rated A or higher. Clal Insurance is monitoring the status of the reinsurers to which it is exposed, and as of the approval date of the financial statements, it is not aware of any significant change for the worse in their ability to service their liabilities. For additional details regarding the Company's exposure to reinsurers, see Note 39(f)(8), and for details regarding the Company's policy with respect to reinsurance exposure, see Note 39(f)(8) to the financial statements for 2019.

4. Liquidity, financial position and financing sources

The event has no significant impact on the liquidity, financial strength and financing sources which are available to the Company, and the Company is fulfilling the contractual restrictions and financial covenants which were determined for it in the trust deeds. For details regarding the financial covenants of the bonds and suspending circumstances of the liability certificates, see Note 25 to the annual financial statements.

5. Cybersecurity risks

The number of cyber attacks increased during the global crisis. As part of the Company's overall preparedness plan, the Company has taken significant steps to defend itself against the many cybersecurity threats arising during this period, including using intelligence sources, with an emphasis on phishing attacks, comprehensive testing of the robustness of the organization's cybersecurity apparatus, in consideration of the changing threats, while implementing proactive measures in the Company's protective infrastructure; Providing a rapid response through the response teams, in order to investigate suspicious attempts to remotely connect to the Company's network, or any irregular activity of employees; Increasing technological controls and issuing guidelines to increase awareness among the Company's employees; The Company is continuing to strictly and continuously manage cybersecurity risks in accordance with the changing threats.

6. Motions to approve claims as class actions

In light of the restriction on activities as part of the efforts to contain the spread of the coronavirus, motions were filed against Clal Insurance and against other insurance companies to approve the claims as class actions, alleging an easing of the risk in the insurance branches which allegedly signify that the policyholders are entitled to a corresponding reimbursement of premiums. 3 motions to approve class actions were filed against Clal Insurance, as stated above, in the motor (property, compulsory), apartment and business insurance segments. For additional details, see Note 7 to the financial statements.

The Company's foregoing assessment regarding the possible implications of the coronavirus crisis on the business activities of the Company and its subsidiaries, in terms of the aspects described above, in a challenging business environment, as well as other aspects of which it is not currently aware, and on its results, are uncertain, since the event is ongoing, and is not under the Company's control.

It is noted that economic activity began to gradually resume; however, as of the approval date of the report, the economy has not yet returned to full activity, and even activities which were fully resumed, were resumed subject to various restrictions associated with maintaining social distancing. Therefore, at this stage, there is uncertainty regarding the pace of recovery in the Israeli economy. It is further noted that a new outbreak of the virus, and continuation of the crisis intensifying into a recession, both in the local market and in global markets, would severely damage the Company's business.

Note 2: Basis for Preparation of the Interim Reports

A. Statement of compliance with international financial reporting standards

The consolidated interim financial statements were prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements established by the Commissioner of Capital Markets, Insurance and Savings, 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, 2019 (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 condensed interim financial statements 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, except for the retrospective adoption described in section D below.

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

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

	Index in lieu	Known index	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
	%				
For the period of six months ended					
June 30, 2020	**(0.8)**	**(0.7)**	**0.1**	**0.3**	**(6.7)**
June 30, 2019	0.9	1.2	(5.4)	(4.9)	(5.7)
For the period of three months ended					
June 30, 2020	**(0.7)**	**(0.2)**	**(0.4)**	**(2.8)**	**(3.3)**
June 30, 2019	0.4	1.5	(0.4)	(1.8)	(4.5)
For the year ended December 31, 2019	0.6	0.3	(9.6)	(7.8)	(4.9)

	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
As of June 30, 2020	**3.883**	**3.466**	**4.254**
As of June 30, 2019	4.062	3.566	4.522
As of December 31, 2019	3.878	3.456	4.560

D. Retrospective adoption following the deliberate change in policy regarding the method used to conduct the liability adequacy test in life insurance

Further to that stated in Note 43(j) to the annual financial statements, on March 29, 2020, insurance circular 2020-1-5 was published under the title "amendment to the provisions of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT)" (hereinafter: the "LAT Circular"). In accordance with the LAT circular, the Company adjusted, through retrospective adoption, its financial statements as of June 30, 2019 and December 30, 2019, and for the three month period ended March 31, 2019, and for the year ended December 31, 2019, in order to reflect therein, retrospectively, the impact of the change in accounting treatment, regarding the liability adequacy test in life insurance, through adoption in all periods.

Note 2: Basis for Preparation of the Interim Reports (Cont.)

D. Retrospective adoption following the deliberate change in policy regarding the method used to conduct the liability adequacy test (Cont.)

The circular determined that the LAT test will be calculated by grouping together all of the products in the life insurance branch, and by grouping together all of the products in the long-term care insurance branch, instead of performing a calculation with respect to groups of policies, as defined by the Commissioner, which has been the standard practice until now (see Note 3(d)1(d) to the annual financial statements). This change allows evaluating together policies reflecting profit, with policies reflecting loss.

In accordance with the circular, this change is expected to lead to a better economic representation of capital in the financial statements, as well as reducing the excess volatility in the financial statements of insurance companies, which imposes difficulties on the analysis of their results from the perspective of policyholders, savers, investors, reinsurers and other users of the financial statements. The excess volatility is mostly due to the effect of volatility in interest rate curve in the low interest rate environment on specific products only, after deducting the eligibility to buy designated bonds accordingly.

In light of the decrease in interest rate sensitivity (as specified below), the Company adjusted the manner in which backing assets are managed, such that assets held against insurance liabilities in the life and long-term care branches will be managed together, with reference to returns, average lifetimes of liabilities, and the required liquidity.

For additional details, see Note 8(b).

The implementation described above had the following effects on the Company's financial statements:

In the consolidated statements of financial position

	As reported in the past	Impact of the amendment	As presented in these financial statements
	NIS in thousands		
As of December 31, 2019			
Liabilities with respect to non-investment-linked insurance contracts	32,239,033	(794,123)	31,444,910
Deferred tax liabilities	329,798	277,045	606,843
Retained earnings	2,571,083	517,078	3,088,161
Total capital	5,233,297	517,078	5,750,375
As of June 30, 2019			
Liabilities with respect to non-investment-linked insurance contracts	31,326,933	(180,434)	31,146,499
Deferred tax liabilities	439,137	67,225	506,362
Retained earnings	3,180,363	113,209	3,293,572
Total capital	5,128,710	113,209	5,241,919

Note 2: Basis for Preparation of the Interim Reports (Cont.)

D. Retrospective adoption following the deliberate change in policy regarding the method used to conduct the liability adequacy test (Cont.)

The aforementioned change had the following impact on the Company's financial statements: (Cont.)

In the consolidated statements of income

	As reported In the past	Impact of the amendment	As presented in these financial statements
	NIS thousands (excluding data regarding net earnings (loss) per share)		
For the year ended December 31, 2019			
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	18,764,911	(648,412)	18,116,499
Taxes on income (tax benefit)	(280,588)	221,692	(58,896)
Total profit (loss)	(553,645)	426,720	(126,925)
Net basic earnings (loss) per share (in NIS)	(9.94)	7.62	(2.32)
Net diluted earnings (loss) per share (in NIS)	(9.94)	7.62	(2.32)
Total comprehensive income (loss)	(333,800)	426,720	92,920
For the period of six months ended June 30, 2019			
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	9,743,396	(34,723)	9,708,673
Taxes on income (tax benefit)	(2,321)	11,872	9,551
Total profit	44,271	22,851	67,122
Basic net earnings per share (in NIS)	0.77	0.41	1.18
Diluted net earnings per share (in NIS)	0.77	0.41	2.42
Total comprehensive income	194,396	22,851	217,247
For the period of three months ended June 30, 2019			
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	4,346,983	41,261	4,388,244
Tax benefit	(43,104)	(14,107)	(57,211)
Total loss	(40,776)	(27,154)	(67,930)
Basic loss per share (in NIS)	(0.75)	(0.49)	(1.24)
Diluted loss per share (in NIS)	(0.75)	(0.49)	(1.24)
Total comprehensive loss	(16,480)	(27,154)	(43,634)

Note 39(c)(2), risk management - sensitivity tests to market risks

	As presented in the financial statements for 2019 Interest rate		Change / amendment Interest rate		After the amendment Interest rate	
NIS in thousands	1%+	1%-	1%+	1%-	1%+	1%-
Profit and loss	958,189	(1,048,161)	(72,391)	334,315	885,798	(713,846)
Comprehensive income (equity)	638,141	(660,885)	(72,391)	334,315	565,750	(326,570)

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, except for the retrospective adoption due to change in policy regarding the method used to calculate the liability adequacy test, as described in Note 2(d) above.

A. Initial adoption of amendments to existing accounting standards:

Standard / Interpretation / Amendment	Topic	Application and Transitional Provisions	Main effects
Amendment to IFRS 3 Business combinations	The amendment clarifies whether a transaction involving the acquisition of an operation constitutes a transaction for the acquisition of a "business" or an asset. For the purpose of performing this evaluation, an option was added of choosing to use the concentration test, such that if the entire fair value of the acquired assets is significantly attributable to a group of similar identifiable assets, or to a single identifiable asset, the transaction will constitute the acquisition of an asset. Also clarified were the minimum requirements for the definition of a business, such as the requirement stipulating that the acquired processes must be significant, in a manner whereby, in order for to qualify as a business, the operation must include at least one input element and one significant process, which together significantly contribute to the operation's ability to generate outputs. Additionally, reference was reduced to the output element which is required in order to meet the definition of a business, and examples to illustrate the aforementioned evaluation were added.	The amendment will be adopted with respect to transactions involving the acquisition of assets or businesses whose acquisition date is in annual periods beginning on January 1, 2020.	According to the Group's assessment, the implementation of the amendment is not expected to have a significant impact on the accounting treatment for future transactions involving the acquisition of activities.

Note 3: Significant Accounting Policies (Cont.)

B. New standards which have not yet been adopted:

1. International Financial Reporting Standard (IFRS) 17, Insurance Contracts

Further to that stated in Note 4(1) to the annual financial statements, in June 2020 an amendment was published to IFRS 17, Insurance Contracts, which included, inter alia, permission to postpone the initial adoption date of IFRS 17 to January 1, 2023. In accordance with Capital Market Authority's announcement in June 2020, the standard's date of initial adoption in Israel will be set as the quarterly and annual periods beginning on January 1, 2023, without an option for early adoption. It was further noted any additional delay in the adoption date of the standard in the European Union, past the aforementioned date, will require a new discussion regarding the need for additional postponement of the adoption date in Israel.

2. Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB published an amendment to IAS 37 (hereinafter: the "Standard"), regarding costs which the Company is required to include when assessing whether or not a contract constitutes an onerous contract (hereinafter: the "Amendment").

In accordance with the amendment, this evaluation should include both incremental costs (such as raw materials and direct work hours) and the allocation of other costs which are directly associated with the fulfillment of the contact (such as depreciation of fixed assets and equipment which are used to fulfill the contract).

The amendment will be applied with respect to annual reporting periods beginning on or after January 1, 2022. Early adoption is permitted.

The Group believes that the adoption of the foregoing amendments is not expected to have a significant impact on the financial statements.

3. Project of improvements to IFRS standards for 2018–2020

In May 2020, the IASB published certain amendments as part of the project of improvements for 2018-2020. Presented below is the main amendment pertaining to IFRS 9:
The amendment to IFRS 9 clarifies which commission the Company is required to include when conducting the "10 percent" test specified in section B3.3.6 of the standard, when evaluating whether the terms of a debt instrument which was amended or replaced are materially different from the original debt instrument.

The standard will be applied with respect to annual reporting periods beginning on or after January 1, 2022. The amendment will be applied to debt instruments which have been amended or replaced, beginning from the year when the amendment to the standard is initially adopted.

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

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

2. Non-life insurance segment

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

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

Note 4: Segmental Reporting (Cont.)

C. Report on operating segments

	Long-term savings											
	Provident			Pension			Life insurance [1]			Total		
	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31
	2020	2019	2019	2020	2019	2019	2020	2019	2019	2020	2019	2019
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	**-**	-	-	**-**	-	-	**2,851,315**	3,011,715	5,986,281	**2,851,315**	3,011,715	5,986,281
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**70,919**	74,290	136,355	**70,919**	74,290	136,355
Premiums earned on retention	**-**	-	-	**-**	-	-	**2,780,396**	2,937,425	5,849,926	**2,780,396**	2,937,425	5,849,926
Income (loss) from investments, net, and financing income	**50,253**	95,275	139,540	**293**	2,471	4,727	**(3,581,206)**	5,146,430	8,702,644	**(3,530,660)**	5,244,176	8,846,911
Income from management fees	**86,108**	86,722	176,500	**136,940**	137,245	280,453	**235,666**	433,975	951,549	**458,714**	657,942	1,408,502
Income from commissions	**-**	-	-	**-**	-	-	**19,507**	12,005	23,930	**19,507**	12,005	23,930
Other income	**304**	-	-	**(3)**	(11)	-	**-**	-	-	**301**	(11)	-
Total income	**136,665**	181,997	316,040	**137,230**	139,705	285,180	**(545,637)**	8,529,835	15,528,049	**(271,742)**	8,851,537	16,129,269
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**46,470**	91,694	134,356	**-**	-	-	**(739,233)**	8,116,625 *)	14,356,263 *)	**(692,763)**	8,208,319	14,490,619
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(48,163)**	(59,252)	(117,856)	**(48,163)**	(59,252)	(117,856)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**46,470**	91,694	134,356	**-**	-	-	**(787,396)**	8,057,373	14,238,407	**(740,926)**	8,149,067	14,372,763
Commissions, marketing expenses and other acquisition costs	**31,265**	29,623	61,937	**46,249**	53,952	110,991	**339,724**	382,846	721,903	**417,238**	466,421	894,831
General and administrative expenses	**55,253**	50,432	101,937	**81,422**	88,105	171,369	**181,823**	195,360	388,725	**318,498**	333,897	662,031
Impairment of intangible assets	**-**	-	352	**-**	-	379	**-**	-	14,819	**-**	-	15,550
Other expenses	**1,671**	1,806	3,562	**2,294**	2,659	3,679	**-**	-	-	**3,965**	4,465	7,241
Financing expenses (income)	**(5)**	(2)	(1)	**86**	100	200	**(8,461)**	8,550	14,169	**(8,380)**	8,648	14,368
Total expenses	**134,654**	173,553	302,143	**130,051**	144,816	286,618	**(274,310)**	8,644,129	15,378,023	**(9,605)**	8,962,498	15,966,784
Share in the results of investee companies accounted by the equity method, net	**-**	-	-	**(153)**	(146)	(922)	**(2,503)**	523	95	**(2,656)**	377	(827)
Income (loss) before taxes on income	**2,011**	8,444	13,897	**7,026**	(5,257)	(2,360)	**(273,830)**	(113,771)	150,121	**(264,793)**	(110,584)	161,658
Other comprehensive income (loss) before taxes on income	**(1,380)**	1,393	1,733	**(2,992)**	2,725	3,530	**(20,771)**	35,292	56,488	**(25,143)**	39,410	61,751
Total comprehensive income (loss) before taxes on income	**631**	9,837	15,630	**4,034**	(2,532)	1,170	**(294,601)**	(78,479)	206,609	**(289,936)**	(71,174)	223,409

	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		As of December 31
	2020	2019	2019	2020	2019	2019	2020	2019	2019	2020	2019	2019
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**2,373,460**	2,404,598	2,394,031	**-**	-	-	**19,511,360**	19,804,483	19,614,103	**21,884,820**	22,209,081	22,008,134
Liabilities with respect to investment-linked insurance contracts and investment contracts	**-**	-	-	**-**	-	-	**68,388,215**	66,370,969	70,752,437	**68,388,215**	66,370,969	70,752,437
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).							**3,694,093**	3,317,353	7,171,626	**3,694,093**	3,317,353	7,171,626

*) Adopted retrospectively, see Note 2(d).

Note 4: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

NIS in thousands	Health: For the period of six months ended June 30 2020 Unaudited	Health: For the period of six months ended June 30 2019 Unaudited	Health: For the year ended December 31 2019 Audited	Non-life: For the period of six months ended June 30 2020 Unaudited	Non-life: For the period of six months ended June 30 2019 Unaudited	Non-life: For the year ended December 31 2019 Audited	Other: For the period of six months ended June 30 2020 Unaudited	Other: For the period of six months ended June 30 2019 Unaudited	Other: For the year ended December 31 2019 Audited
Gross premiums earned	**652,354**	659,163	1,329,382	**1,191,225**	1,167,853	2,352,950	**-**	-	-
Premiums earned by reinsurers	**30,262**	35,701	63,674	**601,082**	512,659	1,064,856	**-**	-	-
Premiums earned on retention	**622,092**	623,462	1,265,708	**590,143**	655,194	1,288,094	**-**	-	-
Income (loss) from investments, net, and financing income	**(65,018)**	154,792	297,353	**(38,150)**	119,740	173,171	**2,430**	226	460
Income from management fees	**-**	-	-	**-**	-	-	**-**	-	-
Income from commissions	**3,093**	1,981	4,283	**95,340**	98,919	202,629	**72,567**	69,980	139,682
Other income	**-**	-	-	**16**	22	49	**6**	(16)	-
Total income	**560,167**	780,235	1,567,344	**647,349**	873,875	1,663,943	**75,003**	70,190	140,142
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**162,237**	631,894	1,726,812	**694,429**	869,964	1,901,903	**-**	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(52,056)**	(122,178)	(221,401)	**(288,081)**	(476,129)	(977,421)	**-**	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**110,181**	509,716	1,505,411	**406,348**	393,835	924,482	**-**	-	-
Commissions, marketing expenses and other acquisition costs	**243,032**	246,036	505,132	**257,890**	275,605	580,205	**52,044**	53,361	106,540
General and administrative expenses	**35,562**	35,502	71,467	**36,833**	40,212	80,238	**7,994**	5,925	16,402
Other expenses (income)	**-**	215	216	**-**	-	-	**244**	1,820	512
Financing expenses (income)	**386**	12,698	11,923	**2,570**	(2,200)	(3,358)	**413**	548	1,028
Total expenses	**389,161**	804,167	2,094,149	**703,641**	707,452	1,581,567	**60,695**	61,654	124,482
Share in the results of investee companies accounted by the equity method, net	**(674)**	254	(48)	**(4,132)**	1,215	(5,145)	**299**	-	-
Income (loss) before taxes on income	**170,332**	(23,678)	(526,853)	**(60,424)**	167,638	77,231	**14,607**	8,536	15,660
Other comprehensive income (loss) before taxes on income	**(130,766)**	53,658	74,376	**(77,271)**	31,530	30,114	**1,156**	(1,928)	(2,937)
Total comprehensive income (loss) before taxes on income	**39,566**	29,980	(452,477)	**(137,695)**	199,168	107,345	**15,763**	6,608	12,723

NIS in thousands	Health: As of June 30 2020 Unaudited	Health: As of June 30 2019 Unaudited	Health: As of December 31 2019 Audited	Non-life: As of June 30 2020 Unaudited	Non-life: As of June 30 2019 Unaudited	Non-life: As of December 31 2019 Audited	Other: As of June 30 2020 Unaudited	Other: As of June 30 2019 Unaudited	Other: As of December 31 2019 Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**2,770,014**	2,698,579	3,045,582	**6,490,217**	6,240,618	6,393,228	**-**	-	-
Liabilities with respect to investment-linked insurance contracts and investment contracts	**1,038,833**	897,412	1,097,913	**-**	-	-	**-**	-	-

Note 4: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

NIS in thousands	Not allocated to segments: For the period of six months ended June 30, 2020 Unaudited	2019 Unaudited	For the year ended December 31, 2019 Audited	Adjustments and offsets: For the period of six months ended June 30, 2020 Unaudited	2019 Unaudited	For the year ended December 31, 2019 Audited	Total: For the period of six months ended June 30, 2020 Unaudited	2019 Unaudited	For the year ended December 31, 2019 Audited
Gross premiums earned	**-**	-	-	**(1,119)**	(1,075)	(2,497)	**4,693,775**	4,837,656	9,666,116
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**702,263**	622,650	1,264,885
Premiums earned on retention	**-**	-	-	**(1,119)**	(1,075)	(2,497)	**3,991,512**	4,215,006	8,401,231
Income (loss) from investments, net, and financing income	**(14,829)**	152,495	363,207	**40**	(233)	(633)	**(3,646,187)**	5,671,196	9,680,469
Income from management fees	**-**	-	-	**431**	1,045	1,475	**459,145**	658,987	1,409,977
Income (expenses) from commissions	**-**	-	-	**(42,260)**	(38,365)	(86,606)	**148,247**	144,520	283,918
Other income (expenses)	**24**	-	-	**-**	(6)	-	**347**	(11)	49
Total income	**(14,805)**	152,495	363,207	**(42,908)**	(38,634)	(88,261)	**953,064**	10,689,698	19,775,644
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**-**	-	-	**(1,011)**	(1,504)	(2,835)	**162,892**	9,708,673	18,116,499
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(388,300)**	(657,559)	(1,316,678)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**-**	-	-	**(1,011)**	(1,504)	(2,835)	**(225,408)**	9,051,114	16,799,821
Commissions, marketing expenses and other acquisition costs	**-**	-	-	**(42,265)**	(38,362)	(86,605)	**927,939**	1,003,061	2,000,103
General and administrative expenses	**36,669**	35,514	65,291	**176**	(4,299)	(4,174)	**435,732**	446,751	891,255
Impairment of intangible assets	**-**	-	1,029	**-**	-	662	**-**	-	17,241
Other expenses (income)	**(310)**	(47)	1,641	**-**	-	19	**3,899**	6,453	9,629
Financing expenses	**67,777**	88,130	212,247	**149**	150	80	**62,915**	107,974	236,288
Total expenses	**104,136**	123,597	280,208	**(42,951)**	(44,015)	(92,853)	**1,205,077**	10,615,353	19,954,337
Share in the results of investee companies accounted by the equity method, net	**(58)**	482	(1,108)	**-**	-	-	**(7,221)**	2,328	(7,128)
Income (loss) before taxes on income	**(118,999)**	29,380	81,891	**43**	5,381	4,592	**(259,234)**	76,673	(185,821)
Other comprehensive income (loss) before taxes on income	**(39,570)**	107,885	176,667	**928**	(586)	(2,190)	**(270,666)**	229,969	337,781
Total comprehensive income (loss) before taxes on income	**(158,569)**	137,265	258,558	**971**	4,795	2,402	**(529,900)**	306,642	151,960

NIS in thousands	As of June 30, 2020 Unaudited	2019 Unaudited	As of December 31, 2019 Audited	As of June 30, 2020 Unaudited	2019 Unaudited	As of December 31, 2019 Audited	As of June 30, 2020 Unaudited	2019 Unaudited	As of December 31, 2019 Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**-**	-	-	**(2,054)**	(1,779)	(2,034)	**31,142,997**	31,146,499	31,444,910
Liabilities with respect to investment-linked insurance contracts and investment contracts	**-**	-	-	**(17,108)**	(17,595)	(17,346)	**69,409,940**	67,250,786	71,833,004

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 June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30	
	2020	2019	2020	2019	2020	2019	2020	2019
NIS in thousands	Unaudited							
Gross premiums earned	**-**	-	**-**	-	**1,359,735**	1,513,729	**1,359,735**	1,513,729
Premiums earned by reinsurers	**-**	-	**-**	-	**32,787**	35,562	**32,787**	35,562
Premiums earned on retention	**-**	-	**-**	-	**1,326,948**	1,478,167	**1,326,948**	1,478,167
Income from investments, net, and financing income	**29,309**	70,068	**389**	2,568	**3,792,511**	1,979,301	**3,822,209**	2,051,937
Income from management fees	**42,442**	43,331	**67,176**	68,996	**117,036**	150,449	**226,654**	262,776
Income from commissions	**-**	-	**-**	-	**5,562**	3,626	**5,562**	3,626
Other income	**186**	-	**(2)**	(6)	**-**	-	**184**	(6)
Total income	**71,937**	113,399	**67,563**	71,558	**5,242,057**	3,611,543	**5,381,557**	3,796,500
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**27,268**	67,188	**-**	-	**5,056,602**	3,593,431	**5,083,870**	3,660,619
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	**-**	-	**(33,436)**	(28,171)	**(33,436)**	(28,171)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**27,268**	67,188	**-**	-	**5,023,166**	3,565,260	**5,050,434**	3,632,448
Commissions, marketing expenses and other acquisition costs	**15,335**	15,206	**21,183**	27,475	**156,414**	214,343	**192,932**	257,024
General and administrative expenses	**26,181**	26,516	**38,682**	44,983	**87,992**	99,558	**152,855**	171,057
Other expenses	**841**	907	**1,066**	1,328	**-**	-	**1,907**	2,235
Financing expenses (income)	**(4)**	(2)	**25**	79	**6,735**	1,732	**6,756**	1,809
Total expenses	**69,621**	109,815	**60,956**	73,865	**5,274,307**	3,880,893	**5,404,884**	4,064,573
Share in the results of investee companies accounted by the equity method, net	**-**	-	**(219)**	81	**(182)**	519	**(401)**	600
Income (loss) before taxes on income	**2,316**	3,584	**6,388**	(2,226)	**(32,432)**	(268,831)	**(23,728)**	(267,473)
Other comprehensive income (loss) before taxes on income	**1,253**	1,393	**2,428**	(1,393)	**28,067**	(4,990)	**31,748**	(4,990)
Total comprehensive income (loss) before taxes on income	**3,569**	4,977	**8,816**	(3,619)	**(4,365)**	(273,821)	**8,020**	(272,463)
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).					**1,594,266**	1,694,573	**1,594,266**	1,694,573

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 June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
NIS in thousands	Unaudited											
Gross premiums earned	**316,171**	320,648	**599,065**	592,766	**-**	-	**-**	-	**(681)**	(523)	**2,274,290**	2,426,620
Premiums earned by reinsurers	**15,273**	14,882	**306,635**	262,427	**-**	-	**-**	-	**-**	-	**354,695**	312,871
Premiums earned on retention	**300,898**	305,766	**292,430**	330,339	**-**	-	**-**	-	**(681)**	(523)	**1,919,595**	2,113,749
Income (loss) from investments, net, and financing income	**76,615**	67,851	**14,390**	64,426	**6**	(829)	**28,360**	94,867	**39**	35	**3,941,619**	2,278,287
Income from management fees	**-**	-	**-**	-	**-**	-	**-**	-	**216**	793	**226,870**	263,569
Income from commissions	**1,425**	1,065	**47,881**	49,421	**36,666**	35,695	**-**	-	**(20,493)**	(19,411)	**71,041**	70,396
Other income	**-**	-	**10**	8	**-**	(16)	**27**	-	**1**	(3)	**222**	(17)
Total income	**378,938**	374,682	**354,711**	444,194	**36,672**	34,850	**28,387**	94,867	**(20,918)**	(19,109)	**6,159,347**	4,725,984
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**263,101**	276,795	**337,271**	451,807	**-**	-	**-**	-	**(2,488)**	(977)	**5,681,754**	4,388,244
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(30,389)**	(53,726)	**(140,658)**	(286,531)	**-**	-	**-**	-	**-**	-	**(204,483)**	(368,428)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**232,712**	223,069	**196,613**	165,276	**-**	-	**-**	-	**(2,488)**	(977)	**5,477,271**	4,019,816
Commissions, marketing expenses and other acquisition costs	**115,904**	127,149	**126,579**	144,412	**25,230**	26,959	**-**	-	**(20,500)**	(19,576)	**440,145**	535,968
General and administrative expenses	**18,054**	17,570	**17,444**	19,912	**3,866**	1,309	**23,895**	16,201	**(2,132)**	(3,439)	**213,982**	222,610
Other expenses	**-**	100	**-**	-	**118**	944	**(490)**	(171)	**-**	-	**1,535**	3,108
Financing expenses (income)	**1,068**	12,125	**(882)**	357	**185**	266	**35,395**	59,296	**126**	119	**42,648**	73,972
Total expenses	**367,738**	380,013	**339,754**	329,957	**29,399**	29,478	**58,800**	75,326	**(24,994)**	(23,873)	**6,175,581**	4,855,474
Share in the results of investee companies accounted by the equity method, net	**(430)**	252	**(2,882)**	751	**299**	-	**(1,369)**	2,746	**-**	-	**(4,783)**	4,349
Income (loss) before taxes on income	**10,770**	(5,079)	**12,075**	114,988	**7,572**	5,372	**(31,782)**	22,287	**4,076**	4,764	**(21,017)**	(125,141)
Other comprehensive income (loss) before taxes on income	**18,529**	9,603	**68,093**	14,483	**(817)**	(443)	**112,334**	19,341	**(2,497)**	(693)	**227,390**	37,301
Total comprehensive income (loss) before taxes on income	**29,299**	4,524	**80,168**	129,471	**6,755**	4,929	**80,552**	41,628	**1,579**	4,071	**206,373**	(87,840)

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 six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31
	2020	2019	2019	2020	2019	2019
NIS in thousands	Unaudited		Audited	Unaudited		Audited
Gross premiums	**263,577**	249,646	460,012	**209,273**	174,568	333,780
Reinsurance premiums	**113,620**	157,463	288,121	**93,663**	60,082	112,438
Premiums on retention	**149,957**	92,183	171,891	**115,610**	114,486	221,342
Change in unearned premium balance, on retention	**(50,190)**	(4,616)	3,441	**(7,819)**	(9,257)	(6,285)
Premiums earned on retention	**99,767**	87,567	175,332	**107,791**	105,229	215,057
Income (loss) from investments, net, and financing income	**(15,588)**	51,786	75,740	**(15,847)**	44,374	65,594
Income from commissions	**25,723**	30,604	61,423	**6,166**	6,541	13,537
Total income	**109,902**	169,957	312,495	**98,110**	156,144	294,188
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**209,258**	196,326	467,085	**158,070**	238,881	488,364
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(112,717)**	(139,515)	(327,451)	**(27,774)**	(185,168)	(265,395)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**96,541**	56,811	139,634	**130,296**	53,713	222,969
Commissions, marketing expenses and other acquisition costs	**35,624**	37,043	79,231	**47,341**	49,186	100,931
General and administrative expenses	**6,431**	6,452	13,366	**4,151**	4,212	9,013
Financing expenses (income)	**1,963**	(528)	(700)	**3**	(36)	(61)
Total expenses	**140,559**	99,778	231,531	**181,791**	107,075	332,852
Share in the profits (losses) of associate companies, net	**(1,983)**	583	(2,470)	**(1,322)**	389	(1,646)
Income (loss) before taxes on income	**(32,640)**	70,762	78,494	**(85,003)**	49,458	(40,310)
Other comprehensive income (loss) before taxes on income	**(31,180)**	12,201	11,299	**(30,490)**	10,454	9,863
Total comprehensive income before taxes on income	**(63,820)**	82,963	89,793	**(115,493)**	59,912	(30,447)

	As of June 30		As of December 31	As of June 30		As of December 31
	2020	2019	2019	2020	2019	2019
NIS in thousands	Unaudited		Audited	Unaudited		Audited
Gross	**2,336,356**	2,250,070	2,286,995	**2,596,685**	2,452,579	2,548,267
Reinsurance	**886,651**	700,437	836,177	**1,105,813**	1,040,247	1,068,771
Retention	**1,449,705**	1,549,633	1,450,818	**1,490,872**	1,412,332	1,479,496

1) Other liability branches primarily include the results of the third party liability and professional and managers' liability insurance branches, the activity in which, in the reporting period, during the reporting period, constituted approximately 74% of total premiums in those branches, and the results of the third party liability and employers' liability insurance branches, the activity in which, in the corresponding period last year and in the year ended December 31, 2019, constituted approximately 67% and approximately 70%, 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 six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31	For the period of six months ended June 30		For the year ended December 31
	2020	2019	2019	2020	2019	2019	2020	2019	2019	2020	2019	2019
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums	**354,990**	371,449	677,136	**53,960**	55,183	107,112	**464,665**	440,218	786,924	**1,346,465**	1,291,064	2,364,964
Reinsurance premiums	**92,363**	13,894	97,771	**26,964**	27,249	52,746	**354,822**	328,578	583,340	**681,432**	587,266	1,134,416
Premiums on retention	**262,627**	357,555	579,365	26,996	27,934	54,366	**109,843**	111,640	203,584	**665,033**	703,798	1,230,548
Change in unearned premium balance, on retention	**(9,277)**	(12,743)	73,908	**(487)**	(73)	295	**(7,117)**	(21,915)	(13,813)	**(74,890)**	(48,604)	57,546
Premiums earned on retention	**253,350**	344,812	653,273	26,509	27,861	54,661	**102,726**	89,725	189,771	**590,143**	655,194	1,288,094
Income (loss) from investments, net, and financing income	**(3,433)**	13,181	17,774	**(292)**	1,766	1,275	**(2,990)**	8,633	12,788	**(38,150)**	119,740	173,171
Income from commissions	**2,823**	38	1,286	**6,582**	7,002	14,248	**54,046**	54,734	112,135	**95,340**	98,919	202,629
Other income	**-**	-	-	**16**	22	49	**-**	-	-	**16**	22	49
Total income	**252,740**	358,031	672,333	**32,815**	36,651	70,233	**153,782**	153,092	314,694	**647,349**	873,875	1,663,943
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**192,331**	233,231	472,275	**53,394**	27,819	45,556	**81,376**	173,707	428,623	**694,429**	869,964	1,901,903
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(61,914)**	(783)	(34,468)	**(35,859)**	(18,084)	(29,069)	**(49,817)**	(132,579)	(321,038)	**(288,081)**	(476,129)	(977,421)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**130,417**	232,448	437,807	**17,535**	9,735	16,487	**31,559**	41,128	107,585	**406,348**	393,835	924,482
Commissions, marketing expenses and other acquisition costs	**79,626**	85,543	180,654	**5,040**	5,840	11,666	**90,259**	97,993	207,723	**257,890**	275,605	580,205
General and administrative expenses	**8,659**	9,950	19,673	**8,889**	9,768	18,977	**8,703**	9,830	19,209	**36,833**	40,212	80,238
Financing expenses (income)	**(21)**	(98)	(141)	**(5)**	(1,167)	(1,899)	**630**	(371)	(557)	**2,570**	(2,200)	(3,358)
Total expenses	**218,681**	327,843	637,993	**31,459**	24,176	45,231	**131,151**	148,580	333,960	**703,641**	707,452	1,581,567
Share in the profits (losses) of associate companies, net	**(372)**	109	(463)	**-**	-	-	**(455)**	134	(566)	**(4,132)**	1,215	(5,145)
Income (loss) before taxes on income	**33,687**	30,297	33,877	**1,356**	12,475	25,002	**22,176**	4,646	(19,832)	**(60,424)**	167,638	77,231
Other comprehensive income (loss) before taxes on income	**(6,415)**	2,748	1,877	**(3,407)**	4,424	6,026	**(5,779)**	1,703	1,049	**(77,271)**	31,530	30,114
Total comprehensive income (loss) before taxes on income	**27,272**	33,045	35,754	**(2,051)**	16,899	31,028	**16,397**	6,349	(18,783)	**(137,695)**	199,168	107,345

	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		As of December 31	As of June 30		As of December 31
	2020	2019	2019	2020	2019	2019	2020	2019	2019	2020	2019	2019
NIS in thousands	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross	**477,034**	503,417	474,972	**89,467**	55,597	52,946	**990,675**	978,955	1,030,048	**6,490,217**	6,240,618	6,393,228
Reinsurance	**115,085**	13,619	83,490	**51,162**	26,916	25,623	**693,155**	663,688	713,827	**2,851,866**	2,444,907	2,727,888
Retention	**361,949**	489,798	391,482	**38,305**	28,681	27,323	**297,520**	315,267	316,221	**3,638,351**	3,795,711	3,665,340

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, 2019, constitutes approximately 78%, approximately 78% 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 June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30		For the period of three months ended June 30	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
NIS in thousands	Unaudited											
Gross premiums	**118,643**	106,115	**117,112**	82,955	**149,140**	155,825	**26,895**	28,191	**249,413**	230,922	**661,203**	604,008
Reinsurance premiums	**52,823**	67,202	**71,405**	35,416	**39,222**	13,514	**13,539**	13,838	**201,543**	183,123	**378,532**	313,093
Premiums on retention	**65,820**	38,913	**45,707**	47,539	**109,918**	142,311	**13,356**	14,353	**47,870**	47,799	**282,671**	290,915
Change in unearned premium balance, on retention	**(13,751)**	6,307	**7,147**	5,863	**10,964**	28,904	**78**	(217)	**5,321**	(1,433)	**9,759**	39,424
Premiums earned on retention	**52,069**	45,220	**52,854**	53,402	**120,882**	171,215	**13,434**	14,136	**53,191**	46,366	**292,430**	330,339
Income (loss) from investments, net, and financing income	**6,329**	27,063	**5,970**	23,515	**1,299**	6,885	**(702)**	2,474	**1,494**	4,489	**14,390**	64,426
Income from commissions	**12,017**	15,270	**3,318**	3,339	**1,554**	38	**3,383**	3,186	**27,609**	27,588	**47,881**	49,421
Other income	**-**	-	**-**	-	**-**	-	**10**	8	**-**	-	**10**	8
Total income	**70,415**	87,553	**62,142**	80,256	**123,735**	178,138	**16,125**	19,804	**82,294**	78,443	**354,711**	444,194
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**105,871**	98,836	**107,994**	124,658	**77,994**	111,588	**8,498**	14,492	**36,914**	102,233	**337,271**	451,807
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(50,739)**	(73,824)	**(27,219)**	(125,545)	**(27,868)**	(880)	**(7,237)**	(9,302)	**(27,595)**	(76,980)	**(140,658)**	(286,531)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**55,132**	25,012	**80,775**	(887)	**50,126**	110,708	**1,261**	5,190	**9,319**	25,253	**196,613**	165,276
Commissions, marketing expenses and other acquisition costs	**17,543**	21,106	**23,891**	25,056	**41,185**	44,795	**2,511**	3,311	**41,449**	50,144	**126,579**	144,412
General and administrative expenses	**3,077**	2,991	**2,082**	2,122	**3,894**	4,752	**4,307**	4,783	**4,084**	5,264	**17,444**	19,912
Financing expenses (income)	**56**	17	**(18)**	25	**(53)**	56	**(894)**	268	**27**	(9)	**(882)**	357
Total expenses	**75,808**	49,126	**106,730**	26,316	**95,152**	160,311	**7,185**	13,552	**54,879**	80,652	**339,754**	329,957
Share in the profits (losses) of associate companies, net	**(1,383)**	360	**(923)**	240	**(259)**	68	**-**	-	**(317)**	83	**(2,882)**	751
Income (loss) before taxes on income	**(6,776)**	38,787	**(45,511)**	54,180	**28,324**	17,895	**8,940**	6,252	**27,098**	(2,126)	**12,075**	114,988
Other comprehensive income (loss) before taxes on income	**26,752**	6,544	**26,769**	5,683	**5,336**	1,445	**3,732**	(56)	**5,504**	867	**68,093**	14,483
Total comprehensive income (loss) before taxes on income	**19,976**	45,331	**(18,742)**	59,863	**33,660**	19,340	**12,672**	6,196	**32,602**	(1,259)	**80,168**	129,471

1) Property and other branches primarily include the results of the business property insurance and apartment insurance branches, the activity in which during the three month period ended on the reporting date, and during the corresponding period last year, constitutes approximately 81% and approximately 84%, respectively, of the total premiums in these branches.

2) Other liabilities branches primarily include the results of the third party liability, professional and employers' liability insurance branches, which, during the three month period ended on the reporting date, constituted approximately 76% of total premiums in those branches. In the corresponding period last year, other liability branches mostly include the results of the third party liability and employers' and managers' liability insurance branches, which constitute approximately 79% 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 six months ended June 30, 2020 (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:	**87,516**	**798,018**	**375**	**1,616,841**	**317,375**	**31,134**	**2,851,259**
Receipts with respect to investment contracts charged directly to insurance reserves	**-**	**-**	**-**	**842,782**	**-**	**-**	**842,782**
Financial margin including management fees [2)]	**23,787**	**109,747**	**(295)**	**124,047**	**-**	**-**	**257,286**
Payments and changes in liabilities with respect to insurance contracts, gross	**237,158**	**(1,511,853)**	**1,459**	**475,061**	**189,906**	**15,915**	**(592,354)**
Payments and changes in liabilities with respect to investment contracts	**-**	**-**	**8**	**(146,887)**	**-**	**-**	**(146,879)**
Total comprehensive income (loss)	**75,049**	**(248,627)**	**(7,002)**	**(55,820)**	**(57,089)**	**(1,112)**	**(294,601)**

Data for the period of six months ended June 30, 2019 (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:	105,286	805,119	849	1,756,631	309,894	34,129	3,011,908
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	305,638	-	-	305,638
Financial margin including management fees [2)]	160,833	317,591	1,839	113,431	-	-	593,694
Payments and changes in liabilities with respect to insurance contracts, gross	884,024 *)	3,939,632	(717)	2,995,225	156,555	26,300	8,001,019
Payments and changes in liabilities with respect to investment contracts	-	-	39	115,567	-	-	115,606
Total comprehensive income (loss)	(24,453) *)	(17,832)	3,314	(59,704)	8,141	12,055	(78,479)

Note 4: Segmental Reporting (Cont.)

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

Data for the period of three months ended June 30, 2020 (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:	40,280	384,153	256	764,635	159,144	10,755	1,359,223
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	234,535	-	-	234,535
Financial margin including management fees [2)]	73,374	53,709	(16)	61,817	-	-	188,884
Payments and changes in liabilities with respect to insurance contracts, gross	175,294	2,639,463	1,337	1,971,845	111,683	3,746	4,903,368
Payments and changes in liabilities with respect to investment contracts	-	-	17	153,217	-	-	153,234
Total comprehensive income (loss)	100,829	(57,131)	(3,878)	(33,951)	(14,108)	3,874	(4,365)

Note 4: Segmental Reporting (Cont.)

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

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

NIS in thousands	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
	Until 1990 1)	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	52,150	400,005	312	878,009	168,408	14,393	1,513,277
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	180,844	-	-	180,844
Financial margin including management fees 2)	37,446	91,823	1,496	57,967	-	-	188,732
Payments and changes in liabilities with respect	614,925 *)	1,549,149	604	1,296,953	81,112	10,192	3,552,935
Payments and changes in liabilities with respect	-	-	25	40,471	-	-	40,496
Total comprehensive income (loss)	(68,206)	(159,171)	2,077	(74,567)	20,170	5,876	(273,821)

Data for the year ended December 31, 2019 (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:	201,001	1,624,053	1,115	3,451,625	628,533	79,665	5,985,992
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	1,185,345	-	-	1,185,345
Financial margin including management fees 2)	333,738	708,942	1,464	236,916	-	-	1,281,060
Payments and changes in liabilities with	1,146,161 *)	6,990,898	(70)	5,648,118	318,547	35,339	14,138,993
Payments and changes in liabilities with	-	-	9	217,261	-	-	217,270
Total comprehensive income (loss)	182,493 *)	72,661	2,502	(110,059)	13,352	45,660	206,609

Notes:

*) Adopted retrospectively, see Note 2(d).

(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 six months ended June 30, 2020 (unaudited)

	Long term care		Health other **)		
NIS in thousands	Individual 1)	Collective	Long term	Short term	Total
Gross premiums	**134,744**	**20,875**	**482,723 *)**	**10,520 *)**	**648,863**
Payments and changes in liabilities with respect to	**(110,103)**	**62,406**	**202,896**	**7,038**	**162,236**
Other comprehensive loss	**(48,492)**	**(49,712)**	**(31,648)**	**(914)**	**(130,766)**
Total comprehensive income (loss)	**91,255**	**(71,744)**	**21,553**	**(1,498)**	**39,566**

*) Of which, individual premiums in the amount of NIS 440,853 thousand and collective premiums in the amount of NIS 52,360 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 six months ended June 30, 2019 (unaudited)

	Long term care		Health other **)		
NIS in thousands	Individual 1)	Collective	Long term	Short term	Total
Gross premiums	132,344	56,254	427,019 *)	46,653 *)	662,270
Payments and changes in liabilities with respect to	181,786	230,727	197,469	21,912	631,894
Other comprehensive income	14,913	21,889	15,243	1,613	53,658
Total comprehensive income (loss)	14,277	(30,699)	45,618	784	29,980

*) Of which, individual premiums in the amount of NIS 384,645 thousand and collective premiums in the amount of NIS 89,027 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 June 30, 2020 (unaudited)

	Long term care		Health other **)		
NIS in thousands	Individual 1)	Collective	Long term	Short term	Total
Gross premiums	**67,275**	**9,908**	**237,263 *)**	**152 *)**	**314,599**
Payments and changes in liabilities with respect to	**132,277**	**38,446**	**92,310**	**68**	**263,100**
Other comprehensive income (loss)	**(1,975)**	**919**	**18,036**	**1,549**	**18,529**
Total comprehensive income (loss)	**(19,945)**	**(5,191)**	**54,365**	**70**	**29,299**

*) Of which, individual premiums in the amount of NIS 216,660 thousand and collective premiums in the amount of NIS 20,755 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 June 30, 2019 (unaudited)

	Long term care		Health other **)		
NIS in thousands	Individual 1)	Collective	Long term	Short term	Total
Gross premiums	66,099	11,509	216,400 *)	29,586 *)	323,594
Payments and changes in liabilities with respect to	70,970	96,285	97,429	12,111	276,795
Other comprehensive income	2,811	3,454	2,804	534	9,603
Total comprehensive income (loss)	13,375	(31,641)	21,770	1,020	4,524

*) Of which, individual premiums in the amount of NIS 194,776 thousand and collective premiums in the amount of NIS 51,210 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, 2019 (audited)

	Long term care		Health other **)		
NIS in thousands	Individual 1)	Collective	Long term	Short term	Total
Gross premiums	266,421	78,832	873,322 *)	110,918 *)	1,329,493
Payments and changes in liabilities with respect to	797,821	425,447	454,596	48,948	1,726,812
Other comprehensive income	21,766	29,247	20,563	2,800	74,376
Total comprehensive income (loss)	(405,920)	(95,506)	35,453	13,496	(452,477)

*) Of which, individual premiums in the amount of NIS 788,547 thousand and collective premiums in the amount of NIS 195,694 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(b)(a) to the financial statements for details regarding the low interest rate environment.

Note 5: Financial Instruments

A. Assets for Investment-Linked Contracts

1. Composition:

NIS in thousands	As of June 30 2020 Unaudited	As of June 30 2019 Unaudited	As of December 31 2019 Audited
Investment property *)	**3,139,259**	2,970,333	3,097,370
Financial investments			
Marketable debt assets	**24,831,488**	26,153,019	26,869,855
Non-marketable debt assets	**6,278,439**	6,269,106	6,558,458
Stocks	**14,337,197**	12,179,563	13,948,919
Other financial investments	**15,178,324**	14,423,314	15,020,229
Total financial investments *)	**60,625,448**	59,025,002	62,397,461
Cash and cash equivalents	**5,294,621**	5,179,373	6,554,645
Other **)	**862,624**	801,110	764,130
Total assets for investment-linked contracts	**69,921,952**	67,975,818	72,813,606

*) 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 June 30, 2020			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	**21,224,298**	**3,607,190**	**-**	**24,831,488**
Non-marketable debt assets	**-**	**6,236,017**	**42,422**	**6,278,439**
Stocks	**13,439,520**	**-**	**897,677**	**14,337,197**
Other financial investments *)	**9,629,707**	**1,310,914**	**4,237,703**	**15,178,324**
Total financial investments	**44,293,525**	**11,154,121**	**5,177,802**	**60,625,448**
*) Of which, with respect to derivatives	**13,483**	**490,944**	**-**	**504,427**

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

	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	22,950,884	3,202,135	-	26,153,019
Non-marketable debt assets	-	6,184,591	84,515	6,269,106
Stocks	11,499,118	-	680,445	12,179,563
Other financial investments *)	9,115,137	1,979,827	3,328,350	14,423,314
Total financial investments	43,565,139	11,366,553	4,093,310	59,025,002
*) Of which, with respect to derivatives	80,855	168,742	-	249,597

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

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Audited			
Financial investments:				
Marketable debt assets	23,466,195	3,403,660	-	26,869,855
Non-marketable debt assets	-	6,489,578	68,880	6,558,458
Stocks	13,201,948	-	746,971	13,948,919
Other financial investments *)	9,884,310	1,427,149	3,708,770	15,020,229
Total financial investments	46,552,453	11,320,387	4,524,621	62,397,461
*) Of which, with respect to derivatives	60,772	310,476	-	371,248

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

Note 5: Financial Instruments (Cont.)

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

2. Additional information regarding fair value (Cont.)

B. Financial assets measured at fair value level 3

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Unaudited			
Balance as of January 1, 2020	**68,880**	**746,971**	**3,708,770**	**4,524,621**
Total income (loss) recognized in the statement of income	**(11,636)**	**34,003**	**(84,659)**	**(62,292)**
Acquisitions	**-**	**134,501**	**806,653**	**941,154**
Sales	**-**	**-**	**(192,615)**	**(192,615)**
Redemptions	**(10,915)**	**-**	**-**	**(10,915)**
Interest and dividend receipts	**(3,907)**	**(17,798)**	**(446)**	**(22,151)**
Balance as of June 30, 2020	**42,422**	**897,677**	**4,237,703**	**5,177,802**
Total income (loss) for the period included under the income statement with respect to held financial assets as of June 30, 2020	**(11,968)**	**34,003**	**(79,148)**	**(57,113)**

	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	10,595	(8,277)	(2,684)	(366)
Acquisitions	-	112,335	485,842	598,177
Sales	-	(56,904)	(367,687)	(424,591)
Redemptions	(47,669)	-	-	(47,669)
Interest and dividend receipts	(4,000)	(25,329)	(4,158)	(33,487)
Balance as of June 30, 2019	84,515	680,445	3,328,350	4,093,310
Total income (loss) for the period included under the income statement with respect to held financial assets as of June 30, 2019	12,598	(3,216)	(2,893)	6,489

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Unaudited			
Balance as of April 1, 2020	**54,970**	**866,160**	**4,252,430**	**5,173,560**
Total income (loss) recognized in the statement of income	**(3,522)**	**17,364**	**(239,429)**	**(225,587)**
Acquisitions	**-**	**27,301**	**322,649**	**349,950**
Sales	**-**	**-**	**(97,947)**	**(97,947)**
Redemptions	**(6,635)**	**-**	**-**	**(6,635)**
Interest and dividend receipts	**(2,391)**	**(13,148)**	**-**	**(15,539)**
Balance as of June 30, 2020	**42,422**	**897,677**	**4,237,703**	**5,177,802**
Total income (loss) for the period included under the income statement with respect to held financial assets as of June 30, 2020	**(3,689)**	**17,364**	**(233,841)**	**(220,166)**

Note 5: Financial Instruments (Cont.)

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

2. Additional information regarding fair value (Cont.)

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

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Unaudited			
Balance as of April 1, 2019	124,479	722,092	3,231,281	4,077,852
Total income (loss) recognized in the statement of income	9,849	(10,509)	43,052	42,392
Acquisitions	-	29,517	282,592	312,109
Sales	-	(56,904)	(227,760)	(284,664)
Redemptions	(47,263)	-	-	(47,263)
Interest and dividend receipts	(2,550)	(3,751)	(815)	(7,116)
Balance as of June 30, 2019	84,515	680,445	3,328,350	4,093,310
Total income (loss) for the period included under the income statement with respect to held financial assets as of June 30, 2019	11,852	(5,448)	42,319	48,723

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in thousands	Audited			
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	4,034	(7,387)	85,333	81,980
Acquisitions	-	198,879	1,089,894	1,288,773
Sales	-	(69,889)	(677,411)	(747,300)
Redemptions	(55,320)	-	-	(55,320)
Interest and dividend receipts	(5,423)	(33,252)	(6,083)	(44,758)
Balance as of December 31, 2019	68,880	746,971	3,708,770	4,524,621
Total income (loss) for the period included under profit and loss with respect to held financial assets - as of December 31, 2019	6,083	(1,470)	93,746	98,359

Note 5: Financial Instruments (Cont.)

B. Other financial investments

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

	As of June 30, 2020	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**16,304,863**	**27,198,130**
Other non-convertible debt assets	**5,208,427**	**5,716,460**
Deposits in banks	**716,888**	**823,532**
Total non-marketable debt assets	**22,230,178**	**33,738,122**
Impairment applied to income statement (cumulative)	**86,089**	

	As of June 30, 2019	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	16,019,011	23,689,159
Other non-convertible debt assets	5,332,403	5,981,892
Deposits in banks	756,091	871,686
Total non-marketable debt assets	22,107,505	30,542,737
Impairment applied to income statement (cumulative)	80,610	

	As of December 31, 2019	
	Book value	Fair value
NIS in thousands	Audited	
Government bonds		
HETZ bonds and treasury deposits	16,295,186	27,021,152
Other non-convertible debt assets	5,438,397	6,221,524
Deposits in banks	736,275	864,354
Total non-marketable debt assets	22,469,858	34,107,030
Impairment applied to income statement (cumulative)	80,244	

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

Note 5: Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value

A. Fair value of financial assets, classified by levels

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

	As of June 30, 2020			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	**5,137,543**	**88,322**	**-**	**5,225,865**
Non-marketable debt assets	**-**	**2,605**	**-**	**2,605**
Stocks	**991,099**	**-**	**355,916**	**1,347,015**
Other financial investments *)	**969,818**	**80,432**	**1,992,159**	**3,042,409**
Total financial investments	**7,098,460**	**171,359**	**2,348,075**	**9,617,894**
*) Of which, with respect to	**1,108**	**80,432**	**-**	**81,540**

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

	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Financial investments:				
Marketable debt assets	5,151,926	262,938	-	5,414,864
Non-marketable debt assets	-	3,187	-	3,187
Stocks	1,189,991	-	293,416	1,483,407
Other financial investments *)	856,701	80,217	1,697,235	2,634,153
Total financial investments	7,198,618	346,342	1,990,651	9,535,611
*) Of which, with respect to	762	25,782	-	26,544

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

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Audited			
Financial investments:				
Marketable debt assets	5,780,610	154,798	-	5,935,408
Non-marketable debt assets	-	2,854	-	2,854
Stocks	1,038,780	-	318,978	1,357,758
Other financial investments *)	723,528	69,154	1,805,874	2,598,556
Total financial investments	7,542,918	226,806	2,124,852	9,894,576
*) Of which, with respect to	1,821	69,154	20,000	90,975

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, 2020	**318,978**	**1,805,874**	**2,124,852**
Total income (loss) which was recognized:			
Under profit and loss	**(1,869)**	**(13,746)**	**(15,615)**
Under other comprehensive income	**16,445**	**11,657**	**28,102**
Acquisitions	**36,994**	**308,707**	**345,701**
Sales	**-**	**(120,224)**	**(120,224)**
Interest and dividend receipts	**(14,632)**	**(109)**	**(14,741)**
Balance as of June 30, 2020	**355,916**	**1,992,159**	**2,348,075**
Total loss for the period included under the income statement with respect to held financial assets as of June 30, 2020	**(1,869)**	**(11,336)**	**(13,205)**

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	5,551	65,264	70,815
Under other comprehensive income	(9,079)	(46,290)	(55,369)
Acquisitions	10,844	176,297	187,141
Sales	-	(159,921)	(159,921)
Interest and dividend receipts	(5,142)	(376)	(5,518)
Balance as of June 30, 2019	293,416	1,697,235	1,990,651
Total income for the period included under the income statement with respect to held financial assets as of June	5,551	65,272	70,823

NIS in thousands	Stocks	Other financial investments	Total
		Unaudited	
Balance as of April 1, 2020	**346,169**	**1,921,430**	**2,267,599**
Total income (loss) which was recognized:			
Under profit and loss	**225**	**4,717**	**4,942**
Under other comprehensive income	**6,400**	**(16,138)**	**(9,738)**
Acquisitions	**9,550**	**132,006**	**141,556**
Sales	**-**	**(49,770)**	**(49,770)**
Interest and dividend receipts	**(6,428)**	**(86)**	**(6,514)**
Balance as of June 30, 2020	**355,916**	**1,992,159**	**2,348,075**
Total income for the period included under the income statement with respect to held financial assets as of June	**225**	**7,150**	**7,375**

Note 5: Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value (Cont.)

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

NIS in thousands	Stocks	Other financial investments	Total
		Unaudited	
Balance as of April 1, 2019	294,556	1,674,356	1,968,912
Total income (loss) which was recognized:			
Under profit and loss	2,345	40,742	43,087
Under other comprehensive income	(5,389)	(12,724)	(18,113)
Acquisitions	4,474	92,249	96,723
Sales	-	(97,251)	(97,251)
Interest and dividend receipts	(2,570)	(137)	(2,707)
Balance as of June 30, 2019	293,416	1,697,235	1,990,651
Total income for the period included under the income statement with respect to held financial assets as of June 30, 2019	2,345	40,742	43,087

NIS in thousands	Stocks	Other financial investments	Total
		Audited	
Balance as of January 1, 2019	291,242	1,662,261	1,953,503
Total income (loss) which was recognized:			
Under profit and loss	12,742	107,594	120,336
Under other comprehensive income	(26,731)	(16,755)	(43,486)
Acquisitions	57,039	376,312	433,351
Sales	(5,565)	(323,021)	(328,586)
Interest and dividend receipts	(9,749)	(517)	(10,266)
Balance as of December 31, 2019	318,978	1,805,874	2,124,852
Total income for the period included under profit and loss with respect to held financial assets as of December 31, 2019	13,096	118,930	132,026

C. Financial liabilities

1. Composition:

NIS in thousands	As of June 30 2020 Book value	As of June 30 2020 Fair value	As of June 30 2019 Book value	As of June 30 2019 Fair value	As of December 31 2019 Book value	As of December 31 2019 Fair value
	Unaudited				Audited	
Financial liabilities resented at fair value through profit and loss:						
Liabilities with respect to derivative financial instruments and short sales *)	**215,636**	**215,636**	84,405	84,405	148,718	148,718
Loans from banking corporations	**111,938**	**117,501**	111,938	117,949	111,938	118,565
Marketable deferred liability notes	**3,980,157**	**4,058,782**	3,132,087	3,437,047	4,009,236	4,327,026
Total financial liabilities presented at amortized cost	**4,092,095**	**4,176,283**	3,244,025	3,554,996	4,121,174	4,445,591
After deducting interest payable with respect to deferred liability notes, presented under the item for other accounts payable	**33,032**		34,369		35,209	
Total financial liabilities	**4,274,699**	**4,391,919**	3,294,061	3,639,401	4,234,683	4,594,309
*) Of which, with respect to investment-linked liabilities	**109,435**	**109,435**	67,284	67,284	103,082	103,082

Note 5: Financial Instruments (Cont.)

C. Financial liabilities (Cont.)

2. Fair value of financial liabilities, classified by levels

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

	As of June 30, 2020			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Derivatives	**7,786**	**207,850**	**-**	**215,636**
Total financial liabilities	**7,786**	**207,850**	**-**	**215,636**

	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Unaudited			
Derivatives	9,568	74,837	-	84,405
Total financial liabilities	9,568	74,837	-	84,405

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
NIS in thousands	Audited			
Derivatives	11,104	137,614	-	148,718
Total financial liabilities	11,104	137,614	-	148,718

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, amounted to a total of approximately NIS 3 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

(1) Economic solvency ratio

In accordance with the economic solvency regime, according to the calculation which they performed, as of June 30, 2019 the insurance companies in the Group are complying with the capital requirements, and have a capital surplus beyond the capital requirement according to the provisions for the distribution period and the stock scenario adjustment.

The calculation which was conducted by the Group's insurance companies as of June 30, 2019, was not audited or reviewed by the auditors. 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, including regarding developments subsequent to June 30, 2019, see section 3.2.2 of the board of directors' report.

(2) Draft amendment to the provisions of the economic solvency regime and the Commissioner's draft letter regarding principles for the calculation of the discount during the distribution period

Further to that stated in Note 16(e)6(d) to the annual statements, regarding an outline which was published by the Commissioner on the implementation of the provisions of Solvency II, according to the European framework (hereinafter: the "Outline"), in August 2020, the Commissioner published a third draft amendment to the consolidated circular regarding instructions for implementing the Solvency II-based economic solvency regime for insurance companies (hereinafter: the "Draft Amendment") which was submitted to The Knesset Finance Committee, and will already apply to the calculation of the solvency ratio as of December 31, 2019, and a draft regarding principles for the calculation of the discount during the distribution period under the Solvency II-based economic solvency regime (hereinafter: the "Draft Principles Document"), further to the consultation paper regarding the implementation of the transitional provisions under the economic solvency regime (the "Consultation Paper"), which was published in November 2019, and a circular regarding the quantitative impact study to evaluate adjustments to the economic solvency regime (the "Quantitative Impact Study"), which was published in January 2020.

According to the draft amendment and the draft principles document, an insurance company may, with the Commissioner's approval, adopt different distribution provisions than the existing ones as specified in Note 16(e)6(b) to the annual financial statements (which address a gradual increase of the capital requirements until December 2024). The alternative distribution provisions allow gradual linear distribution, until December 31, 2032, of the increase in economic insurance reserves (including the risk margin) on retention, calculated as of December 31, 2019, vs. the accounting reserves on retention as of that date, with reference to certain tax reserves. The use of the alternative method, and the amount of the discount, are subject to the Commissioner's approval regarding the fulfillment of principles, in his discretion, and regarding the fulfillment of the restrictions specified in the draft. The implementation of the potential discount could have a significantly positive effect on the economic solvency ratio of Clal Insurance; however, there is uncertainty regarding the implementation of the draft in practice, regarding the final version of the changes, insofar as they are accepted, and regarding the Commissioner's considerations regarding the granting of approval.

Note 6: Capital Management and Requirements (Cont.)

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

(2) Draft amendment to the provisions of the economic solvency regime and the Commissioner's draft letter regarding principles for the calculation of the discount during the distribution period (Cont.)

The draft amendment also includes various adjustments to the economic solvency regime, mostly with reference to the calculation of the capital requirements. The main adjustments which were made include expedients with respect to market risk components, including a potentially significant reduction in the stock scenario, which can be applied to 75% of the total investment in shares held against investment-linked liabilities, and other investments which meet the specified conditions for recognition as long term held shares; Expansion of the reduction in the amount of the scenario for investments in infrastructure; adding the option to recognize absorbed losses with respect to a deferred tax asset as part of the scenario; and expansion of the recognition through means of risk mitigation for investment-linked liabilities. Additional adjustments were also made to other components of the calculation which the Company does not expect will have a significant impact on the economic solvency ratio.

According to the outline, the Authority intends to work towards applying the directives regarding the economic solvency regime according to the framework which was adopted in Europe, by July 2020. Regarding the reporting and publication of the economic solvency ratio, it was determined in the outline that the date for publication of the economic solvency ratio report as of December 31, 2019, will be August 31, 2020 (instead of May 31, 2020), and that insurance companies will be exempt from the requirement to calculate and report the economic solvency ratio as of June 30, 2020. In August 2020 a letter was received the Capital Market Authority, stating that the deadline for publication of the solvency ratio report will be September 30, 2020.

In addition to the foregoing, the Commissioner announced, as part of the outline, that in 2020 the Authority intends to publish draft directives regarding the implementation of the own risk and solvency assessment (ORSA), which are based on the provisions of the current European Directive on the subject.

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[4] 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 and other material claim 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 claims, and the approach of the Courts, significantly increases the Company's potential exposure to losses with respect to rulings issued against the Group's member companies in class actions which are filed against them.

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

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

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

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

In general, the process of evaluating a claim as a class action may include 4 stages: Stage A - Filing of the motion to recognize the claim as a class action in the first instance; Stage B - Appeal in the Authority to a higher instance regarding the decision reached by the first instance; Stage C - Hearing the claim on the merits before the first instance (generally before the same judge who heard the motion in the first instance); Stage D - Appeal to a higher instance regarding the decision on the merits.
It should be noted that the scope and content of the hearing of a class action on its own merits is affected by the ruling regarding the approval of the claim as a class action. A decision approving class action status for a claim generally refers to the causes of action which were approved, and those which were not approved; The remedies which were approved and which were not approved; etc.
The law provides a set procedure and restrictions for all matters relating to settlement arrangements in class actions, which causes difficulty in instating settlement arrangements regarding class actions. The law also provides a requirement involving due disclosure to the Court with regard to all material details involved in the settlement arrangement, as well as a right available to the Attorney General and to additional entities listed in the Law to file an objection to the proposed settlement arrangement, and a requirement that an examiner be nominated with respect to the settlement arrangement.

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

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[4] 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 2019) 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.)

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.	3/2010 District - Center	Clal Insurance	The plaintiff contends that Clal Insurance unlawfully and wrongfully took advantage of the Control of Financial Services (Provident Funds) Law, 2008 (“Amendment No. 3”), which determined that funds which are deposited in provident funds beginning from 2008, will be withdrawable as an annuity only, and not as a capital withdrawal (withdrawal in a one-time amount). The plaintiff contends that at the time of conversion of the capital policies which were owned by a policyholder, prior to Amendment No. 3, for non-annuity paying policies, Clal Insurance was required to attach to the policy the annuity factor which was guaranteed to the policyholder under the fixed-payment policy owned by him, while in practice, Clal Insurance chose to attach to the converted capital policy a new annuity factor, in accordance with the life expectancy as of 2009.	To order Clal Insurance to attach to the capital policies of its policyholders the same annuity factor which they had in the fixed-payment policy prior to Amendment No. 3. Alternatively, to order Clal Insurance and the other class members to provide the entire amount of the pension savings funds, retroactively beginning after the date of the entry into effect of Amendment No. 3 (January 2008), and from now on, to the fixed-payment policy with the preferential annuity factor. Alternatively, to order Clal Insurance to compensate the plaintiff and the other class members in the amount of damage which was incurred.	Any person who owned, prior to the entry into effect of Amendment No. 3, both a capital policy and a fixed-payment policy of Clal Insurance (whether of Clal Insurance or of another insurance company), and to whom, following the aforementioned amendment to the law, a annuity factor[5] 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. As part of the proceedings, an examiner was appointed regarding the case, who filed his opinion in July 2017, and the parties filed pleadings, conducted investigations as part of handling the claim, and filed their closing arguments. In July 2020 the Attorney General’s position was filed with the Court, which supported the position of Clal Insurance, in which it was stated that Clal Insurance had acted in connection with the matters which form the subject of the claim in accordance with the outline which was approved for it by the Capital Market Authority, and that it would not be appropriate to retroactively replace the discretion which was exercised by the Authority on this matter.	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.[6]

5 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.

6 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
2.	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
3.	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 summary stage of handling the claim.	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
4.	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 2020, the position of the Attorney General of Israel was filed with the Supreme Court, within the framework of the additional hearing, in which it was stated that the Attorney General of Israel believes that it would be inappropriate to intervene in the determination which was made in the ruling, based on the adoption of the Capital Market Authority's interpretive position. The additional hearing was held in July 2020, and the Court's decision has not yet been received.	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
5.	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 parties are conducting mediation proceedings between them.	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 662 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
6.	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 summary stage of handling the claim.	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
7.	11/2014 District - Economic Department of Tel Aviv	Bank of Jerusalem Ltd. (hereinafter: "**Bank of Jerusalem**")	The plaintiff contends that Clal Finance Batucha Investment Management Ltd. ("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.	To issue an order against Clal Batucha to provide details and information regarding the damages which were (allegedly) incurred by each of the class members, and to order Bank of Jerusalem 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 gave its decision, which approved the conducting of the claim as a class action against Clal Batucha, and in parallel, it dismissed the motion to approve the claim against defendants who had served as directors in Clal Finance Batucha, in which it was alleged that they had breached their duty of care towards the class members. 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[7]. The proceedings are currently in the claim handling stage.	The plaintiff's personal claim amount amounts to a total of approximately NIS 18,624. According to the statement of claim, the damage claimed for all class members cannot be estimated at this stage.

[7] The Company reported the claim to the insurers of the professional liability insurance policies under which it is covered. The Company is unable, at this stage, to estimate the amount of damages and the scope of insurance coverage.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
8.	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
9.	5/2015 District - Jerusalem	Clal Insurance and an additional insurance company	According to the plaintiff, after years during which his deceased mother was insured under a collective life insurance policy, which Clal Insurance sold to the association of pensioners under the "Nativ - Southern and Central Region" pension fund (hereinafter: the "**Association**" and the "**Policy**", respectively), and who paid premiums as required, Clal Insurance unilaterally and unlawfully canceled the policy, because the policy was a losing policy, and did not reimburse the premiums which it had charged. The plaintiff also contends that Clal Insurance illegally collected premiums from policyholders with respect to June 2014, after the date when the policy was canceled.	To order Clal Insurance to pay to each of the class members who did not receive the benefits of the policy, the entire premiums which were collected from them with respect to the policy over the years when they were insured, with the addition of duly calculated interest and linkage.	Anyone who was insured by Clal Insurance in a policy which was canceled on March 2, 2014, as well as all policyholders under the policy from whom Clal Insurance collected premiums in June 2014.	In 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 parties are conducting mediation proceedings between them.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 90 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.	9/2015 District - Center	Clal Insurance and three 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.	In April 2020, the Court partially approved the handling of the claim as a class action against Clal Insurance and three additional insurance companies. The approved class includes anyone who was a policyholder in long-term care insurance, and who lost the ability of independent continence (fecal or urinary), due to a combination of reduced continence ability which did not constitute organic loss of control, together with a low functional condition, and who, despite the foregoing, did not receive points from the insurance company for the "continence" activity, as part of the evaluation of their claim for long-term care insurance benefits, in a manner which prejudiced their rights to insurance benefits during the period between September 8, 2012 and the date when the claim was approved as a class action. The plaintiffs' motion to approve the claim as a class action, also with respect to the class of policyholders who are incontinent due to functional limitations or mobility deficiencies, which led to the event of incontinence, and with respect to the class of policyholders suffering from cognitive deficiencies, who were not recognized as "mentally frail", was dismissed. The causes of action for which the class action was approved include breach of the long-term care insurance contract resulting in the non-payment of long-term care insurance benefits, or in the underpayment of long-term care insurance benefits, due to non-recognition of policyholders as eligible for points with respect to the action of "incontinence". The claimed remedy is compensation of the class members who did not receive points with respect to the action of "incontinence". The proceedings are currently in the claim handling stage.	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

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 position was filed, which determined, inter alia, that in accordance with the provisions of the law and the circular dated July 2014, it was possible to collect, during the annuity receipt period, management fees at a rate of less than 0.5%, and that there was no regulatory obligation for the defendants to announce the increase in management fees once the members reached retirement age. The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	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. In November 2019, the Attorney General of Israel filed an objection to the settlement arrangement which was filed with respect to the additional insurance company, and in December, he announced that the grounds of his objection applied to the settlement arrangement with Clal Insurance as well. In April 2020, the Court gave a decision regarding the motion to approve the settlement agreement, according to which, at this time, in light of the airspace closure affecting a significant number of countries around the world, including Israel, due to the global coronavirus pandemic, it cannot be said that compensation in the form of providing international travel insurance days is the fair way to resolve the dispute, at this stage, from the perspective of the class members, without denying that the arrangement, in itself, is reasonable and fair. The parties were therefore requested to negotiate between them, and to notify the Court of their positions in the future.	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 of hearing 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 (a)(a1)(8) 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.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	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 of hearing 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.
5.	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 proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	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
6.	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 of hearing 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
7.	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 direct expense 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 primarily stated that the managing companies are entitled to collect expenses even if it was not explicitly stated in the regulations. In June 2018, the Authority's responses to the questions which had been addressed to it were filed, within the framework of the proceedings 7(1) and 7(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 September 2019, a motion for leave to appeal the decision to approve was filed with the Supreme Court, and in August 2020, the Attorney General submitted his position, in which it was stated that the motion for leave to appeal and the appeal per se should be approved, such that the decision to approve should be canceled, for the reasons specified in the Attorney General's position. The institutional entities in the Group are not parties to these proceedings. In February 2020, the Court ordered a stay of the hearing of the motion to approve claim no. 5 against Atudot Pension Fund, until after the Supreme Court has reached a decision regarding the abovereferenced motion for leave to appeal.	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 which is managed by Atudot, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 41 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.	9/2016 District - Tel Aviv	Clal Insurance and three other insurance companies	The plaintiffs assert 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 of hearing 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.
9.	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 position of the Chamber of Commerce, which was filed with the Court in July 2019, supported the respondents’ position. A letter on behalf of the Representation of Business Organizations, which also supported the respondents’ interpretation, was filed in the case by the respondents. The proceedings are currently in the stage of hearing 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
10.	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 of hearing 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
11.	12/2017 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.	In January 2020, the Attorney General of Israel announced that he did not wish to appear in the proceedings, and that this announcement did not change the position which he filed regarding another similar case, in which he expressed the position that the insurance company's reliance on the reinsurers' underwriting policies complies with the provisions of the Equal Rights Law. In March 2020, the motion to summarily dismiss which had been filed by the health funds was dismissed. The parties filed an appeal against the aforementioned decision, inter alia, in connection with the decision regarding the motion to summarily dismiss. The proceedings are currently in the stage of hearing 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.
12.	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 of hearing 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
13.	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 of hearing 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.
14.	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.	In accordance with an agreed-upon motion which the parties filed with the Court, and which the Court approved, the parties agreed to postpone the hearing of the motion to approve until the Supreme Court has reached a decision regarding an appeal with respect to a similar motion to approve, which was dismissed. It was further agreed that insofar as the appeal is dismissed or struck out, the petitioners will withdraw the motion to approve. In June 2020, the appeal regarding the similar motion to approve was dismissed. Following the above, in accordance with the agreed-upon motion which was approved, as stated above, the petitioners are required to withdraw the motion to approve. The motion has not yet been withdrawn.	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
15.	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.	In January 2020, the parties filed a motion to approve a 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 rate determined in the settlement arrangement. The settlement arrangement also includes a future arrangement with respect to an amendment to the rate of management fees which will apply to the policies referenced in the arrangement. The settlement arrangement's entry into effect is conditional upon the receipt of court approval, the provision of which is uncertain.	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.
16.	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 February 2020, the position of the Capital Market, Insurance and Savings Authority regarding the proceedings was received, which, in general, supported the position of Clal Insurance, and in which it was primarily stated that the returns which the insurance company is required to credit to policyholders are as agreed upon in the policy, and that there is no undertaking by the insurance company towards the state to credit minimum returns to policyholders. The Capital Market Authority's position also supported the Company's position regarding the date from which interest should be paid with respect to a delay in redemption. The proceedings are currently in the stage of hearing 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
17.	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 of hearing 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.
18.	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 of hearing the motion to approve the claim as a class action. The parties are conducting mediation proceedings between them.	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
19.	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 parties are conducting mediation proceedings between them. The proceedings are currently in the stage of hearing 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.
20.	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 of hearing 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
21	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 of hearing the motion to approve the claim as a class action.	Estimated at a total of no less than NIS 5,000,000
22	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 of hearing 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
23.	11/2019 Regional Labor Court of Tel Aviv	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 of hearing the motion to approve the claim as a class action.	NIS 120 million
24	2/2020 District-Center	Clal Insurance	The plaintiff contends that Clal Insurance used old or outdated mortality tables to calculate the premiums in life insurance policies, in a manner which allowed it to collect from policyholders higher premiums than it should have collected, had it used current mortality tables, in breach of the Commissioner's directives, and in violation of the law.	Repayment of the premiums which were overcollected from the class members, plus duly calculated linkage differentials and interest; and to order Clal Insurance to update the mortality tables immediately, in accordance with the instructions and guidelines which were issued the Commissioner.	All policyholders or insured individuals who held life insurance policies with death (risk) coverage of Clal Insurance, and who paid, according to the plaintiff, higher insurance premiums than the premiums which Clal should have collected from them, due to the use of old or outdated mortality tables to calculate the premiums, beginning 7 years after the filing date of the claim, until the approval of the claim as a class action.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	The plaintiff has not estimated, at this stage, the cumulative damage incurred by all class members.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
25.	2/2020 District-Center	Clal Insurance and an additional insurance company	According to the plaintiffs, due to "lack of knowledge" because of the non-provision and publication of a students' personal accidents insurance policy (the "**Policy**") to the policyholders and their families, and the non-publication of the policy, the policyholders do not exercise their right to compensation by virtue of the policy, and incur damages.	Ordering the defendants and the Commissioner of Insurance to disclose documents and information; ordering the extension of the prescription period; ordering the appointment of a committee which will include independent entities, and which will be authorized to discuss and decide regarding all of the personal claims under the policy, for a period of three years, regarding all of the cases prior to October 25, 2016 (the "**Committee**"), and which will also be authorized to discuss the issue of policy submission; ordering a procedure of shifting the burden of proof; Issuance of a mandamus order obligating the defendants to compensate the plaintiffs, in accordance with the committee's decision; Ruling special damages for the plaintiffs, and legal fees for its representatives.	The motion classifies the plaintiffs into two sub-groups, which are primarily defined as follows: Any school or kindergarten student in the State of Israel, who was covered by the defendants under a personal accidents insurance policy, and who did not receive a personal accidents insurance policy at their home, beginning with the school year which began in September 2006, and/or any student whose claim against the insurance company has been prescribed; The motion also includes the definition of two sub-groups with respect to students who were born after October 25, 1995, and who, between the ages of 3 and 19 (the period of their studies in Israel, from kindergarten until the end of high school in 12th or 13th grade), suffered an accident, which caused them to suffer physical injury, and who did not receive insurance benefits under the policy, divided into sub-groups, according to the heads of damage which were specified in the motion; Additionally, the sub-group of people born in the years 1974 to 1995 - whose members include people and/or parents and/or heirs who were born and/or studied in Israel between the years 1974 and 1995, and who were injured or killed after 1992, and who did not claim, because they were not aware of the policy, and its scope; and the sub-group of all policyholders - all students and their parents from September 1992 to September 18, 2016, distributed into sub-groups according to the heads of damage specified in the claim.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action. It is noted that motions and claims which are similar to this motion and claim which were filed against Clal Insurance were struck out by the Court on procedural grounds in January 2020; see Note 42(a)(a3)(8) to the financial statements for 2019.	The plaintiffs estimate the alleged damage against Clal Insurance at a total of approximately NIS 1.4 billion, plus damages in the amount of approximately NIS 1.5 billion, which are attributed to the two defendants with respect to harm to autonomy.

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.	3/2020 Regional Labor Court of Tel Aviv	Clal Insurance	According to the plaintiff, Clal Insurance systematically breaches the provisions of the law by unlawfully collecting premiums with respect to "temporary risk" insurance (payment for insurance coverage in situations where the routine deposits to a savings policy which includes insurance components are discontinued), through deductions from the accrued savings amount, in excessive amounts, while reducing the accrued savings amount, without informing the policyholders in advance regarding the preparation of "temporary risk" insurance, or the conditions and tariffs thereof, and while breaching the obligation to send to policyholders pages of updated insurance details, on time, or at all.	(1) Reimbursement of all of the funds which were collected from the accrual and/or by other means, with respect to the entire period after the discontinuation of work (except in cases where the policyholder requested, in writing, to acquire the insurance covers). Alternatively, reimbursement of all of the funds which were collected with respect to the period 3 or 5 months after the conclusion of their employment, in accordance with the relevant legislative arrangement (hereinafter: the "Automatic Temporary Risk Period"), and in cases involving increased premiums, reimbursement of the excess premiums also with respect to the automatic "temporary risk" period; (2) A prohibition against the preparation of "temporary risk" insurance for a period exceeding the automatic temporary risk period, except for policyholders who have requested it in writing; (3) Ordering Clal Insurance to reimburse the excess premiums to policyholders from whom double premiums were collected (with respect to the month when they returned to work); (4) Various provisions regarding future activity (including a prohibition against increasing the price of premiums, giving advance notice regarding the purchasing of temporary risk, and more).	The represented class for the purpose of the non-monetary remedies includes all of the policyholders in provident funds or insurance plans in which funds of employers and/or employees are deposited with respect to loss of working capacity insurance and/or insurance in case of death or any other insurance risk. The represented class for the purpose of the monetary remedies includes: (A) All policyholders from whom amounts were collected, from the accrual amounts or from any other source, with respect to amounts with respect to or insurance in case of death or any other insurance event, and who did not receive notice in advance; (B) Alternatively, policyholders from whom premiums were collected for periods exceeding the automatic temporary risk period, except if agreed in advance; (C) Policyholders from whom premiums were collected in an amount higher than the premiums which were collected from them when they were active policyholders and/or which were collected from them with respect to new insurance policies, which they did not have prior to the conclusion of their employment; (D) Policyholders from whom double premiums were collected.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	The amount of the class action is estimated, conservatively, according to the plaintiff, at no less than NIS 7 million per year. The plaintiff contends that prescription of any kind whatsoever should not be applied to the claim. Alternatively, the claim for monetary remedies applies beginning from 7 years before the filing of the claim, until the approval of the claim as a class action.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
27.	4/2020 District Court Tel Aviv	Clal Insurance and 11 additional insurance companies	According to the plaintiffs, the respondents should be ordered to compensate the class members, and to reimburse in full the damages they incurred with respect to excess premiums which have been paid and are still being paid with respect to motor insurance, due to the dramatic reduction of their use of vehicles during the period of COVID-19, and the significant reduction of the risk level.	Compensation of the class members, full reimbursement of the damages they incurred, issuance of a mandamus order instructing an adjustment of collection according to the risk which was actually applicable to the respondents during the effective period and/or issuance of a declaratory ruling determining that a significant reduction of the use of the vehicle in circumstances such as the events occurring during the effective period require an adjustment (reduction) of premiums.	Anyone who was a policyholder of one or more of the respondents in compulsory insurance and/or comprehensive insurance and/or third party insurance, during all or part of the period beginning on March 8, 2020 and ending on the date of the full and absolute lifting of the restrictions on movement which were imposed on the residents of Israel due to the coronavirus.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	The plaintiffs estimate the alleged damage against Clal Insurance, with respect to the period from March 8, 2020 to April 30, 2020, at a total of NIS 103 million, and for all of the respondents together, at a total of approximately NIS 1.2 billion. The petitioners noted that the damage continues accumulating so long as the collection has not been discontinued.

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.	4/2020 District Court Tel Aviv	Clal Insurance and 12 additional insurance companies	According to the plaintiffs, the respondents should be ordered to reimburse to their policyholders some of the premiums which were paid to them with respect to the significant decrease in risk due to the coronavirus (COVID-19) pandemic, in compulsory motor policies, comprehensive or third party motor property policies, and theft of apartment contents policies.	Ordering each of the respondents to reimburse the premiums which were overcollected by them due to the decreased risk associated with the insurance policies which form the subject of the motion to approve and of the class action, and reimbursement of any additional amount which will be collected by them from the filing of the motion to approve until its approval by the Court and/or until the lifting of the restrictions on movement and activity, whichever is earlier, such that the risk level returns to its level prior to the change in circumstances which led to the decreased risk, as stated above.	Anyone who entered into a contract with Clal Insurance for compulsory motor insurance and/or comprehensive motor insurance and/or third party motor insurance and/or apartment contents insurance, and who, as of the effective date for the filing of the motion to approve and of the class action, i.e., as of March 19, 2020, held one or more of the aforementioned insurance policies, and who, in light of the decrease in risk associated with each of the aforementioned policies, did not receive from Clal Insurance actual reimbursement and/or did not receive notice of future reimbursement and/or crediting with respect to premiums which they overpaid, due to the decreased risk, as specified in the motion to approve.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.[8]	The plaintiffs estimate the alleged damage against Clal Insurance, with respect to a period of one month, beginning on March 19, 2020, at a total of approximately NIS 76 million, and for all of the respondents together, at a total of approximately NIS 886 million.

[8] For details regarding an additional monetary claim and a motion to approve it as a class action, which were filed Clal Insurance and against 11 additional insurance companies, with similar assertions regarding compulsory motor, comprehensive motor property, or third party insurance, see section (a)(a2)(27) above.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
29.	4/2020 District Court Haifa	Clal Insurance and 6 additional insurance companies	The plaintiffs contend that the respondents should be ordered to compensate the class members, and to reimburse all of their damages in the form of excess premiums which were paid and are still being paid with respect to comprehensive insurance for businesses (including stores, offices, workshops, plants, shopping malls, hotels, restaurants, cinemas, sports facilities, etc.), due to the dramatic decrease in the activity of those businesses due to the government's decisions to reduce activity in light of the coronavirus (COVID-19) pandemic, and the correspondingly significant decrease in the risk level to which the respondents are exposed.	Compensation of the class members, full reimbursement of the damages they incurred, issuance of a mandamus order instructing an adjustment of collection according to the risk which was actually applicable to the respondents during the effective period and/or issuance of a declaratory ruling stating that the significant decrease in the activity of the businesses, in circumstances such as the events during the effective period, requires an adjustment (reduction) of premiums.	Anyone who was a policyholder of one or more of the respondents, in business insurance which includes employers' liability insurance and/or third party insurance, during the period from March 15, 2020 until the full and absolute lifting of the restrictions which were imposed on the residents of Israel due to the coronavirus pandemic.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	The plaintiffs estimate the alleged damage against Clal Insurance, with respect to the period from March 15, 2020 to April 30, 2020, at a total of NIS 12.14 million, and for all of the respondents together, at a total of approximately NIS 81.37 billion. The petitioners noted that the damage continues accumulating so long as the collection has not been discontinued.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
30.	4/2020 District Court Center	Clal Insurance and 4 additional insurance companies	The plaintiffs contend that the defendants allegedly provide their customers with alternative windshields, which are not original, and not standard-compliant, in breach of their undertakings towards their customers according to their agreements with them.	To order, for all clients in whose vehicles an alternative windshield has been installed, monetary compensation which will allow them to replace the windshield that was installed in their vehicle, with an original windshield; To order damages in the amount of NIS 500 for each of these customers, with respect to the hassle involved in making the replacement; And to reimburse, to the entire class of customers who held in the past or currently hold a policy which includes coverage for windshield breakage, the value of the savings which the respondents saved in their engagement with windshield installers, who were allowed to install alternative windshields which were not standard-compliant, and not original.	Any customer of the defendants who held or currently holds a letter or coverage which includes an undertaking by any of them to provide the customer with an alternative standard-compliant windshield, or original windshield, as well as any customer of the defendants who held or currently holds a letter or coverage which includes an undertaking by any of them to provide the customer with an alternative standard-compliant windshield, or original windshield, who received a windshield which was neither standard-compliant nor original.	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 total damage claimed for all of the class members which they wish to represent; however, they estimate that it significantly exceeds a total of NIS 2.5 million.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
31.	7/2020 District Court Center	Clal Insurance and 4 additional insurance companies	The plaintiffs contend that the defendants allegedly do not reduce the insurance premiums for policyholders for whom exclusions have been established due to a pre-existing medical condition, despite the fact that the exclusions allegedly reduce the insurance risk relative to the risk in insurance policies of policyholders for whom similar exclusions have not been established.	The remedy requested by the plaintiffs is compensation/reimbursement of all of the amounts which were allegedly overcollected from the policyholders who are included in the class, plus duly calculated linkage differentials and interest, as well as a mandamus order instructing the defendants to change their conduct.	Anyone who was insured during the period beginning 7 years prior to the filing date of this claim, and ending on the approval date of the claim as a class action, by one or more of the defendants, in insurance policies of the following types: disability, long-term care, life, loss of working capacity, personal accidents or health (including critical illness, surgeries in Israel or abroad, implants in Israel or abroad, drugs, ambulatory treatments, or any other medical coverage), in which the policy has an exclusion. For this purpose, "**exclusion**" means any stipulation in the policy which determines that an event / injury / illness or any risk which has materialized and/or is related to a pre-existing medical condition of the policyholder on the date the policy was purchased, is not covered under the policy.	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 for all of the class members, with respect to all of the defendants, at a total of NIS 1.9 billion, while stating that the share of each of the defendants is in accordance with the market segment of health and life insurance, according to the publications issued by the Commissioner of Capital Markets.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
32.	7/2020 District Court Center	Clal Insurance	The plaintiffs contend that Clal Insurance unlawfully applies, when settling long-term care insurance claims, an exclusion to the insurer's responsibility. The exclusion establishes that in case the policyholder had a medical defect which was diagnosed and documented during the first 12 months of their life, they will be denied long-term care insurance benefits (hereinafter: the "**Exclusion Clause**"). The plaintiffs contend that Clal Insurance adopted an interpretation according to which it comprehensively rejects claims for long-term care insurance benefits for people who meet the conditions for receiving an annuity, when according to its position, the entitled individual had a medical defect during the first 12 months of life, even if the defect was not diagnosed or documented, in breach of the wording of the policy. The plaintiffs further contend that it was inappropriate from the outset to include a section in the policy which comprehensively and absolutely excludes, from the entitlement to receive long-term care insurance benefits, babies who were born with a medical defect which was diagnosed in their first year of life	The remedy claimed by the plaintiffs is declaratory relief ordering the calculation of the exclusion clause, or alternatively to declare that Clal Insurance's interpretation of the provisions of the exclusion clause, according to which it is permitted, by virtue of that clause, to exclude from entitlement to an annuity also minors who were not diagnosed, in a documented medical diagnosis, before reaching 12 months of age, is invalid. The plaintiffs are also claiming damages for the class members with respect to all of the monetary and non-monetary damages which they incurred, plus duly calculated interest and linkage.	All holders of long-term care insurance policies of Clal Insurance who meet the conditions for the receipt of a long-term care insurance annuity, who were rejected based on the exclusion clause due to a birth defect, or birth illness, or illness which was diagnosed in the first year of life; Including: Group A - anyone who underwent an insurance event, and whose claim was rejected based on the grounds that symptoms existed in their first year of life which could have led to a documented diagnosis in their first 12 months of life, and anyone who was entitled to receive the annuity, but in light of the aforementioned policy of Clal Insurance, did not submit a request to receive it; Group B - anyone who underwent an insurance event, and whose claim was rejected based on the existence of a documented diagnosis in their first 12 months of life, and anyone who was entitled to receive the annuity, but in light of the existence of the aforementioned diagnosis, did not submit a request to receive it.	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 specified a total sum of damages for all of the class members, but estimate it at a total exceeding NIS 2.5 million.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
33.	8/2020 District Court Jerusalem	Clal Insurance and the Nativ Pension Fund Retiree Association - Southern and Central Regions (hereinafter: the "**Association**").	The plaintiffs contend that Clal Insurance unilaterally and immorally canceled the collective life insurance policy which it had sold to the association (hereinafter: the "**Policy**"), without notifying the policyholders of the desire to cancel and/or extend the policy, in breach of its legal obligation.	The remedy requested by the plaintiff is, inter alia, to order Clal Insurance to pay to restore the policy, or alternatively, to pay to the beneficiaries of the class members the entire amount of premiums which were collected from them with respect to the policy over the years when they were insured, plus duly calculated interest and linkage. The petitioner also requests to order Clal Insurance to pay all of the policyholders with respect to the harm to their consumer autonomy.	Anyone who was insured by Clal Insurance in a policy which was canceled on May 1, 2014.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. It is noted, in connection with the policy, that a previous motion to approve a claim as a class action was filed against Clal Insurance (on this matter, see Note 7a(a1)(9) above (hereinafter: the "**Previous Claim**"). Accordingly, based on the Company's preliminary assessment, the requested remedies in the claim overlap, to a certain degree, with the remedies which were requested in the previous claim.	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 33 million, of which a total of NIS 3 million is with respect to non-monetary damages.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until its signing[9].

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1	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.	In April 2020, the Court approved the motion to withdraw from the proceedings.	The claim does not include calculation of the aggregate damage incurred by the class members; however, this amount was estimated as exceeding NIS 2.5 million.

[9] This section includes details regarding claims which concluded during the reporting year, and which were not reported in the financial statements for 2019, 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 follow-up 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	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.	In May 2020, a ruling was given in which the District Court dismissed 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.)

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.	11/2019 Regional Labor Court of 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.	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 contractual agreements.	At the request of the petitioners in the claim, as specified in Note 7(a)(a2)(23), and in light of the fact that the amounts which were claimed in this claim overlap, to a certain degree, with the amounts which were claimed in the claim specified in Note 7(a)(a2)(23), in June 2020, the claim was struck out.	Approximately NIS 22 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
4.	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. 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. In December 2019, the National Labor Court issued a ruling determining that the appeal of Clal Insurance and the additional insurance companies was accepted, and accordingly, the decision to approve was canceled. After the summary dismissal of the petition which the petitioners filed with the Supreme Court, in July 2020 the petitioners filed an additional motion for a hearing before the High Court of Justice, regarding which a decision has not yet been reached.	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.)

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

1. In addition to the material class actions which are described in Note 7(a)(a1), the pending motions for the approval of class action status for material claims, as described in Note 7(a)(a2), and the motions to approve class action status for material claims which were withdrawn during the reporting period, as described in Note 7(a)(a3), there are pending against the Company and/or its subsidiaries motions to approve class actions which, according to the Company's estimate, are immaterial[10], and regarding which a detailed description was therefore not included in the financial statements. As of the reporting date, 20 claims of this kind are being conducted against the Company and/or its subsidiaries, where the total amount specified by the plaintiffs in the aforementioned claims amounts to approximately NIS 475 million[11].

2. In addition to the aforementioned legal proceedings, from time to time, potential exposures exist which, at this stage, cannot be estimated or quantified, with respect to commercial disputes or alerts regarding the intention to file claims, including class actions and derivative claims, on certain matters, or legal proceedings and specific petitions which may in the future develop into claims, including 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 and affect the relationship between the Group's member companies and the customer and/or the relationship between the Company and third parties, including reinsurers.

   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.

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[10] See Note 1 above regarding the significance threshold.

[11] 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 which was claimed and included in the calculation 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, one claim in which the claim amount was not specified, although the plaintiff noted that it was subject to the subject-matter jurisdiction of the District Court, 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.)

2. (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.

The complexity and changes described above 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.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

2. (Cont.)

The entry into effect of the Control of 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 have been made since the application date of the regulations. In the short term, as reflected in the market and in the Group's institutional entities, delays were caused in the fund intake process, as well as delays 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 process of implementing the treatment of this issue in the systems of the Group's institutional entities resulted, during the reporting year, in a significant improvement in the treatment of the pension monies which were received by the Company from employers, within the framework of the circular regarding the method of depositing payments and accepting them in the systems of institutional entities. The Group's institutional entities are still in the process of implementing and handling the issues which come up during the implementation of the circular regarding the payment deposit method, and are working to reduce the aforementioned gaps, including by improving the automation system and the workflows. 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 was implemented during the reporting year. Clal Insurance is reporting the progress on the implementation of the plan to the Authority.

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, 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.

Note 7: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

2. (Cont.)

There is also exposure, which at this stage cannot be estimated or quantified, to changes and to significant regulatory intervention in the various insurance and savings segments, including, inter alia, those which are intended for the direct or indirect reduction of premiums and management fees, the intervention in sale processes, including different use of various regulatory tools, which may affect the process of engagement, the structure of engagement and the reciprocal relationships between institutional entities, agents, employers and customers, in a manner which could affect loads, operating expenses and profitability, 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 Commissioner's increasing through audits, handling of 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 in operative directives which are given as part of audit reports. For additional details regarding industry-wide determinations and position papers, see section D below.

On this matter, it is noted that in November 2016, an amendment was published to the circular regarding the investigation and settlement of claims and the handling of public appeals, according to which, in cases where the public inquiry indicates a systemic and significant deficiency, which may be repeated, in the conduct of an institutional entity, the institutional entity must work to identify similar cases in which a similar deficiency took place, and insofar as similar cases are identified - it must conduct a lesson learning process, and rectify the defects within a reasonable period of time, and submit a report on the matter to the Commissioner once per year. This amendment may expand the Group's exposure to the broad implications with respect to such deficiencies, and 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.

Note 7: Contingent Liabilities and Claims (Cont.)

B. Pending material claims which are not in the ordinary course of business

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

1. Clal Insurance engaged, from January 2004 to June 2013, with Hadassah Medical Organization (hereinafter: "**Hadassah**"), in a renewing annual agreement with respect to second layer professional liability insurance, providing insurance coverage for claims in an amount exceeding the self insurance amount, which was given by Hadassah (hereinafter: the "**First Layer**"). The liability limit which was given by Clal Insurance in the second layer was changed over the insurance years, where the insurance liability in the last insurance period, which began in January 2012 and concluded in June 2013, was with respect to a claim whose amount was over approximately NIS 8.8 million, and up to a total of approximately NIS 18 million per event and approximately NIS 36 million for all policyholders with respect to that insurance period (the aforementioned amounts are linked to the consumer price index from January 1, 2012). In February 2014, Hadassah filed with the District Court of Jerusalem a motion to issue a stay of proceedings and for the appointment of a trustee for the purpose of formulating a recovery plan and creditors' settlement in accordance with sections 350b(d)(1) and 350(d) of the Companies Law (hereinafter: the "**Motion**"). As part of the proceedings which were conducted within the framework of the motion, claims were heard alleging that the insurance companies which provided professional liability insurance to Hadassah, including Clal Insurance, should bear the monetary costs which may be imposed in the first layer, beyond the amount of the designated deposit which Hadassah deposited for this purpose, in case Hadassah does not pay the claims itself. Clal Insurance clarified to the trustee that its position is different, and that it is responsible for the second layer only. 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. Pending material claims which are not in the ordinary course of business (Cont.)

B2. Claims which have not yet developed into the filing of immaterial derivative claims

In August 2020, a motion for disclosure and review of documents was filed with the District Court of Tel Aviv-Yafo, pursuant to section 198A of the Companies Law, 1989 (the "**Companies Law**"), against the Company (the "**Motion**"), for the purpose of evaluating the possibility of filing a motion to approve a derivative claim against the Company's directors. In accordance with the Court's decision, the Company is required to respond to the motion.

The motion was filed due to the letter of the Commissioner of Capital Markets, Insurance and Savings ("the "**Commissioner**") to the Company, dated July 13, 2020 (which the Company published on July 14, 2020, reference number 2020-01-067546), in which the Commissioner raised, inter alia, assertions regarding the non-transfer of the consideration for the issuance which was performed by the Company in December 2019 (the "**Capital Injection**") to Clal Insurance, in accordance with its undertakings in the shelf offering report, to use the issuance consideration to finance its operating activities, as will be determined by the Company from time to time, and in accordance with the instructions of its Board of Directors, and including for the purpose of strengthening the capital of Clal Insurance. According to the Commissioner, prior to the raising, he was given representations which created the (express or implied) impression that the issuance consideration was indeed intended for the purpose of strengthening the capital of Clal Insurance. The Commissioner also believes that the activity of Clal Holdings' Board of Directors, including by not injecting the funds from the aforementioned raising to Clal Insurance, may, according to his position, violate the intent of the Control of Financial Services (Insurance) Law, 1981, including maintaining the insurer's stability and proper management, and therefore may also affect the permit for control of Clal Insurance. For additional details regarding the outline of the permit for control of Clal Insurance, see Note 1.

The petitioner, a shareholder in the Company, stated in the motion that he had contacted the Company's Chairman of the Board on July 16, 2020, with a preliminary notice before filing a derivative claim in accordance with section 194(b) of the Companies Law, and with a demand for disclosure of documents, for the purpose of evaluating the possibility of filing of a derivative claim against the Company's directors, with respect to damages which had been allegedly been caused by the members of the Company's board to the Company, when reaching the decision to refrain from injecting the capital into Clal Insurance, and that the Board members had breached their duties pursuant to corporate laws, and had thereby prejudiced the Company and Clal Insurance, and that they had passed resolutions which resulted in significant losses for Clal Insurance. The petitioner further stated, based on the resolution of the Board of Directors of Clal Insurance dated July 21, 2020 (which was published in an immediate report dated July 22, 2020, reference number 2020-01-071191), with respect to the use of the issuance consideration during the "interim period" (in other words, until the use of the issuance consideration in the manner described in the shelf offering report, and in accordance with the shelf prospectus), that it appears that the Company does not intend to inject the capital into Clal Insurance, which is why, according to the petitioner, the petitioner's demand towards the Company dated July 16, 2020, was rejected.

The petitioner asserts that the failure to inject capital is causing damage in an amount which, at this stage, is very difficult to estimate, and claims direct damage of NIS 10 million for the Company (with respect to the cost of the interest to the debenture holders of Clalbit Finance Ltd., a subsidiary of Clal Insurance, during the period since the date of the capital raising). The Company intends to hold discussions with the Commissioner in connection with his foregoing position.

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, 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[12].

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	7	2,214
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[13]	2	-
4. Annual amount specified (and accordingly, the total amount is period-dependent)[14]	1	107
B. Pending motions to approve claims as class actions		
1. Amount pertaining to the Company specified [15]	34	7,911
2. The claim was filed against a number of entities, with no specific amount attributed to the Company.[16]	7	6,101
3. Claim amount not specified / possible range specified /[17]	13	-
4. Annual amount specified (and accordingly, the total amount is period-dependent)[18]	1	7

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 40 million (a total of approximately NIS 61 million as of December 31, 2019). The causes of action claimed against the Company and/or the consolidated companies in these proceedings are multiple and varied.

[12] 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 Atudot, as specified in section (a)(a2)(7), and do not take into account the motion for disclosure of documents for the purpose of evaluating the possibility of filing a derivative claim, as specified in Note 7(b)(2).

[13] These claims include one claim which was estimated at hundreds of millions of NIS.

[14] 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.

[15] These claims include one claim in which the petitioners estimated the alleged damage against Clal Insurance, with respect to the period from March 8, 2020 until April 30, 2020, at a total of NIS 103 million, and stated that the damage continues accumulating so long as the collection has not been discontinued, and one claim in which the petitioners estimates the alleged damage against Clal Insurance, with respect to the period from March 15, 2020 to April 30, 2020, at a total of NIS 12.14 million, and stated that the damage continues accumulating so long as the collection has not been discontinued.

[16] Includes one claim in which Clal Insurance is a formal defendant and no remedies are requested against it, and one claim in which a total of approximately NIS 1,413 million is attributed to the Company, and an additional total of approximately NIS 1,507 million was not attributed to the Company.

[17] 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, three motions which were estimated at tens of millions of NIS, one motion in which the claim amount was not specified, although the plaintiff stated that it is subject to the subject-matter jurisdiction of the District Court, and two motions in which the plaintiffs did not quantify the total damage, but estimated that it exceeds / greatly exceeds a total of NIS 2.5 million.

[18] The motion was filed in March 2020. The plaintiff contends that prescription of any kind whatsoever should not be applied to the claim. Alternatively, the claim for monetary remedies applies beginning from 7 years before the filing of the claim, until the approval of the claim as a class action.

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.

Note 7: Contingent Liabilities and Claims (Cont.)

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

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

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

2. The Company held discussions with the Commissioner in the past, 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 for the Company's response. 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, 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. In accordance with the Commissioner's demand, Atudot responded separately on this matter, though even after Atudot's response, the Commissioner's position did not change. Atudot contacted the Commissioner again, and presented to him additional data supporting its position, and is awaiting his response. 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 official report has been received, Atudot is unable to estimate the impact of the draft report.

Note 7: Contingent Liabilities and Claims (Cont.)

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 for the claims specified in sections (a)(a2)(26), (a)(a2)(27), (a)(a2)(28), (a)(a2)(29), (a)(a2)(30), (a)(a2)(31), (a)(a2)(32), and (a)(a2)(33), or the motion specified in section b(b2).

The provision which is included in the financial statements as of June 30, 2020, 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 142 million (a total of approximately NIS 146 million as of December 31, 2019).

Note 8: Additional Events During and After the Reporting Period

A. Events after the reporting date

During the period after the reporting date and until the publication date of the report, significant increases were recorded in capital markets, which positively affected the Company's nostro portfolio and the investment portfolio of profit-sharing policies, which affect the financial margin and the management fees which the Company is entitled to collect from its policyholders.

This increase offset the sharp declines during the reporting period, such that, during the period after the balance sheet date and proximate to its approval, investment gains were recorded in the amount of approximately NIS 350 million before tax in the nostro portfolio.

Proximate to the publication date of the financial statements, total assets managed by the Group of savings in investment-linked policies, in pension funds and in the provident fund segment which it manages, increased to approximately 3%, relative to the end of the first quarter of 2020.

The aforementioned increases in financial markets resulted in a decrease of the estimated variable management fees which the Company will not be able to collect until positive real returns have been achieved to cover the debt of management fees with respect to the investment losses which accrued in favor of policyholders, such that the estimate of the aforementioned variable management fees fell from a total of approximately NIS 300 million as of June 30, 2020, to a total of approximately NIS 100 million before tax.

At this stage, it is not possible to estimate the implications of the increases in the financial markets on the results for the third quarter of 2020, or on the economic solvency ratio, inter alia, with reference to the continued developments in financial markets until the end of the third quarter of 2020, and the above does not constitute any estimate regarding the Company's expected financial results for 2020.

For additional details, see Note 1(c) above.

B. Actuarial estimates

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

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

   During the reporting period, changes occurred in the risk-free interest rate curve and in the estimated rate of return in the portfolio of assets held against insurance liabilities. In light of the foregoing, the actuary of Clal Insurance updated the interest rates on free assets which are used to discount the reserves to supplement annuity reserves and paid pension reserves.

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

   Further to that stated in Note 39(e)e1(a)3(b) to the annual statements, the Company evaluates, on a quarterly basis, 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.

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

B. Actuarial estimates (Cont.)

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

During the reporting period, due to the decrease of the risk-free interest rate curve, the existence of debt in management fees with respect to the investment losses which accrued for policyholders, and due to the reduced scope of managed assets for those policies, in light of the coronavirus crisis (see Note 1(c)(2)(a)), the forecast of management fees / financial margin decreased. As a result, the Company updated the K factor as specified in the following table:

	As of June 30		As of March 31		As of December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
For guaranteed-return policies	0.0%	0.0%	0.0%	0.0%	0.0%
For investment-linked policies	0.65%	0.88%	0.66%	0.96%	0.73%

3. Provisions of the consolidated circular regarding the measurement of liabilities - liability adequacy test (LAT) (hereinafter: the "LAT Circular")

Further to that stated in Note 3(d)1(d) and in Note 39(e)e1(d)1(a) to the annual financial statements, the Company periodically evaluates the liability adequacy test (LAT) in accordance with the LAT circular. It is noted that the following updates and clarifications were published regarding the LAT circular during the reporting period:

A. Grouping of life insurance and long-term care insurance products (see Note 2(d)) which are in effect, beginning with the financial statements as of March 31, 2020.
B. Clarification regarding the allocation of the fair value of assets.
C. A part of the illiquidity premium in individual long-term care, compulsory motor and liabilities insurance products, is in effect beginning on June 30, 2020, and its initial adoption was implemented through a prospective change in estimate - the amendment updated the illiquidity premium rate which can be added, both for the purpose of the assumed returns, and for the purpose of the assumed discount rate for individual long-term care insurance, compulsory motor and liabilities insurance policies, outside of the annuity period, to a rate of 80%, instead of the rate of 50%, which applied until now. This update resulted in a decrease in the amount of approximately NIS 132 million, before tax, in the six and three month periods ended June 30, 2020, due to the provision with respect to the liability adequacy test (LAT) in long-term care insurance liabilities.

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

B. Actuarial estimates (Cont.)

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

The impact on the financial results is specified below:

	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2020	2019 2)	2020	2019 2)	2019 2)
NIS in millions	Unaudited				Audited
Life insurance					
Change in the discount interest rate which was used to calculate the liability to supplement annuity and paid pension reserves	**19**	(16)	**63**	11	(26)
Change in pension reserves following the decreased forecast of future income (K factor)	**(154)**	(87)	**(20)**	(87)	(805)
Total effect of interest rate changes on the liability to supplement the annuity and paid pension reserves	**(135)**	(103)	**43**	(76)	(831)
Change in mortality assumptions used in the calculation of paid pension liabilities and liabilities to supplement annuity reserves 1)	-	(353)	-	(353)	(353)
Change to other assumptions in the calculation of the liability to supplement the annuity reserve 1)	-	120	-	120	762
Total life insurance 2)	**(135)**	(336)	**43**	(309)	(422)
Long-term care in the health segment - Liability adequacy test (LAT) 3)	**204**	(25)	**(54)**	11	(537)
Total income (loss) before tax	**69**	(361)	**(11)**	(298)	(959)

1. **Change in mortality assumptions and change in other assumptions**
   For details regarding the change in mortality assumptions in the calculation of paid pension liabilities and in the supplementation of the annuity reserve, and changes in other assumptions regarding the calculation of the liability to supplement the annuity reserve, see Note 43(a) to the annual financial statements.
2. **Retrospective adoption of the consolidated circular regarding the measurement of liabilities - liability adequacy test**
   The comprehensive income in 2019 and in the corresponding periods last year was restated due to the retrospective adoption of the consolidated circular regarding the measurement of liabilities - liability adequacy test, which stipulates that the liability adequacy test will be calculated by grouping life insurance products into a single insurance portfolio, instead of calculating the liability adequacy test for each life insurance product separately. For additional details, see Note 2(d) regarding retrospective adoption.
3. A decrease of the provision in health insurance in the amount of approximately NIS 249 million during the reporting period, due to assets which were previously attributed to the life insurance segment, and for which there is an excess of fair value above their book value. For additional details, see also Note 2(d) regarding the interest rate sensitivity. Additionally, in light of the update to the illiquidity premium, there was a decrease in the amount of approximately NIS 132 million before tax in the six and three month periods ended June 30. For additional details, see also Note 3(c) above.

For details regarding developments after the reporting date, see section A above.

C. Rating

Further to Note 25(d) to the annual financial statements, the Company hereby reports 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, on June 17, 2020, a rating report which kept the current insurance financial strength (IFS) rating (Aa1) of Clal Insurance, as well as the current rating (Aa2) (hyb) of the deferred liability notes (Series A), and the current rating (Aa3) (hyb) of the deferred liability notes (Series C, I, J and K). The rating outlook was changed from stable to negative.

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

D. Conclusion of Danny Naveh's tenure as Chairman of the Board

On June 14, 2020, Mr. Danny Naveh announced that he did not intend to renew his tenure in any or all of the coming meetings of the Company and of Clal Insurance, and specified the circumstances which led to that decision. On June 30, 2020, Mr. Danny Naveh requested the Company's Board of Directors and the Board of Directors of Clal Insurance (the "Companies") to terminate immediately the engagement between him and the companies with respect to his tenure as the Chairman of the Board, and accordingly, to conclude his tenure as a director as well, and specified the circumstances which led to his request.

The boards of directors of the Company and of Clal Insurance resolved to accept his request, following the approval of the financial statements for the second quarter of 2020, provided that a solution is found for the minimum required number of directors serving on the Board of Directors of Clal Insurance.

Further to the above, and in accordance with the Commissioner's approval, on July 20, 2020 the Board of Directors of Clal Insurance passed a resolution to appoint Mr. Dror Barzilay, who serves, inter alia, as an independent director in Clal Pension and Provident Funds and in Atudot, also as an outside director in Clal Insurance, beginning from the termination date of Mr. Danny Naveh's tenure. Mr. Danny Naveh discontinued serving as the Chairman of the Board and as a director in the Company on August 20, 2020.

In light of the foregoing, and as part of the contractual agreement with Mr. Danny Naveh, he will receive payment "instead of advance notice" with respect to the remaining period from the foregoing conclusion date of his tenure, until December 13, 2020, as well as additional payments which are owed to him in accordance with the aforementioned contractual agreement. For additional details regarding the terms of the engagement with the Chairman of the Board, see Note 40 to the annual report. For additional details in connection with the circumstances which preceded Mr. Danny Naveh's announcements, see Note 1 to the financial statements.

E. Use of the issuance funds in the Company

Further to that stated in Note 16(d)(2) to the annual report, regarding the issuance which was performed by the Company, after the reporting period, in accordance with a resolution of the Company's Investment Committee and Board of Directors, it was decided that a total of approximately NIS 200 million out of the aforementioned issuance consideration, which amounted to a total of approximately NIS 633 million, would be invested during the period after the reporting date, in marketable securities, according to a mix which will be determined from time to time by the Company's investment committee, in a manner whereby at least 75% of the aforementioned total will be invested in debt assets, and up to 25% will be invested in stocks, according to the mix and method which will be determined, from time to time, by the Board of Directors and/or the Investment Committee, as applicable. The issuance consideration balance will continue being managed in bank deposits in accordance with a policy which will be determined from time to time by the Board of Directors and/or by the Investment Committee.

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

1. Assets for investment-linked contracts

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

	As of June 30		As of
	2020	2019	2019
NIS in thousands	Unaudited		Audited
Investment property *)	**3,139,259**	2,970,333	3,097,370
Financial investments:			
Marketable debt assets	**24,831,488**	26,153,019	26,869,855
Non-marketable debt assets	**6,278,439**	6,269,106	6,558,458
Stocks	**14,337,197**	12,179,563	13,948,919
Other financial investments	**15,178,324**	14,423,314	15,020,229
Total financial investments *)	**60,625,448**	59,025,002	62,397,461
Cash and cash equivalents	**5,294,621**	5,179,373	6,554,645
Other **)	**862,624**	801,110	764,130
Total assets for investment-linked contracts	**69,921,952**	67,975,818	72,813,606

*) Presented at fair value through profit and loss.

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

2. Details of other financial investments

	As of June 30, 2020			
	Fair value through profit	Available for sale	Loans and receivables	Total
NIS in thousands	Unaudited			
Marketable debt assets (a)	**44,818**	**5,181,047**	**-**	**5,225,865**
Non-marketable debt assets (b)	**2,605**	**-**	**22,227,573**	**22,230,178**
Stocks (c)	**-**	**1,346,939**	**-**	**1,346,939**
Others (d)	**331,480**	**2,710,911**	**-**	**3,042,391**
Total other financial investments	**378,903**	**9,238,897**	**22,227,573**	**31,845,373**

	As of June 30, 2019			
	Fair value through profit	Available for sale	Loans and receivables	Total
NIS in thousands	Unaudited			
Marketable debt assets (a)	95,239	5,303,542	-	5,398,781
Non-marketable debt assets (b)	3,187	-	22,107,295	22,110,482
Stocks (c)	-	1,483,275	-	1,483,275
Others (d)	150,530	2,483,586	-	2,634,116
Total other financial investments	248,956	9,270,403	22,107,295	31,626,654

	As of December 31, 2019			
	Fair value through profit	Available for sale	Loans and receivables	Total
NIS in thousands	Audited			
Marketable debt assets (a)	86,755	5,848,653	-	5,935,408
Non-marketable debt assets (b)	2,854	-	22,467,002	22,469,856
Stocks (c)	-	1,357,640	-	1,357,640
Others (d)	237,670	2,360,844	-	2,598,514
Total other financial investments	327,279	9,567,137	22,467,002	32,361,418

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

2. Details of other financial investments (Cont.)

A. Marketable debt assets - composition

	As of June 30, 2020	
	Book value	Amortized cost 1)
NIS in thousands	Unaudited	
Government bonds	**2,792,437**	**2,559,831**
Other debt assets		
Other non-convertible debt assets	**2,433,428**	**2,460,753**
Total marketable debt assets	**5,225,865**	**5,020,584**
Impairment applied to income statement (cumulative)	**167**	

	As of June 30, 2019	
	Book value	Amortized cost 1)
NIS in thousands	Unaudited	
Government bonds	3,282,728	3,172,676
Other debt assets		
Other non-convertible debt assets	2,116,053	2,058,471
Total marketable debt assets	5,398,781	5,231,147
Impairment applied to income statement (cumulative)	8,912	

	As of December 31, 2019	
	Book value	Amortized cost 1)
NIS in thousands	Audited	
Government bonds	3,691,097	3,420,760
Other debt assets		
Other non-convertible debt assets	2,244,311	2,172,014
Total marketable debt assets	5,935,408	5,592,774
Impairment applied to income statement (cumulative)	5,622	

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

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

2. Details of other financial investments (Cont.)

B. Non-marketable debt assets - composition *)

	As of June 30, 2020	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**16,304,863**	**27,198,130**
Other non-convertible debt assets, excluding deposits in banks	**5,208,427**	**5,716,460**
Deposits in banks	**716,888**	**823,532**
Total non-marketable debt assets	**22,230,178**	**33,738,122**
Impairment applied to income statement (cumulative)	**86,089**	

	As of June 30, 2019	
	Book value	Fair value
NIS in thousands	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	16,019,011	23,689,159
Other non-convertible debt assets, excluding deposits in banks	5,335,380	5,984,869
Deposits in banks	756,091	871,686
Total non-marketable debt assets	22,110,482	30,545,714
Impairment applied to income statement (cumulative)	80,610	

	As of December 31, 2019	
	Book value	Fair value
NIS in thousands	Audited	
Government bonds		
HETZ bonds and treasury deposits	16,295,186	27,021,152
Other non-convertible debt assets, excluding deposits in banks	5,438,395	6,221,522
Deposits in banks	736,275	864,354
Total non-marketable debt assets	22,469,856	34,107,028
Impairment applied to income statement (cumulative)	80,244	

*) The fair value of designated bonds was calculated according to the 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 June 30, 2020	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable stocks	**991,023**	**1,069,637**
Non-marketable stocks	**355,916**	**385,781**
Total stocks	**1,346,939**	**1,455,418**
Impairment applied to income statement (cumulative)	**199,218**	

	As of June 30, 2019	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable stocks	1,189,859	1,083,953
Non-marketable stocks	293,416	315,874
Total stocks	1,483,275	1,399,827
Impairment applied to income statement (cumulative)	141,317	

	As of December 31, 2019	
	Book value	Cost
NIS in thousands	Audited	
Marketable stocks	1,038,662	917,490
Non-marketable stocks	318,978	348,772
Total stocks	1,357,640	1,266,262
Impairment applied to income statement (cumulative)	112,468	

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

2. Details of other financial investments (Cont.)

D. Other financial investments [1)]

	As of June 30, 2020	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	**968,106**	**990,727**
Non-marketable financial investments	**2,074,285**	**1,600,441**
Total other financial investments	**3,042,391**	**2,591,168**
Impairment applied to income statement (cumulative)	**74,627**	

	As of June 30, 2019	
	Book value	Cost
NIS in thousands	Unaudited	
Marketable financial investments	909,372	843,009
Non-marketable financial investments	1,724,744	1,344,480
Total other financial investments	2,634,116	2,187,489
Impairment applied to income statement (cumulative)	81,421	

	As of December 31, 2019	
	Book value	Cost
NIS in thousands	Audited	
Marketable financial investments	721,790	704,780
Non-marketable financial investments	1,876,724	1,380,780
Total other financial investments	2,598,514	2,085,560
Impairment applied to income statement (cumulative)	46,187	

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

Table of Contents

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Attn.:

Shareholders of Clal Insurance Enterprises Holdings Ltd.

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

Introduction

We have reviewed the separate interim financial information which is presented pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 for Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") as of June 30, 2020, and for the periods of six and three months then ended. The Company's Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express a conclusion with respect to the separate financial information for these interim periods, based on our review.

Scope of the Review

We have conducted our review in accordance with Review Standard (Israel) 2410 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,	Somekh Chaikin	Kost Forer Gabbay and Kasierer
August 20, 2020	Certified Public Accountants	Certified Public Accountants

Joint Auditors

Interim Data Regarding the Financial Position

	As of June 30		As of December 31
	2020	2019	2019
NIS in thousands	Unaudited		Audited
Assets			
Investments in investee companies	**4,717,441**	5,149,449 *)	5,025,240
Loans and balances of investee companies	**-**	14	14
Other accounts receivable	**177**	34	117
Other financial investments:			
Marketable debt assets	**-**	14,949	-
Stocks	**76**	131	117
Others	**19**	37	42
Total other financial investments	**95**	15,117	159
Cash and cash equivalents	**641,155**	32,039	677,535
Total assets	**5,358,868**	5,196,653	5,703,065
Capital			
Share capital	**155,448**	143,382	155,448
Premium on shares	**1,638,693**	1,012,503	1,636,478
Capital reserves	**635,248**	741,477	817,419
Retained earnings	**2,923,410**	3,293,572 *)	3,088,161 *)
Total capital	**5,352,799**	5,190,934	5,697,506
Liabilities			
Other accounts payable	**6,019**	5,532	5,559
Balances of investee companies	**50**	187	-
Total liabilities	**6,069**	5,719	5,559
Total capital and liabilities	**5,358,868**	5,196,653	5,703,065

*) Adopted retrospectively, see Note 2(d) to the consolidated financial statements.

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

August 20, 2020				
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 six months ended June 30		For the period of six months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
NIS in thousands	Unaudited				Audited
Company's share in the income (loss) of investee companies, net of tax	**(165,560)**	66,709 *)	**(7,975)**	(68,245) *)	(126,928) *)
Others	**842**	100	**88**	96	75
Total income	**(164,718)**	66,809	**(7,887)**	(68,149)	(126,853)
General and administrative expenses	**2,034**	1,092	**1,198**	479	2,846
Other expenses	**160**	219	**107**	124	497
Total expenses	**2,194**	1,311	**1,305**	603	3,343
Income (loss) before taxes on income	**(166,912)**	65,498	**(9,192)**	(68,752)	(130,196)
Taxes on income (tax benefit)	**-**	-	**-**	-	-
Income (loss) for the period	**(166,912)**	65,498	**(9,192)**	(68,752)	(130,196)

*) Adopted retrospectively, see Note 2(d) to the consolidated financial statements.

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

Interim Data Regarding Comprehensive Income

NIS in thousands	For the period of six months ended June 30 2020	For the period of six months ended June 30 2019	For the period of three months ended June 30 2020	For the period of three months ended June 30 2019	For the year ended December 31 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Income (loss) for the period	**(166,912)**	65,498 *)	**(9,192)**	(68,752) *)	(130,196) *)
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	**(42)**	30	**(3)**	(342)	85
Other comprehensive income (loss) with respect to investee companies which has been or will be transferred to the statement of income, net of tax	**(182,129)**	154,329	**152,741**	27,319	230,216
Other comprehensive income (loss) for the period which has been or will be transferred to the statement of income, before tax	**(182,171)**	154,359	**152,738**	26,977	230,301
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	**(182,171)**	154,359	**152,738**	26,977	230,301
Components of other comprehensive income which will not be transferred to the statement of income:					
Other comprehensive income with respect to investee companies which will not be transferred to profit and loss, net of tax	**4,376**	(4,850)	**(4,992)**	(2,674)	(11,309)
Other comprehensive income for the period which will not be transferred to profit and loss, net of tax	**4,376**	(4,850)	**(4,992)**	(2,674)	(11,309)
Other comprehensive income (loss) for the period	**(177,795)**	149,509	**147,746**	24,303	218,992
Total comprehensive income for the period	**(344,707)**	215,007	**138,554**	(44,449)	88,796

*) Adopted retrospectively, see Note 2(d) to the consolidated financial statements.

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

Interim Data Regarding Cash Flows

NIS in thousands	For the period of six months ended June 30 2020	For the period of six months ended June 30 2019	For the period of three months ended June 30 2020	For the period of three months ended June 30 2019	For the year ended December 31 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities					
Income (loss) for the period	**(166,912)**	65,498 *)	**(9,192)**	(68,752) *)	(130,196) *)
Adjustments:					
Company's share in the income (loss) of investee companies	**165,560**	(66,709)	**7,975**	68,245	126,928
Income from other financial investments	**22**	(97)	**1**	(83)	504
	165,582	(66,806)	**7,976**	68,162	127,432
Changes to other items in the data regarding financial position, net:					
Change in other accounts receivable	**(60)**	33	**(13)**	20	(50)
Change in other accounts payable	**460**	(125)	**399**	(135)	(98)
	400	(92)	**386**	(115)	(148)
Cash which was received during the period for:					
Net cash from operating activities with respect to transactions with investee companies	**50**	(2)	**50**	3	(189)
Net cash from operating activities	**(880)**	(1,402)	**(780)**	(702)	(3,101)
Cash flows from investing activities					
Investment in capital notes of investee company	**(35,500)**	-	**-**	-	-
Consideration from sale of available for sale financial assets	**-**	-	**-**	-	14,412
Net cash from (used in) investing activities	**(35,500)**	-	**-**	-	14,412
Cash flows from financing activities					
Consideration from issuance of share capital (after deducting issuance costs)	**-**	-	**-**	-	632,783
Net cash used in financing activities	**-**	-	**-**	-	632,783
Increase (decrease) in cash and cash equivalents	**(36,380)**	(1,402)	**(780)**	(702)	644,094
Cash and cash equivalents at beginning of period	**677,535**	33,441	**641,935**	32,741	33,441
Cash and cash equivalents at end of period	**641,155**	32,039	**641,155**	32,039	677,535

*) Adopted retrospectively, see Note 2(d) to the consolidated financial statements.

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, 2019, and with the condensed consolidated interim financial statements as of June 30, 2020 (hereinafter: the "**Consolidated Interim Statements**").

2. Use of the issuance funds in the Company

Further to that stated in Note 2.6, regarding the issuance which was performed by the Company, after the reporting period, in accordance with the decision of the Company's Investment Committee and Board of Directors, it was decided that a total of approximately NIS 200 million out of the aforementioned issuance consideration, which amounted to a total of approximately NIS 633 million, will be invested, during the period after the reporting date, in marketable securities according to a mix which will be determined from time to time by the Company's investment committee, whereby at least 75% of the aforementioned total will be invested in debt assets, and up to 25% will be invested in stocks, according to the mix and method which will be determined, from time to time, by the Board of Directors and/or the Investment Committee, as applicable. The issuance consideration balance will continue being managed in bank deposits in accordance with a policy which will be determined from time to time by the Board of Directors and/or by the Investment Committee.

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 - Financial Division Manager (Officer in Clal Insurance and in Clal Holdings)
3. Hadar Brin Weiss - Legal Advisor (Officer in Clal Insurance and in Clal Holdings)
4. Eran Shahaf - Internal Auditor (Officer in Clal Insurance and in Clal Holdings)
5. Yossi Dori - Investment Division Manager (Officer in Clal Insurance and in Clal Holdings)
6. Avi Ben Nun - Chief Risk Officer (Officer in Clal Insurance and Clal Holdings)
7. Nis Agmon - Resources Division Manager (Officer in Clal Insurance and Clal Holdings)

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 Company Ltd. ("Clal Insurance"), 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 March 31, 2020 (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 second quarter of 2020 (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.

August 20, 2020

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 reports which is included in the interim reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for the second quarter of 2020 (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.

August 20, 2020

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 reports which is included in the interim reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for the second quarter of 2020 (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.

August 20, 2020

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 June 30, 2020 (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.

August 20, 2020

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 June 30, 2020 (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.

August 20, 2020

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 June 30, 2020 (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.

August 20, 2020

Tal Cohen
Senior VP
Comptrollership Division Manager