Table of Contents

	Page
`	3-2
Consolidated Statements of Financial Position	3-3 - 3-4
Consolidated Statements of Income	3-5
Consolidated Statements of Comprehensive Income	3-6
Consolidated Statements of Changes in Equity	3-7 - 3-9
Consolidated Statements of Cash Flows	3-10 - 3-12
Notes to the Consolidated Financial Statements	3-14 - 3-257
Annexes to the Financial Statements	3-258 - 3-259

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Auditors' Report

To the Shareholders of Clal Insurance Enterprise Holdings Ltd.

We have audited the attached consolidated statements of financial position of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") as of December 31, 2019 and 2018, as well as the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditor's Mode of Performance), 1973. Pursuant to these standards, we are required to plan the audit and to perform it in order to obtain a reasonable measure of assurance that the financial statements are free of any material misrepresentation. Performing an audit includes testing, on a sample basis, the evidence provided to support the amounts and information presented in the financial statements. An audit also includes performing an evaluation of the accounting principles used, and of the significant estimates made by the Company's management, as well as an evaluation of the overall adequacy of presentation in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the aforementioned consolidated financial statements adequately reflect, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2019 and 2018, as well as their results of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, in accordance with International Financial Reporting Standards (IFRS), and in accordance with the disclosure requirements which were determined by the Commissioner of Capital Markets, Insurance and Savings, in accordance with the Control of Financial Services (Insurance) Law, 1981.

Furthermore, we believe that the aforementioned financial statements have been prepared in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010, to the extent to which these regulations apply to a corporation which consolidates insurance companies.

Without qualifying our opinion, we hereby call the reader's attention to that stated in Note 42 to the consolidated financial statements, regarding the exposure to contingent liabilities.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Controls over Financial Reporting", the Company's internal controls over financial reporting as of December 31, 2019, and our report dated March 26, 2020 includes an unqualified opinion regarding the effective application of those controls.

Tel Aviv, March 26, 2020	Somekh Chaikin Certified Public Accountants	Kost Forer Gabbay and Kasierer Certified Public Accountants

Joint Auditors

Consolidated Statements of Financial Position as of December 31

NIS in thousands	Note	2019	2018
Assets			
Intangible assets	6	**1,297,627**	1,342,759
Deferred tax assets	23	**9,953**	6,554
Deferred acquisition costs	7	**2,021,204**	1,973,539
Property, plant and equipment	8	**219,785**	225,160
Right-of-use asset	27	**541,700**	-
Investments in investee companies accounted by the equity method	9	**183,649**	214,504
Investment property for investment-linked contracts	10,13	**3,097,370**	3,000,340
Other investment property	10	**1,250,039**	1,266,895
Reinsurance assets	17,18	**3,551,810**	2,979,379
Current tax assets	23	**282,539**	259,338
Other accounts receivable	11	**798,786**	1,213,327
Outstanding premiums	12	**700,148**	876,856
Financial investments for investment-linked contracts	13	**62,397,461**	58,185,233
Other financial investments:			
Marketable debt assets	14(a)	**5,935,408**	5,231,862
Non-marketable debt assets	14(b)	**22,469,858**	21,990,343
Stocks	14(d)	**1,357,758**	1,416,975
Others	14(e)	**2,598,556**	2,862,377
Total other financial investments		**32,361,580**	31,501,557
Cash and cash equivalents for investment-linked contracts	13,15(a)	**6,554,645**	3,648,899
Other cash and cash equivalents	15(b)	**2,558,717**	1,298,286
Total assets		**117,827,013**	107,992,626
Total assets for investment-linked contracts	13	**72,813,606**	66,121,248

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

Consolidated Statements of Financial Position as of December 31

NIS in thousands	Note	2019	2018
Capital			
Share capital	16	**155,448**	143,382
Premium on shares		**1,636,478**	1,009,801
Capital reserves		**817,419**	587,118
Retained earnings		**2,571,083**	3,157,874
Total capital attributable to Company shareholders		**5,180,428**	4,898,175
Non-controlling interests		**52,869**	48,745
Total capital		**5,233,297**	4,946,920
Liabilities			
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	17,19,20,21,22	**32,239,033**	30,646,995
Liabilities with respect to investment-linked insurance contracts and investment contracts	18,20,21,22	**71,833,004**	65,366,897
Deferred tax liabilities	23	**329,798**	401,903
Liabilities with respect to employee benefits, net	24	**96,269**	80,757
Lease liability	27	**591,263**	-
Other accounts payable	26	**3,269,153**	3,000,165
Current tax liabilities	23	**513**	5,290
Financial liabilities	25	**4,234,683**	3,543,699
Total liabilities		**112,593,716**	103,045,706
Total capital and liabilities		**117,827,013**	107,992,626

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

March 26, 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 Comptroller**

Consolidated Statements of Income for the Year Ended December 31

NIS in thousands	Note	2019	2018	2017
Gross premiums earned		**9,666,116**	10,275,018	9,729,203
Premiums earned by reinsurers		**1,264,885**	1,380,033	1,190,281
Premiums earned on retention	28	**8,401,231**	8,894,985	8,538,922
Income from investments, net, and financing income	29	**9,680,469**	1,244,869	6,234,548
Income from management fees	30	**1,409,977**	884,197	1,226,483
Income from commissions	31	**283,918**	291,346	267,113
Other income	32	**49**	75	3,558
Total income		**19,775,644**	11,315,472	16,270,624
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross		**18,764,911**	9,350,694	14,008,748
Share of reinsurers in payments and change in liabilities with respect to insurance contracts		**(1,316,678)**	(1,106,784)	(1,103,954)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	33	**17,448,233**	8,243,910	12,904,794
Commissions, marketing expenses and other acquisition costs	34	**2,000,103**	2,020,065	1,956,552
General and administrative expenses	35	**891,255**	910,230	872,061
Impairment of intangible assets	6	**17,241**	114,824	121,637
Other expenses	36	**9,629**	10,697	23,773
Financing expenses	37	**236,288**	157,931	134,455
Total expenses		**20,602,749**	11,457,657	16,013,272
Share in the results of investee companies accounted by the equity method, net	9	**(7,128)**	(25,668)	25,581
Income (loss) before taxes on income		**(834,233)**	(167,853)	282,933
Taxes on income (tax benefit)	23	**(280,588)**	(81,692)	75,247
Income (loss) for the period from continuing operations		**(553,645)**	(86,161)	207,686
Attributable to:				
Company shareholders		**(556,916)**	(91,445)	203,096
Non-controlling interests		**3,271**	5,284	4,590
Income (loss) for the period		**(553,645)**	(86,161)	207,686
Earnings (loss) per share attributable to Company shareholders:	38			
Basic earnings (loss) per share (in NIS)		**(9.94)**	(1.65)	3.66
Diluted earnings (loss) per share (in NIS)		**(9.94)**	(1.65)	3.65
Number of shares used to calculate earnings per share:	38			
Basic		**56,043**	55,577	55,447
Diluted		**56,043**	55,577	55,618

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

Consolidated Statements of Comprehensive Income for the Year Ended December 31

NIS in thousands	Note	2019	2018	2017
Income (loss) for the period		**(553,645)**	(86,161)	207,686
Other comprehensive income:				
Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to profit and loss:				
Foreign currency translation differences for foreign operations applied to capital reserves		**(27,977)**	28,640	(31,982)
Foreign currency translation differences for foreign operations applied to profit and loss		**11,905**	92	-
Change, net, in the fair value of available for sale financial assets applied to capital reserves		**952,784**	116,209	521,858
Change, net, in the fair value of available for sale financial assets transferred to profit and loss		**(616,044)**	(287,850)	(245,258)
Impairment loss with respect to available for sale financial assets transferred to profit and loss		**33,450**	41,051	14,277
Other comprehensive income (loss) for the period which has been or will be transferred to profit and loss, before tax		**354,118**	(101,858)	258,895
Tax (tax benefit) with respect to available-for-sale financial assets		**126,539**	(44,646)	99,492
Tax (tax benefit) with respect to other components		**(3,651)**	6,574	(7,169)
Tax (tax benefit) with respect to components of other comprehensive income for the period which have been or will be transferred to profit and loss	23(d)	**122,888**	(38,072)	92,323
Other comprehensive income (loss) which, following initial recognition under comprehensive income, have been or will be transferred to profit and loss, net of tax		**231,230**	(63,786)	166,572
Components of other comprehensive income which will not be transferred to profit and loss:				
Actuarial gains (loss) from defined benefit plan		**(16,337)**	8,281	1,932
Tax (tax benefit) with respect to components of other comprehensive income which will not be transferred to the statement of income	23(d)	**(4,952)**	2,448	753
Other comprehensive income (loss) which will not be transferred to the statement of income, net of tax		**(11,385)**	5,833	1,179
Other comprehensive income (loss) for the period		**219,845**	(57,953)	167,751
Total comprehensive income (loss) for the period		**(333,800)**	(144,114)	375,437
Attributable to:				
Company shareholders		**(337,924)**	(148,477)	370,072
Non-controlling interests		**4,124**	4,363	5,365
Total comprehensive income (loss) for the period		**(333,800)**	(144,114)	375,437

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

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders									
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total capital
For the year ended December 31, 2019										
Balance as of January 1, 2019	143,382	1,009,801	(2,271)	448,369	180,329	(39,309)	3,157,874	4,898,175	48,745	4,946,920
Impact of the initial adoption of IFRS 16	-	-	-	-	-	-	(12,598)	(12,598)	-	(12,598)
Income (loss) for the period	-	-	-	-	-	-	(556,916)	(556,916)	3,271	(553,645)
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 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 profit and loss	-	-	-	(615,751)	-	-	-	(615,751)	(293)	(616,044)
Impairment loss with respect to available for sale financial assets transferred to profit and loss	-	-	-	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 income (loss)	-	-	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 (loss) for the period	-	-	(12,421)	242,722	-	-	(568,225)	(337,924)	4,124	(333,800)
Transactions with shareholders which were applied directly to capital:										
Exercise and 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)
As of December 31, 2019	155,448	1,636,478	(14,692)	691,091	180,329	(39,309)	2,571,083	5,180,428	52,869	5,233,297

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

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

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

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

Consolidated Statements of Cash Flows for the Year Ended December 31

NIS in thousands	Annex	For the year ended December 31 2019	2018	2017
Cash flows from operating activities				
Before taxes on income	(A)	**3,061,668**	(550,845)	2,303,725
Income tax received (paid)		**65,312**	(72,799)	(115,122)
Net cash from (used in) operating activities		**3,126,980**	(623,644)	2,188,603
Cash flows from investing activities				
Consideration from disposal of property, plant and equipment		**284**	217	81
Consideration from disposal of intangible assets		**-**	-	1,107
Consideration from disposal of investments in other investee companies		**25,416**	50,090	24,082
Consideration from disposal of investment in available for sale financial assets by companies which are not insurance and finance companies		**14,413**	26,098	28,380
Investment in available for sale financial assets by companies that are not insurance and finance companies		**-**	(15,054)	(9,916)
Investment in shares and loans from investee companies		**(25,080)**	-	(34,050)
Investment in property, plant and equipment		**(35,674)**	(20,699)	(20,017)
Investment in intangible assets		**(201,735)**	(282,004)	(229,698)
Net cash used in investing activities		**(222,376)**	(241,352)	(240,031)
Cash flows from financing activities				
Issuance of share capital (after deducting issuance costs)		**632,783**	-	-
Repayment of liabilities to banks and others		**-**	-	(73,089)
Consideration from issue of deferred liability notes		**1,660,221**	-	-
Costs of issue and exchange of deferred liability notes		**(12,359)**	-	-
Repayment of deferred liability notes		**(787,372)**	(50,899)	(80,021)
Repayment of lease liability		**(67,473)**	-	-
Paid interest on deferred liability notes		**(113,682)**	(115,981)	(120,101)
Net cash from (used in) financing activities		**1,312,118**	(166,880)	(273,211)
Impact of exchange rate fluctuations on cash and cash equivalent balances		**(50,545)**	43,752	(84,062)
Net increase (decrease) in cash and cash equivalents		**4,166,177**	(988,124)	1,591,299
Cash and cash equivalents at beginning of year	(B)	**4,947,185**	5,935,309	4,344,010
Cash and cash equivalents at end of year	(C)	**9,113,362**	4,947,185	5,935,309

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

Consolidated Statements of Cash Flows for the Year Ended December 31 (Cont.)

	For the year ended December 31		
NIS in thousands	2019	2018	2017
(A) Cash flows from operating activities before taxes on income [1) 2)]			
Income (loss) for the period	**(553,645)**	(86,161)	207,686
Items not involving cash flows:			
The Company's share in the income of investee companies accounted by the equity method	**7,128**	25,668	(25,581)
Dividends received from investee companies accounted by the equity method	**14,492**	19,253	190
Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	**1,592,038**	462,703	415,313
Change in liabilities with respect to investment-linked insurance contracts and investment contracts	**6,466,107**	2,020,818	6,070,286
Change in deferred acquisition costs	**(47,665)**	(28,965)	(21,210)
Change in reinsurance assets	**(572,431)**	(177,603)	(573,737)
Depreciation of property, plant and equipment and right-of-use assets	**92,775**	41,593	40,817
Amortization of intangible assets	**229,626**	216,174	220,604
Impairment of intangible assets	**17,241**	114,824	121,637
Loss from disposal of property, plant and equipment	**70**	98	16
Profit from right-of-use asset	**125**	-	-
Profit from disposal of shares in consolidated companies	**-**	-	(2,081)
Interest and linkage differences accrued with respect to deferred liability notes and lease liabilities	**148,489**	132,553	124,520
Interest accrued and revaluation of liabilities to banking corporations and others	**(123,959)**	118,418	8,332
Change in fair value of investment property for investment-linked contracts	**(20,135)**	(55,422)	(34,308)
Change in fair value of other investment property	**80**	(8,932)	(35,858)
Share-based payment transactions	**(8)**	(167)	2,559
Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts	**(5,867,076)**	1,985,142	(2,841,423)
Taxes on income (tax benefit)	**(280,588)**	(81,692)	75,247
Net loss (profit) from other financial investments:			
Marketable debt assets	**(114,175)**	(30,741)	44,413
Non-marketable debt assets	**(64,573)**	(266,560)	(15,742)
Stocks	**(184,131)**	(72,831)	(21,927)
Others	**(341,548)**	203,108	(258,674)
Financial investments and investment property for investment-linked contracts:			
Acquisition of investment property	**(131,994)**	(74,951)	(93,479)
Consideration from the sale of investment property	**55,099**	-	-
Acquisitions net of financial investments	**1,654,848**	(3,939,414)	(825,463)
Receipts (investments) from the sale of (investment in) available for sale financial assets and investment property in insurance business operations:			
Marketable debt assets	**(232,954)**	138,969	118,439
Non-marketable debt assets	**(418,175)**	106,440	(544,536)
Stocks	**266,691**	(28,711)	56,708
Others	**579,120**	(239,162)	(58,519)
Acquisition of other investment property	**(55,547)**	(29,545)	(26,447)
Consideration from the sale of other investment property	**54,901**	-	15,600

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

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

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

Consolidated Statements of Cash Flows for the Year Ended December 31 (Cont.)

NIS in thousands	For the year ended December 31 2019	2018	2017
(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	**4,871**	3,605	8,953
Other accounts receivable	**441,073**	(706,238)	(214,885)
Outstanding premiums	**176,708**	16,986	(27,324)
Other accounts payable	**269,615**	(334,888)	381,992
Liabilities with respect to employee benefits, net	**(825)**	4,786	11,607
Total cash flows from operating activities before taxes on income	**3,061,668**	(550,845)	2,303,725
(B) Cash and cash equivalents at beginning of year:			
Cash and cash equivalents for investment-linked contracts	**3,648,899**	4,529,446	2,953,235
Other cash and cash equivalents	**1,298,286**	1,405,863	1,390,775
Balance of cash and cash equivalents at beginning of year	**4,947,185**	5,935,309	4,344,010
(C) Cash and cash equivalents at end of year:			
Cash and cash equivalents for investment-linked contracts	**6,554,645**	3,648,899	4,529,446
Other cash and cash equivalents	**2,558,717**	1,298,286	1,405,863
Balance of cash and cash equivalents at end of year	**9,113,362**	4,947,185	5,935,309
(D) Cash flows with respect to interest and dividends received, included under operating activities:			
Interest received	**2,177,448**	2,222,119	2,171,212
Dividend received	**479,198**	455,819	411,963
(E) Operations which are not associated with cash flows			
Investment in assets against other accounts payable	-	14,699	544,124

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

Notes

Note 1: General ... 14
Note 2: Basis for Preparation of the Financial Statements ... 23
Note 3: Significant Accounting Policies ... 28
Note 4: New Standards and Interpretations Which Have Not Yet Been Adopted ... 57
Note 5: Segmental Reporting ... 60
Note 6: Intangible Assets ... 68
Note 7: Deferred Acquisition Costs ... 70
Note 8: Property, Plant and Equipment ... 71
Note 9: Investments in Investee Companies ... 72
Note 10: Investment Property, Including with Respect to Investment-Linked Contracts ... 76
Note 11: Other Accounts Receivable ... 80
Note 12: Outstanding Premiums ... 81
Note 13: Assets for Investment-Linked Contracts ... 82
Note 14: Other Financial Investments ... 84
Note 15: Cash and Cash Equivalents ... 91
Note 16: Capital and Reserves ... 92
Note 17: Liabilities with Respect to Non-Investment-Linked Insurance Contracts and Investment Contracts ... 99
Note 18: Liabilities with Respect to Investment-Linked Insurance Contracts and Investment Contracts ... 99
Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment ... 100
Note 20: Additional Details Regarding the Long Term Savings Segment ... 110
Note 21: Additional Details Regarding The Health Insurance Segment ... 115
Note 22: Movement in Liabilities with Respect to Life Insurance Contracts, Investment Contracts and Health Insurance ... 117
Note 23: Taxes on Income ... 118
Note 24: Employee Benefits ... 123
Note 25: Financial Liabilities ... 128
Note 26: Other Accounts Payable ... 139
Note 27: Operating Leases ... 140
Note 28: Premiums Earned ... 141
Note 29: Income (Loss) from Investments, Net, and Financing Income ... 142
Note 30: Income from Management Fees ... 143
Note 31: Income from Commissions ... 143
Note 32: Other Income ... 143
Note 33: Payments and Changes in Liabilities with Respect to Insurance Contracts and Investment Contracts on Retention ... 144
Note 34: Commissions, Marketing Expenses and Other Acquisition Costs ... 144
Note 35: General and Administrative Expenses ... 145
Note 36: Other Expenses ... 145
Note 37: Financing Expenses ... 145
Note 38: Earnings Per Share ... 146
Note 39: Risk Management ... 146
Note 40: Related Parties and Interested Parties ... 190
Note 41: Share-Based Payment ... 202
Note 42: Contingent Liabilities and Claims ... 206
Note 43: Additional Events During and After the Reporting Period ... 253
Annex A: Details of Other Financial Investments of Consolidated Insurance Companies Registered in Israel ... 258

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 December 31, 2019 (hereinafter: the "**Financial Statements**") include the statements of the Company and its subsidiaries (hereinafter, jointly: the "**Group**"), as well as the Group's interests in joint ventures and associates.

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

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 for the control of Clal Insurance from the Commissioner. Discussions are being held between the Company and the Commissioner regarding the aforementioned control permit.

Accordingly, IDB Development is no longer considered the Company's controlling shareholder for the purpose of the provisions of the Companies Law, 1999, the provisions of the Securities Law, 1968, and the provisions of the Law to Promote Competition and Reduce Concentration, 2013 (the "Concentration Law"). Accordingly, the Company is no longer considered a "second tier company", and Clalbit Finance Ltd., a reporting corporation controlled by Clal Insurance, is no longer considered an "other (third) tier company", as these terms are defined in the Concentration Law, and the Company and additional real corporations in the Group, which are not institutional entities, are no longer considered significant real corporations.

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.

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

During the period since the appointment of 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.

Additionally, 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. For additional details, see section 4 below.

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.

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% is held through the trustee, and approximately 5.0% is held directly[1].

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, some of the swap transactions concluded, such that, as of the publication date of the report, their rate amounts to approximately 7.1% of the Company's issued capital. IDB Development clarified that, in accordance with the terms of the swap transactions, it is unaware of the buyers' identity[2].

To the best of the Company's knowledge, as of the publication date of the report, IDB Development is a private company wholly owned by Dolphin Netherlands B.V. ("**Dolphin Netherlands**"), a private company incorporated in the Netherlands, which is a corporation under the control of Mr. Eduardo Elsztain (through corporations under his control). IDB Development constitutes a reporting corporation, due to the fact that its bonds are listed for trading on the Tel Aviv Stock Exchange.
As of the publication date of the report, two entities have received a permit for holding means of control, as specified in Note 40(a)(1) below.

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).

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

3. Engagements of IDB Development with buyers:

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. Additionally, one of the buyers was given the option to acquire additional shares which constitute approximately 3% of the Company's issued capital. 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 noted that Mr. Lapidot submitted a request to the Commissioner and the Company's Chairman of the Board to be appointed as a director in the Company.

4. Provisions regarding the appointment of directors in the Company

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[3]. 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.

In February 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[4].

5. Implications

As of the reporting date, the Company is unable to estimate the entire impact of the results of the aforementioned events on them, which may result in additional changes in the holding and control of the Company, and which may affect, inter alia, the reputation and ratings of the Company and of the Group's member companies.

Additionally, the transfer of the control in 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.

[3] 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.

[4] 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.)
C. Definitions - in these financial statements:

The Company	-	Clal Insurance Enterprises Holdings Ltd.
The Group	-	The Company and its consolidated companies.
Consolidated Companies / Subsidiaries	-	Companies, including partnerships, whose reports are fully consolidated, directly or indirectly, with the Company's reports.
Investee Companies	-	Consolidated companies and companies, including partnerships or joint ventures, where the Company's investment in them is included, directly or indirectly, in the financial statements, according to the equity method.
Joint Arrangements	-	Arrangements in which the Group holds joint control, which was obtained through a contractual agreement which requires unanimous consent regarding activities which significantly affect the returns of the arrangement. Investments in joint arrangements are classified as joint operations or joint ventures, based on the rights and obligations of the parties to the arrangement. Joint ventures are any joint arrangements which are incorporated as a separate entity, and in which the Group has rights to the net assets of the joint arrangement.
Associate Companies	-	Associate companies are entities regarding which the Group has significant influence over the financial and operational policy, although control of them has not been obtained, and where the Company's investment in such companies is included in the Company's consolidated financial statements according to the equity method.
Interested Parties	-	As defined in paragraph (1) of the definition of an interested party in a corporation in section 1 of the Securities Law, 1968.
Related Parties	-	As defined in International Accounting Standard 24 (2009), Related Parties.
Member Companies of IDB Group	-	The term "Member Companies of IDB Group" in the financial statements refers to IDB Development and to those of its investee companies which are not the Company and its investee companies.
The Commissioner	-	The Commissioner of the Capital Markets, Insurance and Savings Authority.
The Control Law	-	The Control of Financial Services (Insurance) Law, 1981, including the amendments thereto.
The Capital Regulations	-	The Control of Financial Services Regulations (Insurance)(Minimum Equity Required of Insurer), 1998, including amendments enacted pursuant thereto, which were canceled in 2018. See Note 16(e).
The Investment Rules Regulations	-	The Control of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012, and directives issued by the Commissioner in accordance therewith.
Economic Solvency Regime	-	As defined in insurance circular 2017-1-9.
The Reserve Calculation Regulations	-	The Control of Financial Services Regulations (Insurance) (Calculation of Reserves in Non-Life Insurance), 2013.
Insurance Contracts	-	Contracts whereby one party (the insurer) takes a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder in the event that a certain, pre-defined future event (the insurance event) occurs which adversely affects the policyholder.
Investment Contracts	-	Policies which do not constitute insurance contracts.
Investment-linked contracts	-	Insurance contracts and investment contracts in life insurance and long-term care insurance, where the insurer's liabilities, due to the savings component or risk of such contracts, are for the most part linked to the returns of the investment portfolio (profit sharing policies), in assets for investment-linked contracts.
Assets for Investment-Linked Contracts	-	Assets held against liabilities due to investment-linked contracts.
HETZ Bonds	-	CPI-linked government bonds which the state issues to insurance companies, and which back guaranteed-return policies.
Liabilities with Respect to Insurance Contracts	-	Insurance reserves and outstanding claims in the long term savings, non-life insurance and health insurance segments.
Reinsurance Assets	-	The share of reinsurers in payments and changes in liabilities with respect to insurance contracts.
Premiums	-	Premiums including fees.
Premiums Earned	-	Premiums attributable to the reporting period.

D. Events after the balance sheet date

After the balance sheet date, and until the publication date of the report, several significant events occurred, including the following:

Following the outbreak of the coronavirus in China, and its spread to many other countries, economic activity has declined around the world, including in Israel (the "**Crisis**"). These changes have affected, and continue to affect, the Company's activity and profitability. Regulatory directives were also published which, insofar as they are accepted as final directives, will have a positive impact. Details regarding the events are provided below:

Capital markets

Subsequent to the reporting date, a significant decline was 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.

As of proximate to the publication date of the report, the Company recorded impairment with respect to marketable investments only, in the nostro portfolios, in the amount of approximately NIS 0.6 billion before tax. The Company is also exposed to the impairment of non-marketable investments, which at this stage cannot be quantified.

There was also a decrease in the value of assets managed by the Group through investment-linked policies, provident funds and pension funds, which is estimated at around 10%, and which is also expected to affect the scope of variable and fixed management fees collected by the Company from its managed assets. As of proximate to the publication date of the report, 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 0.7 billion before tax.

It is noted that the returns are not final, and the Company's results are affected by the returns of the non-marketable portfolio, the Group's other revenues, and expenses. Additionally, due to the sharp volatility of financial markets, the effects described above may change significantly, depending on developments in the capital market.

Implications for the Group's business activities

Due to the crisis, the exposure to credit defaults in the credit insurance activity has increased, and a certain increase has occurred in the scope of member redemptions, and the Company estimates that a significant decline may occur in future deposits to long term savings products, in light of the significant decrease in the scope of employment in the economy, according to public reports. Redemptions and the decrease in the scope of deposits are expected to affect both the scope of variable and fixed management fees which the Company collects from its managed assets, and future premium revenues, and accordingly, the recoverability of the Company's intangible assets. The Company also granted a benefit to a considerable part of its policyholders who have been furloughed, in which free risk and loss of working capacity insurance coverage was given for a period of three months.

The prolongation and intensification of the coronavirus crisis around the world and in Israel may also cause significant harm to the Company's business operations, if the crisis deepens into a recession, both in the local market and in the global markets. This could adversely affect the stability of reinsurers, and could impair the value of other investment assets, and credit defaults in the credit insurance activity may increase. The consequences of the crisis may also lead to conflicting results in the life insurance segment, which means that the overall impact on this subject cannot be quantified. A certain decline in results is possible in health insurance, due to changes in the cost of claims, and due to the decline in the sale of international travel insurance, as well as a certain increase in the scope of claims with respect to these policies. In non-life insurance, the policies do not cover pandemic events, and there a certain decline may even occur in the scope and frequency of claims, due to the reduction in economic activity. On the other hand, the situation described above may result in a decline in the scope of premiums charged, mostly in the business insurance segments. The Company is evaluating its actions in a challenging and changing business environment, including in connection with covers which were sold and changes in demand which may result in the future.

Operational implications

On March 18, 2020, the Commissioner published an announcement regarding the transition of institutional entities to work in a reduced format, and on March 21, 2020, the State of Emergency Regulations (Limit on Number of Employees Due to the Novel Coronavirus Outbreak), 2020, were signed, which are intended to prevent the spread of the coronavirus and to protect public health, and dictate that, in general, no more than 30% of the workforce may be present at a workplace. However, the regulations do not apply to the entities specified therein, provided that those entities have reduced their activities to critical activities only. the Group's institutional entities are included on the list of entities which are not subject to the regulations, as well as entities which provide services or products for the purpose of allowing the continued proper operation of entities which were excluded from the scope of the directive. In light of the foregoing, and in light of the restrictions on movement and employment, the Group has begun working 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. Additionally, other Company employees will be instructed to use vacation days, 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. The Company is preparing for remote work, including for the provision of service by the operating teams during the crisis period, and particularly with respect to critical processes which were defined. However, the longer the situation continues, and/or the more severe the restrictions become, difficulties may arise in the ability to continue providing orderly service.

Additional implications affecting the Group's results

From the reporting date until proximate to the publication date, the interest rate curve increased both in the short term and, more moderately, in the long term. In addition to the impairment of marketable assets due to these changes, as described above, these changes also affect insurance liabilities, further to that stated in Note 39(e)(e1) and (e2). However, due to the fact that the change was not made in parallel, and due to effects in opposite directions on the calculation components, at this stage it is not possible to quantify the full impact of the change in the interest rate curve.

It is noted that, insofar as the changes proposed in the draft LAT circular (see Note 43(j) above) are adopted, which dictate retrospective adoption of the financial reports, the Company estimates, according to a preliminary estimate, and assuming that it will be possible to reduce the balance of the liability with respect to the liability adequacy test in life insurance, that the insurance reserves as of December 31, 2019 will decrease, and accordingly, equity will increase in the amount of approximately NIS 794 million before tax (a total of approximately NIS 520 million after tax), which will mostly be attributed to the reporting period. These changes are also expected to affect the sensitivity to changes in interest rates, relative to the current sensitivity, as specified in Note 39(c)(2) regarding risk management in the consolidated annual financial statements.

Regarding the solvency ratio of Clal Insurance as of December 31, 2019, which was scheduled for publication in May 2020, and which was expected to be negatively affected by the interest rate cut in the second half of 2019, the Company estimates that it will meet its capital requirements, taking into account the current distribution provisions.

Additionally, in light of the provisions of the draft amendment to the provisions of the economic solvency regime, which was published on March 19, 2020, and the Commissioner's letter which was published on that date, it is expected that if and when the draft circular becomes final, the required solvency ratio will improve relative to the ratio which would have been calculated according to the current format, and will be published until August 2020. For details, see Note 16(e)6(d) to the financial statements,

Regarding the solvency ratio in the period after the reporting date, at this stage, it is not possible to fully quantify these effects, due to the opposing effects of the different factors on the solvency ratio. The calculation which will take into account the above and other developments, and is expected to be calculated as of December 31, 2020, and to be published in May 2021, and by that date, the regulatory directives on this matter are expected to be clarified as well.

Summary

As of the reporting date, the Company is unable to estimate the total impact of all of the aforementioned events on the business activities of the Company and its subsidiaries, in the aforementioned respects, in a challenging business environment, or additional aspects of which it is not aware at the present time, or its results, since the event is ongoing, and is not under the Company's control, including factors such as the continued spread of the virus, or the containment thereof, and the period of disruption to business activity could affect the Company's medium term and long term preparations, including in connection with preparations for future sales. The Company is continuously monitoring developments in Israel and around the world, and is evaluating the implications for its activities and asset value, including with respect to the results for the first quarter of 2020, and the economic solvency ratio of Clal Insurance. The aforementioned uncertainty is affected, inter alia, by the fact that some of these regulatory directives are in stages of regulation or implementation, and there is no certainty regarding their final wording, if and insofar as they are accepted, and/or regarding their effects, including regarding the issues regulated therein, and whose full manner of implementation not yet been determined / clarified.

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

For details regarding the method used to collect variable management fees, see Note 3(n)(3)(a).

Note 2: Basis for Preparation of the Financial Statements

A. Preparation framework of the financial statements

The financial statements have been prepared by the Group in compliance with International Financial Reporting Standards (hereinafter: "**IFRS**"). These financial statements have also been prepared in accordance with the disclosure requirements issued by the Commissioner, in accordance with the Control Law, and in accordance with the disclosure requirements under the Securities Regulations (Annual Financial Statements), 2010, to the extent to which these regulations apply to a corporation which consolidates insurance companies.

B. Functional currency and presentation currency

The financial statements are presented in NIS, which is the Company's functional currency, and are rounded to the nearest thousand, unless stated otherwise. NIS is the currency which represents the primary economic environment in which the Company operates.

The following are details regarding changes that occurred in the consumer price index (hereinafter: the "**CPI**") and in the representative Euro, US Dollar (hereinafter: "**USD**") and Pound Sterling exchange rates:

	Index in lieu	Known index	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
	%				
For the year ended December 31					
2019	**0.6**	**0.3**	**(9.6)**	**(7.8)**	**(4.9)**
2018	0.8	1.2	3.3	8.1	2.4
2017	0.4	0.3	2.7	(9.8)	(0.9)

	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
As of December 31, 2019	**3.878**	**3.456**	**4.560**
As of December 31, 2018	4.292	3.748	4.793
As of December 31, 2017	4.153	3.467	4.682

C. Measurement basis

The financial statements were prepared on a historical cost basis, except for the following main assets and liabilities:
- Insurance liabilities.
- Financial instruments and derivatives which are measured at fair value through profit and loss.
- Financial instruments and derivatives which are measured at fair value through other comprehensive income.
- Investment property measured at fair value.
- Provisions.
- Deferred tax assets and liabilities.
- Assets and liabilities with respect to employee benefits.
- Investments in associate companies and joint ventures.

For details regarding the method used to measure these assets and liabilities, see Note 3 below, Summary of Significant Accounting Policies.

Note 2: Basis for Preparation of the Financial Statements (Cont.)

D. Operating cycle and reporting structure

The Group's ordinary operating cycle, which primarily includes financial institutions, cannot be clearly determined, and primarily exceeds one year, particularly with reference to the long term savings segment, the long-term care and long term health branches in the health segment, and the long tail non-life insurance branches.

The consolidated statements of financial position, which primarily include the assets and liabilities of consolidated insurance companies, were presented by order of liquidity, with no distinction made between current and non-current. This presentation conforms with the Commissioner's guidelines, and provides more reliable and relevant information.

E. Use of estimates and discretion

1. Discretion with significant impact

   As part of the process of applying the significant accounting policies in the Group on the following subjects, management exercised discretion which had a significant impact on the financial statements:

   Classification between insurance contracts and investment contracts - insurance contracts are contracts in which the insurer accepts a significant insurance risk from another party. Management considers, with respect to each individual contract, or with respect to a group of similar contracts, whether such products involve accepting significant insurance risk, and classifies them accordingly as either insurance contracts or investment contracts.

2. Critical estimates

   In preparing the financial statements in accordance with IFRS and in accordance with the Control Law, regulations enacted pursuant thereto, and directives of the Commissioner, company management is required to exercise judgment in making estimates, assessments and assumptions which affect the implementation of the accounting policy and the amounts of assets and liabilities, revenues and expenses. It should be clarified that actual results may differ from these estimates, inter alia, due to regulatory changes which were published, or which are expected to be published in the insurance, pension fund and provident fund segments, and regarding which there is uncertainty as to their manner of realization and implications.

   When formulating estimates which are used in the preparation of the Group's financial statements, management is required to make assumptions with regard to circumstances and events involving significant uncertainty. When applying judgment regarding the judgment estimates, group management relies on past experience, various facts, external factors and reasonable assumptions regarding future expectations, insofar as they are estimable, according to the appropriate circumstances for each estimate.

The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized for the period during which the estimates were updated, and for all other affected future periods.

Presented below are the main assumptions made in the financial statements in connection with the uncertainty as of the reporting date and critical estimates which were calculated by the Group and where a significant change therein, particularly in light of the aforementioned regulatory changes, may result in a material adjustment to the book values of assets and liabilities in subsequent reporting periods:

Liabilities with respect to insurance contracts - Liabilities with respect to insurance contracts, and the evaluation of the adequacy of such liabilities, are primarily based on actuarial valuation methods and on the assumptions described in Note 39(e).

The actuarial estimates and the various assumptions are primarily derived from past experience, and are based on the assumption that the behavior pattern and past claims represent future occurrences, while taking into account, as much as possible, regulatory and business changes. The actuarial estimates and assumptions are evaluated at least once per year. Variability in risk factors, in the frequency or severity of events, as well as changes in the legal situation, may materially affect the amount of liabilities with respect to insurance contracts. It is noted that the following changes, including, inter alia, changes in estimated life expectancy, in the rate of policyholders who choose the option to withdraw funds by way of a pension, in the selection of the various annuity tracks, in the morbidity rate, in the retirement age of policyholders and in the cancellation rate, may have a significant impact on the financial statements.

For details regarding changes in the main assumptions which were used to calculate insurance liabilities in life insurance and health insurance, including the liability for supplementation of the annuity reserve, see Note 39(e)(e1)(d). For details regarding changes in the calculation of insurance liabilities in non-life insurance, see Note 39(e)(e2).

For details regarding the sensitivity tests to insurance risk, see Note 39(e)(e1)(c).

Note 2: Basis for Preparation of the Financial Statements (Cont.)

E. Use of estimates and discretion (Cont.)

(2) Critical estimates (Cont.)

Legal claims which are not in the ordinary course of business - Estimates regarding the chances of the legal claims which were filed against member companies in the Group rely on the opinion of legal advisors with respect to the final results of the proceedings. These opinions are based on their best professional judgment, in consideration of the current stage of the proceedings, in consideration of the amount of legal experience which has accumulated, if any, on the various subjects, and based on the estimate of the relevant companies regarding the amounts of the settlement arrangements, which the managements of the consolidated companies expect are more likely that not that to be paid by them. It is emphasized that the results of the claims, as determined in the Courts, may differ from the aforementioned estimates. The amounts of the provisions which were performed are based on an estimate of the risk level in each of the claims as of a date proximate to the publication date of the financial statements. On this matter, it should be noted that events which occur during litigation may require re-evaluation of this risk.

It is hereby emphasized that, in the attorneys' opinion, concerning the motions to approve class action status, the attorney's evaluation refers to the chances of the motion to approve class action status, and in some cases only, refers 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 current stage of the proceedings, and to the fact that the scope and content of hearing the claim on the merits, once granted class action status, will 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.

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

In addition to the above claims, the Group's member companies are also exposed to unasserted claims / lawsuits which are due, inter alia, to the existence of doubt as to the interpretation of an agreement and/or a provision of the law and/or the manner of their implementation. Such exposure is brought to the attention of the Group's member companies in several ways, including, inter alia: through contact initiated by customers with entities in the Group, and especially as directed to the Group's ombudsman; though complaints submitted by customers to the Public Appeals Division in the Capital Markets, Insurance and Savings Authority of the Ministry of Finance; and through (non-class action) claims which are filed with the Court. These topics are brought to the attention of the Group's management if and insofar as the entities handling them recognize that the claims may have broad effects. In the assessment of risk due to unfiled claims / lawsuits, group management relies on internal estimates of the handling entities, and on its estimates, which include weighing the chances that a claim will be filed and the claim's chances of success, if and insofar as it is filed. Such estimates are based on cumulative experience with regard to the filing of claims, and on an analysis of the claims based on their own merits. Due to the nature of circumstances, actual results may differ from the estimates that were prepared in a stage prior to the filing of the claim, in light of the preliminary stage of the hearing of the legal claim.

For additional details, see Note 42(a)-(d).

(C) Impairment of non-financial assets, including goodwill - The estimated value in use of the asset or the cash generating unit, as applicable, for the purpose of performing an impairment test of non-financial assets or of goodwill, is based on past experience and on the best estimates of group management regarding the economic conditions which will prevail during the remaining useful lifetime of the asset or cash generating unit. Changes in the estimates which were used to determine the recoverable amount may result in the carrying of impairment loss.

For additional information, see Notes 3(k)(2) and 6(b).

Note 2: Basis for Preparation of the Financial Statements (Cont.)

E. Use of estimates and discretion (Cont.)

(2) Critical estimates (Cont.)

(D) Fair value estimates - See section 3 below.

(E) Determination of the recoverability of deferred acquisition costs - The recoverability of deferred acquisition costs is evaluated at least once per year, using working assumptions, for example, regarding life and long-term care insurance policies, regarding cancellation, mortality and morbidity rates, and other variables, as stated in Note 39(e). In the event that these assumptions are not realized, it may be necessary to accelerate the amortization, or even to write off the deferred acquisition costs.

(F) Deferred tax assets - Deferred tax assets are recognized with respect to losses transferred for tax purposes and temporary differences which have not yet been used, if a future taxable income is expected to arise against which they can be used. Management is required to use judgment in order to determine whether a deferred tax asset can be recognized, as well as the recognizable amount of the deferred tax asset, based on the existence, timing and amount of projected taxable income For additional information, see Note 23.

(G) Impairment of financial assets

Financial assets at amortized cost - The provision for doubtful debts with respect to non-marketable debt assets, including with respect to loans and receivables, including reinsurers, outstanding premiums and other debts, is determined on a specific basis, and also based on a collective assessment of groups with similar credit risk characteristics. For additional information, see Note 3(f) and (k)(1), and Note 39(f)(2)(a.2).

2. Available for sale financial assets - For each reporting date, the Group evaluates whether objective evidence exists indicating that an asset's value has declined, and whether impairment has occurred with respect to it. For the purpose of evaluating the above impairment, the Group employs judgment regarding objective indicators which refer to the rates of fair value decline in percent, and regarding the continuity of the period of fair value decline. See also Note 3(k)(1).

(3) Determination of fair value

For the purpose of preparing the financial statements, the Group is required to determine the fair value of financial and non-financial assets and liabilities.

Fair value is the price which would be received upon the sale of an asset, or the price which would be paid upon the transfer of a liability, in an ordinary transaction between market participants on the measurement date. Fair value measurement is based on the assumption that the transaction takes place in the principal market of the asset or liability, or in the absence of a principal market, in the most advantageous market. The fair value of an asset or liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants are operating in favor of their economic interests. Fair value measurement with respect to non-financial assets takes into account the market participant's ability to generate economic benefits by making best use of the asset, or by selling it to another market participant, who will make best use of the asset.

The Group uses valuation techniques which are appropriate for the circumstances, and for which there are sufficient obtainable inputs in order to measure fair value, while maximizing the use of relevant observable inputs, and minimizing the use of unobservable inputs.

Fair value amounts were determined for measurement and/or disclosure purposes using the methods described below. Additional information regarding the assumptions which were used in the determination of establishment of is included in the following notes:

- Note 10, regarding investment property, including with respect to investment-linked contracts
- Note 13, regarding assets for investment-linked contracts
- Note 14, regarding other financial investments
- Note 25, regarding financial liabilities
- Note 41, regarding share-based payment

Note 2: Basis for Preparation of the Financial Statements (Cont.)

E. Use of estimates and discretion (Cont.)

(3) Determination of fair value (Cont.)

Fair value hierarchy

In the determination of the fair value of an asset or liability, the Group uses observable market inputs, as much as possible. Fair value measurements are divided into three levels of the fair value hierarchy, based on the inputs used in the valuation, as follows:

Level 1 - Fair value which is measured according to quoted (non-adjusted) prices in an active market for similar instruments.

Level 2 - Fair value which is measured using directly or indirectly observable inputs which are not included in Level 1 above.

Level 3 - Fair value which is measured using inputs which are not based on observable market inputs.

The level within the fair value hierarchy to which the fair value measurement of the entire asset belongs, is determined based on the lowest level of data that are significant in the measurement of total fair value.

F. Reclassification

During the reporting period, immaterial classifications were made in Note 8, Note 11 and Note 20, as well as other immaterial classifications.

Note 3: Significant Accounting Policies

The accounting policy specified below was applied consistently by the Group for all periods presented in these consolidated financial statements.

A. Consolidation basis

1. Business combinations

The Group applies the acquisition method to all of its business combinations.

The acquisition date is the date on which the buyer obtains control of the acquired entity. Control exists when the Group is exposed, or holds rights, to variable returns due to its involvement in the acquired entity, and when it has the ability to influence those returns by exercising its influence over the acquired entity. The evaluation of control includes taking into account real rights which are held by the Group and by others.

The Group recognizes goodwill as of the acquisition date according to the fair value of the transferred consideration, including amounts recognized with respect to any non-controlling interests in the acquired entity, as well as the fair value, as of the acquisition date, of capital interests in the acquired entity which were previously held by the buyer, less the net amount attributed in the acquisition to identifiable assets that were acquired, and to liabilities that were accepted.

On the acquisition date, the buyer recognizes a contingent liability which was accepted in a business combination, if a present commitment exists which is due to past events, and if its fair value is reliably measurable.

In the event that the Group performs a bargain purchase (including one that includes negative goodwill), it recognizes the gains created as a result thereof in the statement of income, on the acquisition date.

Additionally, goodwill is not updated with respect to the use of transferred losses for tax purposes which existed on the business combination date.

Costs associated with the acquisition which materialized for the buyer with respect to a business combination, such as agent fees, consulting fees, legal fees, valuations and other fees with respect to professional services or consulting services, excluding services which are related to the issue of debt or equity instruments in connection with a business combination, are recognized as expenses during the period in which the services are received.

2. Subsidiaries

Subsidiaries are entities which are controlled, directly or indirectly, by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date control was obtained until the date control was lost.

The financial statements of pension funds and provident funds (excluding the Bar A Provident Fund, to whose members the Company has guaranteed minimum returns - see Note 39(d)(1)), which are under the Group's management, were not consolidated, due to the fact that the Group is not directly exposed to variable returns with respect to them, and therefore, does not control those entities.

The evaluation of control including taking into account also the overall relationship between the Group and those entities, and the Group's exposure to returns from other interests which it holds. This estimate also takes into account the Group's maximum exposure to the variability of returns, including with respect to management fees and the Group's guarantee to protect returns of members' rights in compensation programs.

The accounting policy of subsidiaries was changed insofar as was required in order to adjust it to the accounting policy which was adopted by the Group.

Note 3: Significant Accounting Policies (Cont.)

A. Consolidation basis (Cont.)

3. Non-controlling interests

Non-controlling interests constitute the total capital in a subsidiary that is not attributable, either directly or indirectly, to the Company.

Measurement of non-controlling interests on the business combination date

Non-controlling interests, which are instruments conferring ownership rights in the present, and which grant their holder a share in the net assets in case of liquidation (for example: ordinary shares), are measured on the business combination date at fair value, or according to their relative share in the assets and liabilities identified with the acquired entity, on a separate basis for each transaction.

Allocation of profit or loss and other comprehensive income between shareholders

Income or loss, and any component of other comprehensive income, is attributed to shareholders in the Company and to non-controlling interests. Total income or loss, or other comprehensive income or loss, is attributed to the owners of the Company and to non-controlling interests, even if, as a result, the balance of non-controlling interests is negative.

Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests, while retaining control, are treated as capital transactions. The Company chose to charge any difference between the consideration paid or received for the change in non-controlling interests to the capital reserve from transactions with non-controlling interests.

Furthermore, when making changes to its stake in a subsidiary while still retaining control, the Company re-attributes the cumulative amounts which were recognized under other comprehensive income between the Company’s shareholders and the non-controlling interests.

4. Loss of control

When a loss of control occurs, the Group writes off the assets and liabilities of the subsidiary, as well as any non-controlling interests and other components of capital attributed to the subsidiary. If the Group remains with a certain investment in the former subsidiary, the balance of the investment is measured according to its fair value on the date of loss of control. The difference between the consideration for the fair value of the remaining balance of the investment, and the balances which were written off, is recognized under profit and loss, in the item for other income or expenses. From that date onwards, the remaining investment is accounted by the equity method or as an available for sale financial asset, according to the Group’s degree of influence on the relevant company.

The amounts which were recognized in capital through other comprehensive income in connection with said subsidiary are re-classified to profit or loss or to retained earnings, in the same manner that would have been required had the subsidiary itself disposed of the assets or the liabilities in question.

Note 3: Significant Accounting Policies (Cont.)

A. Consolidation basis (Cont.)

5. Investments in associate companies and joint ventures

Investments in associate companies and joint ventures are accounted by the equity method (save as specified in section (f)(6) below), and are recognized for the first time at cost. The investment cost includes transaction costs. The consolidated financial statements include the Group's share in net income or loss, in other comprehensive income or loss, and in the net assets of investee companies accounted by the equity method, after performing adjustments required to adapt the accounting policy to that used by the Group, from the date when significant influence or joint control materialized, until the date on which the conditions for significant influence or joint control are no longer met.

The Group discontinues applying the equity method beginning on the date when it loses significant influence over the associate company or joint control of the joint venture, or when it rises to control of the investee company, and treats the remaining investment as a financial asset or subsidiary, as applicable.

On the date of loss of significant influence or joint control, the Group measures at fair value any remaining investment in the former associate company or joint venture. The Company recognizes profit or loss under the item for other income or expenses, with respect to any difference between the fair value of a particular remaining investment, and any consideration from the disposal of part of the investment in the associate company or joint venture, and the book value of the investment at that time. The amounts which were recognized under capital reserves through other comprehensive income, with reference to an investee company accounted by the equity method, are reclassified to profit and loss or to retained earnings, in the same manner which would have been required had the aforementioned investee company itself realized the assets or liabilities in question.

Changes to the holding rates of companies accounted by the equity method while retaining significant influence or joint control, including transition between significant influence and joint control, and vice versa

In case of an increase in the holding rate of a company which is accounted by the equity method while retaining significant influence or joint control, the Group applies the acquisition method only to the additional holding rate, while the previous holding remains unchanged.

In case of a decrease in the holding rate of a company which is accounted by the equity method while retaining significant influence or joint control, the Group writes off the proportional part of its investment, and recognizes the profit or loss from the sale under the item for other income or expenses in the statement of income. The cost of the rights which were sold for the purpose of calculating the profit or loss from the sale is determined according to a weighted average.

Additionally, at that time, a proportional part of the amounts which were recognized under capital reserves through other comprehensive income, with reference to the same company accounted by the equity method, is reclassified to the statement of income or to retained earnings, in the same manner as would have been required had the associate company or joint venture itself realized the assets or liabilities in question. The aforementioned accounting treatment is also relevant in cases where an investment in an associate company becomes an investment in a joint venture, or vice versa.

6. Transactions which were canceled as part of the preparation of the consolidated financial statements

Inter-company balances in the Group, and unrealized income and expenses resulting from inter-company transactions among the Group's member companies, were canceled as part of the preparation of the consolidated financial statements. Unrealized profits due to transactions with associate companies and with joint ventures were canceled against the investment, in accordance with the Group's rights in those investments. Unrealized losses were canceled in the same manner as that which was used to cancel unrealized profits, so long as no evidence of impairment existed.

Note 3: Significant Accounting Policies (Cont.)

A. Consolidation basis (Cont.)

7. Acquisition of property company

Upon the acquisition of a property company, the Group exercises judgment in its evaluation of whether it constitutes the acquisition of a business or a property, for the purpose of determining the accounting treatment for the transaction. In its evaluation of whether a property company constitutes a business, the Group evaluates, inter alia, the nature of the existing processes in the property company, including the scope and nature of the management, security, cleaning and maintenance services which are given to tenants. Transactions in which the acquired company is a business are treated as a business combination, as specified above. However, transactions in which the acquired company is not a business are treated as an treated as a group of assets and liabilities. In transactions of the business combination type, the acquisition cost, including transaction costs, is proportionately allocated to the identifiable assets and liabilities which were acquired, based on their proportional fair value as of the acquisition date. In the latter case, goodwill is not recognized, and deferred taxes are not recognized, with respect to temporary differences which exist as of the acquisition date.

B. Foreign currency

1. Transactions in foreign currency

Transactions in foreign currency are translated to the relevant functional currencies of the Group's member companies, according to the exchange rates that were in force as of the transaction dates. Monetary assets and liabilities denominated in foreign currency on the reporting date are translated to the functional currency according to the exchange rate which is in effect as of that date. Foreign currency differences with respect to the monetary items refers to the difference between the amortized cost of the functional currency at the start of the year, adjusted to the effective interest rate and to payments throughout the year, and the amortized cost of the foreign currency, as translated using the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated to the functional currency according to the exchange rate that is in force on the date of determination of fair value. Non-monetary items denominated in foreign currency and measured at historical cost are translated according to the exchange rate that was in force as of the transaction date.

Foreign currency differences arising from translation to the functional currency are generally recognized under the statement of income, excluding differences which are due to the translation of capital, non-monetary financial assets classified as available for sale and which are recognized under other comprehensive income (excluding in the case of impairment, in which case the translation differences which were recognized under other comprehensive income are reclassified to profit and loss).

2. Foreign operations

The functional currency, which is the currency that reflects, in the best possible manner, a company's economic environment and the transactions, is evaluated separately for each of the Group's member companies, including companies presented using the equity method. Such currency is then used to measure their financial positions and operating results. In cases where the functional currency of a Group member is different from the Company's functional currency (as described in Note 2(b) above), said company constitutes a foreign operation whose financial statements are translated for the purpose of including them in the financial statements, as follows:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments which materialized at the time of acquisition, are translated to NIS according to the current exchange rate as of the reporting date. The income and expenses of foreign operations are translated to NIS using average exchange rates, which constitute an approximation of the rates that existed on the transaction dates.

Foreign currency differences with respect to the translation are recognized under other comprehensive income and are presented under capital, in the translation reserve.

In cases where a foreign operation is a subsidiary that is not wholly owned by the Group, the proportional part of the foreign currency differences with respect to the foreign operation is allocated to non-controlling interests.

Upon the disposal of a foreign operation which leads to loss of control, significant influence or joint control, the cumulative amount in the translation reserve with respect to the foreign operation is reclassified to profit and loss, as part of the profit or loss from the disposal.

Note 3: Significant Accounting Policies (Cont.)

B. Foreign currency (Cont.)

In general, foreign currency differences with respect to loans which were received or provided for foreign operations, including foreign operations which are subsidiaries, are recognized under profit and loss in the consolidated statements. When the settlement of loans which were received or provided for foreign operations is not planned and is not expected in the foreseeable future, profit and loss from foreign currency differences which are due to those monetary items are included as part of the investment in the foreign operation, net, recognized under other comprehensive income, and presented under capital, as part of the translation reserve.

C. Segmental reporting

An operating segment is a component of the Group which fulfills the following criteria:

1. It is engaged in business operations from which it may derive income, and with respect to which it may bear expenses, including income and expenses that are attributable to transactions between the Group's member companies.
2. Its operating results are reviewed on a regular basis by the Group's Chief Operational Decision Maker, in order to reach decisions regarding the resources allocated to it, and in order to assess its performance.
3. Separate financial information is available for the above.

For details regarding financial reporting by segment, see Note 5.

D. Insurance contracts, investment contracts and asset management contracts

IFRS 4, Insurance Contracts, allows an insurer to continue applying the accounting policy which it applied before the date of the transition to IFRS regarding insurance contracts which it issues (including related acquisition costs and related intangible assets), and also regarding insurance contracts which it acquires.

Presented below are the Group's significant accounting policies in connection with insurance contracts:

1. Long term savings and long-term care insurance in the health insurance segment

   A. Recognition of revenue - see section (n) below.

   B. Liabilities with respect to health and long-term care insurance contracts in the health insurance segment
   The liabilities are calculated in accordance with the Commissioner's directives (regulations and circulars), accounting rules and conventional accounting methods in Israel. The liabilities are included based on an actuarial valuation, and are calculated according to the relevant coverage data, including policyholder age, seniority of coverage, insurance amount, etc. The liabilities also include provisions for ongoing paid claims and outstanding claims, the direct and indirect expenses due to them, and provisions for IBNR claims. The share of reinsurers in the liabilities is determined according to the terms of the relevant contracts.
   The liabilities, and the share of reinsurers therein, are determined by Clal Insurance's chief actuaries: Mr. Daniel Sharon, M.B.A., F.I.A., F.IL.A.A, and Mr. Omri Harel, F.IL.A.A.
   The CPI-linked liabilities and CPI-linked investments which are used to cover these liabilities were included in the last published financial statements before the end of the reporting period, including liabilities with respect to insurance contracts in which the linkage is semi-annual, in accordance with their terms.

   Liabilities to supplement the annuity reserve

   The liabilities regarding future annuity payments in life insurance contracts are calculated in accordance with the guidelines issued by the Commissioner, in consideration of the improvement in life expectancy and the change in annuity realization rates upon the retirement of policyholders, which require monitoring of the adequacy of the liabilities with respect to insurance contracts, which allow receiving an annuity and supplementing them appropriately. Accordingly, the Group performs an immediate supplementation of the liabilities, as required, with respect to insurance contracts regarding paid annuities for policyholders who have reached retirement age, and with respect to the non-profitable group of insurance contracts. Regarding other insurance contracts, a supplementation of the liability is performed with respect to funds which have accrued in the insurance contracts until the end of the reporting period, including matching to expected income, throughout the period of the insurance contract.

   For additional details, see Note 39(e)(e.1).

   Outstanding claims and INBR claims

   Outstanding claims, less the share of reinsurers therein, are calculated on a case-by-case basis, in accordance with the estimates prepared by the experts of the Company, based on announcements made with respect to the insurance events and insurance amounts, and are included under liabilities with respect to insurance contracts and investment contracts. For IBNR claims, a provision is calculated based on a statistical model.

Note 3: Significant Accounting Policies (Cont.)

D. Insurance contracts, investment contracts and asset management contracts (Cont.)

1. Long term savings and long-term care insurance in the health insurance segment(Cont.)

B. Liabilities with respect to health and long-term care insurance contracts in the health insurance segment (Cont.)

Reserves for ongoing claims

The provisions for paid pension and for paid ongoing claims in loss of working capacity insurance and in long-term care insurance, the direct and indirect expenses which are due to them, and the provisions for IBNR claims, are calculated by the chief actuaries in the Company, and are included under liabilities with respect to insurance contracts and investment contracts.

C. Deferred acquisition costs (DAC)

Life and long-term care insurance contracts

DAC in life insurance and long-term care insurance contracts which were sold beginning on January 1, 1999, include commissions to agents and acquisition supervisors, and other expenses, including part of the general and administrative expenses, which are associated with the acquisition of new insurance contracts. DAC are amortized in equal annual rates over the period of the insurance contract, but no more than 15 years. The DAC with respect to insurance contracts which were canceled or settled are written off on the date of the cancellation or settlement.

The chief actuaries of the consolidated insurance companies evaluate, on an annual basis, the recoverability of DAC, in accordance with the Commissioner's directives. The evaluation is performed in order to verify that the insurance contracts are expected to generate sufficient future income to cover the amortization of DAC and the insurance liabilities, operating expenses and commissions with respect to those insurance contracts. The test is conducted collectively for all individual products and for all underwriting years. The assumptions which are used in this evaluation include assumptions regarding cancellations, operating expenses, returns on assets, mortality and morbidity, which were determined by the actuaries of the Company on an annual basis, in accordance with tests, past experience, and relevant current studies.

(2) Asset management contracts

Incremental acquisition costs which are directly attributable to the acquisition of contracts for managing assets in pension funds and provident funds are recorded as DAC when the Company expects to recover those costs. In any other case, they are recognized as an expense upon their materialization.

Acquisition costs which have been discounted as assets are amortized to the statement of income on a systematic basis which is consistent with the estimated period for transfer of the asset management service, which is validated from time to time. The balance of DAC which accrued until December 31, 2017 is tested for impairment once per year, by discounting the cash flow forecast due to the acquired activity. Additionally, in accordance with IFRS 15, at least once per year, the Company evaluates whether the asset's book value, which was recognized beginning on January 1, 2018, exceeds the balance of the consideration which the entity expects to receive in exchange for the service to which the asset refers, less the costs which are directly attributable to the provision of the service, which were not recognized as expenses, according to undiscounted amounts. If necessary, impairment loss is recognized in the statement of income.

D. Liability adequacy test

The insurance company's chief actuaries periodically conduct a liabilities adequacy test regarding liabilities with respect to life and long-term care insurance contracts (hereinafter: "**LAT**"). The LAT is intended to test that the total liabilities suffice to cover the discounted value of the future flows which are expected from the insurance contracts: claims, commissions and expenses, net of premiums, and in consideration of the surplus of fair value over the book value of the backing assets. The cash flows are discounted according to a risk-free interest rate, plus a rate of an illiquidity premium, depending on the type of liability. The illiquidity premium as of December 31, 2019 was 0.30% (as of December 31, 2018 - 0.43%), and was calculated based on the Commissioner's guidelines on the matter (hereinafter: the "**Liability Value**").

If the test indicates that the amount of the liability in the books is lower than the value of the aforementioned liability, a special provision is recorded with respect to the deficiency.

Note 3: Significant Accounting Policies (Cont.)

D. Insurance contracts, investment contracts and asset management contracts (Cont.)

1. Long term savings and long-term care insurance (Cont.)

D. Liability adequacy test (Cont.)

The test is performed separately for groups of policies which have been defined by the Commissioner, individual policies and collective policies. In individual policies, the test is performed with respect to groups of insurance contracts (including their annexes) which were issued in various periods, according to participation types, and separately for basic risk policies. In collective policies, the test is performed on the level of the single collective, and is performed in accordance with the actual claims experience of the single collective, and subject to the statistical reliability of such experience. The assumptions used for the above tests include assumptions made with regard to cancellations, operating costs, returns from assets, mortality and morbidity, and are determined by the chief actuaries of the Company based on tests, past experience and other relevant studies, including a margin for adverse deviations, in accordance with the insurance circular on the subject of the LAT. See Note 39(e)(e1)(d).

E. Investment contracts

Receipts with respect to investment contracts are directly applied to the item for liabilities with respect to insurance contracts and investment contracts in the statement of financial position, and are not included under the item for earned premiums in the statement of income. Repayments of investments with respect to redemptions and end of period with respect to these contracts are directly written off from the item for liabilities with respect to insurance contracts and investment contracts, and are not applied to the statement of income.

In the statement of income, amounts are charged with respect to these contracts for income from investments, management fees collected from policyholders, changes in liabilities with respect to insurance contracts and investment contracts, in the amount of the policyholders' share in investment income (participation in profits), agent commission expenses and general and administrative expenses.

F. Provision with respect to participation in the profits of policyholders in collective insurance

The provision is included under other accounts payable in the statement of financial position, and the change in provision is charged to the item for premiums.

2. Non-life insurance and health insurance, excluding long-term care insurance

A. Recognition of revenue - see section (n) below.

B. Liabilities with respect to non-life and health insurance contracts, except long-term care insurance

Insurance reserves and outstanding claims which are included in the item for liabilities with respect to insurance contracts in the statement of financial position, and the share of reinsurers in the reserve and in outstanding claims, which is included in the item for reinsurance assets in the statement of financial position, were calculated according to the Reserve Calculation Regulations, the Commissioner's guidelines and conventional actuarial methods for the calculation of outstanding claims, which are applied according to the judgment of the actuaries of the Company. The liabilities with respect to insurance contracts were primarily calculated by the chief actuaries in the Company.

The item for liabilities with respect to insurance contracts is comprised of the following:

1. Unearned premium reserve. This reserve reflects the premiums which are attributed to the insurance period subsequent to the reporting date.

2. Premium deficiency reserve This reserve is recorded, as required, if the unearned premiums (less deferred acquisition costs, see section C below) do not cover the expected cost with respect to insurance contracts.

3. Insurance reserves in long term health insurance branches This reserve is calculated according to actuarial estimates, including, if needed, a provision with respect to expected loss on retention (premium deficiency), which is calculated based on the estimated expected cash flows with respect to the contracts, according to the relevant coverage data, such as policyholder age, seniority of coverage, insurance type, insurance amount, etc.

Note 3: Significant Accounting Policies (Cont.)

D. Insurance contracts and investment contracts (Cont.)

2. Non-life and health insurance, excluding long-term care insurance (Cont.)

B. Liabilities with respect to non-life and health insurance contracts, except long-term care insurance (Cont.)

4. Outstanding claims and reserves which are calculated according to the methods described below:

4.1 Outstanding claims, and the share of reinsurers therein, were included based on an actuarial valuation, excluding as regards the branches listed in section 4.2 below. Provision for indirect expenses for the settlement of claims is included according to an actuarial valuation. The actuarial calculation was performed by the chief supervising actuaries of Clal Insurance: Mr. David Engelmayer, M.A., F.I.A., F.IL.A.A., and Mr. Omri Harel, F.IL.A.A.

4.2. In the cargo, shipping, marine and aviation insurance branches, in guarantees according to the Sales Law, in financial guarantees, in credit insurance, and in the foreign trade risks and incoming business branches, regarding which the actuary has determined that it is not possible to apply an actuarial model, due to a lack of statistical significance, outstanding claims were included based on estimates which were prepared by external experts and employees of the Company who handle claims, on reports of delivering companies regarding incoming businesses, and with the addition of IBNR claims and reserves, as needed.

4.3. Net surplus revenues - with respect to the foreign trade risks branch, net surplus revenues are calculated basis on a cumulative annual report.

4.4 Claims of recourse and residuals are taken into account in the database used to calculate the actuarial valuations of outstanding claims.

4.5 According to the Company’s estimate, the outstanding claims are adequate, in consideration of the fact that the outstanding claims are mostly calculated on an actuarial basis, and the others include appropriate provisions for IBNR, as required.

5. Reserve due to the liability adequacy test in accordance with the principles specified in Note 39(e)(e2)(4).

C. Deferred acquisition costs (DAC)

Gross DAC and reinsurers, with respect to non-life insurance and health insurance, excluding long-term care insurance, as stated above, were calculated in accordance with the Reserve Calculation Regulations and the Commissioner’s instructions:

DAC in the non-life insurance and short term health insurance branches include commissions to agents and part of the general and administrative expenses in connection with the acquisition of insurance contracts, which are attributed to unearned premiums on retention. DAC are calculated according to the actual expense rates, or according to standard rates which were determined in the Reserve Calculation Regulations and in accordance with the Commissioner’s provisions, as a percentage of unearned premiums for each branch separately, whichever is lower. Some of the reinsurers in DAC are classified under the item for other accounts payable. For details regarding changes in the calculation of reinsurers’ share in DAC, see section B above.

(2) DAC in long term health insurance branches include commissions to agents and acquisition supervisors, and some of the general and administrative expenses which are associated with the acquisition of new insurance contracts. DAC are amortized in equal rates over the period of the insurance contract, but no more than six years. DAC attributable to canceled insurance contracts are written off on the cancellation date.

In accordance with the Commissioner’s directives, an actuary of the insurance company evaluates, on an annual basis, the recoverability of DAC in the long term health insurance branches. This calculation includes evaluating whether the insurance contracts are expected to create sufficient future income to cover the insurance liabilities, the amortization of DAC, the operating expenses and the commissions with respect to those insurance contracts. The test is conducted collectively for all underwriting years. The assumptions which are used in this test include assumptions with respect to cancellations, operating expenses, return on assets, mortality and morbidity, and are determined on an annual basis by the chief actuary of the insurance company, in accordance with tests, past experience and relevant current studies.

Note 3: Significant Accounting Policies (Cont.)

D. Insurance contracts, investment contracts and asset management contracts (Cont.)

2. Non-life and health insurance, excluding long-term care insurance (Cont.)

D. Items for payments and changes in liabilities

The items for payments and change in liabilities with respect to insurance contracts, gross, and retention, include, inter alia, settlement and direct handling costs with respect to paid claims, indirect claim settlement expenses, and updates to the provision for outstanding claims, to direct handling costs, and to indirect claim settlement expenses, which were recorded in previous years.

E. Provision with respect to participation in the profits of policyholders in collective insurance in the long term health insurance branches

The provision is included under other accounts payable in the statement of financial position, and the change in provision is charged to the item for premiums.

F. The Israeli Compulsory Motor Insurance Database of the Israel Insurance Association and other incoming business

Business received from the Israeli Compulsory Motor Insurance Database Ltd. (hereinafter: the "**Pool**"), from other insurance companies (including co-insurance and incoming business from abroad) and from underwriting agencies, are included according to accounts that are received by the reporting date, with the addition of provisions, as applicable, and in accordance with the participation rate of Clal Insurance.

E. Statements of cash flows

In the statements of cash flows, the Company chose to present interest received and dividends received as part of cash flow from operating activities. Interest paid and dividends paid are presented under cash flows from financing activities.

F. Financial Instruments

1. **Non-derivative financial assets**

Non-derivative financial assets include investments in stocks and in debt instruments, cash and cash equivalents and other receivables.

Initial recognition

The Group initially recognizes loans, receivables and deposits on the date of their creation. Other financial assets which are acquired through regular way purchase, including assets which were designated to fair value through profit and loss, are initially recognized on the trade date, when the Group becomes a party to the contractual terms of the instrument, i.e., when the Group undertook to buy or sell the asset.

Write-offs

Financial assets are written off when the Group's contractual right to the cash flows arising from the financial asset expire, or when the Group transfers the rights to receive the cash flows arising from the financial asset in a transaction wherein all risks and benefits associated with the ownership of the financial asset are effectively transferred.

Sales of financial assets through regular way sale are recognized on the trade date, i.e., on the date when the Group undertook to sell the asset.

For details regarding the offsetting of financial assets and financial liabilities, see section 5 below.

Classification of financial assets to groups and accounting treatment with respect to each group

The Group classifies financial assets into groups, as follows:

Financial assets at fair value through profit and loss

Financial assets are classified as measured at fair value through profit and loss, if they are classified as held for trading, or if they were designated as such upon initial recognition. Financial liabilities are designated at fair value through profit and loss if the Group manages investments of this kind, and reaches decisions regarding the sale and purchase thereof based on their fair value, in accordance with the method used by the Group to document the risk management or strategy associated with the investment, or if the designation was intended to prevent an accounting mismatch, or if the instrument in question is a hybrid instrument which includes an embedded derivative (see section 3 below). Attributable transaction costs are applied to the statement of income upon their materialization. These financial assets are measured at fair value, and changes therein are applied to the item for profit (loss) from investments, net, and statement of income in the statement of income.

Note 3: Significant Accounting Policies (Cont.)

F. Financial instruments (Cont.)

1. **Non-derivative financial assets (cont.)**

Classification of financial assets to groups and accounting treatment with respect to each group (Cont.)

The Group classifies financial assets into groups, as follows: (Cont.)

Loans and receivables

Loans and receivables are non-derivative financial assets with payments that are fixed or fixable, and which are not traded on an active market. These assets are recognized for the first time at fair value plus attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment losses (see section (k)(1) below). Profit and loss due to the disposal of investments is calculated as the difference between the disposal consideration, net, and the original or amortized cost, and is recognized upon the occurrence of the sale event.

Loans and receivables include cash and cash equivalents and investments in debt instruments which are non-marketable and which are not included in the investment portfolios held against profit sharing (nostro) policies, including designated bonds (HETZ agreements), deposits in banks and debit balances and debit balances receivable. Cash includes cash balances that are available for immediate use. Cash equivalents include short term investments where the duration from the original deposit date to the redemption date is up to 3 months, which have a high degree of liquidity, which are easily convertible into known amounts of cash, which are exposed to immaterial risk of changes in value, and which are not restricted by a lien.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets which were designated as available for sale or which were not classified under any of the other groups. The Group's investments in stocks and in certain debt instruments are classified as available for sale financial assets. Upon their initial recognition date, available for sale financial assets are recognized at fair value, with the addition of all attributable transaction costs. In subsequent periods, these investments are measured at fair value, while the changes in them, except for impairment losses and except for profit or loss from changes in the CPI and in the exchange rate and to the accrual of effective interest in debt instruments classified as available for sale, are applied directly to other comprehensive income, and are presented in the capital reserve with respect to financial assets classified as available for sale. Dividends which are received with respect to available for sale financial assets are applied to the statement of income. When the investment is written off, the profit or loss which accumulated in the capital reserve with respect to available for sale financial assets is transferred to profit and loss.

Available for sale financial assets include marketable debt instruments, excluding embedded derivatives, which must be separated, and investments in stocks which are not classified as held for trading investments, and which are not included in the investment portfolios held against profit sharing policies (nostro).

2. **Non-derivative financial liabilities**

Non-derivative financial liabilities include liabilities to banking corporations and others, deferred liability notes, and other payables.

Initial recognition of financial liabilities

The Group recognizes issued debt instruments for the first time on the date of their creation. Other financial liabilities are recognized for the first time on the trade date, when the Group becomes party to the contractual terms of the instrument.

Non-derivative financial liabilities are recognized for the first time at fair value, plus all attributable transaction costs. Transaction costs which are directly attributable to an expected issuance of an instrument which will be classified as a financial liability, are recognized as an asset under the item for deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon initial recognition, or are amortized as financing expenses in the statement of income, when the issuance is no longer expected to take place.

After initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method. Financing expenses are charged to the statement of income using the effective interest method.

Write-off of financial liabilities

Financial liabilities are written off when the Group's liabilities, as specified in the agreement, expire, or when it has been settled or canceled.

Note 3: Significant Accounting Policies (Cont.)

F. Financial instruments (Cont.)

2. <u>Non-derivative financial liabilities</u> (Cont.)

Changes to terms of debt instruments

An exchange of debt instruments, on the level of series with materially different terms, between an existing borrower and lender, are treated as a settlement of the original financial liability, and as a recognition of the new financial liability at fair value. Additionally, a significant change in the terms of an existing financial liability, or a part thereof, is treated as a settlement of the original financial liability, and as a recognition of the new financial liability.

In such cases, any difference between the amortized cost of the original financial liability, and the fair value of the new financial liability, is recognized under profit and loss, in the item for financing expenses.

The conditions are materially different if the discounted present value of the cash flows, according to the new conditions, including any commissions which were paid, less any commissions which were received and discounted by the original effective interest rate, is different by at least ten percent than the discounted present value of the remaining cash flows of the original financial liability.

In addition to the aforementioned quantitative test, the Group is evaluating whether changes also occurred in various qualitative parameters which are embodied in the replaced debt instruments. In general, debt instrument exchanges which result in a significant change in qualitative parameters are considered exchanges with materially different terms, even if they do not fulfill the quantitative test which was performed, as stated above.

In the event that the exchange or change is immaterial, it is treated as a change to the terms of the original liability, and no income or loss is recognized with respect to the exchange. Any costs or fees which have materialized adjust the book value of the liability, and are amortized over the remaining period of the modified liability.

3. <u>Derivative financial instruments</u>

The Group holds derivative financial instruments such as options, foreign currency forward contracts and interest rate swaps.

Derivative financial instruments are first recognized at fair value, and directly attributable transaction costs are charged to the statement of income upon their materialization. After initial recognition, the derivative financial instruments are measured at fair value. Profit or loss due to changes in the fair value of derivative financial instruments are immediately applied to the statement of income, under the item for profit (loss) from investments, net, and financing income. Derivative financial instruments are recognized in the statement of financial position as assets when their fair value is positive, and as liabilities when their fair value is negative.

Embedded derivatives in a hybrid instrument must be measured at fair value through profit and loss separately from the host contract if: (a) There is no close connection between the economic characteristics and risks of the host contract and of the embedded derivative, (b) a separate instrument with the same terms as those of the embedded derivative would have fulfilled the definition of a derivative, and (c) the hybrid instrument is not measured at fair value through profit and loss.

Embedded derivatives in an insurance contract are not separated when the embedded derivative itself constitutes an insurance contract.

Economic hedging

Hedge accounting is not applied with respect to derivative instruments used for economic hedging of financial assets and liabilities. Changes in the fair value of these derivatives are applied to the statement of income as part of profit or loss from investments, net, and financing income.

4. <u>CPI-linked financial assets and liabilities which are not measured at fair value</u>

The Company chose to revaluate CPI-linked financial assets and liabilities which are not measured at fair value, in each period, in accordance with the actual rate of change of the CPI.

5. <u>Offsetting of financial instruments</u>

A financial asset and financial liability is offset, and the amounts presented net in the statement of financial position, when the Group has a currently enforceable legal right to offset the amounts which were recognized, and intends to settle the asset and the liability on a net basis, or to realize the asset and settle the liability simultaneously.

Note 3: Significant Accounting Policies (Cont.)

F. Financial instruments (Cont.)

6. The Group has reached decisions to designate financial assets as specified below:

Assets included in the investment portfolios of profit sharing policies

These assets, which include marketable financial instruments and non-marketable financial instruments (including investments in associates and joint ventures), were designated to the Group for fair value through profit or loss, for to the following reasons: they constitute portfolios which are managed, separate and identifiable, and whose presentation at fair value significantly reduces a lack of accounting consistency in the presentation of the assets and liabilities using various measurement bases, while in addition, such management is performed at fair value, and the portfolio's performance is measured at fair value in accordance with a documented risk management strategy, and the information regarding the financial instruments is internally reported to management (the relevant Investment Committee) based on fair value.

Financial assets which include embedded derivatives required for separation

Financial assets which include embedded derivatives required for separation were designated to the Group at fair value through profit or loss.

7. Share capital

Ordinary shares are classified as an equity instrument. Incremental costs which are directly attributed to the issuance of ordinary shares and share options, less tax impact, are presented as an amortization of the equity instrument in question.

G. Property, plant and equipment

1. Recognition and measurement

   The Company chose to measure components of property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses (see section (k)(2) below).

   The cost includes costs which are directly attributable to the acquisition of the asset. The cost of independently established assets includes the cost of materials and direct working costs, as well as any other costs which are directly attributable to the process of bringing the asset to a position and situation in which it can operate in the manner intended by management. The cost of purchased software which constitutes an integral part of the operation of the equipment in question, is recognized as part of the cost of such equipment.

   When significant components of property, plant and equipment have different lifetimes, these are treated as separate components (significant components) of the fixed asset.

   Income or loss arising from the write-off of a component of property, plant and equipment is determined by comparing the net consideration from the write-off of the asset to its book value, and is recognized net in the item for other income or other expenses, as relevant, in the statement of income.

2. Subsequent costs

   The cost of replacing part of an item of property, plant and equipment, and other subsequent costs, is recognized as part of the book value of property, plant and equipment, if the future economic benefit embodied therein is expected to flow to the Group, and if the cost is reliably measurable. The book value of the replaced part of the property, plant and equipment is written off. Current maintenance costs are charged to income as incurred.

Note 3: Significant Accounting Policies (Cont.)

G. Property, plant and equipment (Cont.)

3. Depreciation

Depreciation is the systematic allocation of an asset's depreciable amount over its useful lifetime. The depreciable amount is the asset's cost less the asset's residual value.

An asset is amortized when it is available for use, in other words, once it has reached the location and condition which are required in order to enable it to operate in the manner intended by management.

Depreciation is charged to the statement of income using the straight line method, over the estimated useful lifetime of each part of the fixed asset items, due to the fact that this method reflects, in the best possible manner, the expected pattern of consumption of future economic benefits embodied in the asset. Assets leased under financial leases, including real estate properties, are depreciated over either the properties' leasing period or the properties' useful lifetime, whichever is shorter, unless the Group is reasonably expected to receive the ownership of the property at the end of the leasing period. Owned real estate properties are not depreciated. Leasehold improvements are depreciated using the straight-line method over the rental period (including optional extension periods held by the Group, and which it intends to exercise) or according to the assets' estimated lifetime, whichever is shorter.

The estimates with respect to the depreciation method, the useful lifetime and the residual value are re-evaluated at least once at the end of each reporting year, and are adjusted when necessary and treated prospectively as a change in estimate.

The depreciation rates used during the current period and the comparison periods are as follows (in percent):

Lands under finance lease	2
Buildings	4
Furniture and office equipment	6-20
Vehicles	15
Computers and peripheral equipment	20-33
Leasehold improvements	4-10

4. Classification under the item for investment property

When the use of real estate is converted from use by the owners to investment property which is measured at fair value, the property is remeasured at fair value, and classified as investment property. Any profit which was created due to the remeasurement is applied to other comprehensive income and presented under the revaluation reserve in capital, unless the profit cancels a previous impairment loss of the property, in which case the profit is first applied to profit and loss. Any losses are applied directly to profit and loss.

Note 3: Significant Accounting Policies (Cont.)

H. Intangible assets

1. Goodwill

Goodwill created as a result of the acquisition of consolidated companies is presented under intangible assets. For information regarding the measurement of goodwill upon initial recognition, see section (a)(1) above.

In subsequent periods, goodwill is measured at cost less accumulated impairment loss (see section (k)(2) below).

2. Other intangible assets

Intangible assets which are acquired separately are measured upon initial recognition at cost, with the addition of direct acquisition costs. Intangible assets which are purchased in a business combination are measured at fair value on the date of the business combination.

The fair value of intangible assets that were acquired in a business combination is based on the discounted value of the cash flow expected to arise from the use and sale of such assets. The method requires a determination of a discount rate that is appropriate for the asset type, and for the risk level associated with the asset.

After initial recognition, intangible assets are measured at cost less accumulated amortization and less accumulated impairment losses (see section (k)(2) below).

Intangible assets with an undefined useful lifetime are not methodically amortized, and are subject to impairment tests on an annual basis, and also at any such time as indicators arise which signify that impairment may have occurred (see also section(k)(2) below). The useful lifetime of these assets is tested on an annual basis in order to determine whether the assessment of its lifetime as undefined is still valid. In the event that the events and circumstances no longer support said estimate, the change from undefined to defined useful lifetime is treated prospectively as a change in accounting estimate. At the same time, impairment is evaluated, and the asset is systematically amortized over its useful lifetime.

Intangible assets with a defined useful lifetime are amortized over their useful lifetimes using the straight line method, or based on the expected cash flow which was used for estimation purposes beginning on the date when the assets became available for use, since these methods reflect, in the best possible manner, the forecasted consumption pattern of the future economic benefits embodied in each asset. Impairment of intangible assets is evaluated when indicators exist which signify that impairment has occurred (see also section (k)(2) below). The amortization period and amortization method of intangible assets with defined useful lifetimes are reviewed at least at the end of each year. Changes in the useful lifetime or in the expected consumption patterns of the economic benefits that are expected to arise form the asset are treated prospectively as a change in accounting estimate. The amortization expenses with respect to intangible assets with finite useful lifetimes are charged to the income statement.

Note 3: Significant Accounting Policies (Cont.)

H. Intangible assets (Cont.)

2. Other intangible assets (Cont.)

Software programs, including research and development costs

The Group's assets include computer systems which are comprised of hardware and software. Software programs that constitute an integral part of hardware that cannot operate without the software installed on it are classified as property, plant and equipment. However, licenses for standalone software programs which provide additional functionality to hardware are classified as intangible assets.

Expenses associated with research activities which are performed with the aim of acquiring new scientific or technical knowledge and understanding know-how are applied to the statement of income upon their materialization.

Development activities are associated with product creation plans or new processes or significant improvements of existing products or processes. Expenses with respect to software development activities are recognized as an intangible asset if and only if: the development costs are reliably measurable; The product or process are both technologically and commercially feasible; A future economic benefit is expected from the product, and the Group has the intention, and sufficient resources, to complete the development and to use the asset. Costs recognized as intangible assets include the cost of materials, direct wage expenses and overhead expenses that are directly attributable to the preparation of the asset for its intended use. Software development costs recognized as intangible assets are measured at cost less accrued amortization and accrued impairment losses (see Note 3(k)(2)).

Other costs with respect to software development activities are charged to income as incurred.

Intangible assets which are created in the Group are not systematically amortized so long as they are not available for use, in other words, they are not in the location and condition which are required in order for them to be used in the manner intended by management. Therefore, these intangible assets, such as development costs, are tested for impairment at least once per year, until the date when they become available for use.

Subsequent costs

Subsequent costs are recognized as intangible assets only if they increase the future economic benefit embodied in the asset for which they were spent. The remaining costs, including costs associated with goodwill or with independently developed brands, are charged to the statement of income upon their materialization.

Useful lifetime

The estimated useful lifetime for the current period and comparative periods is as follows (in percent):

Future management fees from pension operations	3
Future management fees from provident fund operations	5-14
Customer portfolios and brand	7-10
Acquisition costs with respect to insurance portfolios	7
Software programs	10-33

Classification of amortization and impairment losses

The current amortization with respect to intangible assets, including expenses involved in the acquisition of life and non-life insurance portfolios, and excluding software programs, is charged to the statement of income under the item for other expenses.

The depreciation of computer programs is charged to purchasing, distribution and other expenses, indirect expenses for claim settlement, or general and administrative expenses, in accordance with the designation of the software programs in question.

Impairment loss is charged to the item for "Impairment of intangible assets".

I. Investment property

Investment property includes any property (land or building, or part of a building, or both) which is held by the Group, as the owner or under a financial lease, for the purpose of generating rental income and/or for the purpose of capital appreciation, or both, and not for the purpose of providing services, or for administrative purposes.

Note 3: Significant Accounting Policies (Cont.)

I. Investment property (Cont.)

Investment property is measured for the first time at cost plus expenses which are directly attributable to the acquisition of the investment property. The cost of investment property under self construction includes materials and direct labor, as well as other costs which are directly attributable to bringing the asset to the required condition in order to allow it to operate in the manner intended by management.

In subsequent periods, investment property is measured at fair value, with the changes in fair value charged to the statement of income, under the item for income (losses) from investments, net, and financing income. Investment property under construction that is designated for future use as investment property is also measured at fair value, as above, at such time as the fair value becomes reliably measurable. However, in cases where the fair value is not reliably measurable, due to the nature and scope of the risks associated with the project, the property is measured according to the fair value of the land plus construction costs, less impairment losses, if any, until the completion of construction, or until a date when the fair value is reliably measurable, whichever is earlier.

An asset is transferred from investment property to property, plant and equipment when a change in use occurs, such as the commencement of use of an asset by the owner. The cost of the asset that is transferred from investment property to property, plant and equipment constitutes its fair value as of the date of change.

Profit or loss from the write-off of investment property is determined by comparing the consideration from the write-off of the asset to its book value as of the last financial reporting date, and is recognized in the item for profit (loss) from investments, net, and financing income, in the statement of income. When investment property which was classified in the past as an investment property item is sold, the revaluation reserve which is included under capital with respect to the investment property is transferred directly to retained earnings.

J. Leases

The accounting policy which has been adopted for leases since January 1, 2019 is as follows (without restatement of comparative figures):

(1) Determining whether an arrangement contains a lease

On the date of engagement in the lease, the Group determines whether the arrangement constitutes a lease or contains a lease, including assessing whether the arrangement involves a transfer of the right to control the use of an identifiable asset for a certain period of time, in exchange for payment. When assessing whether an arrangement involves a transfer of the right to control the use of an identifiable asset, the Group evaluates whether it has the following two rights throughout the lease period:

(A) The right to essentially obtain all of the economic benefits from the use of the identifiable asset; And:

(B) The right to direct the use of the identifiable asset.

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

(2) Leased assets and lease liabilities

Contracts which give the Group the right to use a leased asset for a certain period of time in exchange for a consideration, are treated as leases. Upon initial recognition, the Group recognizes a liability in the amount of the present value of the future lease payments (such payments do not include certain variable lease payments), and in parallel, the Group recognizes a right-of-use asset in the amount of the lease liability, adjusted with respect to lease payments which were paid in advance or which accrued, plus direct costs which materialized in the lease, excluding lease transactions for periods of up to 12 months, and lease transactions in which the underlying asset has a low value, for which the Company chose to recognize the lease payments as an expense in the statement of income, in a straight line throughout the lease period.

Note 3: Significant Accounting Policies (Cont.)

J. Leases (Cont.)

Since it is not possible to easily determine the interest rate implicit in the Group's leases, the Group used, for the purpose of measuring the lease liability, nominal discount rates according to the yield curve which is used for loans in the rating group of Clal Insurance, in the relevant lifetimes of the various leases. After initial recognition, the right-of-use asset is treated according to the cost model, and is depreciated throughout the lease period or throughout the asset's useful lifetime (whichever is earlier). The Group chose to adopt the easement and to use a standard discount rate for a portfolio of leases with similar characteristics.

In transactions wherein the employee is entitled to receive a company vehicle as part of their employment terms, the Company treats those transactions as employee benefits, in accordance with the provisions of IAS 19, and not as a sublease transaction.

(3) Lease period

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

(4) Variable lease payments

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

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

(5) Amortization of right-of-use asset

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

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

When indicators of impairment exist, the Company tests for impairment of the right-of-use asset, in accordance with the provisions of IAS 36.

(6) Re-assessment of lease liability

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

Note 3: Significant Accounting Policies (Cont.)

J. Leases (Cont.)

(7) Lease amendments

When an amendment to is made to the lease terms which does not reduce the scope of the lease, and is not treated as a separate lease transaction, the Company remeasures the balance of the lease liability according to the amended terms of the lease, according to the updated discount rate as of the date of the amendment, and carries the total change in the balance of the lease liability to the balance of the right-of-use asset.

When an amendment is made to the lease terms, which results in a decrease in the scope of the lease, the Company recognizes profit or loss due to the full or partial derecognition of the balance of the right-of-use asset and the lease liability. Subsequently, the Company remeasures the balance of the lease liability according to the amended terms of the lease, using the updated discount rate as of the date of the amendment, and carries the total change in the balance of the lease liability to the balance of the right-of-use asset.

(8) Assets leased by the Group

Operating leases

Leases which do not involve a transfer of substantially all of the risks and benefits associated with the ownership of the underlying asset are classified as operating leases.

The Group recognizes lease payments from operating leases as income on a straight line basis throughout the lease period.

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

The accounting policy which was adopted until December 31, 2018 with respect to leases was as follows:

Leases, including land leases from the Israel Land Administration, or from other third parties, in which the Group significantly bears all risks and returns from the property, are classified as finance leases. Upon initial recognition, the leased properties are measured according to an amount equal either to the property's fair value, or to the present value of the minimum future leasing fees, whichever is lower. Future payments for the exercise of an option to extend the lease period vis-a-vis the Israel Land Administration are not recognized as part of the relevant asset and liability, since they constitute conditional lease fees which are derived from the fair value of the land on the future renewal dates of the lease agreement.

After initial recognition, the asset is treated in accordance with the accounting policy uses for assets of this type. The liability with respect to leasing payments is presented at present value, with the lease payments allocated to financing expenses, and repayment of the liability with respect to the lease calculated using the effective interest method.

The remaining leases are classified as operating leases, and the leased properties are not recognized in the Group's statement of financial position.

In leases of land and buildings, the land and building components are tested separately for the purpose of classifying the leases, where a significant consideration in the classification of the land component is the fact that land generally has an undefined lifetime.

Lease payments and receipts

Payments within the framework of operating leases, excluding contingent lease fees, are applied to the statement of income using the straight line method throughout the lease period.

When the Company recognizes an asset in an operating lease, the lease receipts are recognized as income under profit or loss using a straight line over the lease period. Contingent lease receipts are applied to the statement of income as income on the date when the Company is entitled to receive them.

Note 3: Significant Accounting Policies (Cont.)

K. Impairment

1. Non-derivative financial assets

The Group reviews, for each reporting date, whether objective evidence exists which indicates impairment with respect to the following financial assets or groups of financial assets:

Financial assets at amortized cost

When objective evidence of impairment is found to exist, a test is performed to evaluate the need for recognition of an impairment loss. For material financial assets, the need for impairment is evaluated for each asset on a separate basis. For the remaining financial assets, the need for impairment is evaluated on a collective basis, based on groups with similar credit risk characteristics. Objective evidence for impairment, with regard to assets which are included under the loans and receivables groups, exists when one or more events occurred which adversely impacted the estimate of future cash flows expected to arise from the asset or group of assets with similar credit risk characteristics (hereinafter: the "**Asset**") after the recognition date.

Evidence of impairment includes indicators of financial difficulty, including liquidity difficulties and the inability to make principal or interest payments. The loss amount charged to the statement of income is measured as the difference between the asset's balance in the financial statements and the present value of estimated future cash flows (which does not include future credit losses that have not yet materialized), which are discounted according to the financial asset's original effective interest rate (the effective interest rate calculated upon initial recognition). If the financial asset bears variable interest, the discount is performed according to the current effective interest rate. The balance for the asset in the financial statements is reduced by means of a recording provision. In subsequent periods, impairment loss is canceled when the retrieval of the asset's value is objectively attributable to an event that occurred after recognition of the loss. Such cancellation is charged to the statement of income up to the amount of amortized cost which would have existed as of the date of the impairment's cancellation, had the impairment not been recognized.

Available for sale financial assets

With respect to available for sale financial assets which constitute equity instruments, the objective evidence of impairment includes significant or ongoing decline in the fair value of the asset below its cost, as well as evaluation of changes in the technological, economical or legal environment, or in the market environment in which the Company that issued the instrument operates. The evaluation of significant or ongoing impairment is dependent on the circumstances prevailing as of each financial reporting date, where such evaluation includes taking into account the historical volatility of fair value, and also the duration of time in which the asset's fair value is lower than its original cost. Furthermore, in accordance with the Group's policy, a decline in fair value at a rate of 20% or higher relative to cost, as of the reporting date, or a decline which continued for over nine months (even if at a lower rate, as stated above), constitutes objective evidence of impairment. When objective evidence of impairment exists, the cumulative losses charged to capital reserves, which are measured as the difference between the acquisition cost (less previous impairment losses) and the fair value, are transferred from the capital reserves and recognized as an impairment loss in the statement of income. In subsequent periods, any additional decrease in fair value is recognized as an impairment loss; Cancellation of impairment loss is not applied to the statement of income, but rather, is applied to capital reserve as other comprehensive income.

With respect to available for sale financial assets which constitute debt instruments, objective evidence for impairment exists when one or more events occurred which adversely impacted the estimate of future cash flows expected to arise from the asset after the investment date, and when such impact can be reliably measured. Evidence of impairment includes indicators of financial difficulty, including liquidity difficulties and the inability to make principal or interest payments. When objective evidence of impairment exists, the cumulative losses charged to capital reserves, which are measured as the difference between the purchase cost (less previous impairment losses, amortization using the effective interest method and previous impairment losses) and the fair value, are transferred from the capital reserve and recognized as an impairment loss in the statement of income. In subsequent periods, any additional decrease in fair value is recognized as impairment loss; Impairment loss is canceled when the increase in fair value is objectively attributable to an event which occurred after the recognition of the impairment loss, and which was included in the original impairment calculation. A cancellation due to an increase in fair value as above, is charged to the statement of income up to the amount of amortized cost which should have existed as of the date of the impairment's cancellation, had the impairment not been recognized.

Note 3: Significant Accounting Policies (Cont.)

K. Impairment (Cont.)

2. Non-financial assets

Timing of impairment test

The book value of the Group's non-financial assets that do not constitute deferred acquisition costs, investment property and deferred tax assets, is tested for each reporting date in order to determine the existence of impairment financial indicators. In the event that such indicators are found to exist, the asset's estimated recoverable amount is calculated. Once per year, on a fixed date, with respect to each cash generating unit which includes goodwill, or intangible assets with an undefined lifetime or which are not yet available for use, the Group performs an assessment of the recoverable amount. This is performed on a more frequent basis if impairment indicators have been found.

Determination of cash generating units

For the purpose of the impairment test, the assets are grouped into the smallest group generating cash flows from continuous use, and which are primarily independent of other assets and groups (hereinafter: "**Cash Generating Unit**").

Measurement of recoverable amount

The recoverable amount of an asset, or of a cash generating unit, is the higher of either the value in use or the fair value less disposal expenses. When determining value in use, the Group discounts projected future cash flows according to the discount rate before tax, which reflects market assessments regarding the time value of money, and the specific risks relevant to a particular asset or cash generating unit, with respect to which the future cash flows which are expected to arise from the asset or from the cash generating unit have not been adjusted.

Allocation of goodwill to cash generating units

Cash generating units to which goodwill has been allocated are grouped in a manner whereby the level on which the goodwill impairment was tested reflects the lowest level on which the goodwill is monitorable for the purpose of internal reporting, although in any case, it is no larger than the operating segment (before grouping similar segments - see section (c) above regarding the definition of operating segments). In cases where goodwill is not monitored for internal management purposes, the goodwill is allocated to operating segments (before grouping similar segments). Goodwill acquired as part of a business combination is allocated to cash-generating units, including those which existed in the Group also prior to the business combination, and which are expected to produce benefits from the synergy of the combination.

For the purpose of testing the impairment of goodwill, where non-controlling interests were measured for the first time according to their relative share in the net assets of the acquired entity, the Group chose to reflect the book value of the goodwill according to the Group's holding rate in the cash generating unit to which the goodwill is allocated.

Headquarter assets

Headquarter assets do not produce separate cash flows, and are used for more than one cash generating unit. A part of the headquarters' assets are allocated to cash generating units on a reasonable and consistent basis, and are evaluated for impairment as part of the impairment test performed with respect to the cash generating units to which they are allocated. Other headquarters' assets, which cannot be reasonably and consistently allocated to cash generating units, are allocated to the Group for cash generating units in the event that indicators exist which signify that impairment has occurred in the asset belonging to the Company's headquarters, or when indicators exist which signify that impairment has occurred in the Group for cash generating units. In this case, the recoverable amount of the cash generating unit used by the headquarter asset is determined.

Note 3: Significant Accounting Policies (Cont.)

K. Impairment (Cont.)

2. Non-financial assets (Cont.)

Recognition of impairment loss

Impairment losses are recognized when the book value of the asset or of the cash generating unit exceed the recoverable amount, and are applied to the statement of income. As regards cash generating units which include goodwill, an impairment loss is recognized when the book value of the cash generating unit, after embodiment of the balance of goodwill, exceeds its recoverable amount. Impairment losses which are recognized with respect to cash generating units are initially allocated towards the amortization of the book value of the goodwill attributed to such units, and are later proportionally attributed to the amortization of the book value of the other assets in the cash generating unit.

Allocation of impairment loss for non-controlling interests

The Company chose to allocate impairment loss between the owners of the Company and non-controlling interests according to the same basis which is used to allocated profit or loss.

Cancellation of impairment loss

Loss from goodwill impairment is not canceled. With respect to other assets for which impairment losses were recognized in previous periods, on each reporting date, an evaluation is performed to ascertain whether indicators exist which signify that such losses have decreased, or no longer exist. The impairment loss is canceled if a change occurred in the estimates used to determine the recoverable amount, only in the event that the asset's book value, after cancellation of the impairment losses, does not exceed the book value less depreciation or amortization which would have been determined had the impairment loss not been recognized.

3. Associate companies and joint arrangements accounted by the equity method

The Company determines, on each reporting date, after applying the equity method, whether objective evidence of impairment exists, and whether it will be necessary to recognize impairment loss with respect to the investment in investee companies accounted by the equity method (hereinafter: the "**Investment**").

The impairment test is conducted with respect to the investment in its entirety, including the goodwill attributed to the investee company accounted by the equity method (hereinafter: the "**Investee Company**"). In the event that such objective evidence is found to exist, impairment loss is recognized in the amount of the difference between the recoverable amount of the investment and its value in the financial statements. The recoverable amount is the higher of either fair value or value in use, which is calculated based on a valuation of the net cash flows which are expected to arise from the investee, including cash flows from the activities of the investee, and the consideration from the final disposal of the investment, or an estimation of the present value of the estimated future cash flows which are expected to arise from the dividends which will be received, and from the final disposal. Such impairment loss is not specifically allocated to the goodwill which is included in the investment, and therefore, in subsequent periods, loss is cancelable up to its full amount, if and only if changes have occurred in the estimates which were used to determine the recoverable amount of the investment, from the date when the impairment loss was last recognized. The book value of the investment, after the cancellation of the impairment loss, may not exceed the book value of the investment which would have been determined according to the equity method, had it not been recognized as an impairment loss.

4. Outstanding premiums

The provision for doubtful debts with respect to premiums whose collection is doubtful, in the opinion of management, is determined specifically based on specific risk assessments, and collectively based on past collection experience in population groups with similar credit risk characteristics.

Note 3: Significant Accounting Policies (Cont.)

K. Impairment (Cont.)

5. Debts of reinsurers

Non-fulfillment of reinsurers' undertakings towards the Company does not release it from its undertakings towards policyholders in accordance with the insurance policies. A reinsurer which does not fulfill its undertakings in accordance with the reinsurance contracts may cause the Company to incur losses.

Provisions for doubtful debts with respect to the debts of reinsurers whose collection is in doubt are performed on the basis of individual risk assessments. Additionally, when determining the share of reinsurers in outstanding claims and in insurance reserves, the consolidated companies take into account, inter alia, an evaluation of the possibility of collecting from the reinsurers. When the share of the above reinsurers is calculated on an actuarial basis, the share of such reinsurers in these difficulties is calculated by the actuary, in consideration of all risk factors. Additionally, the consolidated companies take into account, when preparing the provisions, inter alia, the willingness of reinsurers to reach "cut off" agreements (in which contractual agreements are terminated by means of final repayment of the debts).

L. Employee benefits

1. Post-employment benefits

The Group has several post-employment benefit plans. The plans are generally financed by deposits to insurance companies and to pension funds, and are classified as defined deposit plans and as defined benefit plans.

A. Defined deposit plans

A defined deposit plan is a post-employment plan in which the Group pays fixed payments to a separate entity, without having a legal or implicit obligation to make additional payments. The Group's obligations to deposit sums in a defined deposit plan are charged as an expense to the statement of income, in the periods during which the employees have provided related services.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan which is not a defined deposit plan. A net liability of the Group which refers to a defined benefit plan with respect to post-employment benefits is calculated for each plan separately, by estimating the future amount of the benefit which will be owed to the employee in consideration of his services, in the current period and in previous periods. This benefit is presented at present value less the fair value of plan assets. The Group determines the net liability on the liability (asset), net, with respect to the defined benefit, by multiplying the liability (asset), net with respect to the defined benefit by the discount rate which was used to measure the liability with respect to defined benefit, as both were determined at the beginning of the annual reporting period. The discount rate was determined according to the yields, as of the reporting date, of high quality corporate bonds, whose currency is the NIS, and whose repayment date is similar to the terms of the Group's liability. The calculations are performed by a certified actuary, based on the forecasted eligibility unit.

When the results of these calculations lead to the creation of an asset for the Group, an asset is recognized up to the net amount of the present value of the economic benefits which are available in the form of a repayment from the plan, or a reduction in the future deposits to the plan. An economic benefit in the form of repayments or reductions in future deposits will be considered available when it is realizable over the plan's lifetime, or after settlement of the liability. This calculation will take into account minimum deposit requirements, if they are relevant to the plan.

The remeasurement of the liability (asset), net, with respect to the defined benefit, includes actuarial profit and loss, return on plan assets (excluding interest), and any change in the impact on the assets limit (insofar as is relevant, excluding interest). According to the Group's choice, re-measurements are immediately applied, through other comprehensive income, directly to retained earnings. Interest costs with respect to defined benefit liabilities, interest income with respect to plan assets and interest with respect to the impact on the limit of assets which were applied to the statement of income, are presented under the item for general and administrative expenses.

Note 3: Significant Accounting Policies (Cont.)

L. Employee benefits (Cont.)

1. Post-employment benefits (Cont.)

B. Defined benefit plan (Cont.)

When an improvement or reduction has occurred in the benefits provided by the Group to employees, that part of the increased benefits which is attributed to the past service of employees, or the profit or loss from the reduction, is immediately recognized under profit or loss when the correction or reduction of the plan takes place.

The Group recognizes profit or loss from the settlement of a defined benefit plan when the settlement takes place. Such profit or loss constitutes the difference between the settled part of the present value of the defined benefit liability on the settlement date and the settlement price, including transferred plan assets.

Insurance policies with respect to termination of employer - employee relationships that were issued by the Company do not constitute plan assets, and are presented as a reduction of the liability with respect to the insurance contracts.

2. Other long term employee benefits

The Group's net liability with respect to long term employee benefits which do not refer to post-employment benefit plans, applies to the future benefit amount owed to employees with respect to services provided during the current period and previous periods. The total amount of such benefits is discounted to its present value, and is presented after deduction of the fair value of the assets attributable to the obligation in question. The discount rate is determined according to the returns as of the reporting date of high quality corporate bonds whose currency is the NIS, and whose repayment date is similar to the terms of the Group's liabilities. The calculation is performed based on the forecasted eligibility unit.

Actuarial gains and losses are charged to the statement of income for the period in which they were created.

3. Severance benefits

Severance benefits are recognized as an expense when the Group has clearly committed, without any real possibility of cancellation, to the dismissal of employees before they reach the conventional retirement age according to a detailed formal plan, or to provide severance benefits as a result of an offer which was made in order to encourage voluntary retirement. Benefits provided to employees upon voluntary retirement are charged when the Group has provided to employees a plan encouraging voluntary retirement, when it is expected that the offer will be accepted, and when the number of individuals accepting the offer can be reliably estimated.

4. Short term employee benefits

Short term employee benefits are benefits whose full settlement is expected earlier than 12 months after the end of the reporting period during which the employees provide the services in question. Liabilities with respect to short term employee benefits are measured on a non-discounted basis, and the expense is charged upon provision of the service in question, or in the event of non-cumulative absences (such as maternity leave) - upon actual absence. A provision with respect to short term employee benefits for cash bonus or profit sharing plans is recognized in the amount expected for payment when the Group has a current legal or implicit liability to pay the amount in question with respect to a service provided by the employee in the past, and where the liability is reliably measurable.

Note 3: Significant Accounting Policies (Cont.)

L. Employee benefits (Cont.)

5. Share-based payment transactions

The fair value on the allocation date of share-based payment bonuses to employees is applied as a payroll expense under profit and loss in parallel the increase in capital, over the period when the employees' eligibility to equity instruments is obtained, i.e., the period when the performance and/or service conditions are fulfilled (hereinafter: the "**Vesting Period**"). The vesting period concludes on the date when the relevant employees are entitled to compensation (hereinafter: the "**Vesting Date**"). According to the Group's policy choice, the increase in capital is applied to the item for retained earnings.

The cumulative expenses recognized on each reporting date with respect to transactions settled by equity instruments until the maturity date reflects the rate of passage of the vesting period, and the Group's best estimate of the number of equity instruments that will eventually vest. The debit or credit in the statement of income reflects the change in cumulative expenses recognized at the beginning and end of the reporting period. Expense with respect to allocations which will not finally mature are not recognized.

M. Provisions

A provision is recognized when the Group has a current legal or implicit liability as a result of an event which occurred in the past, and which is reliably measurable, and when it is more likely that not that a negative flow of economic benefits will be required in order to settle the liability. The Company has chosen to determine the provisions when the impact of the value of time is significant, by discounting the future cash flow according to the pre-tax interest rate which reflects the current market estimates regarding the time value of money and the specific risks associated with the liability. The book value of the provision is adjusted in each period in order to reflect the passage of time.

The Group recognizes an indemnification asset if it is virtually certain that the indemnification will be received in the event that the Company settles the obligation. The amount recognized with respect to the indemnification does not exceed the provision amount.

Legal claims

Legal claims which possess unique characteristics are not grouped, but rather are evaluated separately. A provision with respect to unasserted claims is recognized in accordance with the claim's overall chance of success, if filed, against the Group's member companies (based on the probability that the claim will be filed, and the probability that the claim will succeed).

Onerous contracts

A provision for onerous contracts is recognized when the benefits which are expected to be received from the contracts by the Group are lower than the unavoidable costs due to the fulfillment of its onerous contract obligations. The provision is measured as the lower of either the present value of the expected cost to terminate the agreement and the present value of the net expected cost of continuing the agreement. Before the provision is recognized, the Group recognizes impairment of the assets associated with that agreement, if any.

Note 3: Significant Accounting Policies (Cont.)

N. Recognition of revenue

Presented below is the Group's policy regarding the recognition of revenue:

1. Premiums

Long term savings segment and health segment

Premiums in the life insurance, long-term care and long term health branches, including savings premiums, and excluding receipts with respect to investment contracts, are recorded as income when they come due.

Premiums in the short term health branch are recorded as income based on monthly output reports.

Cancellations are recorded on the date the announcement is received from the policy owner, or when initiated by the Company due to arrears in payment, subject to the provisions of the law. Policyholders' participation in profits is deducted from the premiums.

B. Non-life insurance segment

Premiums in the non-life insurance segment are recorded as income based on monthly output reports. Premiums primarily involve an insurance period of one year. Gross premium income, and changes in unearned premiums in respect thereof, are recorded under the item for earned premiums, gross.

Premiums in the compulsory motor branch are recorded upon repayment of the premium, since the insurance coverage is conditional on payment of the premium.

Premiums from insurance contracts whose commencement date is after the end of the reporting period are recorded as accrued income.

The income included in the financial statements is after cancellations received from the policy owners, and less cancellations and provisions due to non-repayment of premiums, subject to the provisions of the law, and less participation in earnings on the basis of agreements which are in force.

2. Income (loss) from investments, net, and financing income

Income (loss) from investments, net, and financing income, includes income from interest and linkage differentials with respect to invested sums (including available for sale financial debt assets), dividend income, net income (loss) from the sale of financial assets classified as available for sale, changes in the net fair value of financial assets at fair value through profit or loss, net income (loss) from foreign currency with respect to assets, changes in the fair value of investment property, income (loss) with respect to the write-off of investment property, and rental income from investment property less attributable expenses.

Interest income and premium amortization or deductions are recognized upon their accrual, using the effective interest method.

Dividend income is recognized on the date of eligibility for payment. In the event that the dividend is received with respect to marketable shares, the Group recognizes the dividend income on the ex date.

Rental income from investment property is recognized under profit and loss according to the straight line method, over the lease period. Allocated lease incentives are recognized as an inseparable part of total rental income over the lease period.

Gains and losses from exchange foreign currency differences and changes in the fair value of investments are reported net.

Note 3: Significant Accounting Policies (Cont.)

N. Recognition of revenue (Cont.)

3. <u>Revenue from management fees</u>

A. <u>Management fees for investment-linked insurance contracts</u>

The management fees are calculated in accordance with the Commissioner's instructions and the contract terms, on the basis of the returns and the accrual of policyholders' savings in the profit investment portfolio for those contracts. The management fees include the following components:

With respect to insurance contracts which were sold beginning on January 1, 2004 - fixed management fees only;

With respect to insurance contracts which were sold until December 31, 2003 - fixed and variable management fees.

Fixed management fees are calculated using fixed rates from the savings accrual, and are recorded on an accrual basis.

Variable management fees are calculated as a rate of real annual profit (from January 1 to December 31) which is applied to the insurance contract after deducting the fixed management fees which were collected from that insurance contract. Only positive variable management fees may be collected, less negative amounts accrued in previous years. Variable management fees are calculated on the level of the single policy (see also Note 29).

Over the course of the year, variable management fees are recorded on an accrual basis in accordance with the real monthly return, insofar as this is positive. For months in which the real return was negative, the variable management fees are reduced to the cumulative amount of variable management fees charged from the beginning of the year. Negative returns for which no reduction of management fees was performed during the current year will be deducted for the purpose of calculating the management fees from positive returns in subsequent periods.

B. <u>Management fees from pension funds and provident funds</u>

Revenue from management fees in pension funds and provident funds is applied based on the balances of managed assets and receipts from members on an accrual basis, according to the Commissioner's directives.

4. <u>Revenue from commissions</u>

A. <u>Life insurance</u>

Revenue from life insurance commissions in consolidated insurance agencies is applied based on the date of eligibility to receive commissions, according to the agreements with the insurance companies, less provisions for repayment of fees due to expected cancellations of insurance policies.

B. <u>Non-life insurance</u>

Revenue from commissions in non-life insurance in the consolidated insurance agencies are applied upon their materialization.

C. <u>Reinsurance</u>

Revenue from reinsurance commissions in life insurance, health insurance and non-life insurance is applied upon its materialization.

Note 3: Significant Accounting Policies (Cont.)

O. General and administrative costs and expenses

General and administrative costs and expenses are classified under indirect claim settlement expenses (which are included under the item for payments and changes in liabilities with respect to insurance contracts and investment contracts), expenses associated with acquisition (which are included under the item for commissions, marketing expenses and other acquisition expenses), and the balance of other general and administrative expenses which are included in this item. The classification was made according to the Group's internal models, and according to the identification and loading of overhead expenses.

P. Financing expenses

Financing expenses include interest expenses, linkage differentials and foreign currency differences on received loans and other credit costs, interest and linkage differentials on deposits and balances of reinsurers, changes with respect to the value of time in provisions. Profit and loss from foreign currency differences are reported net.

Non-discounted borrowing costs are applied to the statement of income according to the effective interest method.

Q. Taxes on income

Taxes on income include current and deferred taxes. Current and deferred taxes are applied to the statement of income unless the tax is due to a business combination, or are applied directly to capital or to other comprehensive income if they are due to items which are recognized directly other comprehensive income under capital or are recognized directly, respectively.

Current taxes

Current tax is the tax amount which is expected to be paid (or received) on taxable income for the year, calculated according to the applicable tax rates in accordance with laws which were enacted, or which were effectively enacted, as of the reporting date. Current taxes also include changes in tax payments in reference to previous years.

The Group offsets current tax assets and liabilities if there is a legally enforceable right to offset current tax assets and liabilities, and if there is an intention to settle current tax assets and liabilities on a net basis, or if the current tax assets and liabilities are settled simultaneously.

Uncertain tax positions

A tax liability with respect to uncertain tax positions, including additional tax expenses and interest, is recognized when it is more likely than not that the Group will be required to make use of its economic resources to settle the obligation.

Note 3: Significant Accounting Policies (Cont.)

Q. Taxes on income

Deferred taxes

Deferred taxes are recognized with respect to the temporary differences between the book value of assets and liabilities for the purpose of financial reporting, and their value for tax purposes. The Group does not recognize deferred taxes with respect to the following temporary differences: initial recognition of goodwill; Initial recognition of assets and liabilities in a transaction which does not constitute a business combination and which does not affect accounting profit and profit for tax purposes; and differences due to investments in investee companies, if the Group holds control on the difference reversal date, and they are not expected to reverse in the foreseeable future, whether by way of realization of the investment or by way of a dividend distribution with respect to the investment.

The measurement of deferred taxes reflects the tax implications which will result from the manner by which the Group predicts, at the end of the reporting period, the repayment or settlement of the book value of assets and liabilities, according to the tax rate which is expected to apply on the reversal date. Regarding investment property measured using the fair value model, a refutable assumption exists that the book value of the investment property will be repaid by way of sale.

Deferred taxes are measured according to the tax rates that are expected to apply to the temporary differences on the date of their realization, based on the laws that were enacted, or effectively enacted, as of the reporting date. Deferred taxes with respect to subsidiaries operating outside of Israel were calculated according to the relevant tax rates in each country.

Deferred tax assets are recognized in the books with respect to transferred losses and/or deductible temporary differences in the event that taxable income is expected to arise in the future against which the transferred losses and/or deductible temporary differences may be used, or in the absence of projected future taxable income, deferred tax assets are recognized only up to the amount of taxable temporary differences. Deferred tax assets are evaluated for each reporting date, and in the event that the attributable tax benefits are not expected to be realized, they are amortized.

Deferred tax assets which were not recognized are re-evaluated on each reporting date and are recognized if the expectation has changed such that taxable income is expected in the future against which it will be possible to use them.

Offsetting of deferred tax assets and liabilities

The Company offsets deferred tax assets and liabilities in the event that a legally enforceable right exists to offset the current assets and liabilities, and they are attributable to the same taxable income, which is taxed by the same tax authority in the same assessed company, or in different companies, which intend to realize deferred tax assets and to settle deferred tax liabilities on a net basis, or where the deferred tax assets and liabilities are settled simultaneously.

Inter-company transactions

Deferred tax with respect to inter-company transactions recorded in the consolidated financial statements is recorded based on the tax rate that applies to the acquiring company.

R. Earnings per share

The Company presents data regarding basic and diluted earnings per share for its ordinary share capital.

Basic earnings per share are calculated by dividing the income or loss attributable to the holders of ordinary shares in the Company by the weighted average number of ordinary shares which were outstanding during the year.

Diluted earnings per share are determined by adjusting the profit or loss attributed to the holders of ordinary shares in the Company, and adjusting the weighted average of the outstanding ordinary shares and with respect to the effects of all potential diluting ordinary shares (i.e., shares which reduce earnings per share or which increase loss per share).

Note 3: Significant Accounting Policies (Cont.)

S. Initial adoption of amendments to international accounting standards

1. International Financial Reporting Standard (IFRS) 16, Leases

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

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

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

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

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

(1) To adopt the practical easement regarding the recognition and measurement with respect to leases of assets of low value, for each lease separately.

(2) Not to separate non-lease components from lease components, and to treat all components as a single lease component.

(3) To use a standard discount rate for a portfolio of leases with similar characteristics;

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

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

Note 4: New Standards and Interpretations Which Have Not Yet Been Adopted

Standard / Interpretation / Amendment	Topic	Application and Transitional Provisions	Main Expected Effects
(1) International Financial Reporting Standard (IFRS) 17, Insurance Contracts	The standard establishes principles for recognition, measurement, presentation and disclosure in connection with insurance contracts (including reinsurance treaties), and replaces the current provisions on the subject. According to the new standard, the entity will recognize and measure groups of insurance contracts in accordance with the risk-adjusted present value of the future cash flows from the contracts, pertaining to all available information regarding the cash flows, consistently with observable market inputs; plus (in case of a liability) or less (in case of an asset) the amount representing the unrealized profit from the group of contracts (the contractual service margin). Revenue with respect to insurance contracts, for each reporting period, is derived from changes in the liability with respect to future coverage, which are attributed to the various components of the proceeds which the insurer is entitled to receive with respect to the contract, such as costs of acquiring insurance contracts, adjustment of risk, attribution of the contractual service margin to periods, expected claims, and expenses during the period. However, an entity may apply a simpler measurement model to certain particular (for example, contracts with insurance coverage of up to one year), according to which the amount attributed to services which have not yet provided will be measured by allocating the premium over the coverage period (the premium allocation approach).	The new standard will be adopted beginning on January 1, 2021. Early adoption is possible, so long as IFRS 9 - Financial Instruments, is adopted in parallel. In November 2018, the IASB decided to propose the postponement of the initial adoption date of IFRS 17 by one year, to January 1, 2022. In June 2019, a proposed amendment to the standard was published, which included, inter alia, in November 2018, the IASB decided to propose the postponement of the initial adoption date of IFRS 17 by one year, to January 1, 2022. In accordance with the draft letter which was sent to the managers of the insurance companies in February 2020, the Capital Market, Insurance and Savings Authority intends to schedule the standard’s initial adoption in Israel for the quarterly and annual periods beginning on or after January 1, 2023. In March 2020, the IASB decided to amend the standard, and to postpone by two years the date of the standard’s initial adoption, to January 1, 2023, and also, in parallel, to postpone the optional easement which was given to insurers who meet certain criteria for adopting the provisions of IFRS 9, Financial Instruments, beginning on January 1, 2023. The updated standard is expected to be published in mid-2020. The standard it is necessary to adopted retrospectively, whereby in cases when retrospective adoption is impractical, one of the following two approaches may be chosen: retrospective adoption with certain easements; or the adoption of the fair value approach.	The adoption of the standard is expected to have a significant impact on the financial statements of insurance companies, and the adoption of the standard also requires significant automational preparations, and therefore, the Company is unable to estimate, at this stage, the full implications of the adoption of the standard.

Note 4: New Standards and Interpretations Which Have Not Yet Been Adopted (Cont.)

Standard / Interpretation / Amendment

(2) IFRS 9 (2014), Financial Instruments

Topic

In July 2014, the IASB published the full and final text of IFRS 9 - Financial Instruments, which replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 (hereinafter: the "New Standard") primarily changes the provisions for the classification and measurement of financial assets, and applies to all financial assets covered under IAS 39.

The new standard determines that, upon initial recognition, all financial assets will be measured at fair value. In subsequent periods, debt instruments will be measured at amortized cost only if the following two cumulative conditions are fulfilled:

- The asset is held within the framework of a business model which is intended to hold assets in order to collect the contractual cash flows issuing therefrom (hereinafter: the "Principal and Debt Only Test").
- According to the contractual terms of the financial asset, the Company is entitled, on certain dates, to receive cash flows which constitute only principal payments and interest payments on the principal balance.

All other debt instruments and all other financial assets will be subsequently measured at fair value. The new standard provides a distinction between debt instruments which will be measured at fair value through profit or loss, and debt instruments which will be measured at fair value through other comprehensive income.

Financial assets which constitute equity instruments will be measured in subsequent periods at fair value, and the differences will be applied to the statement of income or to other comprehensive income (loss), in accordance with the Company's choice regarding each individual instrument. Equity instruments which are held for trading must be measured at fair value through profit or loss.

The new standard also includes a new model which is comprised of three stages for measuring the impairment of financial debt instruments which are not measured at fair value through profit or loss, and is based on the expected credit losses model. Each stage determines the method for measurement of the expected credit losses, based on changes which occurred in the debt instrument's credit risk. Additionally, an easement is provided under this model for financial assets with short credit periods, such as trade receivables.

With respect to derecognition and financial liabilities, the new standard establishes the same provisions as those which are required in accordance with IAS 39 with respect to derecognition and financial liabilities, for which the fair value alternative was not chosen.

With respect to liabilities for which the fair value alternative was chosen, the amount of the change in the fair value of the liability - which is attributable to changes in the Company's credit risk - will be applied to other comprehensive income. All other changes in fair value will be applied to the statement of income.

Application and Transitional Provisions

The standard will be applied with respect to annual periods beginning on or after January 1, 2018.

In September 2016, an amendment was published to IFRS 4, which permits an entity issuing insurance contracts to adopt IFRS 9 with adjustments (hereinafter: the "Overlay Approach"), or to defer the adoption of IFRS 9 to January 1, 2021 (hereinafter: the "Deferral Approach" or the "Temporary Exemption").

In September 2018, the IASB decided to present an extension of the temporary exemption from the adoption of IFRS 9, for insurance companies which adopted the deferral approach, until January 1, 2022.

For the purpose of adopting the deferral approach, the entity is required to meet the following criteria:

A) The entity has not previously adopted any version of IFRS 9.
B) The entity's activities are significantly activities associated with insurance.

The Company meets the criteria for the easement as of the adoption date, and accordingly, it intends to defer the adoption of IFRS 9 to January 1, 2022.

When the liabilities covered under IFRS 4 constitute 90% or less of the Company's the Company's liabilities as of December 31, 2015, but the liabilities associated with the insurance constitute over 90% of the Company's total liabilities

As of December 31, 2015, the book value of the Company's liabilities which are associated with insurance constitutes 96% of the total book value of the Company's liabilities, as follows:

	Book value	Proportion of total liabilities
Liability	NIS in thousands	%
Liabilities due to contracts covered under IFRS 4	79,636	88%
Liability with respect to non-derivative investment contracts which are measured at fair value through profit or loss	2,154	2%
Liabilities which constitute capital for the purpose of complying with the capital regime that applies to the Company	3,220	4%
Tax liabilities	2,424	2%
Total	87,443	96%

Since that date, no changes have occurred in the insurance company's activities which would have required re-assessment.

Main Expected Effects

The Group evaluates the implications of the standard on the financial statements.

No change is expected in the method used to measure the value of the assets against investment-linked liabilities.

The balance of the capital reserve with respect to available for sale capital financial assets will be transferred to retained earnings, and the changes in the value of such financial assets will also be included under surplus through the statement of income (and will not be recorded based on the rules applicable to available for sale financial assets (see Note 3(f)(1) above).

The Company is still evaluating the method used to measure HETZ (indexed life) bonds and treasury deposits, which bear guaranteed returns and include a certain margin above the guaranteed returns in liabilities to the policyholders / members against which they are held, as well as the consequences of changes, if any, in the measurement of these assets, on the value of the aforementioned liabilities.

Note 4: New Standards and Interpretations Which Have Not Yet Been Adopted (Cont.)

Standard / Interpretation / Amendment	Topic	Application and Transitional Provisions	Main Expected Effects
(3) Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures, benchmark interest rates reform (the "Amendments")	The amendments include several mandatory easements which are relevant to the evaluation of the adequacy of hedge accounting relationships that are affected by the uncertainty due to the IBOR interest rates reform (a reform which will lead to the cancellation of benchmark interest rates, such as the LIBOR and the EURIBOR). For example: When determining the probability of the hedged cash flows, it is necessary to rely on the existing contractual cash flows, and to ignore future changes due to the IBOR reform. When evaluating prospective effectiveness, the current contractual terms of the hedged item and of the hedging instrument are to be taken into account, while ignoring the uncertainties due to the reform.	The amendments will be adopted retrospectively beginning on January 1, 2020. Early adoption is possible. The easements included in the amendments will be discontinued prospectively on the earlier of either the date when the uncertainty regarding the reform has been clarified, or the date when the hedge relationship is discontinued.	The Group's believes that the adoption of the amendments is not expected to have a significant impact on the financial statements.
(4) 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.	The Group is evaluating the implications of the amendment, and the Group believes that the adoption of the amendment is not expected to have a significant impact on the financial statements.

Note 5: 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 5: Segmental Reporting (Cont.)

B. Seasonality

1. Long-term savings segment

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

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

2. Non-life insurance segment

In general, 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 5: Segmental Reporting (Cont.)

C. Report on operating segments

	Long term savings											
	Provident			Pension			Life insurance [1]			Total		
NIS in thousands	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Gross premiums earned	-	-	-	-	-	-	**5,986,281**	5,845,913	5,534,579	**5,986,281**	5,845,913	5,534,579
Premiums earned by reinsurers	-	-	-	-	-	-	**136,355**	135,807	168,245	**136,355**	135,807	168,245
Premiums earned on retention	-	-	-	-	-	-	**5,849,926**	5,710,106	5,366,334	**5,849,926**	5,710,106	5,366,334
Income from investments, net, and financing income	**139,540**	158,559	139,160	**4,727**	2,634	488	**8,702,644**	802,520	5,421,019	**8,846,911**	963,713	5,560,667
Income from management fees	**176,500**	175,627	183,021	**280,453**	271,359	282,422	**951,549**	436,111	760,035	**1,408,502**	883,097	1,225,478
Income from commissions	-	-	-	-	-	-	**23,930**	28,213	43,050	**23,930**	28,213	43,050
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Total income	**316,040**	334,186	322,181	**285,180**	273,993	282,910	**15,528,049**	6,976,950	11,590,438	**16,129,269**	7,585,129	12,195,529
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**134,356**	152,437	131,475	-	-	-	**15,004,675**	5,815,721	10,351,365	**15,139,031**	5,968,158	10,482,840
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	**(117,856)**	(81,589)	(106,515)	**(117,856)**	(81,589)	(106,515)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**134,356**	152,437	131,475	-	-	-	**14,886,819**	5,734,132	10,244,850	**15,021,175**	5,886,569	10,376,325
Commissions, marketing expenses and other acquisition costs	**61,937**	56,488	58,644	**110,991**	106,356	109,622	**721,903**	742,225	721,188	**894,831**	905,069	889,454
General and administrative expenses	**101,937**	107,633	106,569	**171,369**	177,013	165,492	**388,725**	381,421	373,426	**662,031**	666,067	645,487
Impairment of intangible assets	**352**	114,824	108,000	**379**	-	-	**14,819**	-	10,593	**15,550**	114,824	118,593
Other expenses	**3,562**	7,854	19,156	**3,679**	1,365	-	-	184	483	**7,241**	9,403	19,639
Financing expenses (income)	**(1)**	(2)	(1)	**200**	4	(1)	**14,169**	2,322	10,383	**14,368**	2,324	10,381
Total expenses	**302,143**	439,234	423,843	**286,618**	284,738	275,113	**16,026,435**	6,860,284	11,360,923	**16,615,196**	7,584,256	12,059,879
Share in the results of investee companies accounted by the equity method, net	-	-	-	**(922)**	(1,281)	(1,184)	**95**	(8,929)	6,160	**(827)**	(10,210)	4,976
Income (loss) before taxes on income	**13,897**	(105,048)	(101,662)	**(2,360)**	(12,026)	6,613	**(498,291)**	107,737	235,675	**(486,754)**	(9,337)	140,626
Other comprehensive income (loss) before taxes on income	**1,733**	-	-	**3,530**	(3,707)	4,881	**56,488**	35,885	31,034	**61,751**	32,178	35,915
Total comprehensive income (loss) before taxes on income	**15,630**	(105,048)	(101,662)	**1,170**	(15,733)	11,494	**(441,803)**	143,622	266,709	**(425,003)**	22,841	176,541
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).							**7,171,626**	6,282,926	5,825,561	**7,171,626**	6,282,926	5,825,561

Note 5: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

NIS in thousands	Health 2019	2018	2017	General 2019	2018	2017	Other 2019	2018	2017
Gross premiums earned	**1,329,382**	2,106,995	1,917,218	**2,352,950**	2,324,119	2,279,434	-	-	-
Premiums earned by reinsurers	**63,674**	300,418	262,060	**1,064,856**	943,808	759,976	-	-	-
Premiums earned on retention	**1,265,708**	1,806,577	1,655,158	**1,288,094**	1,380,311	1,519,458	-	-	-
Income from investments, net, and financing income	**297,353**	11,461	359,955	**173,171**	135,505	116,924	**460**	4,553	5,273
Income from management fees	-	-	-	-	-	-	-	5,974	5,974
Income (expenses) from commissions	**4,283**	8,760	(7,647)	**202,629**	201,612	170,235	**139,682**	134,315	123,030
Other income	-	-	-	**49**	73	61	-	2	3,189
Total income	**1,567,344**	1,826,798	2,007,466	**1,663,943**	1,717,501	1,806,678	**140,142**	144,844	137,466
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**1,726,812**	1,822,451	1,654,538	**1,901,903**	1,562,129	1,874,324	-	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(221,401)**	(471,418)	(293,904)	**(977,421)**	(553,777)	(703,535)	-	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**1,505,411**	1,351,033	1,360,634	**924,482**	1,008,352	1,170,789	-	-	-
Commissions, marketing expenses and other acquisition costs	**505,132**	520,420	449,263	**580,205**	572,422	584,804	**106,540**	103,404	94,273
General and administrative expenses	**71,467**	73,487	66,646	**80,238**	73,377	60,146	**16,402**	20,032	18,901
Impairment of intangible assets	-	-	-	-	-	-	-	-	8
Other expenses	**216**	-	-	-	10	-	**512**	849	963
Financing expenses (income)	**11,923**	12,318	6,147	**(3,358)**	11,325	(7,290)	**1,028**	388	473
Total expenses	**2,094,149**	1,957,258	1,882,690	**1,581,567**	1,665,486	1,808,449	**124,482**	124,673	114,618
Share in the results of investee companies accounted by the equity method, net	**(48)**	(5,039)	4,331	**(5,145)**	(9,159)	15,837	-	-	74
Income (loss) before taxes on income	**(526,853)**	(135,499)	129,107	**77,231**	42,856	14,066	**15,660**	20,171	22,922
Other comprehensive income (loss) before taxes on income	**74,376**	(29,613)	54,640	**30,114**	3,847	48,157	**(2,937)**	1,170	(1,050)
Total comprehensive income (loss) before taxes on income	**(452,477)**	(165,112)	183,747	**107,345**	46,703	62,223	**12,723**	21,341	21,872

Note 5: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

NIS in thousands	Not allocated to segments 2019	2018	2017	Adjustments and offsets 2019	2018	2017	Total 2019	2018	2017
Gross premiums earned	-	-	-	**(2,497)**	(2,009)	(2,028)	**9,666,116**	10,275,018	9,729,203
Premiums earned by reinsurers	-	-	-	-	-	-	**1,264,885**	1,380,033	1,190,281
Premiums earned on retention	-	-	-	**(2,497)**	(2,009)	(2,028)	**8,401,231**	8,894,985	8,538,922
Income from investments, net, and financing income	**363,207**	130,090	192,270	**(633)**	(453)	(541)	**9,680,469**	1,244,869	6,234,548
Income from management fees	-	-	-	**1,475**	(4,874)	(4,969)	**1,409,977**	884,197	1,226,483
Income (expenses) from commissions	-	-	-	**(86,606)**	(81,554)	(61,555)	**283,918**	291,346	267,113
Other income	-	-	308	-	-	-	**49**	75	3,558
Total income	**363,207**	130,090	192,578	**(88,261)**	(88,890)	(69,093)	**19,775,644**	11,315,472	16,270,624
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	-	-	-	**(2,835)**	(2,044)	(2,954)	**18,764,911**	9,350,694	14,008,748
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	**(1,316,678)**	(1,106,784)	(1,103,954)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	-	-	-	**(2,835)**	(2,044)	(2,954)	**17,448,233**	8,243,910	12,904,794
Commissions, marketing expenses and other acquisition costs	-	-	-	**(86,605)**	(81,250)	(61,242)	**2,000,103**	2,020,065	1,956,552
General and administrative expenses	**65,291**	83,250	88,520	**(4,174)**	(5,983)	(7,639)	**891,255**	910,230	872,061
Impairment of intangible assets	**1,029**	-	3,036	**662**	-	-	**17,241**	114,824	121,637
Other expenses	**1,641**	29	2,929	**19**	406	242	**9,629**	10,697	23,773
Financing expenses (income)	**212,247**	132,048	125,045	**80**	(472)	(301)	**236,288**	157,931	134,455
Total expenses	**280,208**	215,327	219,530	**(92,853)**	(89,343)	(71,894)	**20,602,749**	11,457,657	16,013,272
Share in the results of investee companies accounted by the equity method, net	**(1,108)**	(1,260)	363	-	-	-	**(7,128)**	(25,668)	25,581
Income (loss) before taxes on income	**81,891**	(86,497)	(26,589)	**4,592**	453	2,801	**(834,233)**	(167,853)	282,933
Other comprehensive income (loss) before taxes on income	**176,667**	(103,406)	122,938	**(2,190)**	2,247	227	**337,781**	(93,577)	260,827
Total comprehensive income (loss) before taxes on income	**258,558**	(189,903)	96,349	**2,402**	2,700	3,028	**(496,452)**	(261,430)	543,760

Note 5: 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)]		
NIS in thousands	2019	2018	2017	2019	2018	2017
Gross premiums	**460,012**	466,725	472,546	**333,780**	333,907	323,847
Reinsurance premiums	**288,121**	281,482	220,271	**112,438**	119,565	112,356
Premiums on retention	**171,891**	185,243	252,275	**221,342**	214,342	211,491
Change in unearned premium balance, on retention	**3,441**	25,270	80,566	**(6,285)**	(2,850)	5,201
Premiums earned on retention	**175,332**	210,513	332,841	**215,057**	211,492	216,692
Income from investments, net, and financing income	**75,740**	58,708	56,056	**65,595**	43,132	38,259
Income from commissions	**61,423**	55,791	29,790	**13,537**	12,852	12,245
Total income	**312,495**	325,012	418,687	**294,189**	267,476	267,196
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**467,085**	422,470	523,463	**488,364**	342,604	355,811
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(327,451)**	(222,708)	(167,692)	**(265,395)**	(91,090)	(155,807)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**139,634**	199,762	355,771	**222,969**	251,514	200,004
Commissions, marketing expenses and other acquisition costs	**79,231**	75,823	80,967	**100,931**	96,960	99,771
General and administrative expenses	**13,366**	10,818	8,126	**9,013**	7,471	5,570
Financing expenses (income)	**(700)**	3,563	419	**(61)**	394	(629)
Total expenses	**231,531**	289,966	445,283	**332,852**	356,339	304,716
Share in the profits (losses) of associate companies, net	**(2,470)**	(4,396)	7,602	**(1,647)**	(2,932)	5,068
Income (loss) before taxes on income	**78,494**	30,650	(18,994)	**(40,310)**	(91,795)	(32,452)
Other comprehensive income before taxes on income	**11,299**	4,582	20,265	**9,863**	3,422	13,786
Total comprehensive income (loss) before taxes on income	**89,793**	35,232	1,271	**(30,447)**	(88,373)	(18,666)
Liabilities with Respect to Insurance Contracts						
Gross	**2,286,995**	2,284,274	2,345,355	**2,548,267**	2,328,034	2,538,361
Reinsurance	**836,177**	575,942	356,485	**1,068,771**	877,243	1,085,830
Retention	**1,450,818**	1,708,332	1,988,870	**1,479,496**	1,450,791	1,452,531

Liabilities and others branches primarily include the results of the third party liability and professional liability insurance branches, the activity in which accounts for approximately 70% of total premiums in these branches (in 2018: 66%; in 2017: 66%).

Note 5: 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		
NIS in thousands	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Gross premiums	**677,136**	713,301	726,840	**107,112**	109,793	110,188	**786,924**	727,652	665,546	**2,364,964**	2,351,378	2,298,967
Reinsurance premiums	**97,771**	1,952	2,416	**52,746**	54,675	54,653	**583,340**	554,786	471,783	**1,134,416**	1,012,460	861,479
Premiums on retention	**579,365**	711,349	724,424	**54,366**	55,118	55,535	**203,584**	172,866	193,763	**1,230,548**	1,338,918	1,437,488
Change in unearned premium balance, on retention	**73,908**	7,152	(33,245)	**295**	(307)	51	**(13,813)**	12,128	29,397	**57,546**	41,393	81,970
Premiums earned on retention	**653,273**	718,501	691,179	**54,661**	54,811	55,586	**189,771**	184,994	223,160	**1,288,094**	1,380,311	1,519,458
Income (loss) from investments, net, and financing income	**17,773**	13,804	11,250	**1,275**	9,375	(75)	**12,788**	10,486	11,434	**173,171**	135,505	116,924
Income from commissions	**1,286**	-	6	**14,248**	16,823	15,604	**112,135**	116,146	112,590	**202,629**	201,612	170,235
Other income	-	-	-	**49**	73	61	-	-	-	**49**	73	61
Total income	**672,332**	**732,305**	**702,435**	**70,233**	81,082	71,176	**314,694**	311,626	347,184	**1,663,943**	1,717,501	1,806,678
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**472,275**	462,293	487,288	**45,556**	23,762	25,734	**428,623**	311,000	482,028	**1,901,903**	1,562,129	1,874,324
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(34,468)**	236	(94)	**(29,069)**	(13,779)	(13,659)	**(321,038)**	(226,436)	(366,283)	**(977,421)**	(553,777)	(703,535)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**437,807**	462,529	487,194	**16,487**	9,983	12,075	**107,585**	84,564	115,745	**924,482**	1,008,352	1,170,789
Commissions, marketing expenses and other acquisition costs	**180,654**	182,935	181,150	**11,666**	9,640	9,639	**207,723**	207,064	213,277	**580,205**	572,422	584,804
General and administrative expenses	**19,673**	16,535	12,498	**18,977**	18,129	17,321	**19,209**	20,424	16,631	**80,238**	73,377	60,146
Other expenses	-	-	-	-	10	-	-	-	-	-	10	-
Financing expenses (income)	**(141)**	1,013	(210)	**(1,899)**	3,180	(3,235)	**(557)**	3,175	(3,635)	**(3,358)**	11,325	(7,290)
Total expenses	**637,993**	663,012	680,632	**45,231**	40,942	35,800	**333,960**	315,227	342,018	**1,581,567**	1,665,486	1,808,449
Share in the profits (losses) of associate companies, net	**(463)**	(824)	1,425	-	-	-	**(566)**	(1,007)	1,742	**(5,145)**	(9,159)	15,837
Income (loss) before taxes on income	**33,877**	68,469	23,228	**25,002**	40,140	35,376	**(19,832)**	(4,608)	6,908	**77,231**	42,856	14,066
Other comprehensive income (loss) before taxes on income	**1,877**	1,476	4,219	**6,026**	(6,831)	5,513	**1,049**	1,198	4,374	**30,114**	3,847	48,157
Total comprehensive income (loss) before taxes on income	**35,754**	69,945	27,447	**31,028**	33,309	40,889	**(18,783)**	(3,410)	11,282	**107,345**	46,703	62,223
Liabilities with respect to insurance contracts												
Gross	**474,972**	495,220	517,043	**52,946**	63,741	80,605	**1,030,048**	936,041	1,039,333	**6,393,228**	6,107,310	6,520,697
Reinsurance	**83,490**	684	683	**25,623**	31,979	42,747	**713,827**	620,069	625,467	**2,727,888**	2,105,917	2,111,212
Retention	**391,482**	494,536	516,360	**27,323**	31,762	37,858	**316,221**	315,972	413,866	**3,665,340**	4,001,393	4,409,485

Property and other branches primarily include the results of the business property insurance and apartment insurance branches, the activity in which accounts for approximately 77% of total premiums in these branches (in 2018 - 77%; in 2017 - 74%).

Note 5: Segmental Reporting (Cont.)

E. Report on operating segments as of December 31

	Long term savings		Health insurance		Non-life insurance		Other		Not allocated to segments		Adjustments and offsets		Total	
NIS in thousands	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Assets:														
Intangible assets	902,987	936,306	84,246	86,359	246,245	255,281	34,682	32,946	29,467	31,867	-	-	1,297,627	1,342,759
Deferred acquisition costs	1,237,092	1,238,847	548,862	496,826	235,250	237,866	-	-	-	-	-	-	2,021,204	1,973,539
Investments in investee companies	65,147	69,845	3,297	3,869	44,979	81,960	-	-	70,226	58,830	-	-	183,649	214,504
Investment property for investment-linked contracts	3,097,370	3,000,340	-	-	-	-	-	-	-	-	-	-	3,097,370	3,000,340
Other investment property	1,022,084	1,032,295	55,786	57,334	172,169	177,266	-	-	-	-	-	-	1,250,039	1,266,895
Financial investments for investment-linked contracts	61,263,538	54,006,724	1,133,923	4,178,509	-	-	-	-	-	-	-	-	62,397,461	58,185,233
Other financial investments:														
Marketable debt assets	835,841	1,407,249	965,307	1,016,184	1,521,773	456,636	-	1,134	2,612,487	2,350,659	-	-	5,935,408	5,231,862
Non-marketable debt assets	20,058,102	17,947,174	815,298	525,521	1,595,336	2,818,470	-	3,235	1,122	698,828	-	(2,885)	22,469,858	21,990,343
Stocks	163,356	310,646	435,104	280,698	97,164	258,010	-	-	662,134	567,621	-	-	1,357,758	1,416,975
Others	616,024	1,270,989	433,122	417,496	249,225	421,045	-	-	1,300,185	752,847	-	-	2,598,556	2,862,377
Total other financial investments	21,673,323	20,936,058	2,648,831	2,239,899	3,463,498	3,954,161	-	4,369	4,575,928	4,369,955	-	(2,885)	32,361,580	31,501,557
Cash and cash equivalents for investment-linked contracts	6,554,553	3,423,775	92	225,124	-	-	-	-	-	-	-	-	6,554,645	3,648,899
Other cash and cash equivalents	676,448	487,682	202,578	138,227	421,868	124,859	130,301	121,801	1,127,522	425,717	-	-	2,558,717	1,298,286
Reinsurance assets	220,125	187,636	603,797	685,826	2,727,888	2,105,917	-	-	-	-	-	-	3,551,810	2,979,379
Outstanding premiums	208,908	325,954	67,053	123,957	421,477	423,530	2,710	3,415	-	-	-	-	700,148	876,856
Other assets	599,376	999,195	208,448	196,589	219,331	257,118	63,561	33,856	808,196	281,957	(46,149)	(64,336)	1,852,763	1,704,379
Total assets	97,520,951	86,644,657	5,556,913	8,432,519	7,952,705	7,617,958	231,254	196,387	6,611,339	5,168,326	(46,149)	(67,221)	117,827,013	107,992,626
Total assets for investment-linked contracts	71,665,479	61,670,214	1,148,127	4,451,034	-	-	-	-	-	-	-	-	72,813,606	66,121,248
Liabilities:														
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	22,802,257	21,865,392	3,045,582	2,675,508	6,393,228	6,107,310	-	-	-	-	(2,034)	(1,215)	32,239,033	30,646,995
Liabilities with respect to investment-linked insurance contracts and investment contracts	70,752,437	60,985,176	1,097,913	4,401,472	-	-	-	-	-	-	(17,346)	(19,751)	71,833,004	65,366,897
Financial liabilities	122,260	261,610	3,355	12,543	19,830	59,738	-	2,886	4,089,250	3,209,815	(12)	(2,893)	4,234,683	3,543,699
Other liabilities	1,261,422	1,134,203	781,273	818,227	1,086,588	901,657	116,641	64,173	1,054,402	596,344	(13,330)	(26,489)	4,286,996	3,488,115
Total liabilities	94,938,376	84,246,381	4,928,123	7,907,750	7,499,646	7,068,705	116,641	67,059	5,143,652	3,806,159	(32,722)	(50,348)	112,593,716	103,045,706

Note 6: Intangible Assets [1)]

A. Composition and movement

NIS in thousands	Goodwill	Customer portfolios and future management fees	Licenses, trade names, brand names, and others	Original differences attributed to the value of insurance portfolios	Software programs	Total
Cost						
Balance as of January 1, 2018	632,732	272,288	9,851	634,657	2,279,364	3,828,892
Acquisitions and self-development [2)]	-	-	-	2,476	279,528	282,004
Write-off of completely depreciated assets	(35,010)	-	(1,038)	-	(3,182)	(39,230)
Balance as of December 31, 2018	597,722	272,288	8,813	637,133	2,555,710	4,071,666
Acquisitions and self-development [2)]	**-**	**-**	**-**	**508**	**201,227**	**201,735**
Write-off of completely depreciated assets	**-**	**-**	**-**	**-**	**(1,406)**	**(1,406)**
Balance as of December 31, 2019	**597,722**	**272,288**	**8,813**	**637,641**	**2,755,531**	**4,271,995**
Amortization and impairment losses						
Balance as of January 1, 2018	218,408	238,833	9,851	632,846	1,337,201	2,437,139
Amortization for the year	-	3,698	-	872	211,604	216,174
Impairment loss [3)]	114,824	-	-	-	-	114,824
Write-off of completely depreciated assets	(35,010)	-	(1,038)	-	(3,182)	(39,230)
Balance as of December 31, 2018	298,222	242,531	8,813	633,718	1,545,623	2,728,907
Amortization for the year	**-**	**3,552**	**-**	**484**	**225,590**	**229,626**
Write-off of completely depreciated assets	**-**	**-**	**-**	**-**	**(1,406)**	**(1,406)**
Impairment loss [3)]	**-**	**-**	**-**	**-**	**17,241**	**17,241**
Balance as of December 31, 2019	**298,222**	**246,083**	**8,813**	**634,202**	**1,787,048**	**2,974,368**
Book value, net						
Balance as of January 1, 2018	414,324	33,455	-	1,811	942,163	1,391,753
Balance as of December 31, 2018	299,500	29,757	-	3,415	1,010,087	1,342,759
Balance as of December 31, 2019	**299,500**	**26,205**	**-**	**3,439**	**968,483**	**1,297,627**

1) For details regarding the policy regarding current amortization and impairment losses, and for details regarding the amortization periods, see Note 3(h).
2) Additions with respect to software programs include additions with respect to self-development in amounts of approximately NIS 135,390 thousand and approximately NIS 147,456 thousand, during the years ended December 31, 2019 and 2018, respectively.
3) See section B(1) below.

B. Impairment test and additional information

Presented below are details regarding the composition of the book value of the intangible assets, excluding software programs:

NIS in thousands	Original differences attributed to the value of insurance portfolios		Customer portfolios and future management fees		Goodwill	
	As of December 31		As of December 31		As of December 31	
	2019	2018	2019	2018	2019	2018
Provident fund operations [1)]	**-**	-	**26,205**	29,757	**124,587**	124,587
Pension fund operations [2)]	**-**	-	**-**	-	**134,700**	134,700
Non-life insurance operations - Clal Credit	**-**	-	**-**	-	**2,447**	2,447
Insurance agencies [3)]	**3,439**	3,415	**-**	-	**37,766**	37,766
Total	**3,439**	3,415	**26,205**	29,757	**299,500**	299,500

Note 6: Intangible Assets (Cont.)

B. Impairment test and additional information

1. Provident fund management operation

The Company evaluated the need to record a provision for impairment with respect to the goodwill attributed to the provident fund management operation, through a valuation prepared by an independent external valuer, based on the method of discounting the cash flows from the operation (value in use) which is based, inter alia, on the Company's forecast regarding the rate of management fees, managed assets and segmental expenses.

In accordance with the valuation as of December 31, 2019, the calculated recoverable amount is higher than the book value of the provident operations, and therefore, impairment of goodwill did not occur.

In accordance with the valuation as of December 31, 2018, the calculated recoverable amount is higher than the book value of the provident operations, and therefore, impairment of goodwill did not occur as of.

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

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

	As of December 31, 2019	As of December 31, 2018
Valuation methodology	DCF	DCF
Operational discount rate WACC before tax	10.1%	12.1%
Long term growth rate in the branch, excluding provident fund for investment	0%	0%
Long term growth rate - provident fund for investment	3.0%	3.0%
Effective marginal tax	34.2%	34.2%
Average long term rate of management fees in Tamar provident fund for compensation	0.49%	0.51%
Average long term rate of management fees in study fund	0.51%	0.59%
Rate of maximum management fees from the accrual	1.05%	1.05%
Number of years in the cash flow forecast	5	5

2. Pension fund management operation

For the purpose of preparing the financial statements as of December 31, 2019, the Company conducted an impairment test of the goodwill attributed to the pension funds operation, through an independent external valuer. The analysis was based on the discounted cash flows (DCF) approach. In the paper, the valuer relied on the embedded value (EV) calculations for pension operations which were prepared by the Company. For the purpose of evaluating value in use, weighted returns on the free assets (excluding special bonds) was credited at a rate of approximately 5.04% with respect to members' assets, and at a rate of 3.36% with respect to assets of annuity recipients. The cash flows were discounted to their present values at a rate of 10.1% before tax (8.2% after tax). Based on the valuation which was obtained, the calculated recoverable amount is higher than the book value of the pension operations, and therefore, impairment of goodwill did not occur as of December 31, 2019.
For the purpose of preparing the financial statements as of December 31, 2018, the Company conducted an impairment test of the goodwill attributed to the pension funds operation, through an independent external valuer. The analysis was based on the discounted cash flows (DCF) approach. In the paper, the valuer relied on the embedded value (EV) calculations for pension operations which were prepared by the Company. For the purpose of estimating value in use, a weighted rate of return on assets was applied at a rate of approximately 4.8%, and cash flows were discounted to their present values at a rate of 12.1% before tax (9.8% after tax). Based on the valuation which was obtained, the calculated recoverable amount is higher than the book value of the pension operations, and therefore, impairment of goodwill did not occur as of December 31, 2018.

Note 6: Intangible Assets (Cont.)

3. Agencies

For the purpose of preparing the financial statements, the Company conducted an impairment test of the goodwill attributed to the agencies operation. For this purpose, on December 31, 2019, the Company conducted an internal evaluation, and on December 31, 2018, reports were received from an independent external valuer. Both the internal evaluation and the external evaluation were prepared by discounting future cash flows from the activity (value in use).

As of December 31, 2019 and 2018, the value in use attributed to the agencies operation was higher than the value of this operation in the books, and therefore, impairment loss of goodwill was not recorded.

Note 7: Deferred Acquisition Costs

A. Composition

	As of December 31	
NIS in thousands	2019	2018
Life insurance and long term savings	1,237,092	1,238,847
Health insurance	548,862	496,826
Non-life insurance *)	235,250	237,866
Total	2,021,204	1,973,539

*) For additional details, see Note 19(a).

B. Movement in deferred acquisition costs in the long term savings segment and in the health segment

	Long term savings			Health		
NIS in thousands	Life insurance	Pension and provident	Total	Long-term care	Illness and hospitalization	Total
Balance as of January 1, 2018	925,612	308,499	1,234,111	116,623	354,391	471,014
Additions:						
Acquisition fees	217,285	40,562	257,847	12,234	125,623	137,857
Other acquisition costs	93,553	-	93,553	11,764	107,450	119,214
Total additions	310,838	40,562	351,400	23,998	233,073	257,071
Current amortization	(116,092)	(40,303)	(156,395)	(12,517)	(91,316)	(103,833)
Amortization with respect to cancellations	(190,269)	-	(190,269)	(12,093)	(115,333)	(127,426)
Balance as of December 31, 2018	930,089	308,758	1,238,847	116,011	380,815	496,826
Additions:						
Acquisition fees	179,529	50,026	229,555	17,164	143,755	160,919
Other acquisition costs	117,170	-	117,170	10,872	136,469	147,341
Total additions	296,699	50,026	346,725	28,036	280,224	308,260
Current amortization	(112,388)	(43,804)	(156,192)	(12,682)	(99,808)	(112,490)
Amortization with respect to cancellations	(192,288)	-	(192,288)	(13,762)	(129,972)	(143,734)
Balance as of December 31, 2019	922,112	314,980	1,237,092	117,603	431,259	548,862

Note 8: Property, Plant and Equipment

A. Composition and movement [1)]

NIS in thousands	Land and office buildings	Computers and servers	Vehicles	Furniture and office equipment	Leasehold installations and improvements	Total
Cost						
Balance as of January 1, 2018	65,639	219,162 *)	882	66,272 *)	217,622 *)	569,577
Acquisitions	-	17,863	48	3,228	14,259	35,398
Write-offs	-	(2,720)**)	(526)	(26)	-	(3,272)
Balance as of December 31, 2018	65,639	234,305	404	69,474	231,881	601,703
Acquisitions	-	30,846	29	3,101	1,698	35,674
Write-offs	-	(3,253)	(318)	(3,110) **)	(1,863) **)	(8,544)
Balance as of December 31, 2019	65,639	261,898	115	69,465	231,716	628,833
Depreciation and impairment losses						
Balance as of January 1, 2018	49,429	170,128 *)	227	37,570 *)	80,557 *)	337,911
Depreciation for the year	1,316	22,842	115	4,189	13,131	41,593
Write-offs	-	(2,718) **)	(217)	(26)	-	(2,961)
Balance as of December 31, 2018	50,745	190,252	125	41,733	93,688	376,543
Depreciation for the year	1,311	23,345	54	4,295	11,690	40,695
Write-offs	-	(3,081)	(136)	(3,110) **)	(1,863) **)	(8,190)
Balance as of December 31, 2019	52,056	210,516	43	42,918	103,515	409,048
Book value, net						
Balance as of January 1, 2018	16,210	47,092	655	30,180	139,445	231,666
Balance as of December 31, 2018	14,894	42,111	279	29,219	140,573	225,160
Balance as of December 31, 2019	13,583	49,878	72	28,051	128,201	219,785

For details regarding the amortization periods, see Note 3(g)(3).

*) Reclassified.
**) Primarily write-offs of completely depreciated assets.

B. For additional details regarding leased property, plant and equipment, see Note 27.

Note 9: Investments in Investee Companies

A. Summary financial data regarding investments in investee companies and joint ventures

As of December 31, 2019

Company name	ADC Holdings [2)]	Atudot Pension Fund for Workers & Independent Workers Ltd.	22 Kingsway Limited	Ibex London Limited	Clal Wacker Investments LP	WC Edgewater Venture, L.L.C[3)]	WC 75 Tresser, L.L.C [3)]	660 Columbus Ave. Investors, L.L.C [3)]	Dominion Tower Holdings, LP	Credit Suisse Emerging Markets [1)]	IDE Technologies	Total
	Holding company	Old pension fund managing company	Real estate investment	Real estate investment	Real estate investment	Real estate investment	Real estate investment	Real estate investment	Real estate investment	Capital market	Operating segment	
Country of incorporation	Israel	Israel	Israel	Israel	United States	United States	United States	United States	United States	Cayman Islands	Israel	
Main location of the business operation	Israel	Israel	Israel	Israel	United States	United States	United States	United States	United States	Cayman Islands	Israel	
Holding rate in equity (%)	33.33%	50.00%	50.00%	50.00%	12.25%	17.15%	17.15%	9.75%	49.00%	2.69%	5.78%	
Holding rate in voting rights (%)	33.33%	50.00%	50.00%	50.00%	12.25%	17.15%	17.15%	9.75%	49.00%	2.69%	5.78%	
Total assets	37,007	38,189	36,900	28,046	4,057	186,382	441,960	228,068	-	76,603	1,043,480	
Total liabilities	77	11,803	-	-	-	121,036	290,913	213,188	-	9,964	472,667	
Total net assets (total assets less total liabilities)	36,930	26,386	36,900	28,046	4,057	65,346	151,047	14,880	-	66,639	570,813	
The Group's share in net assets (net assets * holding rate)	12,310	13,180	18,449	14,023	497	11,208	25,903	1,453	-	1,795	32,983	
Balance of excess cost and other adjustments	-	30,095	-	-	-	-	-	-	-	394	21,359	
Value of the investee company in the Group's books	12,310	43,275	18,449	14,023	497	11,208	25,903	1,453	-	2,189	54,342	183,649
Revenues	1,438	46,216	-	(10,424)	-	(1,738)	2,099	(11,578)	2,567	3,785	519,986	
Total profit and loss	1,084	1,916	-	(10,424)	-	(1,738)	2,099	(11,578)	2,567	2,757	88,040	
The Group's share in profit and loss of the investee company	361	958	-	(5,212)	-	(298)	361	(1,129)	1,257	89	(1,635)	
Amortization of adjustments to fair value which were performed on the acquisition date	-	(1,880)	-	-	-	-	-	-	-	-	-	
The Group's share in the profit and loss of the investee company, as presented in the books	361	(922)	-	(5,212)	-	(298)	361	(1,129)	1,257	89	(1,635)	(7,128)
Foreign currency translation differences for investee companies	-	-	-	8,833	-	(952)	(2,227)	(232)	-	(196)	(4,314)	912
The Group's share in the comprehensive income of the investee company, as presented in the books	361	(922)	-	3,621	-	(1,250)	(1,866)	(1,361)	1,257	(107)	(5,949)	(6,216)

1) In 2019, Clal Insurance had significant influence over EMCO, such as investment, through the joint representative of Clal Insurance Group and of Koor Industries Ltd., a member company of IDB Group. Since 2020 IDB is no longer the controlling shareholder, and the investment in EMCO is accounted for under other investments. For additional details, see Note 1.

2) Clal Insurance received, in the years 2008-2009, two loans from ADC Holdings, according to its relative share in the share capital, the balance of which, as of the reporting date, amounted to approximately NIS 12.3 million after current repayments which are included under the item for other accounts payable.

3) The holding rate reflects the direct holdings of the investment portfolios against non-investment-linked liabilities (hereinafter: "**Nostro**"). In addition to these rates, the Company holds investments against investment-linked liabilities (hereinafter: "**Members**") at additional holding rates. The joint holding rates in the nostro portfolio and in the members portfolio confer upon the Company significant influence.

Note 9: Investments in Investee Companies (Cont.)

A. Summary financial data regarding investments in investee companies and joint ventures (Cont.)

As of December 31, 2018

Company name	ADC Holdings 2)	Atudot Pension Fund for Workers & Independent Workers Ltd.	22 Kingsway Limited	Ibex London Limited	Clal Wacker Investments LP	WC Edgewater Venture, L.L.C 3)	WC 75 Tresser, L.L.C 3)	660 Columbus Ave. Investors, L.L.C 3)	Dominion Tower Holdings, LP	Credit Suisse Emerging Markets 1)	IDE Technologies	Total
Operating segment	**Holding company**	**Old pension fund managing company**	**Real estate investment**	**Real estate investment**	**Real estate investment**	**Real estate investment**	**Real estate investment**	**Real estate investment**	**Real estate investment**	**Capital market**	**Water technologies**	
Country of incorporation	**Israel**	**Israel**	**Israel**	**Israel**	**United States**	**United States**	**United States**	**United States**	**United States**	**Cayman Islands**	**Israel**	
Main location of the business operation	**Israel**	**Israel**	**Israel**	**Israel**	**United States**	**United States**	**United States**	**United States**	**United States**	**Cayman Islands**	**Israel**	
Holding rate in equity (%)	33.33%	50.00%	50.00%	50.00%	12.25%	17.15%	17.15%	9.75%	49.00%	2.69%	3.61%	
Holding rate in voting rights (%)	33.33%	50.00%	50.00%	50.00%	12.25%	17.15%	17.15%	9.75%	49.00%	2.69%	3.61%	
Total assets	48,377	35,599	36,900	92,784	4,857	203,625	481,561	262,731	-	90,339	2,755,560	
Total liabilities	78	11,956	-	-	-	130,701	315,394	233,898	-	9,725	1,806,322	
Total net assets (total assets less total liabilities)	**48,299**	**23,643**	**36,900**	**92,784**	**4,857**	**72,924**	**166,167**	**28,833**	**-**	**80,614**	**949,238**	
The Group's share in net assets (net assets * holding rate)	**16,100**	**11,809**	**18,449**	**46,392**	**595**	**12,505**	**28,497**	**2,808**	**-**	**2,169**	**34,280**	
Balance of excess cost and other adjustments	-	31,975	-	-	-	-	-	-	-	475	8,450	
Value of the investee company in the Group's books	**16,100**	**43,784**	**18,449**	**46,392**	**595**	**12,505**	**28,497**	**2,808**	**-**	**2,644**	**42,730**	**214,504**
Revenues	1,454	43,179	-	4,270	-	741	(14,991)	(20,152)	(37,506)	(56,571)	457,690	
Total profit and loss	1,066	1,320	-	4,270	-	741	(14,991)	(20,152)	(37,506)	(58,408)	49,425	
The Group's share in profit and loss of the investee company	**347**	**599**	**-**	**2,134**	**-**	**128**	**(2,571)**	**(1,967)**	**(18,380)**	**(523)**	**(3,555)**	
Amortization of adjustments to fair value which were performed on the acquisition date	-	(1,880)	-	-	-	-	-	-	-	-	-	
The Group's share in the profit and loss of the investee company, as presented in the books	**347**	**(1,281)**	**-**	**2,134**	**-**	**128**	**(2,571)**	**(1,967)**	**(18,380)**	**(523)**	**(3,555)**	**(25,668)**
Foreign currency translation differences for investee companies	-	-	(275)	1,023	-	986	2,389	328	4,058	149	3,765	**12,423**
The Group's share in the comprehensive income of the investee company, as presented in the books	**347**	**(1,281)**	**(275)**	**3,157**	**-**	**1,114**	**(182)**	**(1,639)**	**(14,322)**	**(374)**	**210**	**(13,245)**

1) As of December 31, 2018, Clal Insurance has significant influence in EMCO, due to the fact that it has the power to take part in certain material decisions of EMCO, such as investments, through the joint representative of the Clal Insurance Group and of Koor Industries Ltd., a member company of the IDB Group.
2) Clal Insurance received, in the years 2008-2009, two loans from ADC Holdings, according to its relative share in the share capital, the balance of which, as of December 31, 2018, amounted to approximately NIS 16.1 million after current repayments, and which are included under the item for other accounts payable. 3) The holding rate reflects the direct holdings of the investment portfolios against non-investment-linked liabilities (hereinafter: "**Nostro**"). In addition to these rates, the Company holds investments against investment-linked liabilities (hereinafter: "**Members**") at additional holding rates. The joint holding rates in the nostro portfolio and in the members portfolio confer upon the Company significant influence.

Note 9: Investments in Investee Companies (Cont.)

A. Summary financial data regarding investments in investee companies and joint ventures (Cont.)

As of December 31, 2017

Company name	ADC Holdings [2)]	Atudot - Pension Fund for Workers & Independent Workers Ltd.	Ibex London Limited	WC Edgewater Venture, L.L.C [3)]	WC 75 Tresser, L.L.C [3)]	DCE 1 APS	660 Columbus Ave. Investors, L.L.C [3)]	Dominion Tower Holdings, LP	Credit Suisse Emerging Markets [1)]	IDE Technologies	Trans Betach Ltd.	Total
Operating segment	Holding company	Managing Company Old pension fund	Real estate investment	Real estate investment	Real estate investment	Real estate investment	Real estate investment	Real estate investment	Capital market	Water technologies	Marine insurance agency	
Country of incorporation	Israel	Israel	Israel	United States	United States	Denmark	United States	United States	Cayman Islands	Israel	Israel	
Main location of the business operation	Israel	Israel	Israel	United States	United States	Denmark	United States	United States	Cayman Islands	Israel	Israel	
Holding rate in equity (%)	33.33%	50.00%	50.00%	17.15%	17.15%	49.00%	9.75%	49.00%	2.69%	3.61%	50.00%	
Holding rate in voting rights (%)	33.33%	50.00%	50.00%	17.15%	17.15%	49.00%	9.75%	49.00%	2.69%	3.61%	50.00%	
Revenues	1,429	42,487	9,752	(3,866)	(3,178)	224	810	35,498	74,753	-	-	
Total profit and loss	1,088	1,271	9,752	(3,866)	(3,178)	224	810	35,498	71,413	-	148	
The Group's share in profit and loss of the investee company	**363**	**696**	**4,875**	**(658)**	**(545)**	**111**	**77**	**17,397**	**1,140**	**3,931**	**74**	
Amortization of adjustments to fair value which were performed on the acquisition date	-	(1,880)	-	-	-	-	-	-	-	-	-	
The Group's share in the profit and loss of the investee company, as presented in the books	**363**	**(1,184)**	**4,875**	**(658)**	**(545)**	**111**	**77**	**17,397**	**1,140**	**3,931**	**74**	**25,581**
Foreign currency translation differences for investee companies	-	-	(304)	(1,394)	(3,353)	(324)	(352)	(4,938)	(814)	-	-	**(11,479)**
The Group's share in the comprehensive income of the investee company, as presented in the books	**363**	**(1,184)**	**4,571**	**(2,052)**	**(3,898)**	**(213)**	**(275)**	**12,459**	**326**	**3,931**	**74**	**14,102**

1) As of December 31, 2017, Clal Insurance has significant influence in EMCO, due to the fact that it has the power to take part in certain material decisions of EMCO, such as investments, through the joint representative of the Clal Insurance Group and of Koor Industries Ltd., a member company of the IDB Group.
2) Clal Insurance received, in the years 2008-2009, two loans from ADC Holdings, according to its relative share in the share capital, the balance of which, as of December 31, 2017, amounted to approximately NIS 15.7 million, after current repayments, and which are included under the item for other accounts payable.
3) The holding rate reflects the direct holdings of the investment portfolios against non-investment-linked liabilities (hereinafter: "**Nostro**"). In addition to these rates, the Company holds investments against investment-linked liabilities (hereinafter: "**Members**") at additional holding rates. The joint holding rates in the nostro portfolio and in the members portfolio confer upon the Company significant influence.

Note 9: Investments in Investee Companies (Cont.)

B. Movement in investments in investee companies

NIS in thousands	2019	2018
Balance as of January 1	**214,504**	296,172
Investment during the period	**25,080**	-
Equity losses	**(7,128)**	(25,668)
Other comprehensive income	**912**	12,423
Erosion of loans	**(10,223)**	1,024
Dividend received	**(14,492)**	(19,253)
Other	**413**	(104)
Consideration from sale of investment	**(25,416)**	(50,090)
Balance as of December 31	**183,649**	214,504

C. Additional details regarding main subsidiaries which are directly held by the Company [1)]

	Note	Country of incorporation	The Company's rights in equity %	Investment in the consolidated company
2019				
Clal Insurance Company Ltd. ("Clal Insurance")		**Israel**	**99.98**	4,372,563
Clal Agency Holdings (1998) Ltd. ("Clal Agencies")		**Israel**	**100.00**	88,079
Clalbit Systems Ltd.		**Israel**	**100.00**	9,411
Clal Factoring and Finance Ltd.	2)	**Israel**	**100.00**	15,832
Clal Business Credit Ltd.	2)	**Israel**	**100.00**	22,328
2018				
Clal Insurance Company Ltd. ("Clal Insurance")		Israel	99.98	4,704,502
Clal Agency Holdings (1998) Ltd. ("Clal Agencies")		Israel	100.00	81,468
Clalbit Systems Ltd.		Israel	100.00	8,017
Clal Credit and Finance Ltd.	2)	Israel	100.00	59,531

1) As of December 31, 2019 and 2018, the Company did not provide any loans or guarantees to subsidiaries.

2) During the reporting period, the companies Clal Consumer Credit, Clal Credit and Finance Ltd. and HaClal HaRishon Ltd. were merged into Clal Insurance Company Ltd. The merger applies retroactively, beginning on January 1, 2019, and had no material impact on the financial statements.
Additionally, the companies Clal Factoring and Clal Business Credit were distributed as a payment in kind dividend from Clal Credit and Finance to the Company.

Note 10: Investment Property, Including with Respect to Investment-Linked Contracts

A. Composition and movement

	Investment property									
	Investment-linked contracts									
	Offices in Israel [2)]		Logistical and commercial centers in Israel		Offices abroad		Residential abroad		Total	
NIS in thousands	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Balance as of January 1	1,642,447	1,588,718	672,988	619,874	514,012	495,022	170,893	166,353	3,000,340	2,869,967
Additions										
Net acquisitions and additions for current assets	82,760	-	34,933	57,023	-	-	-	-	117,693	57,023
Discounted costs and expenses	10,837	11,832	1,199	3,850	-	-	2,265	2,246	14,301	17,928
Total additions	93,597	11,832	36,132	60,873	-	-	2,265	2,246	131,994	74,951
Write-offs										
Disposals	(55,099)	-	-	-	-	-	-	-	(55,099)	-
Total write-offs	(55,099)	-	-	-	-	-	-	-	(55,099)	-
Translation differences	-	-	-	-	(33,187)	25,776	(13,314)	13,144	(46,501)	38,920
Changes in fair value with respect to sold real estate	1,897	-	-	-	-	-	-	-	1,897	-
Changes in fair value with respect to unrealized real estate	57,166	41,897	34,937	(7,759)	(16,007)	(6,786)	(11,357)	(10,850)	64,739	16,502
Changes in fair value [1)]	59,063	41,897	34,937	(7,759)	(49,194)	18,990	(24,671)	2,294	20,135	55,422
Balance as of December 31	1,740,008	1,642,447	744,057	672,988	464,818	514,012	148,487	170,893	3,097,370	3,000,340
Details regarding the discount rates which were used to determine fair value	5%-9.5%	6.%-9.5%	5.7%-9%	6.%-9.5%	5%-8.9%	5%-6.9%	5.2%	5%		

1) Income from changes in fair value is recognized in the item for investment income, net, and financing income.
2) Including an advance payment with respect to investment property.

Note 10: Investment Property, Including with Respect to Investment-Linked Contracts (Cont.)

	Other									
	Offices in Israel [2]		Logistical and commercial centers in Israel		Offices abroad		Residential abroad		Total	
NIS in thousands	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Balance as of January 1	**767,198**	743,119	**150,390**	127,433	**257,481**	249,941	**91,826**	91,616	**1,266,895**	1,212,109
Additions										
Net acquisitions and additions for current assets	**34,120**	-	**15,247**	23,839	**-**	-	**-**	-	**49,367**	23,839
Discounted costs and expenses	**4,738**	3,942	**222**	914	**-**	-	**1,220**	850	**6,180**	5,706
Total additions	**38,858**	3,942	**15,469**	24,753	**-**	-	**1,220**	850	**55,547**	29,545
Write-offs										
Disposals	**(54,901)**	-	**-**	-	**-**	-	**-**	-	**(54,901)**	-
Total write-offs	**(54,901)**	-	**-**	-	**-**	-	**-**	-	**(54,901)**	-
Translation differences	**-**	-	**-**	-	**(15,812)**	11,401	**(7,154)**	7,602	**(22,966)**	19,003
Changes in fair value with respect to realized real estate [1]	**1,890**	-	**-**	-	**-**	-	**-**	-	**1,890**	-
Changes in fair value with respect to unrealized real estate [1]	**23,299**	20,137	**(3,812)**	(1,796)	**(9,976)**	(3,861)	**(5,937)**	(8,242)	**3,574**	6,238
Changes in fair value	**25,189**	20,137	**(3,812)**	(1,796)	**(25,788)**	7,540	**(13,091)**	(640)	**(17,502)**	25,241
Balance as of December 31	**776,344**	767,198	**162,047**	150,390	**231,693**	257,481	**79,955**	91,826	**1,250,039**	1,266,895
Details regarding the discount rates which were used to determine fair value	**5%-9.5%**	6.%-9.5%	**5.7%-9%**	6.%-9.5%	**5%-8.9%**	5%-6.9%	**5.2%**	5%		

1) Income from changes in fair value is recognized in the item for investment income, net, and financing income.
2) Including an advance payment with respect to investment property.

Note 10: Investment Property, Including with Respect to Investment-Linked Contracts (Cont.)

B. Determination of fair value

1. Fair value hierarchy

All fair value measurements are at level 3 of the fair value hierarchy. For the definition of the levels of the hierarchy, see Note 2(e)(3) above.

2. Valuation techniques which are applied in the Group and valuation technique which were used in the determination of fair value

The fair value of investment property represents an estimate of the amount which would be received upon the sale of the investment property, in an ordinary transaction between market participants on the measurement date.

In the absence of current prices on an active market, the fair value of investment property is determined based on valuations prepared by external independent valuers who have the appropriate professional skills and current experience with assets of similar position and type as that of the valuated property. Valuations of investment property are performed according to the appropriate valuation method for the property type, as specified below. External valuations are performed in different periods for different properties in the investment property portfolio. All valuations are submitted for review to the relevant entities in the Company.

3. Data regarding the fair value measurement of investment property

Type of property	Valuation techniques used in the determination of fair value	Significant unobservable inputs	Reciprocal relationships between significant unobservable inputs and fair value measurement
Rental properties for commercial / residential / office purposes	Fair value was estimated using the discounting income technique: the valuation model is based on the present value of estimated NOI from the property. Real estate valuations are based on the net annual cash flows, discounted by the discount rate which reflects the specific risks embodied therein. When rental agreements are in effect, wherein the payments are different from appropriate rental fees, adjustments are performed in order to reflect the actual rental payments during the agreement period. The valuations take into account the types of tenants which are actually located in the leased property, or who are responsible for the fulfillment of the rental liabilities, or those who may be in the leased property after a vacant property has been leased, including a general assessment regarding their credit reliability; and the property's remaining economic lifetime, in places where those parameters are relevant. The valuation also takes into account negative cash flow which are attributed to betterment levies, expected renovations and lease fees.	Market value of future rent payments at the end of the agreement period Cash flow discount rate (5% to 9.50%)	The fair value calculation will increase if: The NOI from the property increases The cash flow discount rate decreases
Investment property under construction	Fair value is estimated using the comparison technique: the valuation model is based on the price per square meter in the building, in light of observable inputs in an active market of comparable properties, while making significant adjustments for the quality of the building, and the lease terms. In the absence of inputs regarding prices per square meter in similar properties with similar lease terms, fair value is estimated using the income approach, and based on the estimated value of the property's rental income, and market returns are applied to the NOI from the property, in order to estimate the property's value. When actual rental income is significantly different from appropriate rent, adjustments are made in order to reflect the actual rental income.		There is no reciprocal relationship between the material unobservable inputs.

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Note 10: Investment Property, Including for Investment-Linked Contracts (Cont.)

(4) Sensitivity analysis

The discount rate constitutes a significant estimate in the determination of fair value, due to the fact that the changes therein significantly affect the fair value of the investment property. However, it is noted that the change in fair value of investment property for investment-linked contracts does not affect the Group's profit and loss.
The following sensitivity analysis presented presents the impact of a change in the discount rate, by the presented rates:

Investment property for investment-linked contracts

	Increase (decrease) in fair value as of December 31	
NIS in thousands	2019	2018
Increase of 0.5%	**(186,404)**	(179,509)
Decrease of 0.5%	**215,395**	206,376

Investment property for non-investment-linked contracts

	Increase (decrease) in profit and loss before tax for the year ended December 31	
NIS in thousands	2019	2018
Increase of 0.5%	**(76,239)**	(76,854)
Decrease of 0.5%	**88,255**	87,776

C. Amounts recognized in the statement of income (excluding changes in fair value)

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Rental income from investment property	**293,748**	290,206	272,152
Direct operating expenses arising from investment property which generated rental income during the period	**(32,695)**	(30,486)	(33,000)
	261,053	259,720	239,152

D. Details regarding land rights which are used by the Group as investment property

	As of December 31	
NIS in thousands	2019	2018
Owned	**3,027,041**	3,144,079
Under capitalized lease:		
Up to 15 years	**421,741**	384,864
15-50 years	**879,187**	718,772
Over 50 years	**19,440**	19,520
Total	**4,347,409**	4,267,235

Some of the ownership rights and leasing rights have not yet been recorded under the name of the Group's member companies at the Land Registry and at the Israel Land Authority, as applicable, mostly due to technical registration arrangements.

E. For details regarding lease agreements for investment property, see Note 27.

F. The balance of the Group's liabilities for additional investments in investment property amounted, as of December 31, 2019, to a total of approximately NIS 294 million, of which a total of approximately NIS 213 million was out of the funds of profit sharing policies (and a total of approximately NIS 182 million, of which a total of approximately NIS 136 million was out of the funds of profit sharing policies, last year).

Note 11: Other Accounts Receivable

A. Composition

NIS in thousands	As of December 31 2019	2018
Prepaid expenses	**39,940**	43,084
Advance payments to suppliers	**3,293**	8,818
Collateral with respect to securities	**317,429**	657,101
Receivables with respect to the acquisition of securities	**98,629**	168,703
Advances on account of commissions for insurance agents	**19,750**	23,604 *)
Insurance companies and insurance mediators	**220,870**	199,602
Trade receivables and income receivable	**57,781**	70,385
Subrogation and residuals	**25,877**	24,817
Others	**37,115**	38,825
Total	**820,684**	1,234,939
Less the provision for doubtful debts, primarily with respect to reinsurers (see section B below)	**(21,898)**	(21,612) *)
Total other accounts receivable	**798,786**	1,213,327

*) Re-classified.

For details regarding the Group's exposure to credit risks and market risks, see Note 39.

For details regarding other accounts receivable which constitute related parties and interested parties, see Note 40.

B. Movement in the provision for doubtful debts

NIS in thousands	As of December 31 2019	2018
Balance as of January 1	**21,612**	19,195
Lost debts	**(1,193)**	(1,444)
Change in provision for the period - charged to profit and loss	**1,479**	3,861 *)
Total provision for doubtful debts	**21,898**	21,612

*) Re-classified.

Note 12: Outstanding Premiums

Composition [1),2)]

NIS in thousands	As of December 31 2019	As of December 31 2018
Outstanding premiums	**762,791**	949,070
Less provision for doubtful debts	**(62,643)**	(72,214)
Total outstanding premiums	**700,148**	876,856
Includes outstanding checks and standing orders	**350,766**	353,429

1) For details regarding the Group's exposure to credit risks and market risks, see Note 39.
2) For details regarding outstanding premiums from related parties and interested parties, see Note 40.

B. Movement in the provision for doubtful debts with respect to outstanding premiums

NIS in thousands	2019	2018
Balance as of January 1	**72,214**	47,169
Change in provision for the period - charged to profit and loss	**(9,571)**	25,045
Balance as of December 31	**62,643**	72,214

C. Aging

NIS in thousands	As of December 31 2019	As of December 31 2018
Total non-impaired outstanding premiums Without arrears	**429,286**	502,391
In arrears *):		
Less than 90 days	**79,679**	95,480
90 to 180 days	**45,835**	90,587
Over 180 days	**102,745**	140,966
	228,259	327,033
Total non-impaired outstanding premiums	**657,545**	829,424
Impaired outstanding premiums	**42,603**	47,432
Total outstanding premiums	**700,148**	876,856

*) Includes a total of NIS 168,026 thousand (December 31, 2018 - NIS 263,581 thousand) of debts in arrears in the life insurance segment. These debts are primarily backed by the redemption value of the policy.

Note 13: Assets for Investment-Linked Contracts

A. Composition

Details of assets held against investment-linked insurance contracts and investment contracts, presented at fair value through profit or loss [1]:

NIS in thousands	As of December 31 2019	2018
Investment property	3,097,370	3,000,340
Financial investments		
Marketable debt assets	26,869,855	26,681,982
Non-marketable debt assets	6,558,458	6,236,989
Stocks	13,948,919	10,553,676
Other financial investments [2]	15,020,229	14,712,586
Total financial investments	62,397,461	58,185,233
Cash and cash equivalents	6,554,645	3,648,899
Other [3]	764,130	1,286,776
Total assets for investment-linked contracts	72,813,606	66,121,248

1) For details regarding the exposure to assets for investment-linked contracts, see Note 39.
2) Other financial investments primarily include investments in ETF's/ETN's, participation certificates in mutual funds, investment funds, derivatives, futures contracts, options and structured products.
3) 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.

B. Fair value of financial assets

(1) <u>Fair value hierarchy of financial assets which are measured at fair value</u>

The table below presents the financial assets which are measured at fair value on a periodic basis, using a valuation technique in accordance with the fair value levels. For the definition of the hierarchy levels, see Note 2(e)(3). For additional details regarding fair value measurement, see Note 14.

For details regarding fair value of investment property for investment-linked assets, see Note 10 above.

	As of December 31, 2019			
NIS in thousands	Level 1	Level 2	Level 3	Total
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 13: Assets for Investment-Linked Contracts (Cont.)

B. Fair value of financial assets (Cont.)

(1) Fair value hierarchy of financial assets which are measured at fair value (Cont.)

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

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

(2) Movement in assets measured at fair value level 3

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
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

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

Total income for the period included under profit and loss with respect to held financial assets as of December 31, 2018 *)	8,562	84,528	418,975	512,065

*) In the item for income from investments, net, and financing income.
**) With respect to debt assets for which the use of quotes was discontinued, and which were transferred to level 3.

(3) For details regarding the method used to measure fair value, see Note 14(f)(3).

Note 14: Other Financial Investments

NIS in thousands	As of December 31, 2019 Fair value through profit and loss	Available for sale	Loans and receivables	Total
Marketable debt assets [a]	86,755	5,848,653	-	5,935,408
Non-marketable debt assets [b]	2,854	-	22,467,004	22,469,858
Stocks [d]	-	1,357,758	-	1,357,758
Others [e]	237,670	2,360,886	-	2,598,556
Total	327,279	9,567,297	22,467,004	32,361,580

NIS in thousands	As of December 31, 2018 Fair value through profit and loss	Available for sale	Loans and receivables	Total
Marketable debt assets [a]	128,088	5,103,774	-	5,231,862
Non-marketable debt assets [b]	3,411	-	21,986,932	21,990,343
Stocks [d]	-	1,416,975	-	1,416,975
Others [e]	166,784	2,695,593	-	2,862,377
Total	298,283	9,216,342	21,986,932	31,501,557

A. Marketable debt assets

Composition

NIS in thousands	As of December 31 2019	**2018**
Government bonds		
Available for sale	3,691,097	3,194,082
Total government bonds	3,691,097	3,194,082
Other debt assets:		
Non-convertible		
Presented at fair value through profit and loss:		
Designated upon initial recognition	86,755	128,088
Available for sale	2,157,556	1,909,692
Total other non-convertible debt assets	2,244,311	2,037,780
Total marketable debt assets	5,935,408	5,231,862
Impairment applied to income statement (cumulative)	5,622	17,148

Note 14: Other Financial Investments (Cont.)

B. Non-marketable debt assets

(1) Composition, fair value vs. book value and level in the fair value hierarchy

NIS in thousands	As of December 31, 2019				As of December 31, 2018			
		Fair value				Fair value		
	Book value	Total	Level 2	Level 3	Book value	Total	Level 2	Level 3
Government bonds treated as loans and receivables								
Designated bonds	14,163,272	24,010,374	-	24,010,374	13,681,106	19,489,873	-	19,489,873
Deposits in treasury	2,131,914	3,010,778	-	3,010,778	2,094,730	2,766,397	-	2,766,397
Total government bonds	16,295,186	27,021,152	-	27,021,152	15,775,836	22,256,270	-	22,256,270
Other non-convertible debt assets								
Presented at fair value through profit and loss:								
Designated upon initial recognition	2,854	2,854	2,854	-	3,411	3,411	3,411	-
Presented as loans and receivables, excluding deposits in banks [1]	5,435,543	6,218,670	5,164,035	1,054,635	5,450,806	5,885,017	5,097,750	787,267
Deposits in banks	736,275	864,354	864,354	-	760,290	843,219	843,219	-
Total other non-convertible debt assets	6,174,672	7,085,878	6,031,243	1,054,635	6,214,507	6,731,647	5,944,380	787,267
Total non-marketable debt assets	22,469,858	34,107,030	6,031,243	28,075,787	21,990,343	28,987,917	5,944,380	23,043,537
Impairment applied to income statement (cumulative)	80,244				85,256			

For additional details, see Note 39(e)(e1)(d)(4).

(2) Aging of investments in non-marketable financial debt assets

	As of December 31	
NIS in thousands	2019	**2018**
Government bonds	16,295,186	15,775,836
Debt assets which were not specifically impaired, gross:		
Without arrears	6,107,178	6,155,035
In arrears *):		
Less than 90 days	2,363	632
90 to 180 days	3,245	716
Over 180 days	2,080	2,378
	7,688	3,726
Total debt assets which were not specifically impaired, gross	22,410,052	21,934,597
Collective provision	(2,488)	(2,752)
Total debt assets which were not specifically impaired, net	22,407,564	21,931,845
Impaired debt assets:		
Impaired assets, gross	140,050	141,002
Provision for loss	(77,756)	(82,504)
Impaired debt assets, net	62,294	58,498
Total non-marketable debt assets	22,469,858	21,990,343

*) Primarily loans on policies against which full redemption values and/or mortgages exist.

It is noted that the above amounts do not represent the actual amount in arrears, but rather the balance of the debt associated with the arrears.

Note 14: Other Financial Investments (Cont.)

C. Details regarding interest and linkage with respect to debt assets

	As of December 31	
Effective interest rate, in percent	2019	**2018**
Marketable debt assets		
Linkage basis		
Linked to the consumer price index	0.01	0.93
NIS	1.26	2.37
Linked to foreign currency	5.17	5.43
Non-marketable debt assets		
Linkage basis		
Linked to the consumer price index	4.70	4.85
NIS	2.16	2.34
Linked to foreign currency	4.79	5.85

D. Stocks

	As of December 31	
NIS in thousands	2019	**2018**
Marketable		
Available for sale	1,038,780	1,125,733
Total marketable stocks	1,038,780	1,125,733
Non-marketable		
Available for sale	318,978	291,242
Total non-marketable stocks	318,978	291,242
Total stocks	1,357,758	1,416,975
Impairment applied to income statement (cumulative)	112,468	148,232

E. Other financial investments

1. Composition

	As of December 31	
NIS in thousands	2019	**2018**
Marketable		
Presented at fair value through profit and loss:		
Designated upon initial recognition	141,052	87,682
Derivative instruments (2)	1,821	34,557
Available for sale	578,917	1,049,234
Total marketable financial investments	721,790	1,171,473
Non-marketable		
Presented at fair value through profit and loss:		
Designated upon initial recognition	5,643	17,981
Derivative instruments (2)	89,154	26,564
Available for sale	1,781,969	1,646,359
Total non-marketable financial investments	1,876,766	1,690,904
Total other financial investments	2,598,556	2,862,377
Impairment applied to income statement (cumulative)	46,187	85,994

Other financial investments primarily include investments in ETF’s/ETN’s, participation certificates in mutual funds, investment funds, financial derivatives, forward contracts, options and structured products.

Note 14: Other Financial Investments (Cont.)

E. Other financial investments (Cont.)

2. Additional information regarding derivative instruments

Presented below is the total net exposure amount to the underlying asset, presented in delta terms of the transaction in derivative instruments made as of the dates of the financial statements of insurance companies in the Group:

	As of December 31	
NIS in thousands	2019	**2018**
Stocks	79,879	57,385
CPI	9,069	-
Foreign currency	(3,003,780)	(1,358,920)
Fixed interest	-	124,476
Goods	9,403	5,387

The amount of the net exposure to the underlying asset is presented in terms of the delta in transactions with derivative instruments which were performed as of the dates of the financial statements, which are included under financial liabilities, as specified in Note 25.

F. Fair value

1. Fair value hierarchy of financial assets measured at fair value

The following table presents the financial assets which are measured at fair value on a periodic basis, using a valuation technique in accordance with the fair value level. For details regarding the levels of the hierarchy, see Note 2(e)(3) above.

	As of December 31, 2019			
NIS in thousands	Level 1	Level 2	Level 3	Total
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 derivatives	1,821	69,154	20,000	90,975

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

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

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

Note 14: Other Financial Investments (Cont.)

F. Fair value (Cont.)

2. Movement in assets measured at fair value level 3

	Fair value measurement on the reporting date of financial assets at fair value through profit and loss and available-for-sale financial assets		
NIS in thousands	Stocks	Other financial investments	Total
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)
Dividend and interest received	(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 financial assets held as of December 31, 2019	13,096	118,930	132,026

	Fair value measurement on the reporting date of financial assets at fair value through profit and loss and available-for-sale financial assets		
NIS in thousands	Stocks	Other financial investments	Total
Balance as of January 1, 2018	253,539	1,306,606	1,560,145
Total recognized income:			
Under profit and loss	12,464	46,284	58,748
Under other comprehensive income	20,342	158,343	178,685
Acquisitions	17,506	345,425	362,931
Sales	-	(193,450)	(193,450)
Dividend and interest received	(12,609)	(947)	(13,556)
Balance as of December 31, 2018	291,242	1,662,261	1,953,503
Total income for the period included under profit and loss with respect to financial assets held as of December 31, 2018	12,464	48,089	60,553

Note 14: Other Financial Investments (Cont.)

F. Fair value (Cont.)

3. Fair value valuation technique and valuation techniques which are applied in the Company

A. Investments in stocks and debt instruments

The fair value of investments which are actively traded on orderly financial markets is determined in reference to their quoted closing bid price as of the close of trading on the reporting date.

With regard to investments traded by in the over counter (OTC) market, the Group receives price quotes from recognized pricing services.

For investments which have no active market, fair value is determined by external valuers using valuation methods. These methods include reliance upon transactions recently performed in market conditions, reference to the current market value of another, materially similar instrument, cash flow discounting, or other valuation methods.

The fair value of non-marketable debt assets in Israel, including bonds, loans and deposits, is calculated according to a model which is based on the present value which is obtained by discounting the cash flows, in accordance with the discount rates which are determined by a company providing interest rate quotes (see section 4(a)(1) below).

The fair value of non-marketable debt assets outside of Israel is calculated according to a model which is based on the present value of the present value which is obtained from the discounted cash flows according to a discount rate which is obtained from an expert (see section 4(a)(2) below).

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 valuations, methodology and trends are reviewed and approved by the relevant investment managers and investment accountants.

The fair value of investment funds is based on the net asset value (NAV), which is usually reported by the funds once per quarter. The funds' reports are reviewed and approved by the investment manager, based on his familiarity with the fund.

The fair value of hybrid instruments is determined according to quotes.

B. Derivatives

The fair value of forward contracts, cross currency swaps and warrants is based on quoted prices, if available. In the absence of quoted prices, as stated above, the fair value of forward contracts and cross currency swaps are estimated by discounting the difference between the forward price specified in the contract and the current forward price with respect to the remaining contract period to redemption, using quotes of appropriate interest rates, while with respect to warrants, fair value is determined according to the Black-Scholes model.

The fair value of interest rate swaps (IRS) is calculated in accordance with the discounted future cash flows economic model, according to the terms of the contract, and is based on price quotes which are received from recognized pricing services.

4. Inputs which were used in the calculation of fair value

A. Interest rates which were used in the determination of fair value

1. The discount rates which were 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 the interest rates which were used for discounting purposes are determined by the Company that won the tender published by the Finance Ministry, for the setting up and operation of a database of price quotes and interest rates for institutional entities.

Note 14: Other Financial Investments (Cont.)

F. Fair value (Cont.)

4. Inputs which were used in the calculation of fair value (Cont.)

A. Interest rates which were used in the determination of fair value (Cont.)

2. The discount rates used to calculate the fair value of non-marketable foreign debt assets, which is determined by discounting the estimated cash flows which are expected from them, are mostly based on the yields of corporate bonds, as measured in trading arenas outside of Israel.

3. Interest rates for non-marketable debt assets - in Israel, by local rating: [1)]

	As of December 31	
In percent	2019	**2018**
AA and higher	(0.2)	1.0
BBB to A	1.7	3.5
Unrated	4.3	6.2

Interest rate for non-marketable debt assets - foreign, according to international rating [2)]:

	As of December 31	
In percent	2019	**2018**
Unrated	4.5	6.6

The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The data of Midroog Ltd. were converted to rating symbols using commonly accepted conversion factors. Each rating includes all ranges, for example, the A rating includes A- to A+. All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.

G. Required disclosure in connection with the temporary exemption from the adoption of IFRS 9

The following table presents the fair value of the financial assets, divided into two groups: assets which fulfill the test only, not including assets held for trading or managed on a fair value basis (hereinafter: "**Group A**"); and all other financial assets (hereinafter: "**Group B**").

	As of December 31, 2019		**Balance as of December 31, 2018**	
NIS in thousands	**Group A**	**Group B**	**Group A**	**Group B**
Financial investments for investment-linked contracts	-	62,397,461	-	58,185,233
Cash and cash equivalents for investment-linked contracts	-	6,554,645	-	3,648,899
Other financial investments - stocks	-	1,357,758	-	1,416,975
Other financial investments - others	-	2,598,556	-	2,862,377
Other financial investments - marketable debt assets	5,850,168	85,240	5,106,716	125,146
Other financial investments - non-marketable debt assets	34,044,736	62,294	28,929,419	58,498
Cash and cash equivalents	2,558,717	-	1,298,286	-

For details regarding the evaluation of debt assets which fulfill the principal and interest test in accordance with IFRS 9, see Note 39(f)(2)(a1).

Note 15: Cash and Cash Equivalents

A. Cash and cash equivalents for investment-linked contracts

1. Composition

NIS in thousands	As of December 31 2019	2018
Cash and deposits available for immediate withdrawal	2,003,595	2,632,439
Short term deposits	4,551,050	1,016,460
Cash and cash equivalents	6,554,645	3,648,899

2. Additional details

The cash in banking corporations bears, as of the financial reporting date, current interest which is based on interest rates with respect to daily bank deposits of 0.04%-0.24% (as of December 31, 2018 - 0%-0.22%).

Other deposits in banking corporations are for periods of one week to three months. The deposits bear interest at a rate of 0.22%-0.24% (as of December 31, 2018 - 0.19%-0.25%).

B. Other cash and cash equivalents

1. Composition

NIS in thousands	As of December 31 2019	2018
Cash and deposits available for immediate withdrawal	1,836,436	1,256,491
Short term deposits	722,281	41,795
Cash and cash equivalents	2,558,717	1,298,286

2. Additional details

Cash in banking corporations bears, as of the financial reporting date, current interest which is based on interest rates with respect to daily bank deposits of 0.02%-0.24% (as of December 31, 2018 - 0%-0.22%).

Other deposits in banking corporations are for periods of one week to three months. The deposits bear interest at a rate of 0.22%-0.24% (as of December 31, 2018 - 0.19%-0.25%).

C. For additional details regarding the Group’s exposure to interest rate risk, market risk and regarding the sensitivity analysis, see Note 39(c)(2) and (3).

Note 16: Capital and Reserves

A. Share capital

	Ordinary shares *)		
	2019	2018	2017
	In thousands of shares with a par value of NIS 1 each		
Issued and paid-up share capital as of January 1	55,579	55,563	55,412
Share issuance, see Note D(2)	12,066	-	-
Exercise of warrants for senior employees **)	-	16	151
Issued and paid-up share capital as of December 31	67,645	55,579	55,563
Registered capital	100,000	100,000	100,000

*) The shares are listed for trade on the Tel Aviv Stock Exchange. Holders of ordinary shares are entitled to receive dividends, as announced from time to time, and voting rights in the Company's general shareholder assemblies, according to a ratio of one vote per share, along with liquidation rights in the Company and director nomination rights in the Company.

**) For additional details, see Note 41 - Share-Based Payment.

B. Capital reserves

The translation reserve for foreign operations is primarily comprised of effects from the GBP and USD.

Other capital reserves include a capital reserve with respect to transactions with controlling shareholders, reserve for revaluation of property, plant and equipment, and other immaterial reserves.

C. Dividends

During the last three yeas, no dividends were distributed.

The balance of distributable earnings as of the reporting date, in accordance with the Companies Law, amounted to a total of approximately NIS 2.6 billion.

The Company's Board of Directors decides on the amount of dividends for distribution to the shareholders.

The possibility of a dividend distribution is also affected by the ability of the investee companies to distribute dividends, subject to their capital requirements and liquidity needs. For details regarding the capital requirements and the provisions regarding dividend distributions in consolidated insurance companies, see section (e) below.

D. The Company's capital management and capital requirements

1. The Company's policy is to maintain a stable capital basis in order to maintain the Company's ability to continue its activities in order to generate returns for its shareholders, and to comply with external capital requirements which the Company undertook to meet in the past, and in order to support the capital needs of its consolidated companies, as specified in section E below, and future business development.

With regard to capital management, the need to maintain an absorption buffer is also evaluated with attention given to negative developments that may impact capital and the capital requirements.

The Board of Directors supervises capital return, which is defined by the Group as income (loss) for the period attributable to Company shareholders, divided by capital attributable to shareholders in the Company.

Note 16: Capital and Reserves (Cont.)

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

In December 2019, the Company performed an issuance of 12,066 thousand shares with a par value of NIS 1 million each, worth a total of NIS 650 million, in accordance with a shelf offering report which was published by virtue of the shelf prospectus. The issuance costs amounted to a total of approximately NIS 17 million. The net issuance consideration amounted to NIS 633 million.

3. The Company undertook towards the Commissioner to supplement the equity of Clal Insurance in accordance the Control of Insurance Business (Minimum Equity Required of an Insurer) Regulations, 1988 (the "**Capital Regulations**"), up to 50% of the required equity, if and when the equity of Clal Insurance is negative, and in the amount of the negative capital. According to the wording of the undertaking, it will remain valid so long as the Company is the controlling shareholder (as defined in the Control Law) in Clal Insurance.

4. Upon the Commissioner's demand, the Company undertook to supplement, at any time, the equity of Clal Pension and Provident Funds Ltd., to the amount stipulated in the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964. According to the wording of the undertaking, it will remain in effect so long as the Company controls Clal Pension and Provident Funds, either directly or indirectly. For details regarding the capital requirements, see section F below.

For additional details in connection with the status of the control of the Company and of consolidated institutional entities, and undertakings to supplement capital, see section E(8) below.

E. Capital management and requirements in consolidated insurance companies

(1) Application of the economic solvency regime

Since July 2017, insurance companies are subject to the provisions of the economic solvency regime, which included instructions for the calculation of equity and of the economic solvency capital requirement.

In March 2018, a circular was published on the subject of "Provisions regarding equity with respect to solvency of insurers" (hereinafter: the "**Accounting Solvency Regime Circular**"). The accounting solvency regime circular comes in place of the provisions with respect to required equity which were included in the Capital Regulations, and establishes, as much as possible, the current arrangements in the Capital Regulations regarding the solvency equity requirement, without implementing changes thereto, except for the addition of arrangements which are required for the implementation of the economic solvency regime. The Capital Regulations were canceled within the framework of the publication of the Control of Financial Services Regulations (Insurance) (Minimum Equity Required to Receive Insurer License), 2018 (hereinafter: the "**Minimum Equity Regulations**"), in April 2018. The provisions of the accounting solvency regime circular will apply to insurance companies which are not subject to the economic solvency regime, and to insurance companies which are subject to the economic solvency regime until the receipt of the Commissioner's approval regarding the performance of an audit on the implementation of the economic solvency regime.

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

Note 16: Capital and Reserves (Cont.)

E. Capital management and requirements in consolidated insurance companies (Cont.)

(2) 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, see also section 3.2.3 of the Board of Directors' Report, and the economic solvency ratio report of Clal Insurance as of June 30, 2019.

For additional details regarding events subsequent to the reporting date, see Note 43(k) below.

(3) Additional details regarding the economic solvency regime

The provisions of the economic solvency regime include instructions for the calculation of equity on an economic basis, and of the solvency capital requirement.

In accordance with the provisions of the economic solvency regime, in general, the balance sheet items are calculated based on economic value, and particularly, the insurance liabilities are calculated based on the best estimate of all future cash flows which are expected to arise from the current business operations, without conservative margins, and plus a risk margin which reflects the total cost of capital which other insurance company or reinsurer could be expected to demand for the purpose of receiving the insurance liabilities of an insurance company, calculated on a best estimate basis, as defined in the provisions of the economic solvency regime. In the economic balance sheet, in general, intangible assets are not recognized. It is prepared based on the Company's separate financial statements, which include subsidiary insurance companies whose data are consolidated with the data of the insurance company, and which, according to the instructions, does not include the economic value of the provident fund and pension activity under the insurance company.

The calculation of the solvency capital requirement is based on an estimate of the exposure of economic equity to the risk components which are established in the provisions of the economic solvency regime, which include life insurance risks, health insurance risks, non-life insurance risks, market risks and counterparty risks. These risk components include risk sub-components with respect to specific risks to which the insurance company is exposed. The estimation of economic equity exposure to each risk sub-factor is performed based on a scenario which was specified in the instructions. The determination of the solvency capital requirement is based on a schema of the capital requirements with respect to the risk components and the risk sub-components, as stated above, in consideration of the factors which are attributed to them, and after deducting an adjustment for absorption of losses due to deferred taxes, as specified in the provisions of the economic solvency regime. The calculation of the solvency capital requirement also includes components of required capital with respect to operational risk and required capital with respect to managing companies.

Note 16: Capital and Reserves (Cont.)

E. Capital management and requirements in consolidated insurance companies (Cont.)

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. Actual results may differ from the forecasts and assumptions which were used to calculate the economic solvency ratio. In particular, and as specified in the provisions of the economic solvency regime circular, the calculation of the economic solvency ratio is significantly based on the embedded value calculation model. The model for the calculation of embedded value is implemented in accordance with the practice regarding adoption in Israel, whose principles and rules were determined by the Capital Market Authority, which adopted the rules and principles that were determined by the joint committee of insurance companies and the Capital Market Authority, which worked with the accompaniment of Israeli and foreign advisors. The model is based, inter alia, on internal studies which reflect the Company's best estimates, subject to certain qualifications and restrictions which were established in the aforementioned principles and rules.

It is emphasized that the results of the models which are used to calculate recognized equity and the solvency capital requirement are highly sensitive to the forecasts and assumptions which are included therein, and to the manner in which the instructions are implemented. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly, it may be volatile.

It is further noted that the Company was informed by the Capital Market, Insurance and Savings Authority (hereinafter: the "**Authority**") that it will work to appoint an "implementation staff" to discuss certain issues pertaining to the provisions of the economic solvency regime, and the need for its adjustment. At this stage, the Company is unable to estimate whether, following the activities of the implementation team, the Authority will work to implement the aforementioned changes, nor the impact that such changes may have on the Company's solvency ratio, if and when they are accepted.

(4) Minimum capital requirement and the supervisory intervention hierarchy

The provisions of the economic solvency regime define, in addition to the solvency capital requirement (SCR), also the minimum capital requirement (MCR), which will not fall below 25% of the solvency capital requirement in accordance with the provisions during the distribution period, and will not exceed 45% thereof. Additionally, a supervisory intervention hierarchy was established, according to which a company which does not meet the required solvency ratio, or regarding which there is a significant concern that its solvency ratio will be lower than the minimum requirement, will submit to the Commissioner a plan to ensure its fulfillment of the solvency ratio requirement within 6 months after the date of its submission. If the insurance company has not fulfilled the requirements of the plan, in accordance with the terms specified in the provisions, the Commissioner will consider supervisory intervention in accordance with his authorities. Additionally, a company which does not meet the minimum capital requirement (MCR), or regarding which there is a real concern that it will not meet the minimum capital requirement, will submit to the Commissioner for approval a plan to ensure its fulfillment of the minimum capital requirement within three months after the date of its submission. If the insurance company has not fulfilled the requirements of the plan, in accordance with the terms specified in the provisions, the Commissioner will take supervisory measures in accordance with the authorities which are conferred upon him under the Control Law

Note 16: Capital and Reserves (Cont.)

E. Capital management and requirements in consolidated insurance companies (Cont.)

(5) Composition of recognized economic capital

The provisions of the economic solvency regime establish provisions regarding the composition of recognized capital on an economic basis, which stipulate that equity must amount to the total of Tier 1 and Tier 2 capital, as defined in the provisions, such that Tier 2 subordinated, Tier 2 hybrid and Tier 3 instruments which were issued before June 30, 2017 will be classified as Tier 2 capital, and will be recognized in accordance with the terms of their recognition before that date. It was further determined that the maximum scope of Tier 2 capital will amount to 40% of SCR. With reference to the fulfillment of MCR, it was determined that the maximum scope of Tier 2 capital will amount to 20% of MCR.

(6) Provisions during the distribution period

The provisions of the economic solvency regime include the determination of a distribution period, during which the following guidelines will be implemented:

The capital requirements with respect to the stock risk sub-component, as defined in the provisions, gradually over seven years, beginning on the application date, starting from a rate of 22%, up to rates of 30%, 39% and 49%, with respect to investments in infrastructure stocks of type 1 and type 2, respectively. The gradual increase will also apply to the anti-cyclical adjustment, as defined in the provisions.

The solvency capital requirement, which is calculated in accordance with the distribution provisions of the stock risk sub-component, as specified above, will increase gradually, from a rate of 60% of the solvency capital requirement according to the provisions, at an annual rate of 5%, until full compliance with the calculation based on the data as of December 31, 2024.

Regarding the composition of capital, it was determined that the maximum scope of Tier 2 capital during the distribution period will amount to 50% of the solvency capital requirement during the distribution period.

D. In March 2020, the Commissioner published an outline for implementation of the provisions of an economic solvency regime according to the European framework (hereinafter: the “Outline”), and a draft amendment to the consolidated circular regarding the instructions for implementing the economic solvency regime (hereinafter: the “Draft Amendment”), 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, an insurance company may, with the Commissioner’s approval, adopt different distribution provisions than the current ones as specified in section 2 above. 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, and subject to the restrictions which were specified in the draft.

Note 16: Capital and Reserves (Cont.)

E. Capital management and requirements in consolidated insurance companies (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 easements 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; and expansion of 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.

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 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.

(7) Dividends

Except for the general requirements and the Companies Law, a dividend distribution from a capital surplus in an insurance company is also subject to liquidity requirements, compliance with provisions of the Investment Regulations, and additional directives which are published by the Commissioner from time to time. In October 2017, the Commissioner sent a letter to the managers of the insurance companies, stating that an insurance company will be entitled to distribute dividends if, after the performance of the distribution, the insurer has a ratio of recognized equity to required equity (hereinafter: "**Solvency Ratio**") at a minimum rate of 100%, according to the provisions of the economic solvency regime, calculated without the provisions during the distribution period, and subject to the solvency ratio which determined by the Company's Board of Directors.

Additionally, the insurance company is required to submit to the Commissioner, within twenty business days after the distribution date, the Company's annual profit forecast for the two years subsequent to the date of the dividend distribution; The Company's updated debt service plan, approved by the Company's Board of Directors, and an updated debt service plan of the holding company which holds the Company, which was approved by the Board of Directors of the holding company; A capital management plan, approved by the Company's Board of Directors; Minutes of the discussion in the Company's Board of Directors, in which the dividend distribution was approved, including attachment of the background material for the discussion.

In March 2020, the Board of Directors of 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 end of the distribution period according to the economic solvency regime, see section 6(b) above. 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.

Further to that stated in section 6(d) above regarding the draft amendment, insofar as the draft amendment enters into effect, it is expected to lead to the re-evaluation of the capital target.

The foregoing may have a significant impact on the Company's ability to distribute dividends, which primarily depends on dividend distributions from Clal Insurance to the Company.

It is further noted that insofar as the draft amendment referenced in section 6(d) above enters into effect, it is expected to lead to the re-evaluation of the capital target.

Note 16: Capital and Reserves (Cont.)

E. Capital management and requirements in consolidated insurance companies (Cont.)

(8) Status of the control of the Company and of consolidated institutional entities

As the Company was informed, on May 8, 2014, the representatives of the previous controlling shareholders in IDB Development (the Ganden, Manor and Livnat Groups) received notice from the Commissioner stating that, further to the creditors' settlement in IDB Holding, and due to the fact that they no longer held control of institutional entities from the Group, the permits for control of the aforementioned institutional entities, which had previously been given to them by the Commissioner, were canceled, including, inter alia, regarding Clal Insurance, Clal Credit Insurance and Clal Pension and Provident Funds (hereinafter: the "**Institutional Entities**" and the "**Permit**"), in which IDB Holding undertook to supplement (or to cause the companies under its direct or indirect control to supplement) the capital required of the insurers according to the Capital Regulations or any other regulation or law which may replace them, provided that the maximum undertaking limit does not exceed 50% of the capital required of an insurer, and that the undertaking will be realized only when the insurer's capital is negative, and in the amount of the negative capital, provided that the supplementary amount does not exceed the aforementioned undertaking ceiling. In addition, IDB Holding has undertaken, in accordance with the permit, to supplement (or to cause the companies under its direct or indirect control to supplement) the equity of Clal Pension and Provident Funds, up to the amount stipulated in the Provident Fund Regulations as these will be in force from time to time, or any other regulation or law which may come in their place, and it was determined that the aforementioned undertaking (with respect to institutional entities) will be valid so long as IDB Holding remains the controlling shareholder of the institutional entities.

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 have occurred in IDB Development's holding rate in the Company, according to the Authority's position, as of the present date, 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 Insurance Law, and therefore, the Company is required to receive from the Commissioner a permit for the control of Clal Insurance. The Company is holding discussions with the Commissioner in connection with the foregoing

In light of the status of the control of the Company, as stated above, there is uncertainty regarding the validity of the undertakings to supplement capital which were given by the Company in the past.

For details regarding the holding and control of the Company, and for details regarding the cancellation of the control permit, see Note 1.

(9) Clal Insurance also undertook towards the Commissioner to supplement the capital requirement for Clal Credit Insurance in accordance with the Capital Regulations, up to 50% of the required capital according to the Capital Regulations, if and when the equity of Clal Credit Insurance becomes negative. The undertaking is in effect so long as Clal Insurance remains the controlling shareholder (as defined in the Control Law) of Clal Credit Insurance. The undertaking was given to the Commissioner in accordance with a requirement specified in the permit for control of Clal Credit Insurance, which stipulates that Clal Insurance will ensure to supplement the required equity of Clal Credit Insurance, in accordance with the Capital Regulations or in accordance with any other regulations which may replace them in the future.

F. Capital requirements for managing companies of pension funds and provident funds

The Control of Financial Services Regulations (Provident Funds) (Minimum Equity Required of Managing Companies of Provident Funds or Pension Funds), 2012 and the Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment No. 2), 2012, prescribe capital requirements for managing companies, in accordance with the scope of managed assets and annual expenses, however, no less than initial capital of NIS 10 million. Liquidity requirements were also prescribed.

A managing company will be entitled to distribute dividends only if its equity is at least the minimum equity required of it according to these Regulations. A managing company will also be required to provide additional capital with respect to controlled managing companies.

Additionally, as of the end of the reporting period, managing companies under the control of Clal Insurance have a capital surplus relative to the minimum capital required pursuant to the Capital Regulations for Managing Companies.

Note 17: Liabilities with Respect to Non-Investment-Linked Insurance Contracts and Investment Contracts [1)]

	As of December 31					
	2019	**2018**	2019	2018	2019	**2018**
NIS in thousands	Gross		Reinsurance		Retention	
Life insurance and long-term savings						
Insurance contracts	20,405,653	19,507,188	(16,478)	(13,784)	20,389,175	19,493,404
Investment contracts	2,396,604	2,358,204	-	-	2,396,604	2,358,204
	22,802,257	21,865,392	(16,478)	(13,784)	22,785,779	21,851,608
Less amounts deposited in a consolidated company as part of a defined benefit plan for employees of the Group [1)]	(2,034)	(1,215)	-	-	(2,034)	(1,215)
Total long term savings	22,800,223	21,864,177	(16,478)	(13,784)	22,783,745	21,850,393
Insurance contracts included in the health insurance segment (Note 21)	3,045,582	2,675,508	(589,666)	(674,050)	2,455,916	2,001,458
Insurance contracts which are included in the non-life insurance segment (Note 19)	6,393,228	6,107,310	(2,727,888)	(2,105,917)	3,665,340	4,001,393
Total liabilities with respect to non-investment-linked insurance contracts and investment contracts	32,239,033	30,646,995	(3,334,032)	(2,793,751)	28,905,001	27,853,244

Note 18: Liabilities with Respect to Investment-Linked Insurance Contracts and Investment Contracts [1)]

	As of December 31					
	2019	**2018**	2019	2018	2019	**2018**
NIS in thousands	Gross		Reinsurance		Retention	
Life insurance and long-term savings						
Insurance contracts	67,924,289	59,203,441	(203,647)	(173,852)	67,720,642	59,029,589
Investment contracts	2,828,148	1,781,735	-	-	2,828,148	1,781,735
	70,752,437	60,985,176	(203,647)	(173,852)	70,548,790	60,811,324
Less amounts deposited in a consolidated company as part of a defined benefit plan for employees of the Group [1)]	(17,346)	(19,751)	-	-	(17,346)	(19,751)
Total long term savings	70,735,091	60,965,425	(203,647)	(173,852)	70,531,444	60,791,573
Insurance contracts included in the health insurance segment (Note 21)	1,097,913	4,401,472	(14,131)	(11,776)	1,083,782	4,389,696
Total liabilities with respect to investment-linked insurance contracts and investment contracts	71,833,004	65,366,897	(217,778)	(185,628)	71,615,226	65,181,269

1) In investment-linked insurance contracts, insurance benefits which the beneficiary is entitled to receive are contingent upon or linked to returns produced by certain investments of the Group, less management fees. These contracts include, inter alia, insurance plans which credit / charge to the policyholder a bonus / malus, according to the investment results achieved by the policies which share in the Group’s investment income. In non-investment-linked insurance contracts, the insurance benefits to which a policyholder is entitled are not dependent on the income or loss resulting from investments made by the Group.

The distinction between investment-linked contracts and non-investment-linked contracts is made on the level of the individual coverage, such that insurance policies exist which include several coverages, some of which are investment-linked, while others are non-investment-linked.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment

A. Liabilities with respect to insurance contracts included under non-life insurance segments, by type

	As of December 31					
	2019	2018	2019	2018	2019	2018
NIS in thousands	Gross		Reinsurance		Retention	
Compulsory motor and liabilities branches						
Unearned premium reserve	**371,539**	375,850	**191,996**	199,149	**179,543**	176,701
Outstanding claims and premium deficiency reserve	**4,463,723**	4,236,458	**1,712,954**	1,254,037	**2,750,769**	2,982,421
Total compulsory motor and liabilities branches	**4,835,262**	4,612,308	**1,904,950**	1,453,186	**2,930,312**	3,159,122
Of which, total liabilities with respect to the compulsory motor insurance branch	**2,286,995**	2,284,274	**836,177**	575,942	**1,450,818**	1,708,332
Property and others branches						
Unearned premium reserve	**668,122**	651,798	**347,946**	271,232	**320,176**	380,566
Premium deficiency reserve	**10,591**	-	**-**	-	**10,591**	-
Outstanding claims	**879,253**	843,204	**474,992**	381,499	**404,261**	461,705
Total property and others branches	**1,557,966**	1,495,002	**822,938**	652,731	**735,028**	842,271
Total liabilities with respect to insurance contracts included under non-life insurance segments	**6,393,228**	6,107,310	**2,727,888**	2,105,917	**3,665,340**	4,001,393
Deferred acquisition costs						
Compulsory motor and liabilities branches	**79,644**	78,032	**34,523**	35,736	**45,121**	42,296
Property and others branches	**155,606**	159,834	**55,274**	56,241	**100,332**	103,593
Total deferred acquisition costs	**235,250**	237,866	**89,797**	91,977	**145,453**	145,889
Liabilities with respect to non-life insurance contracts less deferred acquisition costs						
Compulsory motor and liabilities branches (see section C1 below)	**4,755,618**	4,534,276	**1,870,427**	1,417,450	**2,885,191**	3,116,826
Property and others branches (See C2 below)	**1,402,360**	1,335,168	**767,664**	596,490	**634,696**	738,678
Total liabilities with respect to non-life insurance contracts less deferred acquisition costs	**6,157,978**	5,869,444	**2,638,091**	2,013,940	**3,519,887**	3,855,504

B. Liabilities with respect to insurance contracts included in the non-life insurance segment, by calculation method

	As of December 31					
	2019	2018	2019	2018	2019	2018
NIS in thousands	Gross		Reinsurance		Retention	
Actuarial valuations						
Mr. David Engelmayer (last year - Mr. Yaakov Mauser) [1)]	**5,259,652**	4,985,815	**2,136,351**	1,587,793	**3,123,301**	3,398,022
Provisions on the basis of other estimates						
Estimate of the claims department regarding known outstanding claims	**28,059**	33,529	**16,980**	20,506	**11,079**	13,023
Addition for outstanding claims with respect to incurred but not reported (IBNR) claims	**19,521**	15,145	**13,177**	10,222	**6,344**	4,923
Unearned premium reserve	**1,039,661**	1,027,647	**539,941**	470,381	**499,720**	557,266
Other estimates	**385**	496	**-**	-	**385**	496
Net surplus revenues (accrual) with respect to foreign trade risks insurance	**45,950**	44,678	**21,439**	17,015	**24,511**	27,663
Total liabilities with respect to insurance contracts included in the non-life insurance segment in Israel	**6,393,228**	6,107,310	**2,727,888**	2,105,917	**3,665,340**	4,001,393

1) See the certifications by the chief actuary in non-life insurance in Israel, which are attached as an annex to the financial statements. No addition / deficiency exists between the actuarial valuations and the amount included in the financial statements.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

C. Movement in liabilities with respect to insurance contracts included under the non-life insurance segment, less deferred acquisition costs

1. Compulsory motor and liabilities branches

	As of December 31					
	2019	2018	2019	2018	2019	2018
NIS in thousands	Gross		Reinsurance		Retention	
Balance at beginning of year	**4,534,276**	4,809,536	**1,417,450**	1,413,030	**3,116,826**	3,396,506
Cumulative claim costs with respect to the current underwriting year	**714,338**	677,957	**371,040**	334,226	**343,298**	343,731
Change in balances as of the beginning of the year resulting from the indexation to the CPI and the investment income, according to the discount assumption embodied in the liability.	**67,072**	107,663	**21,727**	31,239	**45,345**	76,424
Impact of the provision with respect to the Winograd Committee *)	**(164,907)**	(55,641)	**(42,447)**	(3,945)	**(122,460)**	(51,696)
Balance of change in estimated cumulative claims cost with respect to previous underwriting years **)	**333,026**	46,668	**236,595**	(16,332)	**96,431**	63,000
Total change in cumulative claim costs	**949,529**	776,647	**586,915**	345,188	**362,614**	431,459
Claim settlement payments during the year:						
With respect to the current underwriting year	**(5,043)**	(4,983)	**(2,475)**	(1,989)	**(2,568)**	(2,994)
With respect to previous underwriting years	**(723,144)**	(1,046,924)	**(131,463)**	(338,779)	**(591,681)**	(708,145)
Total payments	**(728,187)**	(1,051,907)	**(133,938)**	(340,768)	**(594,249)**	(711,139)
Balance at end of year	**4,755,618**	4,534,276	**1,870,427**	1,417,450	**2,885,191**	3,116,826

1. The opening and closing balances include outstanding claims, the premium deficiency reserve and unearned premiums, less deferred acquisition costs.
2. The cumulative (ultimate) cost of claims is the balance of outstanding claims, the premium deficiency reserve, unearned premiums less deferred acquisition costs, plus total claim payments, including direct and indirect claim settlement payments.
3. The payments include indirect claim settlement expenses (general and administrative expenses recorded for claims) attributed to the underwriting years.

*) For additional details, see Note 39(e)(e2)(4)(f).

**) The change in estimated cumulative claims costs with respect to the previous underwriting years is due, inter alia, to the increase in individual claim costs, and its impact on the actuarial model

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

C. Movement in liabilities with respect to insurance contracts included under the non-life insurance segment, less deferred acquisition costs (Cont.)

2. Property and others branches

	As of December 31					
	2019	**2018**	2019	**2018**	2019	**2018**
NIS in thousands	Gross		Reinsurance		Retention	
Balance at beginning of year	1,335,168	1,471,712	596,490	615,160	738,678	856,552
Cumulative claim costs with respect to events during the reporting year	862,712	838,687	322,606	268,125	540,106	570,562
Change in cumulative claim costs with respect to events prior to the reporting year	70,740	(30,132)	61,783	(28,023)	8,957	(2,109)
Total change in cumulative claim costs	933,452	808,555	384,389	240,102	549,063	568,453
Claim settlement payments during the year:						
With respect to events during the reporting year	(498,147)	(481,020)	(116,012)	(93,580)	(382,135)	(387,440)
With respect to events prior to the reporting year	(399,711)	(467,938)	(175,069)	(193,376)	(224,642)	(274,562)
Total payments	(897,858)	(948,958)	(291,081)	(286,956)	(606,777)	(662,002)
Change in the unearned premium reserve, net of deferred acquisition costs	21,006	17,082	77,866	28,184	(56,860)	(11,102)
Change in the premium deficiency reserve	10,592	(13,223)	-	-	10,592	(13,223)
Balance at end of year	1,402,360	1,335,168	767,664	596,490	634,696	738,678

1. The opening and closing balances include outstanding claims with the addition of the premium deficiency reserve and unearned premiums, less deferred acquisition costs.
2. The cumulative cost of claims with respect to events during the reporting year includes the balance of outstanding claims as of the end of the reporting year, with the addition of total claim payments during the reporting period, including direct and indirect claim settlement expenses.
3. Claim settlement payments during the year include payments with respect to events prior to the reporting year, with the addition of the change in the balance of outstanding claims with respect to events prior to the reporting year.
4. The claim settlement payments include direct and indirect expenses for the settlement of those claims (general and administrative expenses recorded for claims), as attributed to the damage years.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D1. Examination of the development of estimated liabilities with respect to insurance contracts less deferred acquisition costs, gross, in the compulsory motor and liabilities branches in Israel, and branches assessed on the basis of underwriting years in Europe

	As of December 31, 2019										
	Underwriting year										
NIS in thousands, adjusted to CPI for November 2019 [1])	2010 [2]	2011 [2]	2012	2013	2014	2015	2016	2017	2018	2019	Total
Claims paid (cumulative) at end of year											
After one year	79,363	150,134	5,300	4,400	4,333	2,219	3,697	5,954	4,998	5,043	
After two years	150,781	75,139	53,409	44,576	41,732	33,911	37,950	41,675	44,395		
After three years	156,810	170,532	156,817	140,171	133,406	118,937	123,819	127,600			
After four years	254,454	294,937	273,867	270,258	239,990	217,714	216,574				
After five years	354,779	418,122	413,522	388,491	344,952	294,752					
After six years	450,238	529,740	562,943	520,910	428,042						
After seven years	553,381	655,948	676,366	614,589							
After eight years	631,878	960,176	763,107								
After nine years	676,322	1,002,051									
After ten years	717,818										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year [3)]	1,029,611	1,041,508	951,998	887,280	787,094	671,958	649,750	643,403	680,001	714,340	
After two years	1,044,142	928,168	1,028,853	871,928	813,413	680,753	637,220	666,286	708,175		
After three years	974,186	996,145	1,040,672	868,385	803,776	646,449	659,517	708,121			
After four years	929,295	985,117	963,111	833,151	799,291	674,507	690,423				
After five years	906,209	989,365	1,012,102	890,846	825,799	680,031					
After six years	860,351	1,083,552	1,090,230	909,985	1,008,637						
After seven years	865,130	1,211,160	1,080,536	911,449							
After eight years	886,378	1,217,870	1,071,592								
After nine years	894,141	1,204,724									
After ten years	879,172										
Surplus (deficit) relative to the first year which did not include accrual [4)]	50,123	(219,607)	(108,481)	(78,298)	(204,861)	722	(40,673)	(64,718)	(28,174)	-	(693,967)
Rate of the deviation relative to the first year which did not include accrual, in percent	5.39%	(22.29)%	(11.26)%	(9.40)%	(25.49)%	0.11%	(6.26)%	(10.06)%	(4.14)%		(9.68)%
Cumulative cost of claims as of December 31, 2019	879,172 *)	1,204,724 *)	1,071,592	911,449	1,008,637	680,031	690,423	708,121	708,175	714,340	8,576,664
Cumulative payments until December 31, 2019	717,818	1,002,051	763,107	614,589	428,042	294,752	216,574	127,600	44,395	5,043	4,213,971
Total liabilities as of December 31	161,354 *)	202,673 *)	308,485	296,860	580,595	385,279	473,849	580,521	663,780	709,297	4,362,693
Outstanding claims for years up to and including the 2009 underwriting year											392,925
Total gross liability with respect to insurance contracts in the compulsory motor and liabilities branches in Israel, less deferred acquisition costs with respect to 2019											4,755,618
	Up to and including the 2010 underwriting year										
*) Less outstanding claims as of the date of the deconsolidation of a subsidiary in Europe, as follows:	142,051	336,718									478,769

1) The above amounts are presented according to inflation adjusted values (arising from operations in Israel), or revaluated values based on the exchange rate as of the reporting date (arising from consolidated companies abroad), in order to allow examination of the development on the basis of real values.
2) From 2010 to 2011, including Broadgate data.
3) The estimate of cumulative claims at the end of the first year includes the unearned premium reserve, less deferred acquisition costs.
4) The difference between estimated cumulative claims in the first year, which does not include the accrual in the estimation of cumulative claims as of the reporting date.

Note: The level of significance of the actuarial models is greater when the development of claims is evaluated on the level of total underwriting years. It is therefore more appropriate to evaluate the development of the Company’s estimates on the level of all underwriting years together, rather than for each underwriting year separately.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D2. Examination of the development of estimated liabilities with respect to insurance contracts less deferred acquisition costs, on self-retention, in the compulsory motor insurance and liabilities branches in Israel, and branches assessed on the basis of underwriting years in Europe

	As of December 31, 2019										
	Underwriting year										
NIS in thousands, adjusted to CPI for November 2019 [1])	2010 [2]	2011 [2]	2012	2013	2014	2015	2016	2017	2018	2019	Total
Claims paid (cumulative) at end of year											
After one year	71,101	78,738	5,215	4,389	4,333	2,214	3,695	5,039	3,003	2,568	
After two years	137,662	58,610	49,438	43,745	37,663	33,326	37,513	28,972	23,492		
After three years	152,618	150,681	143,556	132,015	123,372	113,923	121,392	81,306			
After four years	247,260	269,005	248,011	254,950	228,093	211,503	206,420				
After five years	342,870	386,670	355,984	363,574	325,825	286,867					
After six years	436,861	489,519	492,441	467,852	403,855						
After seven years	536,951	603,988	591,999	538,264							
After eight years	606,743	664,478	660,740								
After nine years	648,960	704,100									
After ten years	679,119										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year [3)]	799,501	635,520	807,146	758,821	680,932	586,847	586,228	369,190	344,767	343,300	
After two years	833,421	769,714	804,509	751,235	671,389	592,797	546,609	397,124	348,375		
After three years	833,334	797,112	813,816	756,227	666,646	560,936	567,357	420,513			
After four years	819,127	785,956	788,077	719,768	660,972	576,027	594,979				
After five years	800,397	789,861	785,110	783,171	675,111	586,882					
After six years	771,937	806,221	871,756	773,562	677,964						
After seven years	775,413	852,511	877,290	769,516							
After eight years	793,563	852,921	875,629								
After nine years	800,651	842,253									
After ten years	790,782										
Surplus (deficit) relative to the first year which did not include accrual [4)]	28,345	(56,297)	(87,552)	(49,748)	(11,318)	5,915	(8,751)	(51,323)	(3,608)		(234,337)
Rate of the deviation relative to the first year which did not include accrual, in percent	3.46%	(7.16)%	(11.11)%	(6.91)%	(1.70)%	1.00%	(1.49)%	(13.90)%	(1.05)%		(4.13)%
Cumulative cost of claims as of December 31, 2019	790,782 *)	842,253 *)	875,629	769,516	677,964	586,882	594,979	420,513	348,375	343,300	6,250,193
Cumulative payments until December 31, 2019	679,119	704,100	660,740	538,264	403,855	286,867	206,420	81,306	23,492	2,568	3,586,731
Balance of outstanding claims	111,663 *)	138,153 *)	214,889	231,252	274,109	300,015	388,559	339,207	324,883	340,732	2,663,462
Outstanding claims for years up to and including the 2009 underwriting year											221,729
Total liabilities on self-retention with respect to insurance contracts in the compulsory motor and liabilities branches, less deferred acquisition costs with respect to 2019											2,885,191
	Up to and including the 2010 underwriting year										
*) Less outstanding claims as of the date of the deconsolidation of a subsidiary in Europe, as follows:	82,443	134,710									217,253

1) The above amounts are presented according to inflation adjusted values (arising from operations in Israel), or revaluated values based on the exchange rate as of the reporting date (arising from consolidated companies abroad), in order to allow examination of the development on the basis of real values.

2) From 2008 to 2011, including Broadgate data.

3) The estimate of cumulative claims at the end of the first year includes the unearned premium reserve, less deferred acquisition costs.

4) The difference between estimated cumulative claims in the first year, which does not include the accrual in the estimation of cumulative claims as of the reporting date.

Note: The level of significance of the actuarial models is greater when the development of claims is evaluated on the level of total underwriting years. It is therefore more appropriate to evaluate the development of the Company's estimates on the level of all underwriting years together, rather than for each underwriting year separately.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D3. Examination of the development of estimated liabilities with respect to insurance contracts less deferred acquisition costs, gross, in the compulsory motor branch

	As of December 31, 2019										
	Underwriting year										
NIS in thousands, adjusted to CPI for November 2019 [1]	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Claims paid (cumulative) at end of year											
After one year	3,820	3,779	2,909	3,289	1,675	1,482	1,515	1,924	2,777	3,627	
After two years	42,115	39,982	35,035	33,863	25,217	24,094	24,881	27,573	25,212		
After three years	107,067	109,805	108,402	92,839	85,990	85,658	85,381	98,343			
After four years	178,729	190,650	174,722	181,595	161,579	156,291	146,467				
After five years	232,787	261,710	242,272	255,644	233,677	209,282					
After six years	285,900	329,659	341,356	323,488	291,498						
After seven years	357,043	411,458	414,685	370,585							
After eight years	400,886	447,265	472,085								
After nine years	422,853	472,519									
After ten years	443,732										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year [2]	558,257	525,614	532,396	520,626	478,607	402,781	404,844	391,311	399,293	443,801	
After two years	567,145	530,948	533,497	511,599	482,562	406,585	375,214	398,249	412,406		
After three years	580,083	542,888	546,296	519,681	465,045	398,540	386,155	445,260			
After four years	537,299	512,178	512,967	485,679	463,544	429,512	401,798				
After five years	509,730	507,046	497,694	535,874	469,296	438,317					
After six years	470,332	516,995	576,731	515,796	466,850						
After seven years	471,578	551,801	564,936	490,937							
After eight years	480,282	545,930	558,577								
After nine years	482,105	536,183									
After ten years	474,104										
Surplus (deficit) relative to the first year which did not include accrual [3]	63,195	(24,005)	(45,610)	(5,258)	(1,805)	(31,732)	3,046	(53,949)	(13,113)		(109,231)
Rate of the deviation relative to the first year which did not include accrual, in percent	11.76%	(4.69)%	(8.89)%	(1.08)%	(0.39)%	(7.80)%	0.75%	(13.79)%	(3.28)%		(2.65)%
Cumulative cost of claims as of December 31, 2019	474,104	536,183	558,577	490,937	466,850	438,317	401,798	445,260	412,406	443,801	4,668,233
Cumulative payments until December 31, 2019	443,732	472,519	472,085	370,585	291,498	209,282	146,467	98,343	25,212	3,627	2,533,350
Total liabilities as of December 31, 2019	30,372	63,664	86,492	120,352	175,352	229,035	255,331	346,917	387,194	440,174	2,134,883
Outstanding claims for years up to and including the 2009 underwriting year											123,342
Total gross liabilities with respect to insurance contracts in the compulsory motor branches, less deferred acquisition costs as of December 31, 2019											2,258,225

1) The above amounts are adjusted for inflation values to allow evaluation of the development on the basis of real values.
2) The estimate of cumulative claims at the end of the first year includes the unearned premium reserve, less deferred acquisition costs.
3) The difference between estimated cumulative claims in the first year, which does not include the accrual in the estimation of cumulative claims as of the reporting date.

Note: The level of significance of the actuarial models is greater when the development of claims is evaluated on the level of total underwriting years. It is therefore more appropriate to evaluate the development of the Company’s estimates on the level of all underwriting years together, rather than for each underwriting year separately.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D4. Examination of the development of estimated liabilities with respect to insurance contracts less deferred acquisition costs, on self-retention, in the compulsory motor branch

	As of December 31, 2019										
	Underwriting year										
NIS in thousands, adjusted to CPI for November 2019 [1])	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Claims paid (cumulative) at end of year											
After one year	3,820	3,779	2,909	3,289	1,675	1,482	1,515	1,021	1,115	1,250	
After two years	42,115	39,982	35,035	33,863	25,217	24,094	24,881	15,021	9,809		
After three years	107,067	109,805	108,402	92,839	85,990	85,658	85,381	52,423			
After four years	178,729	190,650	174,722	178,167	161,579	155,366	146,467				
After five years	232,787	261,710	242,272	250,609	233,677	208,357					
After six years	285,900	328,707	339,868	316,599	291,322						
After seven years	357,043	409,380	402,168	363,628							
After eight years	400,886	442,006	451,150								
After nine years	422,853	463,758									
After ten years	437,951										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year [2)]	548,415	514,836	519,982	507,587	466,635	394,190	396,286	199,864	163,451	156,169	
After two years	550,777	512,929	512,899	498,260	462,803	395,786	363,978	209,184	148,821		
After three years	563,956	525,201	525,681	508,706	453,435	370,357	367,295	230,613			
After four years	529,030	503,217	502,878	473,701	450,429	388,352	384,902				
After five years	501,324	498,079	486,268	521,332	462,825	395,408					
After six years	469,156	496,109	546,404	499,849	462,067						
After seven years	465,889	530,551	534,072	477,468							
After eight years	474,402	527,024	529,630								
After nine years	476,422	518,486									
After ten years	468,270										
Surplus (deficit) relative to the first year which did not include accrual [3)]	60,760	(15,269)	(26,752)	(3,767)	(8,632)	378	11,384	(30,749)	14,630		1,983
Rate of the deviation relative to the first year which did not include accrual, in percent	11.49%	(3.03)%	(5.32)%	(0.80)%	(1.90)%	0.10%	2.87%	(15.38)%	8.95%		0.05%
Cumulative cost of claims as of December 31, 2019	468,270	518,486	529,630	477,468	462,067	395,408	384,902	230,613	148,821	156,169	3,771,834
Cumulative payments until December 31, 2019	437,951	463,758	451,150	363,628	291,322	208,357	146,467	52,423	9,809	1,250	2,426,115
Total liabilities as of December 31, 2019	30,319	54,728	78,480	113,840	170,745	187,051	238,435	178,190	139,012	154,919	1,345,719
Outstanding claims for years up to and including the 2009 underwriting year											101,500
Total gross liabilities with respect to insurance contracts in the compulsory motor branches, less deferred acquisition costs as of December 31, 2019											1,447,219

1) The above amounts are adjusted for inflation values to allow evaluation of the development on the basis of real values.
2) The estimate of cumulative claims at the end of the first year includes the unearned premium reserve, less deferred acquisition costs.
3) The difference between estimated cumulative claims in the first year, which does not include the accrual in the estimation of cumulative claims as of the reporting date.

Note: The level of significance of the actuarial models is greater when the development of claims is evaluated on the level of total underwriting years. It is therefore more appropriate to evaluate the development of the Company's estimates on the level of all underwriting years together, rather than for each underwriting year separately.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D5. Composition of comprehensive income (loss) in the compulsory motor insurance branch (NIS in thousands)

Reporting year	Comprehensive income (loss) with respect to the current underwriting year	Comprehensive income (loss) with respect to previous underwriting years	Comprehensive income (loss) with respect to the current underwriting year	Comprehensive income (loss) with respect to previous underwriting years
	Gross		On retention	
2019	**(67,336)**	**52,188**	**(6,820)**	**96,613**
2018	(10,753)	19,455	7,280	27,952
2017	13,714	(73,027)	36,198	(34,927)

D6. Data regarding the 2013-2019 underwriting years in the compulsory motor branch (NIS in thousands)

	Underwriting years						
Underwriting Year	2019	2018	2017	2016	2015	2014	2013
Gross premiums (including fees)	465,338	465,074	477,214	443,285	450,849	541,154	568,481
Comprehensive income (loss) on retention in the underwriting year, accumulated until the reporting date	(6,820)	25,570	9,051	3,275	5,152	24,081	60,624
Impact of investment income on cumulative income for the underwriting year	3,250	11,960	16,592	42,316	46,226	55,633	76,984

D7. Comprehensive income (loss) on retention in the foreign trade risks insurance branch (NIS in thousands)

Reporting year	Comprehensive income (loss) with respect to the open years	Comprehensive income with respect to the underwriting year released During the reporting year	Adjustments with respect to underwriting years Released in previous years	Activity not Included in the calculation of reserves	Total reported comprehensive income
2019	**-**	**8,396**	**101**	**(963)**	**7,534**
2018	-	9,862	(230)	(471)	9,161
2017	-	9,177	205	(343)	9,039

D8. Composition of comprehensive loss in other liabilities insurance branches (NIS in thousands)

Reporting year	Comprehensive loss with respect to the current underwriting year	Comprehensive loss with respect to previous underwriting years	Comprehensive loss with respect to the current underwriting year	Comprehensive income (loss) with respect to previous underwriting years
	Gross		On retention	
2019	**(60,340)**	**(125,380)**	**(59,690)**	**29,243**
2018	(62,058)	(19,028)	(53,824)	(34,549)
2017	(43,053)	(44,839)	(40,198)	21,532

D9. Data regarding the 2013-2019 underwriting years in the other liabilities insurance branch

	Underwriting years						
Underwriting Year	2019	2018	2017	2016	2015	2014	2013
Gross premiums (including fees)	308,274	332,569	308,177	310,002	308,911	377,875	381,387
Comprehensive loss on retention in the underwriting year, accumulated until the reporting date	(59,690)	(62,238)	(51,189)	(61,963)	(41,718)	(46,917)	(85,481)
Impact of investment income on cumulative income for the underwriting year	2,896	10,896	16,032	22,241	23,871	25,583	39,749

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

E1. Examination of the development of the assessment of gross outstanding claims in property and others branches

	As of December 31, 2019										
	Damage year										
NIS in thousands, adjusted to CPI for November 2019 [1])	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Claims paid (cumulative) at end of year											
After one year	658,569	778,780	687,614	851,604	565,862	604,012	481,093	504,570	448,006	462,399	
After two years	990,614	1,263,063	989,032	1,265,917	674,532	1,040,175	809,773	824,081	752,284		
After three years	1,040,893	1,330,636	1,037,118	1,304,721	736,359	1,098,572	881,652	868,281			
After four years	1,068,257	1,370,213	1,057,283	1,344,116	773,473	1,137,294	910,365				
After five years	1,088,493	1,370,213	1,080,024	1,369,966	790,201	1,153,073					
After six years	1,098,127	1,386,570	1,092,396	1,393,511	806,214						
After seven years	1,089,486	1,395,678	1,103,758	1,400,725							
After eight years	1,096,495	1,401,784	1,110,096								
After nine years	1,102,614	1,404,871									
After ten years	1,105,682										
Cumulative claims (including payments)											
After one year	1,206,808	1,438,524	1,160,821	1,405,287	968,667	1,163,652	876,634	936,161	804,210	826,955	
After two years	1,197,988	1,452,281	1,153,759	1,478,337	839,361	1,223,203	956,741	939,710	943,191		
After three years	1,160,045	1,424,989	1,161,490	1,454,498	849,696	1,218,301	977,037	925,156			
After four years	1,153,191	1,452,112	1,135,301	1,432,267	834,608	1,218,906	955,313				
After five years	1,157,522	1,425,563	1,135,080	1,440,915	830,525	1,221,805					
After six years	1,113,984	1,421,687	1,136,150	1,441,456	841,524						
After seven years	1,119,487	1,428,957	1,130,546	1,430,098							
After eight years	1,123,412	1,418,281	1,131,832								
After nine years	1,116,224	1,419,913									
After ten years	1,119,651										
Estimated cumulative cost of claims as of December 31, 2019	1,119,651	1,419,913	1,131,832	1,430,098	841,524	1,221,805	955,313	925,156	943,191	826,955	10,815,439
Cumulative payments until December 31, 2019	1,105,682	1,404,871	1,110,096	1,400,725	806,214	1,153,073	910,365	868,281	752,284	462,399	9,973,993
Balance of outstanding claims	13,969	15,042	21,736	29,373	35,309	68,732	44,948	56,875	190,907	364,556	841,446
Outstanding claims for years up to and including the 2009 damage year											37,807
Total outstanding claims in the property and others branches as of December 31, 2019											879,253

1) The above amounts are presented in values adjusted for inflation, in order to allow an evaluation of their development based on real values.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

E2. Evaluation of the development of the assessment of outstanding claims on retention in the property and others branches

	As of December 31, 2019										
	Damage year										
NIS in thousands, adjusted to CPI for November 2019 [1])	2010	2011	2012	2013	2014	2015	2016	2017	2014	2019	Total
Claims paid (cumulative) at end of year											
After one year	650,708	683,795	699,695	512,945	467,225	480,977	378,007	371,809	353,186	346,387	
After two years	900,547	967,285	722,243	718,834	486,936	698,583	595,075	550,231	513,498		
After three years	967,817	736,166	758,585	727,997	533,846	744,054	634,152	578,611			
After four years	744,897	774,789	772,346	749,043	564,034	765,244	650,317				
After five years	763,820	775,016	789,669	771,762	579,101	781,215					
After six years	772,454	786,972	802,027	786,040	590,893						
After seven years	761,823	795,115	812,730	794,054							
After eight years	768,771	801,981	819,247								
After nine years	774,625	805,913									
After ten years	777,401										
Cumulative claims (including payments)											
After one year	1,229,974	963,302	948,760	629,818	756,993	750,968	650,596	585,481	536,892	504,364	
After two years	1,179,339	1,541,326	1,381,806	838,392	595,104	811,783	662,024	599,192	556,773		
After three years	1,164,058	775,404	842,537	813,060	609,734	810,770	685,011	602,906			
After four years	778,304	837,918	826,233	808,194	608,321	812,762	681,100				
After five years	813,370	814,329	836,946	820,208	606,992	820,364					
After six years	799,968	819,083	836,887	818,659	619,764						
After seven years	786,201	825,922	831,903	813,968							
After eight years	790,189	816,207	834,087								
After nine years	784,532	818,843									
After ten years	787,669										
Cumulative cost of claims as of December 31, 2019	787,669	818,843	834,087	813,968	619,764	820,364	681,100	602,906	556,773	504,364	7,039,840
Cumulative payments until December 31, 2019	777,401	805,913	819,247	794,054	590,893	781,215	650,317	578,611	513,498	346,387	6,657,537
Balance of outstanding claims	10,268	12,930	14,840	19,914	28,871	39,149	30,784	24,296	43,275	157,977	382,304
Outstanding claims for years up to and including the 2009 damage year											21,957
Total outstanding claims in the property and others branches as of December 31, 2019											404,261

1) The above amounts are presented in values adjusted for inflation, in order to allow an evaluation of their development based on real values.

Note 20: Additional Details Regarding the Long Term Savings Segment

A. Liabilities with respect to insurance contracts and investment contracts, by exposure

As of December 31, 2019

		Policies which include a savings component (including appendices) by policy issue date				Policies with no savings component Risk sold as a single policy		
				From 2004				
	NIS in thousands	Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
.1	By insurance exposure							
	Liabilities with Respect to Insurance Contracts							
	Annuity without guaranteed factors	-	-	-	787,673	-	-	787,673
	Annuity with guaranteed factors							
	Until May 2001	10,783,412	27,042,396	-	-	-	-	37,825,808
	From June 2001	-	5,101,862	7,339	19,803,233	-	-	24,912,434
	Paid annuity	3,930,566	2,688,227	-	356,398	-	-	6,975,191
	Capital-based (without annuity option)	2,678,965	7,183,709	-	2,236,286	-	-	12,098,960
	Supplementary pension reserve [2)]	1,815,510	1,483,675	-	13,588	-	-	3,312,773
	Other risk components	150,592	672,948	843	695,110	639,377	258,233	2,417,103
	Total with respect to insurance contracts	19,359,045	44,172,817	8,182	23,892,288	639,377	258,233	88,329,942
	Liabilities with respect to investment contracts in life insurance	-	-	2,573	2,828,148	-	-	2,830,721
	Total life insurance	19,359,045	44,172,817	10,755	26,720,436	639,377	258,233	91,160,663
	Liabilities with respect to guaranteed-return provident fund tracks which were consolidated [3)]							2,394,031
	Total							93,554,694
.2	By financial exposure							
	Non-investment-linked	19,037,974	289,897	10,227	389,004	425,665	255,459	20,408,226
	Investment-linked	321,071	43,882,920	528	26,331,432	213,712	2,774	70,752,437
	Total life insurance	19,359,045	44,172,817	10,755	26,720,436	639,377	258,233	91,160,663
	Liabilities with respect to guaranteed-return provident fund tracks which were consolidated [3)]							2,394,031
	Total							93,554,694

1) Products issued until 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are primarily backed by designated bonds.
2) In addition to the supplementary pension reserve which is included under liabilities with respect to insurance contracts, there is also a provision in the amount of NIS 1,773 million, which will be applied to the statement of income throughout the remaining lifetime of the policy until retirement age. For additional details, see Note 39(e)(1)(a)(3).
3) For details regarding the financial exposure with respect to the provident fund Bar A Provident Fund, where the Company is a guarantor for the minimum returns of its members, see Note 39(d)(1)(c).

Note 20: Additional Details Regarding the Long Term Savings Segment (Cont.)

A. Liabilities with respect to insurance contracts and investment contracts, by exposure (Cont.)

As of December 31, 2018

		Policies which include a savings component (including appendices) by policy issue date				Policies with no savings component		
				From 2004		Risk sold as a single policy		
	NIS in thousands	Until 1990 [1]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
1	By insurance exposure							
	Liabilities with respect to insurance contracts							
	Annuity without guaranteed factors	-	-	-	612,452	-	-	612,452
	Annuity with guaranteed factors							
	Until May 2001	10,951,174	24,501,007	-	-	-	-	35,452,181
	From June 2001	-	4,643,574	49,117	16,187,765	-	-	20,880,456
	Paid annuity	3,345,981	1,964,042	-	264,986	-	-	5,575,009
	Capital-based (without annuity option)	2,217,173	6,896,834	-	2,225,146	-	-	11,339,153
	Supplementary pension reserve [2]	1,785,419	766,959	-	12,020	-	-	2,564,398
	Other risk components	147,536	665,462	2,832	597,538	580,137	293,475	2,286,980
	Total with respect to insurance contracts	18,447,283	39,437,878	51,949	19,899,907	580,137	293,475	78,710,629
	Liabilities with respect to investment contracts in life insurance	-	-	2,610	1,781,735	-	-	1,784,345
	Total life insurance	18,447,283	39,437,878	54,559	21,681,642	580,137	293,475	80,494,974
	Liabilities with respect to guaranteed-return provident fund tracks which were consolidated [3]							2,355,594
	Total							82,850,568
2	By financial exposure							
	Non-investment-linked	18,141,807	288,518	52,638	351,215	386,477	289,143	19,509,798
	Investment-linked	305,476	39,149,360	1,921	21,330,427	193,660	4,332	60,985,176
	Total life insurance	18,447,283	39,437,878	54,559	21,681,642	580,137	293,475	80,494,974
	Liabilities with respect to guaranteed-return provident fund tracks which were consolidated [3]							2,355,594
	Total							82,850,568

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

2) In addition to the supplementary pension reserve which is included under liabilities with respect to insurance contracts, there is also a provision in the amount of NIS 2,036 million, which will be applied to the statement of income throughout the remaining lifetime of the policy until retirement age. For additional details, see Note 39(e)(1)(a)(3).

3) For details regarding the financial exposure with respect to the provident fund Bar A Provident Fund, where the Company is a guarantor for the minimum returns of its members, see Note 39(d)(1)(c).

Note 20: Additional Details Regarding the Long Term Savings Segment (Cont.)

B. Details of results by policy types

For the year ended December 31, 2019

NIS in thousands	Policies which include a savings component (including appendices) by policy issue date: Until 1990 [1]	Until 2003	From 2004: Non-investment-linked	From 2004: Investment-linked	Policies with no savings component, Risk sold as a single policy: Individual	Collective	Total
Gross premiums:							
Traditional / mixed	25,234	16,376	-	-	-	-	41,610
Savings component	145,027	1,376,642	798	3,114,085	-	-	4,636,552
Other	30,740	231,035	317	337,540	628,532	79,665	1,307,830
Total	201,001	1,624,053	1,115	3,451,625	628,532	79,665	5,985,992
Receipts with respect to investment contracts charged directly to insurance reserves [2]	-	-	-	1,185,345	-	-	1,185,345
Financial margin including management fees [3]	333,738	708,942	1,464	236,916	-	-	1,281,060
Payments and changes in liabilities with respect to insurance contracts, gross	1,794,573	6,990,898	(70)	5,648,118	318,547	35,339	14,787,405
Payments and changes in liabilities with respect to investment contracts [4]	-	-	9	217,261	-	-	217,270
Comprehensive income (loss) from life insurance businesses	(507,690)	70,218	2,104	(113,951)	8,813	42,215	(498,291)
Other comprehensive income from life insurance businesses	41,771	2,443	398	3,892	4,539	3,445	56,488
Total comprehensive income (loss) from life insurance businesses	(465,919)	72,661	2,502	(110,059)	13,352	45,660	(441,803)
Income from pension and provident funds							11,537
Other comprehensive income from pension and provident funds							5,263
Total comprehensive income from pension and provident funds							16,800
Total loss from life insurance and long term savings							(486,754)
Total loss from life insurance and long term savings							(425,003)
Annualized premium with respect to insurance contracts - new business [5]	27	922	-	250,608	97,580	-	349,137
One-time premium with respect to insurance contracts	223	3,526	-	699,156	-	-	702,905
One-time premium with respect to investment contracts	-	-	-	1,105,427	-	-	1,105,427
Transfers to the Company with respect to insurance contracts and investment contracts [6]	-	-	-	377,730	-	-	377,730
Transfers from the Company with respect to insurance contracts and investment contracts [6]	34,843	360,051	-	566,966	-	-	961,860

1. Products issued until 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are primarily backed by designated bonds.
2. Not including premiums with respect to investment contracts in a consolidated provident fund (Bar A), in the amount of NIS 2,238 thousand.
3. The financial margin includes gains (losses) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses. The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds. Financial margin in investment-linked contracts is the total of fixed and variable management fees based on a reduction in the charging to savings in the Company's systems.
4. The line "payments and change in liabilities with respect to investment contracts" includes only the total profits from investments with respect to investment contracts.
5. Enlargements of existing policies are not included as part of the annualized premium with respect to new business, but rather as part of the results of operations of the original policy.
6. Not including internal transfers.

Note 20: Additional Details Regarding the Long Term Savings Segment (Cont.)

B. Details of results by policy types (Cont.)

For the year ended December 31, 2018

	Policies which include a savings component (including appendices) by policy issue date				Policies with no savings component		
			From 2004		Risk sold as a single policy		
NIS in thousands	Until 1990 1)	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:							
Traditional / mixed	31,288	19,339	-	-	-	-	50,627
Savings component	160,160	1,381,673	5,985	2,918,885	-	-	4,466,703
Other	33,777	267,427	382	334,263	611,943	81,573	1,329,365
Total	225,225	1,668,439	6,367	3,253,148	611,943	81,573	5,846,695
Receipts with respect to investment contracts charged directly to insurance reserves 2)	-	-	-	437,013	-	-	437,013
Financial margin including management fees 3)	77,978	221,280	2,785	212,603	-	-	514,646
Payments and changes in liabilities with respect to insurance contracts, gross	1,032,393	1,594,873	1,087	2,884,899	253,321	67,813	5,834,386
Payments and changes in liabilities with respect to investment contracts 4)	-	-	126	(18,792)	-	-	(18,666)
Comprehensive income (loss) from life insurance businesses	153,002	86,619	9,670	(163,772)	17,196	5,022	107,737
Other comprehensive income from life insurance businesses	26,261	1,590	662	2,325	2,773	2,274	35,885
Total comprehensive income (loss) from life insurance businesses	179,263	88,209	10,332	(161,447)	19,969	7,296	143,622
Loss from pension and provident funds							(117,074)
Other comprehensive loss from pension and provident funds							(3,707)
Total comprehensive loss from pension and provident funds							(120,781)
Total profit from life insurance and long term savings							(9,337)
Total comprehensive income from life insurance and long term savings							22,841
Annualized premium with respect to insurance contracts - new business 5)	34	830	-	486,747	82,009	-	569,620
One-time premium with respect to insurance contracts	128	2,426	-	467,337	-	-	469,891
One-time premium with respect to investment contracts	-	-	-	368,409	-	-	368,409
Transfers to the Company with respect to insurance contracts and investment contracts 6) *)	-	-	-	191,334	-	-	191,334
Transfers from the Company with respect to insurance contracts and investment contracts 6) *)	42,872	202,460	-	343,394	-	-	588,726

*) Re-classified.

1. Products issued until 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are primarily backed by designated bonds.
2. Not including premiums with respect to investment contracts in a consolidated provident fund (Bar A), in the amount of NIS 2,451 thousand.
3. The financial margin includes gains (losses) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses. The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds. Financial margin in investment-linked contracts is the total of fixed and variable management fees based on a reduction in the charging to savings in the Company's systems.
4. The line "payments and change in liabilities with respect to investment contracts" includes only the total profits from investments with respect to investment contracts.
5. Enlargements of existing policies are not included as part of the annualized premium with respect to new business, but rather as part of the results of operations of the original policy.
6. Not including internal transfers.

Note 20: Additional Details Regarding the Long Term Savings Segment (Cont.)

B. Details of results by policy types (Cont.)

For the year ended December 31, 2017

	Policies which include a savings component (including appendices) by policy issue date				Policies with no savings component		
			From 2004		Risk sold as a single policy		
NIS in thousands	Until 1990 [1]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:							
Traditional / mixed	35,946	21,846	-	-	-	-	57,792
Savings component	176,162	1,394,666	9,244	2,575,968	-	-	4,156,040
Other	36,945	238,417	151	340,829	614,269	90,060	1,320,671
Total	249,053	1,654,929	9,395	2,916,797	614,269	90,060	5,534,503
Receipts with respect to investment contracts charged directly to insurance reserves [2]	-	-	-	290,982	-	-	290,982
Financial margin including management fees [3]	260,370	558,219	1,119	196,756	-	-	1,016,464
Payments and changes in liabilities with respect to insurance contracts, gross	1,130,016	4,898,629	10,239	3,843,002	282,345	72,686	10,236,917
Payments and changes in liabilities with respect to investment contracts [4]	-	-	22	114,427	-	-	114,449
Comprehensive income (loss) from life insurance businesses	107,300	229,501	1,599	(167,245)	43,881	20,639	235,675
Other comprehensive income from life insurance businesses	22,459	1,904	736	1,885	2,311	1,739	31,034
Total comprehensive income (loss) from life insurance businesses	129,759	231,405	2,335	(165,360)	46,192	22,378	266,709
Loss from pension and provident funds							(95,049)
Other comprehensive income from pension and provident funds							4,881
Total comprehensive loss from pension and provident funds							(90,168)
Total profit from life insurance and long term savings							140,626
Total comprehensive income from life insurance and long term savings							176,541
Annualized premium with respect to insurance contracts - new business [5]	35	1,347	-	459,617	80,125	-	541,124
One-time premium with respect to insurance contracts	156	2,627	-	305,583	-	-	308,366
Annualized premium with respect to investment contracts - new business	-	-	-	25	-	-	25
One-time premium with respect to investment contracts	-	-	-	208,725	-	-	208,725
Transfers to the Company with respect to insurance contracts and investment contracts [6] *)	-	-	-	27,840	-	-	27,840
Transfers from the Company with respect to insurance contracts and investment contracts [6] *)	23,059	191,555	-	272,976	-	-	487,590

*) Re-classified.

1. Products issued until 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are primarily backed by designated bonds.
2. Not including premiums with respect to investment contracts in a consolidated provident fund (Bar A), in the amount of NIS 2,532 thousand.
3. The financial margin includes gains (losses) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses. The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds. Financial margin in investment-linked contracts is the total of fixed and variable management fees based on a reduction in the charging to savings in the Company's systems.
4. The line "payments and change in liabilities with respect to investment contracts" includes only the total profits from investments with respect to investment contracts.
5. Enlargements of existing policies are not included as part of the annualized premium with respect to new business, but rather as part of the results of operations of the original policy.
6. Not including internal transfers.

Note 21: Additional Details Regarding The Health Insurance Segment

A. Liabilities with respect to insurance contracts

1. Details of liabilities with respect to insurance contracts, by financial exposure

As of December 31, 2019

	Long-term care		Illness and hospitalization *)		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Investment-linked	**1,096,457**	**1,456**	**-**	**-**	**1,097,913**
Other	**1,304,539**	**1,154,518**	**543,914**	**42,611**	**3,045,582**
Total insurance liabilities	**2,400,996**	**1,155,974**	**543,914**	**42,611**	**4,143,495**

As of December 31, 2018

	Long-term care		Illness and hospitalization *)		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Investment-linked	818,804	3,582,668	-	-	4,401,472
Other	848,363	1,316,011	470,829	40,305	2,675,508
Total insurance liabilities	1,667,167	4,898,679	470,829	40,305	7,076,980

*) See details in section A(3) below.

2. Details of liabilities with respect to insurance contracts, by insurance exposure

As of December 31, 2019

	Long-term care		Illness and hospitalization		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Reserve for payable claims	**163,750**	**913,845**	**14,798**	**-**	**1,092,393**
Other risk components	**2,237,246**	**242,129**	**529,116**	**42,611**	**3,051,101**
Total insurance liabilities	**2,400,996**	**1,155,974**	**543,914**	**42,611**	**4,143,495**

The most material coverage included in long term illness and hospitalization insurance is medical expenses; with respect to short term, it is international travel.

As of December 31, 2018

	Long-term care		Illness and hospitalization		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Reserve for payable claims	136,915	992,267	6,713	-	1,135,895
Other risk components	1,530,252	3,906,412	464,116	40,305	5,941,085
Total insurance liabilities	1,667,167	4,898,679	470,829	40,305	7,076,980

The most material coverage included in long term illness and hospitalization insurance is medical expenses; with respect to short term, it is international travel.

3. The following are details regarding the composition and valuation basis in the illness and hospitalization branch

	As of December 31					
	2019	2018	2019	2018	2019	2018
NIS in thousands	Gross		Reinsurance		Retention	
Unearned premium reserve	**21,304**	21,192	**-**	-	**21,304**	21,192
Insurance reserves and premium deficiency reserve	**333,462**	276,792	**12,723**	12,045	**320,739**	264,747
Outstanding claims	**231,759**	213,150	**14,489**	12,644	**217,270**	200,506
Total for the illness and hospitalization branch *)	**586,525**	511,134	**27,212**	24,689	**559,313**	486,445
*) Of which - actuarial estimates	**565,221**	489,942	**27,212**	24,689	**538,009**	465,253
Provisions on the basis of other estimates:						
Unearned premium reserve	**21,304**	21,192	**-**	-	**21,304**	21,192
Total for the illness and hospitalization branch	**586,525**	511,134	**27,212**	24,689	**559,313**	486,445

Note 21: Additional Data Regarding the Health Insurance Segment (Cont.)

B. Details of results by policy types

As of December 31, 2019

	Long-term care		Illness and hospitalization		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Gross premiums	**266,421**	**78,832**	**873,322 1)**	**110,918 1)**	**1,329,493**
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**797,821**	**425,447**	**454,596**	**48,948**	**1,726,812**
Income (loss) from health insurance businesses	**(427,686)**	**(124,753)**	**14,890**	**10,696**	**(526,853)**
Other comprehensive income from health insurance businesses	**21,766**	**29,247**	**20,563**	**2,800**	**74,376**
Total comprehensive income (loss) from health insurance businesses	**(405,920)**	**(95,506)**	**35,453**	**13,496**	**(452,477)**
Annualized individual premium - new	**20,276**		**177,138 2)**		**197,414**

1) Of which, individual premiums in the amount of NIS 788,547 thousand, and collective premiums in the amount of NIS 195,694 thousand.
2) Does not include the following branches: dental, foreign workers, international travel and Israelis abroad.

As of December 31, 2018

	Long-term care		Illness and hospitalization		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Gross premiums	256,634	919,513	812,682 1)	118,946 1)	2,107,775
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	244,235	1,103,958	419,689	54,569	1,822,451
Income (loss) from health insurance businesses	(46,373)	(117,552)	11,518	16,908	(135,499)
Other comprehensive loss from health insurance businesses	(7,918)	(12,181)	(9,249)	(265)	(29,613)
Total comprehensive income (loss) from health insurance businesses	(54,291)	(129,733)	2,269	16,643	(165,112)
Annualized individual premium - new	21,469		147,041 2)		168,510

1) Of which, individual premiums in the amount of NIS 725,433 thousand, and collective premiums in the amount of NIS 206,195 thousand.
2) Does not include the following branches: dental, foreign workers, international travel and Israelis abroad.

As of December 31, 2017

	Long-term care		Illness and hospitalization		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Gross premiums	244,456	801,855	747,355 1)	123,462 1)	1,917,128
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	229,392	1,006,975	358,948	59,223	1,654,538
Income from health insurance businesses	26,666	5,088	83,076	14,277	129,107
Other comprehensive income (loss) from health insurance businesses	16,952	26,447	11,334	(93)	54,640
Total comprehensive income (loss) from health insurance businesses	43,618	31,535	94,410	14,184	183,747
Annualized individual premium - new	18,439		147,744 2)		166,183

1) Of which, individual premiums in the amount of NIS 655,049 thousand, and collective premiums in the amount of NIS 215,768 thousand.

2) Does not include the following branches: dental, foreign workers, international travel and Israelis abroad.

Note 22: Movement in Liabilities with Respect to Life Insurance Contracts, Investment Contracts and Health Insurance

NIS in thousands	Life insurance and long term savings			
	Insurance Contracts	Investment contracts	Total	Health insurance
Balance as of January 1, 2018	76,778,090	4,056,236	80,834,326	6,196,628
Interest, linkage differentials and investment income 1)	777,622	140,380	918,002	50,682
Increase with respect to premiums charged to liabilities 2)	4,660,323	439,465	5,099,788	508,725
Decrease in rate of management fees from accrual	(414,082)	(25,140)	(439,222)	-
Decrease with respect to claims, redemptions and end of period	(3,442,305)	(471,002)	(3,913,307)	-
Changes due to change in assumptions	(214,512)**)	-	(214,512)	161,396 *)
Other changes 3)	565,493	-	565,493	159,549
Balance as of December 31, 2018	78,710,629	4,139,939	82,850,568	7,076,980
Interest, linkage differentials and investment income 1)	8,821,912	357,541	9,179,453	**144,389**
Increase with respect to premiums charged to liabilities 2)	4,844,433	1,187,583	6,032,016	**205,848**
Decrease in rate of management fees from accrual	(930,816)	(26,648)	(957,464)	-
Decrease with respect to claims, redemptions and end of period	(4,944,384)	237,346	(4,707,038)	**(3,606,891)**
Changes due to change in assumptions	400,107 **)	-	400,107	33,380*)
Other changes 3)	1,428,061	(671,009)	757,052	**289,789**
Balance as of December 31, 2019	**88,329,942**	**5,224,752**	**93,554,694**	**4,143,495**

*) Derived from accumulated experience regarding the cost and frequency of claims, and their impact on expected results.

**) See Note 39(e)(e1)(a) - item regarding main assumptions used to calculate insurance liabilities.

1) This section including interest, linkage differentials and investment gains with respect to the balance at the start of the year, plus interest, linkage differentials and investment income with respect to the savings premiums only which were recorded during the reporting period.

2) These premiums include the savings premiums and part of the premiums in products with a fixed premium, after deducting management fees which are collected as a percentage of premiums, and do not include the entire premium which was recorded as income.

3) The section includes changes in the reserve with respect to outstanding claims, reserve for seasonal claims, IBNR claims, paid annuities, etc., according to the assumptions which were applied at the end of the previous year. The section also includes the impact of interest, linkage differentials and investment gains which were not included under the item for “interest, linkage differentials and investment income”, such as interest, linkage differentials and investment income on claim payments and non-savings premiums.

Note 23: Taxes on Income

Tax rates applicable to the Group's member companies

1. General

Some of the consolidated companies (insurance companies, pension fund management companies, provident fund management companies and other companies) constitute "financial institutions" as defined in the Value Added Tax Law, 1975. The tax that is applicable to income of financial institutions consists of corporate tax and capital gains tax.

Corporate tax applies to the Company's income and to the income of the other investee companies in Israel.

2. Tax arrangements which are unique to the insurance branch

There is an agreement between the Israel Insurance Association and the tax authorities (hereinafter: the "**Tax Agreement**"), which is renewed and updated on an annual basis, and which regulates tax issues that are unique to the branch. The tax arrangements refer, inter alia, to the following issues:

A. Deferred acquisition costs (DAC) - direct expenses of insurance companies for the acquisition of life insurance contracts, with respect to underwriting years up to and including 2014, will be deductible for tax purposes in equal parts, distributed over four years, and with respect to the underwriting years 2015, up to and including 2020, over ten years. The aforementioned expenses, which pertain to canceled life insurance contracts, are deductible during the year of cancellation. Acquisition costs of pension and provident funds (as defined in the agreement) with respect to the underwriting years 2015 to 2020 will be deductible for tax purposes in equal parts, distributed over 10 years, or according to their distribution in the books, as chosen by the Company. Early expenses with respect to canceled pension and provident contracts will not be permitted.

Deferred acquisition costs in illness and hospitalization insurance are amortized over a period of 6 years, similarly to the amortization rate in the books.

B. Attribution of expenses to preferred income - regarding income taxable at reduced rates, and tax-exempt income which is received by Clal Insurance (hereinafter: "**Preferred Income**"), attribution of expenses will be performed when it signifies turning a part of the preferred income into fully taxable income, according to the attribution rate. The attribution rate stipulated in the agreement is dependent upon the financial source yielding the preferred income.

C. Taxation method with respect to income from assets held as investments which overlap with investment-linked liabilities.

D. Provision for indirect claim settlement expenses - partial adjustment of the provision for indirect claim settlement expenses in the non-life and health insurance segment will be performed with respect to each underwriting year from 2013 to 2020. The adjusted amount will be recognized for tax purposes over a period of three years, beginning from the year after the adjustment year.

E. Taxation of marketable and derivative securities - it was agreed that income and/or expenses from securities will be reported, for tax purposes, on a realization basis. Excluding the following exceptions:

- Linkage differentials, interest and amortization of discount with respect to marketable bonds will be reported on an accrual basis.
- Impairment applied to the statement of income will not be considered loss for tax purposes except on a realization basis.
- Income and/or expenses with respect to derivatives of various types will be reported on an accrual basis.

The provision for tax and deferred taxes, as specified in the financial statements for all of the years, was calculated in accordance with the principles specified above.

Note 23: Taxes on Income (Cont.)

Tax rates applicable to the Group's member companies

The statutory tax applicable to financial institutions, including the Company, which constitutes the majority of the Group's operations, is comprised of corporate tax and capital gains tax.

Update to corporate tax rate

In December 2016, the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments to Achieve Budgetary Goals for Budget Years 2017 and 2018), 2016, which was published in the Official Gazette on December 29. Under the approved law, the corporate tax will be reduced beginning on January 1, 2017, to a rate of 24% instead of 25%), and beginning on January 1, 2018, to a rate of 23%.

Presented below are the statutory tax rates which apply to financial institutions, in accordance with the foregoing:

In percent	Rate of corporate tax	Rate of capital gains tax	Overall tax rate in financial institutions
Year:			
2017	24.00	17.00	35.04
2018 and thereafter	23.00	17.00	34.19

Current taxes for reporting periods are calculated in accordance with the tax rates presented in the above table.

Components of expenses (income) in taxes on income

NIS in thousands	For the year ended December 31 2019	2018	2017
Current tax expenses (income)			
With respect to the current period	**(97,120)**	7,674	107,977
Adjustments with respect to previous years, net	**(13,726)**	(12,669)	(10,900)
	(110,846)	(4,995)	97,077
Deferred tax expenses (income)			
Creation and reversal of temporary differences	**(163,816)**	(76,697)	(21,830)
Adjustment of deferred tax balances due to the change in policy	**(5,926)**	-	-
	(169,742)	(76,697)	(21,830)
Total taxes on income from continuing operations	**(280,588)**	(81,692)	75,247

Components of tax on income with respect to components of other comprehensive income

NIS in thousands	For the year ended December 31 2019	2018	2017
Foreign currency translation differences for foreign operations	**(3,651)**	6,574	(7,169)
Available for sale financial assets	**126,539**	**(44,646)**	99,492
Actuarial gains (losses) from defined benefit plan	**(4,952)**	**2,448**	753
Total tax benefit (tax expense) with respect to components of other comprehensive income	**117,936**	**(35,624)**	93,076

Note 23: Taxes on Income (Cont.)

Adjustment between theoretical tax on income before tax, and tax expenses

NIS in thousands	For the year ended December 31 2019	2018	2017
Income (loss) before taxes on income	**(834,233)**	(167,853)	282,933
The Group's primary tax rates	**34.19%**	34.19%	35.04%
Tax (tax saving) is calculated according to the Group's primary tax rate	**(285,207)**	(57,386)	99,147
Addition to (savings in) tax liability with respect to:			
Adjustment with respect to a lower tax rate in investee companies which are not insurance companies	**(1,969)**	(2,089)	(2,256)
Tax neutralization is calculated with respect to the Company's share in the income of investee companies accounted by the equity method	**1,468**	8,407	(8,872)
Differences in the measurement of assets and liabilities for tax purposes, and for the purpose of the adjusted reports	**9,824**	5,042	5,436
Difference with respect to the tax rate used to calculate deferred taxes	**(611)**	(698)	(3,893)
Rental income exempt from capital gains tax	**(3,320)**	(2,738)	(2,988)
Tax-exempt income	**(13,984)**	(21,922)	(5,677)
Unrecognized expenses	**1,970**	3,156	4,074
Unrecognized expenses with respect to share-based payment (see Note 41)	**(3)**	(57)	565
Use of losses and benefits from previous years with respect to which no deferred taxes were recorded	**(419)**	(1,269)	(757)
Creation of deferred taxes with respect to losses for which deferred taxes were not recorded in the past	**(5,948)**	-	-
Losses and benefits for tax purposes for the period with respect to which no deferred taxes were recorded	**559**	531	1,369
Taxes with respect to previous years	**(13,726)**	(12,669)	(10,900)
Taxes with respect to dividends from investee companies	**12,296**	-	-
Negative capital gains tax beyond the payroll tax which was paid	**18,483**	-	-
Total taxes on income (tax benefit)	**(280,588)**	(81,692)	75,247
Effective tax rate			26.60%

Note 23: Taxes on Income (Cont.)

F. Deferred tax assets and liabilities

1. Deferred tax assets and liabilities which were recognized

Deferred tax assets and liabilities are attributable to the following items:

NIS in thousands	Intangible assets	Property, plant and equipment	Investment property	Financial instruments	Deferred acquisition costs in life insurance	Transferabl e deductions and losses for tax purposes	Employee benefits	Investee companies 1)	Others 2)	Total
Balance of deferred tax asset (liability) as of January 1, 2018	(166,677)	(7,634)	(59,760)	(189,434)	(161,425)	14,068	31,126	(3,446)	40,486	(502,696)
Changes applied to the income statement	14,214	(1,968)	(349)	10,736	27,482	11,875	2,082	2,888	9,737	76,697
Changes applied to other comprehensive income	-	-	(3,751)	42,967	-	-	(2,291)	-	(1,301)	35,624
Classification of current taxes to deferred taxes	(415)	-	1,045	-	-	425	-	-	(6,029)	(4,974)
Balance of deferred tax asset (liability) as of December 31, 2018	**(152,878)**	**(9,602)**	**(62,815)**	**(135,731)**	**(133,943)**	**26,368**	**30,917**	**(558)**	**42,893**	**(395,349)**
Deferred taxes with respect to losses for which deferred taxes were not recorded in the past *)	**-**	**-**	**-**	**-**	**-**	**5,948**	**-**	**-**	**-**	**5,948**
Impact of the initial adoption of IFRS 16	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,926**	**5,926**
Changes applied to the income statement	**(24,283)**	**(2,221)**	**5,309**	**(28,484)**	**8,419**	**200,658**	**582**	**545**	**3,291**	**163,816**
Changes applied to other comprehensive income	**-**	**-**	**2,874**	**(124,537)**	**-**	**-**	**4,923**	**-**	**(1,196)**	**(117,936)**
Classification of current taxes to deferred taxes	**-**	**(123)**	**-**	**-**	**-**	**618**	**(216)**	**-**	**17,471**	**17,750**
Balance of deferred tax asset (liability) as of December 31, 2019	**(177,161)**	**(11,946)**	**(54,632)**	**(288,752)**	**(125,524)**	**233,592**	**36,206**	**(13)**	**68,385**	**(319,845)**

*) For additional details regarding the merger, see Note 9(c) to the financial statements.

1) As of December 31, 2018 and 2019, the Group has a balance of liabilities for deferred taxes with respect to a temporary difference due to the investment in investee companies, where the temporary difference with respect to them is expected to reverse in the foreseeable future.
2) Primarily due to the provision for doubtful debts.

Note 23: Taxes on Income (Cont.)

F. Deferred tax assets and liabilities (Cont.)

	As of December 31	
NIS in thousands	2019	2018
Deferred tax assets	**9,953**	6,554
Liability with respect to deferred taxes	**(329,798)**	(401,903)
Total	**(319,845)**	(395,349)

2. Deferred tax assets which were not recognized

Deferred tax assets which were not recognized are with respect to the following items:

	As of December 31	
NIS in thousands	2019	2018
Losses for tax purposes	**76,854**	124,761
Capital losses and real difference from marketable securities	**689,350**	690,083
Total	**766,204**	814,844

According to the currently existing tax laws in Israel, there is no time restriction on the usage of losses for tax purposes or on the usage of the deductible temporary differences. However, deferred tax assets were not recognized with respect to these items, since it is not expected that taxable income will arise in the future against which the tax benefits may be used.

G. Tax assessments

Final tax assessments:

The tax reports of the Group's member companies, excluding the companies listed in section B below, are considered final assessments in accordance with the provisions of section 145 of the Income Tax Ordinance, up to and including the tax year 2014.

The following companies have final tax assessments up to and including the tax year 2017:

The Company.

Assets of Clal Insurance Company Property Ltd.

Clal Pension and Provident Funds Ltd.

Clal Factoring and Finance Ltd.

Clal Credit and Finance Ltd.

Clal Finance Consumer Credit Ltd.

Note 24: Employee Benefits

Employee benefits include post-employment benefits, severance benefits, other long term benefits and short term benefits, as well as share-based payments.

For details regarding benefits to key management personnel, see Note 40.

For details regarding share-based payments, see Note 41.

NIS in thousands	Details	For the year ended December 31 2019	2018
Present value of funded obligations		**89,205**	79,089
Present value of unfunded obligations		**32,905**	27,080
Total present value of obligations	A(2)	**122,110**	106,169
Fair value of plan assets	A(2)	**43,245**	45,515
Impact of the maximum limit for assets		**(358)**	(670)
Liability which was recognized with respect to defined benefit plan		**79,223**	61,324
Recognized liability with respect to other long term benefits	C	**17,693**	19,059
Liabilities with respect to short term benefits *)		**176,286**	162,674
Total employee benefits		**273,202**	243,057
Presented under the following sections:			
Other accounts receivable		**-**	1,019
Other accounts payable		**176,933**	163,319
Liabilities with respect to employee benefits, net		**96,269**	80,757

*) The liabilities with respect to short term benefits include liabilities with respect to salary, holiday, compensation and annual bonuses to employees.

For details regarding amounts which are deposited in Clal Insurance, as part of a defined benefit plan for the Group's employees, see Notes 17 and 18.

A. Post-employment benefit plans - defined benefit plan

The Group has defined benefit plans with respect to which amounts are deposited in provident funds, pension funds, appropriate insurance policies and insurance policies which were issued by Clal Insurance.

Labor laws and the Severance Pay Law, 1963 (hereinafter: the "**Severance Pay Law**") in Israel require the Group to pay severance to employees upon termination of employment, or upon retirement. The Group's liability with respect to employee benefits is calculated according to a valid employment agreement, and is based on the salary of an employee which, in management's opinion, creates the right to receive severance pay.

For details regarding a collective agreement and an annex to the agreement, including its implications regarding the subject of the payment of severance pay to employees and the voluntary retirement program, see section D below.

1. Composition of plan assets

The composition of plan assets is as follows:

In percent	As of December 31 2019	2018
Central severance pay funds	**-**	4
Managers insurance	**36**	33
Provident funds and pension funds	**64**	63
	100	100

Note 24: Employee Benefits (Cont.)

A. Post-employment benefit plans - defined benefit plans (Cont.)

2. Movement in liabilities (assets), net, with respect to defined benefit plans and components thereof

NIS in thousands	Liability with respect to defined benefit plan		Fair value of plan assets		Total liability (asset), net, recognized with respect to defined benefit plan	
	2019	2018	2019	2018	2019	2018
Balance as of January 1	**106,169**	115,341	**44,845**	47,238	**61,324**	68,103
Expense/income applied to the statement of income [1]						
Current service cost	**12,034**	13,192	**-**	-	**12,034**	13,192
Past service cost	**1,617**	2,903	**1,097**	511	**520**	2,392
Interest costs / income	**3,384**	3,766	**1,322**	1,306	**2,062**	2,460
Settlements [2]	**(419)**	(5,423)	**(195)**	(2,137)	**(224)**	(3,286)
Total expense / income carried to the statement of income	**16,616**	14,438	**2,224**	(320)	**14,392**	14,758
Recognized under other comprehensive income:						
Actuarial gains (losses) due to changes in demographic assumptions	**283**	9	**-**	-	**283**	9
Actuarial gain (loss) due to changes in financial assumptions [3]	**14,923**	(5,128)	**-**	-	**14,923**	(5,128)
Other actuarial losses (gains)	**654**	(4,086)	**-**	-	**654**	(4,086)
Actual returns less interest income	**-**	-	**(478)**	(924)	**478**	924
Total amount recognized under other comprehensive income:	**15,860**	(9,205)	**(478)**	(924)	**16,338**	(8,281)
Additional movements						
Benefits paid	**(16,535)**	(14,405)	**(7,579)**	(7,190)	**(8,956)**	(7,215)
Redemption of central fund	**-**	-	**(1,616)**	-	**1,616**	-
Amounts deposited by the Group	**-**	-	**5,491**	6,041	**(5,491)**	(6,041)
Total additional movements	**(16,535)**	(14,405)	**(3,704)**	(1,149)	**(12,831)**	(13,256)
Balance as of December 31	**122,110**	106,169	**42,887**	44,845	**79,223**	61,324

1) Expenses are included under general and administrative expenses in the statement of income. See Note 35.
2) On March 29, 2018, an annex to the collective agreement was signed, which applies the provisions of the agreement to some former employees of HaClal HaRishon (in 2019, HaClal HaRishon was merged into Clal Insurance Company Ltd.), including the application of section 14.
3) Such as the discount rate.

3. Actuarial assumptions and sensitivity analysis

Main actuarial assumptions as of the end of the reporting period (by weighted average):

In percent	2019	2018	2017
Average real discount rate as of December 31	**0.55**	2.47	1.85
Rate of real future wage increases	**2.00-3.00**	2.00-3.00	2.00-3.00

1) The discount rate is based on high quality CPI-linked corporate bonds.

Reasonably possible changes on the reporting date in one of the actuarial assumptions, assuming that the other assumptions remain unchanged, affect the defined benefit liability as follows:

NIS in thousands	As of December 31			
	Increase of one percent		Decrease of one percent	
	2019	2018	2019	2018
Rate of future salary increases	**13,128**	11,515	**(11,261)**	(8,007)
Discount rate	**(11,254)**	(7,932)	**13,383**	11,508

Note 24: Employee Benefits (Cont.)

A. Post-employment benefit plans - defined benefit plans (Cont.)

4. Impact of the plan on the Group’s future cash flows

For details regarding a collective agreement and an annex to the agreement, including its implications regarding the subject of the payment of severance pay to employees, see section D below.

The Company’s estimate regarding expected deposits in 2020 in defined benefit plans, financed for the plan assets, amounts to NIS 5,400 thousand.

The Group’s estimate throughout the lifetime of the plan (according to a weighted average) at the end of the reporting period is 9.4 years (for 2018 - 8.9 years).

5. Actual returns

	For the year ended December 31		
NIS in thousands	**2019**	2018	2017
Actual returns on plan assets	**1,045**	584	2,713

B. Post-employment benefit plans - defined deposit plan

The Group has the following defined deposit plans:

1. Most severance payments are subject to the terms of section 14 of the Severance Pay Law, 1963, according to which the Company’s current deposits in pension funds and/or in policies in insurance companies exempt it from any additional undertaking towards employees, for which the aforementioned amounts were deposited. See section D below on this matter as well.
2. Deposits for compensation in Israel.

For details regarding a collective agreement and an annex to the agreement, including its implications regarding the subject of the payment of severance pay to employees, see section D below.

	For the year ended December 31		
NIS in thousands	**2019**	2018	2017
Amount recognized as expenditure with respect to defined deposit plans	**97,580**	93,536	79,109

C. Liabilities with respect to other long term benefits

	As of December 31	
NIS in thousands	**2019**	2018
Liabilities with respect to sick days	**7,302**	6,393
Liability with respect to dedication bonus	**3,916**	3,732
Liability with respect to seniority bonus	**6,475**	8,934
Total recognized liability with respect to other long term benefits	**17,693**	19,059

Note 24: Employee Benefits (Cont.)

D. Collective agreement between the Group's member companies and the Histadrut Worker's Committee in the Group

On July 20, 2017, a collective agreement (the "Collective Agreement") entered into effect which was signed between the Company's subsidiaries, Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems Ltd., the former Clal Credit and Finance Ltd. (in 2019, Clal Credit and Finance Ltd. was merged with and into Clal Insurance Company Ltd.) and Canaf (hereinafter: the "Companies") and the Histadrut Worker's Committee in the Group, in which the previous collective agreement was extended for 4 years, from January 1, 2017 to December 31, 2020 (the "Agreement Period"), subject to the implemented changes, as specified below.

On March 29, 2018, an annex to the collective agreement was signed, which applied the provisions of the collective agreement to some former employees of HaClal HaRishon (in 2019, HaClal HaRishon was merged with and into Clal Insurance Company Ltd.), excluding managers of a specified rank, subject to certain agreed-upon changes.

The main terms of the collective agreement, and its estimated financial implications, are as follows:

1. In July of each year, during the agreement period, salary bonuses are paid to employees, at an average rate of 3% of the base rate of employees who are entitled to a salary raise. In general, half of the total salary bonus budget will be paid as a uniform bonus, and the other half will be paid as a differential bonus, in the discretion of managers.
   It is also noted that insofar as the Group fulfills, during the agreement period, an average annual profit of over NIS 342 million, in April 2021, a salary bonus will be given according to the formula which was determined between the parties, with a maximum rate of 4% from that date onwards (addition of up to 1% per year).
   Notwithstanding the foregoing, insofar as the annual profit in a certain year is lower than NIS 100 million, the budget for the payment of salary additions in the subsequent year will be in accordance with the CPI's rate of increase during the 12 month period ending on June 30th of the subsequent year, plus 0.5%; however, no less than 1%, and no more than the budget of salary additions, as specified in the agreement for that year. Insofar as a reduced salary bonus budget is paid, as stated above, in a given year, an additional budget will be allocated to salary additions in the salary for April 2021, according to the difference between the budget which was paid, and the budget which was supposed to be paid in accordance with the collective agreement.
2. Each year, and insofar as the Company's annual profit is no less than NIS 210 million, a annual payment will be paid to employees (without social provisions), at a rate of 1.4% of the annual cost of salary of the employees to whom the agreement applies (with respect to annual profit of no less than NIS 210 million), up to a maximum rate of 3% of the aforementioned annual cost of salary (with respect to annual profit of no less than NIS 400 million).
   Additionally, in case the Company's annual profit is at least NIS 300 million, an additional payment will be paid to employees (without social provisions), at a variable rate (according to expenses) in the range between 0.5% (with respect to annual profit of no less than NIS 300 million) and 1% (with respect to annual profit of no less than NIS 400 million), of the annual cost of salary of the employees to whom the collective agreement applies, This payment will be granted to some of the eligible employees by way of allocation of the Company's share warrants.
3. Additionally, it was agreed to increase the participation in meals and the participation in summer camp payments, as well as an increased welfare budget relative to the first collective agreement, a seniority bonus, and a persistence and excellence bonus for employees who joined the Company after November 2012, as well as an increase in the employer's deposits for compensation.
4. Increasing the minimum wage for monthly employees in the companies to NIS 6,000, increasing the minimum wage for senior employees (employees who have been working in the companies between 10 and 30 years) to amounts from 7,000 to 8,500, and increasing the salary of service center employees. The cost of the aforementioned expense will be included in the salary additions specified in section 1 above. It was further agreed to extend the tenure period for new company employees, as well as changes to the performance improvement processes before dismissal.

Note 24: Employee Benefits (Cont.)

5. The agreement exhausts the demands and claims of all parties for the entire period of the agreement, including with respect to the demand for the provision of consideration to employees with respect to the sale of Company shares by the Company's controlling shareholder and/or with respect to a change in control of the Company, insofar as the foregoing occurs during the agreement period. It was further determined that industrial peace will be maintained throughout the entire agreement period, including with respect to the demand to grant consideration to employees with respect to the sale of shares, as stated above.
6. The estimated average increase in the total cost of the human resources expenses in the Company (not including an increase which is conditional upon the fulfillment of targets, as specified below), in each of the agreement years, relative to relevant previous year, is approximately NIS 20 million.
7. The estimated average cost of the human resources expenses in each of the agreement years, with respect to the components of the agreement which are conditional upon the Company's fulfillment of the profit targets, and assuming achieving 100% of the profit targets which will be determined, amounts to approximately NIS 18 million.
8. Beyond that stated in sections 6 and 7 above, the companies recorded a non-recurring expense in 2017 and in 2019, with respect to the voluntary retirement plan which was offered to employees age 60 or older, in the amount of approximately NIS 23 million and NIS 8 million, respectively.

The agreement formalizes and replaces human resources increases and expenses which would have been given by the companies, had it not been signed, in accordance with the previous collective agreement, had it been extended.

Note 25: Financial Liabilities

A. Financial liabilities

	As of December 31			
	Book value		Fair value *)	
NIS in thousands	2019	2018	2019	2018
Total financial liabilities presented at amortized cost				
Liability certificates [b)]	**3,974,027**	3,097,877	**4,327,026**	3,347,438
Loans from banking corporations [b)]	**111,938**	111,938	**118,565**	114,300
Total liabilities presented at amortized cost	**4,085,965**	3,209,815	**4,445,591**	3,461,738
Liabilities measured at fair value through profit and loss:				
Liabilities with respect to derivative financial instruments and short sales:				
Future contracts	**104,532**	269,077	**104,532**	269,077
Foreign currency swap transactions	**31,161**	37,421	**31,161**	37,421
Maof options	**365**	3,010	**365**	3,010
Foreign options	**10,739**	23,850	**10,739**	23,850
Other	**1,921**	526	**1,921**	526
Total liabilities measured at fair value through profit and loss [1)]	**148,718**	333,884	**148,718**	333,884
Total financial liabilities	**4,234,683**	3,543,699	**4,594,309**	3,795,622
1) Of which, with respect to investment-linked liabilities	**106,437**	239,423	**106,437**	239,423

For additional information regarding the Group’s exposure to interest rate, foreign currency and liquidity risks, see Note 39(d).

*) Includes an approximation of fair value, in cases where the gap is immaterial. For additional information regarding fair value measurement, see section E below.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes - Composition as of December 31

	Additional information	Issuing entity	Capital type *)	Linkage terms	Interest type	Annual interest rate Effective %	Annual interest rate Nominal %	Marketable / non-marketable	Level in the fair value hierarchy **)	Interest rate used to calculate fair value %	Original amount issued	Book value 2019	Book value 2018	Fair value 2019	Fair value 2018
											NIS in thousands				
Liability certificates (Series A)	(1)	Clalbit Finance	Tier 2 subordinated capital	CPI-linked	Fixed	4.99	4.89	Marketable	1	-	400,000	**44,464**	66,460	**47,692**	72,553
Loan from interested party bank	(2)	Clal Insurance	Tier 3 hybrid capital	Unlinked	Variable	2.40	2.40	Non-marketable	2	1.06	111,938	**111,938**	111,938	**118,565**	114,300
Liability certificates (Series C)	(3)	Clalbit Finance	Tier 2 hybrid capital	CPI-linked	Fixed	2.97-4.35	3.75	Marketable	1	-	774,701	**82,861**	833,155	**89,651**	915,232
Liability certificates (Series G)	(3)	Clalbit Finance	Tier 2 hybrid capital	CPI-linked	Fixed	2.39-2.45	2.32	Marketable	1	-	364,846	**364,976**	363,291	**402,790**	388,050
Liability certificates (Series H)	(3)	Clalbit Finance	Tier 2 hybrid capital	Unlinked	Fixed	2.98-4.31	4.14	Marketable	1	-	469,388	**471,372**	472,002	**512,994**	498,490
Liability certificates (Series I)	(3)	Clalbit Finance	Tier 2 hybrid capital	CPI-linked	Fixed	2.51-3.84	2.48	Marketable	1	-	423,486	**417,012**	414,195	**484,934**	445,973
Liability certificates (Series J)	(3)	Clalbit Finance	Tier 2 hybrid capital	Unlinked	Fixed	3.38-4.61	3.92	Marketable	1	-	959,854	**950,556**	948,774	**1,089,146**	1,027,140
Liability certificates (Series K)	(3)	Clalbit Finance	Tier 2	Unlinked	Fixed	2.42-2.79	2.64	Marketable	1	-	1,636,172	**1,642,786**	-	**1,699,819**	-
Total liability certificates											5,140,385	**4,085,965**	3,209,815	**4,445,591**	3,461,738

*) For details regarding the inclusion of deferred liability notes in the calculation of recognized capital, see Note 16(e).
**) For the definition of the hierarchy levels, see Note 2(e)(3).

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

1. The liability certificates (Series A) were issued in May 2006. The principal is repaid in 11 equal annual installments, in each of the years 2011 to 2021. The interest will be repaid in 15 annual installments, on June 1 of each calendar year, from 2007 until the final repayment date in 2021.
2. A loan from a banking corporation from March 2015, in the amount of approximately NIS 112 million, at an annual interest of prime + 0.8% (and, in parallel, a transaction was performed in which the variable interest was swapped with fixed interest, for a period of 6 years, in a manner whereby the interest was pegged at a rate of 3.48%). The principal of the letter of undertaking will be repaid in a one-time payment, 8 years after the date of issuance of the letter of undertaking. The interest is being paid in semi-annual installments.

A. Additional terms of the letter of undertaking:

1. Right of early redemption

   A. The first date when Clal Insurance will be entitled to perform a full or partial early redemption of the letter of undertaking, is two years before the principal repayment date.

   B. After the first early redemption date, there is the right to perform an early redemption on the date of each interest payment.

   C. Insofar as Clal Insurance does not exercise this right to an early repayment of the principal payment, then beginning from the effective date for the early repayment, the margin specified in section b(3) above will be increased by 45 percentage points (which constitutes no more than 30% of the original credit margin, as this term is defined in the Commissioner's circular, on the signing date of the letter of undertaking), and will amount to prime + approximately 1.25% per year.

   D. The conditions for early redemption are any of the following:

      1. In parallel, the Company will issue an equity instrument of equivalent or superior quality;
      2. Subject to the advance approval of the Commissioner, and to the conditions which will be determined.
      3. If the capital of Clal Insurance, after the early redemption, exceeds 120% of the minimum capital required of it under the Capital Regulations.

2. Upon the fulfillment of any of the suspending circumstances, as specified below, the principal payment of the deferred liability note will be deferred:

   A. The recognized capital amount of Clal Insurance has decreased below the minimum capital required of it, in accordance with the most recent financial statements (annual or quarterly) before the relevant principal repayment date, and Clal Insurance has not performed a capital supplementation as of the publication date of the report.

   B. The Commissioner ordered the postponement of the principal payment, if he views a near and present concern regarding the ability of Clal Insurance to fulfill the minimum required capital which is required of it (according to the Capital Regulations).

   C. In case suspending circumstances have been fulfilled on the principal repayment date of the liability note, the repayment of principal will be deferred until the date when the suspending circumstances cease to be fulfilled, with the approval of the Board of Directors of Clal Insurance (provided that notice of the above has been given to the Commissioner seven business days before the execution of the deferred payment, and the Commissioner has not announced, within the aforementioned period, her objection), or until a period of three years after the originally specified principal repayment date (hereinafter: the "**Maximum Principal Deferral Period**"), whichever is earlier (hereinafter: the "**New Principal Repayment Date**"). For the avoidance of doubt, it is hereby clarified that the principal payment will be paid no later than the new principal repayment date, even if suspending circumstances exist on the same date.

   D. The principal amount which was deferred, as stated above, will not accrue interest in arrears, but rather will accrue interest beginning from the date of the deferral until the new principal repayment date, according to the stated interest rate or the updated interest rate with respect to non-early repayment of the loan.

3. For details regarding the appropriate interpretation of the terms "required capital" and "recognized capital", in accordance with the Commissioner's position regarding the "definition of recognized capital and required capital in hybrid capital instruments", see section 3(h)3 below.

B. The letter of undertaking has a status equal to the deferred liability notes and to the components and instruments which will be included under the Tier 2 and/or Tier 3 capital of Clal Insurance (however, it is hereby clarified that insofar as Tier 3 hybrid equity instruments will be issued in the future, which have a superior status relative to the Tier 2 capital of Clal Insurance, the status of the new letter of undertaking will be superior to those Tier 2 equity instruments); a status higher than the components and instruments which will be included under the Tier 1 capital of the Company; and a status lower than the remaining liabilities of Clal Insurance towards its creditors.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

3. A. Liability certificates (Series C) were issued in July 2010, and the series was extended in June 2011 and December 2012, within the framework of private allocations, and in May 2013, within the framework of an exchange. The principal will be repaid in a single payment on August 1, 2024, subject to the early redemption right, as specified in section h(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on February 1 and August 1 of each calendar year, between the years 2011 and 2024. For details regarding the exchange of some of these liability certificates with liability certificates (Series K), by way of a series extension, see section G below.

B. Liability certificates (Series G) were issued in July 2014, and the series was extended in December 2016. The principal will be repaid in a single payment in December 2026, subject to an early redemption right, as specified in section H(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on June 30 and December 31 of each calendar year, between the years 2014 and 2026.

C. Liability certificates (Series F) were issued in July 2014, and the series was extended in December 2016. The principal will be repaid in a single payment in December 2025, subject to an early redemption right, as specified in section H(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on June 30 and December 31 of each calendar year, between the years 2014 and 2025.

D. Liability certificates (Series I) were issued in July 2015, and the series was extended in December 2016. The principal will be repaid in a single payment in July 2028, subject to an early redemption right, as specified in section H(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on January 31 and July 31 of each calendar year, between the years 2016 and 2028.

E. Liability certificates (Series J) were issued in July 2015, and the series was extended in April 2016. The principal will be repaid in a single payment in July 2027, subject to an early redemption right, as specified in section H(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on January 31 and July 31 of each calendar year, between the years 2016 and 2027.

F. The liability certificates (Series K) were issued in September 2019, and the series was extended in December 2019, as specified in section G below. The principal will be repaid in a single payment in March 2033, subject to an early redemption right, as specified in section H(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on March 31 and September 30 of each calendar year, between the years 2020 and 2033.

G. In December 2019, NIS 698 million par value of outstanding liability certificates (Series C), which are listed on the stock exchange, were exchanged, by way of an exchange offer, in consideration of the issuance of NIS 806 million par value of liability certificates (Series K), as an extension of an existing series. The liability certificates (Series K) which were issued, as stated above, were recognized (subject to restrictions) as Tier 2 capital of Clal Insurance, instead of the liability certificates (Series C) which were exchanged, and which had been recognized as Tier 2 hybrid capital.

The terms of the liability certificates (Series C) are different from the terms of the liability certificates (Series K), and accordingly, they were treated as an exchange of debt instruments with significantly different terms, in accordance with the definition provided in the standard, where the cost of their exchange amounted to a total of approximately NIS 65 million.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

3. (Cont.)

H. Additional terms of the liability certificates

1. Right to early redemption

A. Clalbit Finance will be entitled, without providing the right of choice to the holders of liability certificates and/or to the trustee, to redeem all or some of the liability certificates, upon the fulfillment of the following conditions (if required):

The first date when Clalbit Finance will be entitled to repay, through a full or partial early redemption, the liability certificates (hereinafter, with respect to each series: the "**First Early Redemption Date**"), is as follows:

Series C - On August 1, 2021;
Series G - On December 31, 2023;
Series H - On December 31, 2022;
Series I - On July 31, 2025;
Series J - On July 31, 2024;

After the first early redemption date, there is the right to perform an early redemption on the date of each interest payment, with respect to each liability certificate of the relevant series.

Series K - March 31, 2027;

After that date, Clalbit Finance will be entitled to redeem the liability certificates through full or partial early redemption at any time. The frequency of the early redemptions will not exceed one redemption per quarter. Insofar as prepayment takes place beginning on the first prepayment date, and up to 3 years before the principal repayment date, the payment with respect to prepayment to the holders of the liability certificates will be the higher of either: a. market value, b. book value, c. value before discounting government bond returns, plus interest of 0.8%.

Insofar as the right to early redemption is not exercised with respect to all of the bonds, then beginning from the date of the interest payment with respect to the bonds which is 3 years before the principal repayment date, additional interest will be paid to the holders of the relevant liability certificates, beyond the interest which applies to the liability certificates at that time, with respect to the remainder of the period, at a rate of 50% of the original risk margin which was determined in the issuance regarding the liability certificates of the relevant series.

The original risk margin is as follows:

Series C - 1.50%;
Series G - 1.35%;
Series H - 1.05%;
Series I - 1.83%;
Series J - 1.76%;

Series K - 1.69%;

B. The minimum amount required to perform an early redemption, with respect to each series of liability certificates, is NIS 25 million par value of liability certificates of the relevant series, except for Series K, in which this amount is NIS 1 million par value of bonds.

C. A condition for early redemption is:

(1) with respect to Series C, G, H, I and J, receipt of advance approval from the Commissioner, in accordance with the conditions which will be determined. In the event that the equity of Clal Insurance, after the early redemption, exceeds 120% of the minimum capital required of it under the Capital Regulations. It should be emphasized that the Commissioner's directives may change from time to time.

(2) With respect to Series K, receipt of advance approval from the Commissioner, in accordance with the conditions which will be determined. In general, early redemption will be possible if the economic equity of Clal Insurance, after the early redemption, exceeds the solvency capital requirement (SCR), as this term is defined in the economic solvency regime circular.

(3) With respect to Series G, H, I, J and K, early redemption is possible even if, in parallel, the Company issues an equity instrument of identical or superior quality;

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

3. (Cont.)

H. Additional terms of the liability certificates

B. Deferred liability notes (Cont.)

2. Deferral of principal and/or interest payments in case of suspending circumstances

Upon fulfillment of any of the suspending circumstances described below, the principal payment and/or interest payments with respect to the liability certificates, as relevant, will be deferred:

A. With regard to the deferral of interest payments only - a lack of distributable earnings by Clal Insurance, as defined in the Companies Law, according to the last financial statements (annual or quarterly) prior to the relevant repayment date.

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

B. With respect to Series C, G, H, I and j, the recognized capital amount of Clal Insurance has decreased below the minimum capital required of it (see section H(3) below), in accordance with the most recent financial statements (annual or quarterly) which were published before the relevant principal and/or interest repayment date, and with respect to Series G, H, I and J, insofar as Clal Insurance has not performed a capital supplementation as of the publication date of the report (as this term is defined in the Commissioner's directive regarding "Composition of an insurer's recognized capital" from August 2011).

With respect to Series K, in accordance with the last financial statements of Clal Insurance which were published prior to the payment date, the equity of Clal Insurance is lower than its capital requirement for suspending circumstances, as this term is defined in the economic solvency regime circular, and Clal Insurance has not performed a capital supplementation (as this term is defined in the economic solvency regime circular) as of the publication date of the financial statements.

C. The Board of Directors of Clal Insurance instructs a deferral of the principal and/or interest payment in the event that it finds that a near and present concern has arisen with regard to Clal Insurance's ability to meet its capital requirement (as stated in section B above, as applicable), or to repay, on time, liabilities whose priority rating is higher than that of the liability certificates, provided that advance approval for such action has been received from the Insurance Commissioner.

D. With respect to Series C, G, H, I and J - The Commissioner instructed a deferral of the principal and/or interest payment, due to significant harm to the recognized capital of Clal Insurance, or in the event that he observes real and near concern regarding Clal Insurance's ability to meet its capital requirement.

With respect to Series K - The Commissioner orders the deferral of the interest and/or principal payment, if he believes that it would have an adverse effect on the solvency ratio, or that there is a near and present concern regarding the ability of Clal Insurance to fulfill the solvency capital requirement (as this term is defined in the economic solvency regime circular).

E. Principal and/or interest amounts which have been deferred, as stated above, will accrue linkage differentials, insofar as the original principal is linked, beginning from the date of the deferral until the date of actual payment, according to the known index on the actual payment date, as well as interest beginning from the date of the deferral until the actual payment date:

1. With respect to Series G, H, I, J and K - according to the interest rate specified in the terms of the liability certificates, on the date of the deferral.

2. With respect to Series C, according to the interest rate specified in the terms of the liability certificate on the date of the deferral, plus 50% of the original risk margin which was determined in the issuance, or the market interest rate (as defined in section 3.1.9.3 of the amended shelf prospectus which was published on July 12 and 13, 2010), according to whichever rate results in the higher amount.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

3. (Cont.)

H. Additional terms of the liability certificates

3. The Commissioner's position regarding "definition of recognized capital and required capital in hybrid equity instruments"

In light of the entry into effect of the economic solvency regime (see Note 16(e) above), in March 2018, the Capital Market Authority published a position according to which the appropriate interpretation for the terms "required capital" and "recognized capital", which exist in hybrid equity instruments which were issued by the insurance companies, with respect to suspending circumstances, will be as follows:

A. With respect to insurance companies which did not receive the Commissioner's approval regarding the performance of an audit on the adoption of the economic solvency regime, the terms "equity" and "solvency equity requirement" will be interpreted in accordance with the provisions of the accounting solvency regime circular.

B. With respect to insurance companies which received the Commissioner's approval for the performance of an audit on the implementation of the economic solvency regime, the term "required capital" (including similar terms) will be interpreted in accordance with the definition of the term "minimum capital requirement", in its upper limit (45% of SCR), and calculated without the provisions during the distribution period, and the term "equity" (including similar terms) will be interpreted in accordance with the definition of the term "equity" in the economic solvency regime.

In 2019, Clal Insurance received the Commissioner's approval regarding the audit of the economic solvency ratio report.

In light of the foregoing, the relevant provisions of the liability certificates which were issued, until the date of entry into effect of the economic solvency regime (C, G, H, I and J), will be interpreted in accordance with the aforementioned position paper.

I. In accordance with the amendment to the agreement between Clalbit Finance and Clal Insurance dated August 2019 (hereinafter: the "**Amendment to the Agreement**"):

1. The deposits which will be deposited in Clal Insurance out of the consideration from issuances of liability certificates and/or warrants for liability certificates (including from the exercise of such warrants), which will be issued after the amendment date of the agreement, and which will be considered as Tier 2 capital of Clal Insurance, and the undertaking of Clal Insurance to comply with the terms of the aforementioned liability certificates, will have the following status:

- The same status as Tier 2 subordinated capital, Tier 2 hybrid capital and Tier 3 hybrid capital instruments which were issued by Clal Insurance and/or Clalbit Finance until the date of the amendment to the agreement.
- An equal status to that of the components and instruments which will be included in the Tier 2 capital of Clal Insurance, which will be issued by Clal Insurance and/or Clalbit Finance, beginning from the date of the amendment to the agreement.
- A status higher than the components and instruments which will be included in the Tier 1 capital of Clal Insurance, which will be issued by Clal Insurance and/or Clalbit Finance.
- A status lower than the remaining liabilities of Clal Insurance towards its creditors.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

3. (Cont.)

I. In accordance with the prior amendment to the agreement between Clalbit Finance and Clal Insurance: (Cont.)

2. The deposits which were deposited in Clal Insurance out of the consideration from issuances of liability certificates which were recognized as Tier 2 hybrid capital of Clal Insurance, and the undertaking of Clal Insurance to comply with the terms of the aforementioned liability certificates, have the same status as the deferred liability notes which were issued by Clal Insurance and/or Clalbit Finance as Tier 2 subordinated capital, Tier 2 hybrid capital and Tier 3 hybrid capital; and a lower status than the remaining liabilities of Clal Insurance towards its creditors.

4. The balance of the liability certificates is after deducting issuance costs in the amount of NIS 20 million, which are amortized using the effective interest method.

5. Repayment dates

Presented below are the contractual repayment dates of the deferred liability notes: *)

	December 31	
NIS in thousands	2019	2018
First year	**18,815**	17,782
Second year **)	**214,672**	17,625
Third year	**466,312**	965,902
Fourth year	**363,452**	465,699
Fifth year and thereafter **)	**3,022,714**	1,742,807
Total	**4,085,965**	3,209,815

*) Assuming early redemption, see section B(5)(f)(1) above.
**) For details regarding the early redemption of Series C and the issuance of Series K, see section B(3)g above.

Note 25: Financial Liabilities (Cont.)

6. Movement in liabilities from financing activities

	Liability certificates	Loans	Total liability certificates	Interest payable with respect to deferred liability notes and loans	Total
Balance as of January 1, 2018	3,130,426	111,938	3,242,364	37,618	3,279,982
Changes due to cash flows from financing activities					
Repayment of deferred liability notes	(50,899)	-	(50,899)	-	(50,899)
Interest paid	-	-	-	(115,981)	(115,981)
Total cash from financing activities	(50,899)	-	(50,899)	(115,981)	(166,880)
Effect of changes in index	14,278	-	14,278	-	14,278
Changes to the effective interest rate	4,072	-	4,072	114,203	118,275
Balance as of December 31, 2018	**3,097,877**	**111,938**	**3,209,815**	**35,840**	**3,245,655**
Changes due to cash flows from financing activities					
Consideration from issue of deferred liability notes	**1,654,968**	**-**	**1,654,968**	**5,253**	**1,660,221**
Repayment of deferred liability notes	**(776,192)**	**-**	**(776,192)**	**(11,180)**	**(787,372)**
Issuance costs	**(12,359)**	**-**	**(12,359)**	**-**	**(12,359)**
Interest paid	**-**	**-**	**-**	**(113,682)**	**(113,682)**
Total cash from financing activities	**866,417**	**-**	**866,417**	**(119,609)**	**746,808**
Effect of changes in index	**5,185**	**-**	**5,185**	**-**	**5,185**
Changes to the effective interest rate	**4,548**	**-**	**4,548**	**118,983**	**123,531**
Balance as of December 31, 2019	**3,974,027**	**111,938**	**4,085,965**	**35,214**	**4,121,179**

C. Shelf prospectus of the Company and of Clalbit Finance

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

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

Note 25: Financial Liabilities (Cont.)

D. Rating

Presented below are details regarding the ratings of the Company and the Group's member companies, as well as liability certificates which were issued by them, as of the publication date of the report, and changes during the reporting period:

Rating company	Company name	Rating		Outlook	Date of last update	Date of last ratification
Maalot	Clal Insurance	(IFS)[1]	(AA+)	Negative	Sep 19 [2]	Sep 19
		Debt rating for deferred liability notes	(AA)	Negative		
		Debt rating (Tier 2 hybrid capital)	(AA-)	Negative		
Midroog	Clal Insurance	(IFS)[1]	Aa1(hyb)	Stable	Jul 14	Dec 19 [3]
		Debt rating - Tier 2 subordinated liability certificates	Aa2(hyb)	Stable		Sep 19 [3]
		Debt rating - liability certificates under Tier 2 hybrid capital	Aa3(hyb)	Stable		Dec 19 [3]
Moody's international rating company	Clal Credit Insurance	(IFSR)	A3	Negative	Mar 20 [4]	Mar 20

1) Financial stability rating of an insurer.

2) In September 2019, Midroog left unchanged the ratings presented in the above table, and changed the rating outlook to negative.

3) In November 2018, and in September and November 2019, Midroog left unchanged the ratings presented in the above table.

4) Clal Credit Insurance is rated (IFSR) A3, stable outlook, by the international rating company Moody's. In March 2020, the international company's rating became public. On March 25, 2020, in light of the developments due to the coronavirus outbreak in Israel and around the world, as stated in Note 1 to the financial statements, Moody's notified the Company that the rating would remain as is, with a negative outlook.

E. Fair value of liabilities with respect to derivative financial instruments and short sales

1) <u>Fair value measurement</u>

The fair value of the financial liabilities was determined with reference to their quoted closing asking price, as of the reporting date. In the event that no quoted price exists, the fair value is measured using a valuation technique which includes the discounted future cash flow method with respect to the principal and interest components, which are discounted using market interest rates for similar liabilities as of the calculation date, which are determined by a company supplying interest rate quotes. For additional details, see Note 14(f).

Note 25: Financial Liabilities (Cont.)

2) Fair value hierarchy

The following table presents the financial liabilities distributed by levels in the fair value hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) above.

	As of December 31, 2019		
NIS in thousands	Level 1	Level 2	Total
Derivatives and short sales	**11,104**	**137,614**	**148,718**

	As of December 31, 2018		
NIS in thousands	Level 1	Level 2	Total
Derivatives and short sales	27,386	306,498	333,884

F. Additional information regarding derivatives

Presented below is the total net exposure to the underlying asset, according to the delta terms of the transaction in derivative instruments made as of the dates of the financial statements by member companies in the Group which are insurance companies in Israel:

	As of December 31	
NIS in thousands	2019	2018
Stocks	**(33,253)**	(12,641)
CPI	**1,512,027**	1,488,341
Foreign currency	**91,370**	(2,238,701)
Goods	**(754)**	876
Fixed interest	**(115,867)**	(118,331)

Note 26: Other Accounts Payable

Composition

NIS in thousands	As of December 31 2019	2018
Employees and other wage and salary commitments	**176,933**	163,319
Expenses payable	**152,168**	186,210
Provisions with respect to legal claims [1)]	**33,944**	51,488
Suppliers and service providers	**60,076**	49,178
Government institutions and authorities	**14,847**	11,550
Reinsurers' share in deferred acquisition costs	**89,797**	91,977
Insurance companies and insurance mediators:		
Deposits of reinsurers	**1,228,866**	1,161,460
Other accounts	**255,263**	189,826
Total insurance companies	**1,484,129**	1,351,286
Insurance agents	**453,418**	440,307
Policyholders and members	**459,469**	379,892
Provision for profit sharing of policyholders	**47,458**	45,723
Interest payable with respect to deferred liability notes	**35,213**	35,843
Prepaid premiums	**65,802**	67,815
Payables with respect to collateral for non-marketable futures contracts	**145,464**	-
Payables with respect to acquisition of securities	**28,384**	95,135
Investee companies accounted by the equity method	**12,286**	16,080
Other payables	**9,765**	14,362
Total other accounts payable	**3,269,153**	3,000,165

1) Movement in the provisions with respect to legal claims

NIS in thousands	For the year ended December 31 2019	2018
Balance as of January 1	**51,488**	39,031
Provisions realized during the year	**(18,979)**	(6,788)
Provisions created during the year	**1,435**	19,245
Balance as of December 31	**33,944**	51,488

Note 27: Leases

Leases in which the Group is the lessee

The Group has adopted IFRS 16, Leases, since January 1, 2019.

Disclosure regarding right-of-use assets

NIS in thousands	Buildings	Sites	Vehicles	Total
Cost				
Impact of the initial adoption as of January 1, 2019	517,662	23,141	27,003	567,806
Additions to right-of-use assets with respect to leases new leases during the period	-	-	24,366	24,366
Updates to right-of-use assets with respect to linkage to the index	1,638	66	104	1,808
Write-offs	-	-	(4,977)	(4,977)
Balance as of December 31, 2019	519,300	23,207	46,496	589,003
Accumulated depreciation				
Balance as of January 1, 2019	-	-	-	-
Amortization for the period	30,838	2,004	19,238	52,080
Write-offs from right-of-use assets	-	-	(4,777)	(4,777)
Balance as of December 31, 2019	30,838	2,004	14,461	47,303
Balance of amortized cost as of December 31, 2019	488,462	21,203	32,035	541,700

Disclosure regarding lease liabilities

NIS in thousands	Buildings	Sites	Vehicles	Total
Impact of the initial adoption as of January 1, 2019	560,690	25,170	27,003	612,863
Additions to new lease liabilities during the period	-	-	24,366	24,366
Updates to lease liabilities with respect to linkage to the index	1,638	66	104	1,808
Financing expenses	18,546	730	498	19,774
Payment of lease liability	(45,145)	(2,439)	(19,889)	(67,473)
Write-offs of lease liabilities	-	-	(75)	(75)
Balance as of December 31, 2019	535,729	23,527	32,007	591,263

Analysis of lease liability repayment dates

NIS in thousands	As of December 31, 2019
Up to one year	21,127
One to five years	113,705
Over five years	456,431
Total	591,263

Leases in which the Group is the lessor

The Group leases several commercial buildings and office buildings (which are classified as investment property) to external entities. The leasing agreements are for varying periods (up to approximately 38 years), and are non-terminable, in consideration of the lessees' options to renew the contracts at the end of the period.
The following are the minimum lease payments which are expected to be received with respect to lease agreements, including with respect to the optional contract renewal periods, whose disposal was considered likely as of the date of engagement in the agreement:

	As of December 31	
NIS in thousands	2019	2018
Up to one year	267,638	272,493
One year to five years	891,621	944,668
Over five years	2,033,553	2,085,774
Total	3,192,812	3,302,935
Of which, receivable future minimum lease payments attributed to properties in which the Company is the lessee under a finance lease	916,583	719,680

For additional information regarding leasing agreements in connection with investment property, see Note 10.

Note 28: Premiums Earned

	For the year ended December 31, 2019		
NIS in thousands	Gross	Reinsurance **)	Retention
Premiums in life insurance	5,985,992	136,355	5,849,637
Premiums in health insurance	1,329,494	63,674	1,265,820
Premiums in non-life insurance	2,364,964	1,134,416	1,230,548
Total premiums	9,680,450	1,334,445	8,346,005
Change in unearned premium balance and other changes *)	(14,334)	(69,560)	55,226
Total premiums earned	9,666,116	1,264,885	8,401,231

	For the year ended December 31, 2018		
NIS in thousands	Gross	Reinsurance	Retention
Premiums in life insurance	5,846,695	135,807	5,710,888
Premiums in health insurance	2,107,775	300,418	1,807,357
Premiums in non-life insurance	2,351,378	1,012,460	1,338,918
Total premiums	10,305,848	1,448,685	8,857,163
Change in unearned premium balance and other changes *)	(30,830)	(68,652)	37,822
Total premiums earned	10,275,018	1,380,033	8,894,985

	For the year ended December 31, 2017		
NIS in thousands	Gross	Reinsurance	Retention
Premiums in life insurance	5,534,503	168,245	5,366,258
Premiums in health insurance	1,917,128	262,060	1,655,068
Premiums in non-life insurance	2,298,967	861,479	1,437,488
Total premiums	9,750,598	1,291,784	8,458,814
Change in unearned premium balance and other changes *)	(21,395)	(101,503)	80,108
Total premiums earned	9,729,203	1,190,281	8,538,922

*) For details regarding changes in unearned premiums in non-life insurance, see Note 19.
There are also changes which are due to a deduction with respect to amounts deposited in the Company within the framework of a defined benefit plan for the Group's employees.

**) The increase in reinsurance premiums in non-life insurance was mostly due to the new reinsurance agreement in the motor property branch.

Note 29: Income (loss) from Investments, Net, and Financing Income

NIS in thousands	For the year ended December 31 2019	2018	2017
Income (loss) from assets held against investment-linked liabilities			
Investment property	166,924	229,522	198,179
Financial investments			
Marketable debt assets	1,944,680	79,638	928,205
Non-marketable debt assets	561,856	(5,463)	312,905
Stocks	4,303,542	(152,354)	1,060,307
Other	733,771	(441,251)	2,267,035
Cash and cash equivalents	(7,053)	33,446	(63,639)
Other	(18,771)	(10,741)	(52,932)
Total income (loss) from assets held against investment-linked liabilities, net	7,684,949	(267,203)	4,650,060
Income from assets held against non-investment-linked liabilities, capital and others			
Income from investment property			
Revaluation of investment property	5,464	6,238	36,583
Current income with respect to investment property	58,877	78,165	69,363
Total income from investment property	64,341	84,403	105,946
Income (loss) from financial investments, excluding interest, linkage differentials, foreign currency differences and dividends with respect to:			
Available for sale assets [a]	562,196	199,637	175,683
Assets presented at fair value through profit or loss [b]	202,327	(278,412)	172,859
Assets presented as loans and receivables [c]	1,095	502	(6,046)
Total	765,618	(78,273)	342,496
Interest income[1] and linkage differentials from financial assets not at fair value through profit and loss	1,138,688	1,388,355	1,139,908
Interest income and linkage differentials from financial assets at fair value through profit and loss	7,436	8,534	1,848
Profit (loss) from foreign currency differences with respect to investments which are not measured at fair value through profit or loss and from other assets [2]	(36,208)	40,868	(47,627)
Income from dividends	55,645	68,185	41,917
Total income from investments, net, and financing income	9,680,469	1,244,869	6,234,548
1) The aforementioned income includes interest with respect to impaired financial assets which are not measured at fair value through profit or loss	2,960	2,005	4,553

2) For details regarding foreign currency differences with respect to financial liabilities, see Note 37.

Note 29: Income (Loss) from Investments, Net, and Financing Income (Cont.)

Net profits from investments with respect to available for sale financial assets

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Net profit from realized securities	616,044	287,850	245,190
Net impairment charged to profit and loss	(53,848)	(88,213)	(69,507)
Total income from investments with respect to available for sale financial assets	562,196	199,637	175,683

Income (loss) from investments with respect to assets presented at fair value through profit and loss

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Net changes in fair value, including profit from disposal			
With respect to assets designated upon initial recognition	(2,492)	(399)	(1,920)
With respect to assets held for trading	204,819	(278,013)	174,779
Total income (loss) from investments with respect to assets presented at fair value through profit and loss	202,327	(278,412)	172,859

Income (loss) from investments with respect to assets presented as loans and receivables

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Income (loss) from disposal of assets presented as loans and receivables	1,971	1,653	(6,389)
Reversal of impairment (impairment) charged to profit and loss	(876)	(1,151)	343
Total gains from investments with respect to assets presented as loans and receivables	1,095	502	(6,046)

Note 30: Income from Management Fees

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Management fees in the pension and provident fund branches	**458,428**	448,086	466,448
Variable management fees with respect to life insurance contracts *)	**485,403**	2,995	351,977
Fixed management fees with respect to life insurance contracts	**445,413**	414,082	387,098
Management fees with respect to investment contracts	**20,733**	19,034	20,960
Total income from management fees	**1,409,977**	884,197	1,226,483

*) For details regarding the method used to calculate variable management fees, see Note 3(n)(3)(a). As of December 31, 2018, a deficit materialized for the Company in the collection of variable management fees, in the amount of approximately NIS 87 million. The aforementioned deficit was covered, in its entirety, in 2019. For details regarding developments after the reporting date, see Note 43(k).

Note 31: Income from Commissions

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Insurance agency commissions	**53,076**	52,761	61,475
Reinsurance commissions, less change in deferred acquisition costs with respect to reinsurance	**230,842**	238,585	205,638
Total income from commissions	**283,918**	291,346	267,113

Note 32: Other Income

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Capital gains from the sale of assets	-	-	1,393
Profit from disposal of investments in investee companies and other companies	-	-	2,081
Others	**49**	75	84
Total other income	**49**	75	3,558

Note 33: Payments and Changes in Liabilities with Respect to Insurance Contracts and Investment Contracts on Retention

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Total payments and change in liabilities on retention with respect to insurance contracts and investment contracts in long term savings			
With respect to life insurance contracts:			
Paid and outstanding claims			
Death, disability and other events	732,544	748,097	718,376
Less reinsurance	(88,601)	(119,334)	(101,320)
	643,943	628,763	617,056
Redeemed policies	2,735,270	2,288,894	2,131,165
Expired policies *)	226,585	14,883	323,369
Retirement	503,949	414,656	331,866
Claim settlement costs	55,453	16,666	16,369
Total claims	4,165,200	3,363,862	3,419,825
Increase in liabilities with respect to life insurance contracts (excluding changes in contingencies) on retention	10,501,514	2,386,892	6,707,622
Increase in liabilities with respect to life insurance investment contracts due to the yield component	217,270	(18,666)	114,449
Increase in liabilities with respect to a contract for the management of a guaranteed return provident fund	134,356	152,437	131,475
Total payments and change in liabilities on retention with respect to insurance contracts and investment contracts in long term savings	15,018,340	5,884,525	10,373,371
Total payments and change in liabilities with respect to non-life insurance contracts			
Gross	1,901,903	1,562,129	1,874,324
Reinsurance	(977,421)	(553,777)	(703,535)
On retention	924,482	1,008,352	1,170,789
Total payments and change in liabilities with respect to health insurance contracts			
Gross	1,726,812	1,822,451	1,654,538
Reinsurance	(221,401)	(471,418)	(293,904)
On retention	1,505,411	1,351,033	1,360,634
Total payments and change in liabilities with respect to insurance contracts and investment contracts on retention	17,448,233	8,243,910	12,904,794

*) In 2018, the decrease was due to the reclassification of policies from the item for payables to the item for liabilities with respect to insurance contracts. The aforementioned classification had no effect on the segment's results, or on the Company's results.

Note 34 - Commissions, Marketing Expenses and Other Acquisition Costs

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Acquisition costs:			
Acquisition fees	700,950	710,163	665,562
Other acquisition costs	531,188	468,754	473,578
Change in deferred acquisition costs	(47,665)	(28,965)	(21,210)
Total acquisition costs	1,184,473	1,149,952	1,117,930
Other current fees	617,258	641,415	631,271
Other marketing expenses	198,372	228,698	207,351
Total commissions, marketing expenses and other acquisition costs	2,000,103	2,020,065	1,956,552

Note 35: General and Administrative Expenses

NIS in thousands	For the year ended December 31 2019	2018	2017
Payroll and associated expenses [2] [4]	**1,059,275**	1,024,900	1,006,311
Depreciation and amortization [4]	**318,365**	253,197	255,975
Office maintenance and telecommunication [4]	**82,288**	136,647	128,946
Marketing and advertising	**53,004**	23,961	13,025
Legal and professional consulting	**39,377**	37,535	32,848
Operating expenses of provident funds in banks	**9,509**	12,725	14,602
Others [3]	**226,911**	251,471	238,234
Total [1]	**1,788,729**	1,740,436	1,689,941
Less:			
Amounts classified under the item for liabilities and payments with respect to insurance contracts	**167,914**	132,754	136,951
Amounts classified under the item for commissions, marketing expenses and other acquisition costs	**729,560**	697,452	680,929
General and administrative expenses	**891,255**	910,230	872,061
1) General and administrative expenses include expenses with respect to automation in the amount of	**452,822**	422,994	426,271

2. For additional details regarding payroll expenses and associated expenses, including share-based payments, see Note 41. For additional details regarding provisions with respect to employee benefits, including bonuses with respect to the fulfillment of targets and the implications of a collective agreement, see Note 24(d).
3. The amount was primarily due to automation expenses which are not depreciation and amortization.
4. See Note 3(s)(1) for details regarding the initial adoption of IFRS 16, Leases. For additional details, see Note 27.

Note 36: Other Expenses

NIS in thousands	For the year ended December 31 2019	2018	2017
Amortization of intangible assets (Note 6)	**4,036**	4,570	5,454
Provision (update to provision) for claims and financial sanctions	**(515)**	4,800	15,068
Onerous contract *	**2,038**	**(154)**	3,103
Clearing fees	**3,678**	1,365	-
Others	**392**	116	148
Total other expenses	**9,629**	10,697	23,773

*) Provision with respect to onerous contracts for rent which the Group is obligated to pay.

Note 37: Financing Expenses

NIS in thousands	For the year ended December 31 2019	2018	2017
Interest expenses and linkage differentials with respect to deferred liability notes	**127,581**	131,552	123,539
Prepayment penalty [1]	**65,150**	-	-
Liabilities to banks	-	-	1,055
Interest expenses to reinsurers	**29,532**	17,355	18,477
Exchange differences, net, with respect to liabilities [2] [3]	**(6,737)**	8,270	(9,226)
Financing expenses with respect to leases [4]	**19,774**	-	-
Commissions and other financing costs	**988**	754	610
Total financing expenses	**236,288**	157,931	134,455

See Note 25 above.
Primarily due to foreign currency differences with respect to the settling of accounts vis-à-vis reinsurers.
For details regarding foreign currency differences with respect to financial investments, see Note 29 above.
See Note 27 above.

Note 38: Earnings Per Share

Earnings attributable to holders of ordinary shares of the Company (basic and diluted)

	For the year ended December 31		
NIS in thousands	2019	2018	2017
Earnings (loss) attributed to holders of ordinary shares	(556,916)	(91,445)	203,096

B. Weighted average of the number of ordinary shares (basic)

	For the year ended December 31		
	2019	2018	2017
	Shares with a par value of NIS 1 each		
Balance as of January 1	55,578,867	55,563,497	55,412,244
Impact of shares which were issued during the year	464,077	-	-
Impact of warrants exercised into shares	-	13,808	34,506
Weighted average of the number of ordinary shares used to calculate basic earnings (loss) per share	56,042,944	55,577,305	55,446,750

C. Weighted average of the number of ordinary shares (diluted) [1)]

	For the year ended December 31		
	2019	2018	2017
	Shares with a par value of NIS 1 each		
Weighted average of the number of ordinary shares used to calculate basic earnings per share	56,042,944	55,577,305	55,446,750
Impact of share warrants	-	-	171,401
Weighted average of the number of ordinary shares used to calculate diluted earnings (loss) per share	56,042,944	55,577,305	55,618,151

1) The average market value of the Company's stock, for the purpose of calculating the dilutive effect of warrants based on quoted market prices for the period when the warrants were outstanding.
For details regarding a share issuance by the Company, see Note 16.

Note 39: Risk Management

A. General

The Group's activities expose it to the following primary risks: market risks, liquidity risks, insurance risks, credit risks and operational risks.
This note provides information with regard to the Group's exposure to these risks, and regarding the Group's goals, policies and procedures with regard to the measurement and management of each risk. An additional quantitative disclosure was included throughout the entire financial statements.

A1. Description of procedures and methods for the management, measurement and control of risks

The main risks to which the Company is exposed include risks which are associated with insurance operations (see section A2 below). The main principles of the financial risk management policy are determined by the appropriate organs of each of the Group's member companies, which convene from time to time. The Board of Directors receives ongoing reports and updates, and periodically holds discussions with respect to these exposures.
The risk management unit in the Group is responsible for risk management in the institutional entities in the Group, and periodically concentrates the Group's financial exposures.
The Group periodically convenes professional forums led by the CEO, which include discussions, inter alia, regarding risk aspects in the Group's operating segments.

The Company invests its liquid balances in short term, low risk investments.

For subsidiaries that invest in financial assets, a specific investment policy is determined that is relevant to the nature and activities of each subsidiary. This policy was determined and is supervised by the subsidiary's Board of Directors.

The Company is subject to a minimum capital requirement by virtue of the permit for control of Clal Insurance, which was issued to it by the Commissioner (for details, see Note 16(e)(3)). For details regarding the changes in the control of the Company, and the implications thereof on the control permits, see Note 1 above. The Board of Directors evaluates, from time to time, the capital cushion which is required beyond the above minimum capital requirements, with respect to unexpected developments which may occur in capital and in the capital requirements, as a result of changes in the central risk factors to which the Group is exposed.

Note 39: Risk Management (Cont.)

A. General (Cont.)

A2. Description of management processes and methods, and measurement of risks in the consolidated insurance companies

The risk management policy of the consolidated insurance companies in Israel, and of the investee companies held by them (hereinafter: "**Clal Insurance Group**"), which was approved by the boards of directors, is intended to ensure controlled exposure to the risks to which Clal Insurance Group is exposed, while meeting Clal Insurance Group's regulatory requirements, and maintaining its business goals and financial stability.

Risk management in the Clal Insurance Group is based on three "lines of defense":

The business entities which are responsible for the identification, assessment, monitoring, mitigation and reporting of risks inherent in products, activities, processes and systems which are subject to their responsibility and control. This responsibility includes, inter alia the definition of processes, internal policies and decision making. The business entities enlist the assistance of supportive departments, including the actuarial, comptrollership, regulatory and legal consulting, reinsurance and information system departments.

The risk management, control and enforcement unit supplements the risk management activities of the business entities, and is responsible for formulating the framework for risk management in the Group, for developing tools and methods of risk assessment, and for assessing the total risk to which it is exposed. The risk management unit is independently engaged in the formulation of recommendations to management and Board of Directors regarding the overall risk level and capital adequacy, for the analysis and reporting of the risk exposure level, for the approval of products, analysis of business engagements which are material terms of risk, and for the implementation of the Commissioner's directives regarding risk management. As an important part of its function, the risk management unit challenges the identification and assessment of risks associated with the business entities, and the actions taken by them to address the risk, and helps to reinforce the ability of business entities to identify, assess, manage and control risks. The risk management unit works in cooperation with the actuarial division, the comptrollership division and the SOX division, which also constitute a part of the second line of defense.

The internal audit unit, which uses independent means to audit and challenge the internal processes, controls and systems which are used, inter alia, for risk management, and follows up on the correction of deficiencies which it identified.

Clal Insurance Group endeavors to implement a framework for enterprise risk management, with the aim of creating risk awareness in all of its activities, creating the ability to asses various risks, implementing risk measurement in business processes, and adjusting the total exposure to the Group's ability to bear risks over time. This includes taking actions towards building an automational and procedural infrastructure, in order to address the risks to which Clal Insurance Group is exposed, as well as the identification, mapping, assessment and quantification of material financial and insurance risks to the rights of members and policyholders and to the stability of the institutional entities in the Group, and evaluating the controls which are in place for these risks, across the entire scope of activities performed by Clal Insurance Group, and while continuously improving the tools available to quantify the various risks.

As part of the implementation of the provisions of the Solvency II-based economic solvency regime (see Note 16(e)), Clal Insurance Group estimates the economic equity which is required for its operations, in accordance with these provisions. As part of risk management, the Company is working to control and assess significant business operations also in terms of capital aspects and the integration of economic equity considerations into decision making processes.

Clal Insurance is evaluating its capital adequacy in relation to overall risk, including with respect to the impact of changes in risk factors on its capital adequacy from an accounting perspective. This evaluation is performed based on risk factor scenarios, and on assessments made regarding the correlations existing between them, and provides Clal Insurance with an indication regarding capital adequacy relative to risks. The Board of Directors of Clal Insurance determined the capital target of Clal Insurance based on these analyses (for additional details, see Note 16(d)).

The boards of directors in the Clal Insurance Group established policies with regard to risk exposure, measurement methods used in this regard, restrictions for various risks, and control and reporting methods used for these risks, while monitoring the fulfillment of the established restrictions by means of the reports submitted to them. The Board of Directors of Clal Insurance appointed a Risk Management and Information Technology Committee in order to deepen the control over these areas. The routine monitoring and control of investment management is performed by separate Investment Committees for the nostro funds, monies managed in pension funds and provident funds, and investment-linked policies.

Processes and methods for the management and measurement of various risks:

1. Market and liquidity risks

The market risks in the managed portfolios of the Clal Insurance Group are managed by Canaf, the investment company of the Clal Insurance Group, under the supervision of separate Investment Committees for the various portfolios.

The Clal Insurance Group operates with respect to its investments in accordance with legal provisions and the investment policies, credit policies and risk policies set forth by the boards of directors, including in accordance with the restrictions set forth by them.

The financial risks are mitigated by maintaining distribution between investment channels, branches, issuers, and between assets in Israel and assets abroad, evaluating and analyzing the stability of the entities to which Clal Insurance Group is exposed, and their solvency prior to performance of the investment and during the investment's lifetime, evaluating the profile of the assets relative to the profile of the liabilities against which they are held, including in terms of liquidity and compliance with the exposure restrictions regarding credit risks and market risks, as determined by the boards of directors and the investment committees, from time to time.

Note 39: Risk Management (Cont.)

A. General (Cont.)

A2. Description of procedures and practices for the management and measurement of risks in the consolidated insurance companies (Cont.)

Processes and methods for the management and measurement of various risks: (Cont.)

1. Market and liquidity risks (Cont.)

The Investment Committees and boards of directors monitor the exposure to the various investment channels, as well as the results of scenarios, sensitivity tests and other risk indicators, in order to ensure that the exposure to market risks corresponds to the risk appetite of Clal Insurance Group. The calculation and analysis of risk indices is performed by the risk management unit using a designated system. Information regarding the risk indicators and exposures, relative to the established restrictions, is presented to the Investment Committees and boards of directors on an ongoing basis, and supports the decision making and investment management processes.

These periodic analyses constitute a control tool with regard to the market risks of Clal Insurance Group's asset portfolios. In parallel, routine monitoring is conducted by the investment control unit of Canaf, which manages the investments in terms of the fulfillment of the investment regulations and investment and credit policies in place for the various investment portfolios and operational controls with respect to the activity.

For details regarding the exposure to market risks, see section C below. For details regarding the exposure to liquidity risks, see section D below.

2. <u>Insurance risks</u>

The insurance risks are managed subject to the risk policy approved by the Board of Directors, by the business managers of the various insurance areas, inter alia, by determining guidelines for underwriting, receipt of business and hierarchies, as well as by transferring risks to reinsurers within the framework of contracts, or through facultative insurance, according to the retention policy approved by the Board of Directors.

The insurance risks are mitigated by distributing the insurance contracts, and are also reduced by selecting and implementing underwriting strategies and creating distribution by branches, geographical areas, risk types, coverage limits, etc.

As part of the process of launching new products, and before engaging in material transactions, a comprehensive process of identifying and evaluating the risks associated with the product or the transaction takes place, and the methods used to manage and monitor them are determined. In the event that a concern has arisen regarding a deterioration in the underwriting results which is not due to random fluctuations, in-depth tests are conducted, inter alia, to assess the embodied risk, and if necessary, the assessment of insurance liabilities is updated accordingly, and the underwriting policy is evaluated.

Additionally, in order to reduce the exposure to risks, Clal Insurance implements a stringent evaluation policy for claims, including ongoing evaluation of claims handling processes, and conducts investigations in order to identify cases of embezzlement and fraud. Clal Insurance also employs an active management policy for ongoing claims, in order to reduce the exposure to unexpected developments which may adversely affect it.

Clal Insurance Group employs a policy of limiting the exposure to catastrophic risks by stipulating maximum coverage amounts in certain contracts, and also by acquiring appropriate reinsurance coverage. One of the purposes of the underwriting policy and reinsurance policy is to restrict the exposure to catastrophes to a predetermined maximum loss amount, with reference to a given probability, based on models and/or studies, and in accordance with the risk appetite of the Clal Insurance Group, as determined by the Board of Directors.

The overall quantitative estimate of the exposure to insurance risks is performed based on the provisions of the economic solvency regime, which includes an evaluation of extreme scenarios for various risk categories, and an evaluation of overall risk, in consideration of the factors between them. The Group works to perform internal estimates based on the same methodology, and using various parameters, as needed.

Note 39: Risk Management (Cont.)

A. General (Cont.)

A2. Description of procedures and practices for the management and measurement of risks in the consolidated insurance companies (Cont.)

Processes and methods for the management and measurement of various risks: (Cont.)

2. <u>Insurance risks</u> (Cont.)

The actuarial department conduct studies, exposure analyses, and periodic evaluations of risk factors, including profitability tests for the operation branches, for specific products and for collective businesses, mortality and morbidity studies, deficiency reserves and exposure to earthquakes. These analyses serve both as the basis for risk assessment, while using statistical indicators and sensitivity tests, in collaboration with the risk management unit, and as part of the system used to control insurance activities.

The Clal Insurance Group uses an automated system to calculate the best estimate of insurance liabilities in life insurance, health insurance and pension, and non-life insurance, for profitability analysis and for the performance of sensitivity tests with respect to the primary risk factors in these areas. Within this framework, the profitability of new business sold throughout the year is also evaluated.

The estimated exposure of Clal Insurance Group to earthquake risk in Israel, which is the primary catastrophic event to which it is exposed, is performed using international models, and Clal Insurance acquires protection against this risk based on this estimate. The assessment of the exposure to other catastrophic risks is primarily performed by means of internal studies.

The risk estimates are brought for review on a periodic basis to the managements and boards of directors of the insurers in the Group.

For additional details regarding insurance risks, see section E below.

Note 39: Risk Management (Cont.)

A. General (Cont.)

A2. Description of procedures and practices for the management and measurement of risks in the consolidated insurance companies (Cont.)

Processes and methods for the management and measurement of various risks: (Cont.)

3. <u>Credit risks</u>

With regard to credit risks in the investment assets, Clal Insurance Group operates in the various credit areas by means of specialized units. The boards of directors and Investment Committees of the Group's institutional entities have established a detailed credit policy which provide guidelines and restrictions regarding the credit types, credit ratings, exposure to market branches, geographical exposure, exposure to groups of borrowers and individual borrowers, to the various portfolios managed according to their characteristics, and according to the regulations which are applicable to them. This operation is supported by a procedural, organizational and automational infrastructure which is used to estimate the credit risks and to monitor and handle activities for early identification of problematic debts. A credit approval hierarchy was established in the institutional entities, in addition to ongoing reports which are submitted to senior management, to the Investment Committees, to credit committees and to the boards of directors, regarding credit exposures in the portfolios.

The work procedures include, inter alia, tests and analyses which are performed upon provision of credit, and routine monitoring of the composition and quality of the credit exposures, including by means of automated systems which track the exposures by various cross-sections, and against the restrictions which have been established, on the level of the individual portfolio, of the Group's various member companies, and of the Clal Insurance Group. Before engaging in material transactions, a comprehensive process of risk identification and assessment takes place, inter alia, with the participation of the risk management unit.

For the assessment of credit risks in certain transactions, the Clal Insurance Group also used an internal rating model which was developed by it and approved by the Commissioner.

Credit transactions in a scope exceeding the determined limit are presented for discussion and advance approval in the relevant credit committee and/or investment committee, as applicable, in accordance with the hierarchy of authorities which was determined for the approval of credit transactions.

Clal Insurance Group implements a routine process for the identification of sensitive and troubled debts, which is also evaluated by the risk management unit. The Group has a troubled debt forum, which includes a team of relevant senior position holders, which is responsible for ongoing evaluation of the debt position of institutional entities in the Group.

The investment control department in Canaf monitors the credit exposures with respect to investments performed by Canaf in the various portfolios, as well as their fulfillment of the credit policies determined for these portfolios. This monitoring is based on the individual exposure data for each borrower, including data pertaining to the group of borrowers, rating and branch classification. The control unit in Canaf applies operational controls to the credit activities as part of the activity of the organizational control unit.

In addition to the restrictions which were determined with respect to credit risk in investing activities, the Board of Directors of Clal Insurance determined restrictions with respect to the total exposure to counterparties in all of the Group's operations. The risk management unit evaluates the aggregation of the various exposures to counterparties which are due to all of the Group's activities, with the assistance of automated systems which allow monitoring of the exposures on the level of the single portfolio, on the level of the various companies in the Group, and on the level of the Clal Insurance Group, by various types of segmentation, and evaluates the fulfillment of the determined restrictions. Based on this information, the risk management unit evaluates and analyzes the exposure to counterparties, with reference to the quantitative data regarding the exposure, such as: portfolio distribution by branches and ratings, and concentration indicators which monitor changes in the portfolio's risk level.

For details regarding the exposure to credit risks, including the policy regarding exposure to reinsurers, see section F below.

Note 39: Risk Management (Cont.)

A. General (Cont.)

A2. Description of procedures and practices for the management and measurement of risks in the consolidated insurance companies (Cont.)

Processes and methods for the management and measurement of various risks: (Cont.)

4. <u>Operational risks</u>

The management and control of operational risks is implemented as part of the organizational work routine, under the responsibility of the business managers, and with the professional support of the risk management unit. The organizational system for the management and control of operational risks includes the following entities:

The operational risks and control managers in the business units and their subordinate employees (hereinafter: "Controllers").

The manager of the operational risks and control unit in the risk management unit, and his employees.

The "regulatory bodies", which include designated bodies specializing in specific categories of operational risks, including the supervisor of enforcement, the SOX division, the cybersecurity protection and business continuity division, and the ombudsman.

The internal audit unit also performs audits in various operating segments, which also include identification of operational risks and estimation of exposure and the effectiveness of controls.

The controllers are subordinate to the managers of the business units. Their responsibilities include identifying operational exposures in their units, and working to reduce them, while handling the adequacy of processes, with reference to a variety of aspects, including preventing embezzlement and fraud, compliance with regulations and policies, compliance with procedure, and the adequacy of financial reporting. The controllers receive professional guidance, by means of a matrix, issued by the manager of the operational risks and control unit in the risk management unit, who, as part of his position, is responsible for issuing professional instructions to the controllers, coordinating between the regulatory bodies and the controllers, monitoring the findings, concentrating the overall picture, and reporting on it.

The quantitative estimate of the exposure to operational risks is also performed as part of the calculation of the solvency ratio in accordance with the provisions of the economic solvency regime.

The risk management policy which determined by the boards of directors in the Clal Insurance Group also addresses the management of operational risks. Additionally, a specific policy was determined for various categories of operational risks, including prevention of embezzlement and fraud, cybersecurity risks, business continuity, outsourcing and compliance, including with respect to the regulatory requirements on these subjects.

Note 39: Risk Management (Cont.)

A3. Control of risks

Clal Insurance Group considers effective control an important component of its risk management system.

As described extensively above, the Group operates an organizational monitoring unit. This unit is responsible for implementing control over the entire array of aspects involving the operations of the Clal Insurance Group, including control of risks of various types.

Additionally, the independent activity of the risk management unit, actuarial unit, comptrollership unit and SOX unit provides an additional layer of control over risks.

In particular, the risk management unit controls the overall exposure to risks in the activities of Clal Insurance Group, and implements controls of financial and insurance risks, including control of its fulfillment of the restrictions regarding market risks in the nostro activities of Clal Insurance Group, in restrictions on the exposure to reinsurers, and in restrictions on the exposure to counterparties, which were determined in the policy regarding risk management and monitoring of risks in members' portfolios. The risk management unit also assesses the quality of risk identification and assessment, with reference to certain transactions which are performed in Canaf.

The Company's Internal Auditor also conducts periodic reviews which are based, inter alia, on risk surveys.

B. Legal requirements for institutional entities

Institutional entities are legally obliged to appoint a chief risk officer, whose principal responsibilities are as follows:

Ensuring the existence of high-quality processes to identify material insurance and financial risks inherent in assets which are held against savings of members and policyholders and in other assets of the insurance company, and inherent in the liabilities of the insurance company or pension fund, as applicable, which may materially affect the rights of members and policyholders, and the financial stability of the institutional entity.

Quantification of exposure and estimation of the potential impact of the significant risks which were identified, in accordance with tools and criteria which will be defined by the insurer, and assessment of the methods used to manage the identified risks.

Periodic reporting to the CEO, the Board of Directors, the Investment Committees and the credit committees regarding the risks.

Addressing the risks which are inherent in new products, regulatory changes, entry into new investment segments and entry into transactions which, as determined by the Board of Directors, have the potential to significantly affect the business results of the institutional entity or the funds of its customers.

The Group appointed a risk manager who acts, inter alia, to implement the regulatory requirements in this area.

Note 39: Risk Management (Cont.)

B. Legal requirements for institutional entities (Cont.)

Various regulatory requirements regarding risk management apply to the institutional entities in the Group, of which the primary requirements include the following:

The provisions of the consolidated circular regarding the appointment of a risk manager, as well as his authorities, functions and methods of activity.

A requirement to establish of a risk exposure policy, exposure limits and procedures and tools for the measurement and control of risks.

Provisions regarding the management, assessment and control of credit risks.

Provisions regarding the management of exposure to reinsurers.

Provisions regarding the handling of specific categories of operational risks: embezzlement and fraud, cybersecurity risks, outsourcing, compliance, prevention of money laundering and monitoring of financial reporting (SOX).

The Company is also subject to the provisions of the economic solvency regime (for additional details, see Note 16(e).

For details regarding legal requirements and capital management policies, see Notes 16(e).

C. Market Risks

Market risk is the risk that the reported value, fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, inter alia, risks arising from changes in interest rates, stock prices, the CPI and foreign currency.

1. Investment-linked contracts

   Most of Clal Insurance's investment-linked liabilities are liabilities with respect to contracts where the insurance benefits which the beneficiary is entitled to receive are contingent upon returns produced by certain investments of Clal Insurance, less management fees, as described below:

   A. Regarding policies which were issued until 2004 - fixed management fees and variable management fees at a rate of 15% of real returns, after deducting fixed management fees.

   B. Regarding policies which were issued in 2004 and thereafter - fixed management fees.

   In general, with respect to those products, Clal Insurance is not directly exposed to market risks through their impact on the fair value of the investments. However, Clal Insurance is indirectly exposed to market risks through their potential impact on the variable management fees, in accordance with the volatility in returns charged to policyholders, only with regard to investment-linked policies issued until 2004, and on the total amount of the liability from which the fixed management fees of Clal Insurance are derived, with respect to all investment-linked products. Additionally, in certain conditions, exposure may be created for the Company to changes in the interest rates and in the margins which affect the discount rate which is used by the Company in the calculation of the liabilities, including the effect on the K factor and on the deferred pension liabilities (for details, see Note 39(e)). Additionally, with respect to those products, Clal Insurance has indirect exposure to changes in the consumer price index, which will affect the real returns that were achieved, and accordingly, on the variable management fees which will be collected.

   In light of the above, the sensitivity tests and maturity dates of the liabilities specified in the following sections do not include investment-linked contracts, except through the effect of interest on the K factor and on the deferred pension liabilities with respect to those contracts.

   The scope of liabilities in investment-linked contracts with respect to policies which were issued until 2004, as of December 31, 2019, amounts to approximately NIS 44.1 billion (last year - approximately NIS 39.2 billion). Any change of 1% in the scope of accrual affects fixed management fees in the amount of approximately NIS 3 million. Any change of 1% in the real returns in this portfolio affects the variable management fees in the amount of approximately USD 61 million.

   For details regarding the management fees which were collected during the reporting period, see Notes 20 and 30.

Note 39: Risk Management (Cont.)

C. Market risks (Cont.)

2. Sensitivity tests to market risks

The following is a sensitivity analysis performed with regard to the impact on the change in variables on income for the period and on comprehensive income.

The sensitivity analysis was prepared in reference to the financial assets, financial liabilities and liabilities with respect to insurance contracts and investment contracts, with reference to the relevant risk variable as of each reporting date, and assuming that all other variables remain constant. Thus, for instance, the change in interest rate includes the assumption that all other parameters remain unchanged. The sensitivity analysis does not include, as stated above, the impact of investment-linked contracts, and particularly, does not take into account indirect effects for assets with respect to investment-linked liabilities, through their effect on the management fees which will be collected. It was also assumed that the above changes do not reflect impairment of assets presented at amortized cost, or of available for sale financial assets, and therefore, the above sensitivity analysis did not take into account impairment losses with respect to these assets. The sensitivity analysis only reflects direct impacts, without secondary impacts.

It should also be noted that the sensitivities are not necessarily linear, such that very large or small changes with regard to the changes described below are not necessarily a simple extrapolation of the impact of those changes.

	Interest rate		**Investments in equity instruments**		**Rate of change in the consumer price index**		**Rate of change in foreign currency**	
NIS in thousands	**+1%**	**-1%**	**+10%**	**-10%**	**+1%**	**-1%**	**+10%**	**-10%**
Profit and loss	**958,189**	**(1,048,161)**	**13,725**	**(12,499)**	**(20,595)**	**19,219**	**(127,869)**	**127,869**
Comprehensive income (equity)	**638,141**	**(660,885)**	**258,243**	**(257,017)**	**(20,595)**	**19,219**	**47,158**	**(47,158)**

	Interest rate		**Investments in equity instruments**		**Rate of change in the consumer price index**		**Rate of change in foreign currency**	
NIS in thousands	**+1%**	**-1%**	**+10%**	**-10%**	**+1%**	**-1%**	**+10%**	**-10%**
Profit and loss	279,381	(1,158,312)	9,785	(10,436)	(22,237)	19,296	(159,926)	159,926
Comprehensive income (equity)	58,389	(899,480)	280,604	(281,256)	(22,237)	19,296	47,518	(47,518)

1) The sensitivity analysis to interest changes reflects the impact of corresponding movement throughout the entire yield curve, and pertains both to fixed interest instruments, and to variable interest instruments. Relative to fixed interest instruments, the exposure is proportional to the instrument's book value. The exposure with regard to variable interest instruments is calculated in relation to the cash flow derived from the financial instrument.

The sensitivity analyses are based on book values, rather than on economic value. Therefore, the sensitivity tests did not include taking into account, out of the assets and liabilities with direct interest rate risk and at fixed interest, the non-marketable debt assets, which are classified as loans and receivables (totaling approximately NIS 26 billion), cash and cash equivalents, reinsurance assets, liabilities with respect to insurance contracts and investment contracts, except as stated below, financial liabilities and reinsurance deposits and balances. Additionally, the rate of assets to which the interest sensitivity analysis was applied amounted to approximately 16% of total assets for non-investment-linked contracts. The rate of liabilities to which the sensitivity analysis was applied, out of the total liabilities with respect to non-investment-linked insurance contracts, amounted to approximately 0.3%.

The sensitivity analysis includes the impact on the insurance liabilities, due to the low interest rate environment in which the Company has operated in recent years, which affects the amount of insurance liabilities. The impact of a 1% decrease on comprehensive income before tax is estimated as loss of approximately NIS 1,584 million (last year - loss of approximately NIS 1,773 million). The impact of a 1% increase on comprehensive income before tax is estimated as income of approximately NIS 1,447 million (last year - income of approximately NIS 434 million).

For additional details regarding the strengthening of insurance reserves, in light of the low interest rate environment and its impact on the life insurances in life insurance during the reporting year, see section e(e1)(d) below. For additional details regarding the draft update to the LAT circular, the adoption of which is expected to have an impact on the sensitivity to interest rate changes, see Note 41(j) below.

2) Investments in instruments with no fixed flows, or alternatively, regarding which the Company does not have information regarding such flows, in accordance with the definition in IFRS 7, not including investments in investee companies accounted by the equity method.

3) One primary foreign currency is the US Dollar, as specified in the details regarding assets and liabilities, segmented by linkage bases, in section 4 below.

4) The sensitivity analyses performed with regard to comprehensive income also reflect the impact on income for the period.

5) The sensitivity analyses were performed with regard to income for the period after tax, and with regard to comprehensive income after tax.

6) The sensitivity tests to foreign currency, as presented above, include sensitivity with respect to non-monetary items denominated in foreign currency, in the amount of approximately NIS 2,766 million, with respect to an increase of 10% in foreign currency exchange rates, including income in the amount of approximately 25 million and comprehensive income in the amount of approximately NIS 157 million (2017: approximately NIS 32 million and approximately NIS 169 million, respectively). The primary currency in these instruments is the US Dollar.

Note 39: Risk Management (Cont.)

C. Market risks (Cont.)

3. Direct interest rate risk

Direct interest rate risk is the risk that a change in market interest will cause a change in the fair value or in the cash flow arising from an asset or liability. This risk relates to assets settled in cash. The addition of the word “direct” emphasizes the fact that the change in interest rate may also affect other asset types, though not directly, such as the impact of the change in interest rate on stock prices. It is emphasized that changes in fair value are not necessarily reflected in the book value of the financial instruments (see Note 3(f)).

The following are details regarding assets and liabilities by exposure to interest rate risk:

	As of December 31, 2019		
NIS in thousands	Non-investment-linked	Investment-linked	Total
Assets with direct interest rate risk			
Marketable debt assets	5,935,408	26,869,855	32,805,263
Non-marketable debt assets:			
HETZ bonds and deposits in treasury	16,295,186	-	16,295,186
Other	6,174,672	6,558,458	12,733,130
Other financial investments	254,133	3,906,479	4,160,612
Cash and cash equivalents	2,558,717	6,554,645	9,113,362
Reinsurance assets	3,334,032	217,778	3,551,810
Total assets with direct interest rate risk	34,552,148	44,107,215	78,659,363
Assets without direct interest rate risk *)	10,461,259	28,706,391	39,167,650
Total assets	45,013,407	72,813,606	117,827,013
Liabilities with direct interest rate risk			
Financial liabilities	4,131,601	103,082	4,234,683
Liabilities with respect to insurance contracts and investment contracts	32,239,033	71,833,004	104,072,037
Other	1,331,903	200,141	1,532,044
Total liabilities with direct interest rate risk *)	37,702,537	72,136,227	109,838,764
Liabilities without direct interest rate risk	2,495,853	259,099	2,754,952
Capital	5,233,297	-	5,233,297
Total capital and liabilities	45,431,687	72,395,326	117,827,013
Total assets, less liabilities	4,815,017	418,280	5,233,297
Off-balance sheet risk	851,798	524,663	1,376,461

*) Assets and liabilities without direct interest rate risk - Include stocks, property, plant and equipment and investment property, deferred acquisition costs and intangible assets, as well as balance-sheet groups of property, plant and equipment (other accounts receivable, outstanding premiums, and current balances of insurance companies) whose average lifetime is up to one year, and therefore the interest rate risk with respect to which is relatively low.

Notes:

1) Regarding non-investment-linked life insurance - the life insurance portfolio is primarily comprised of investment-linked policies, which are primarily backed by designated (HETZ) bonds issued by the Bank of Israel throughout the entire lifetime of the policy. The Company therefore has financial coverage which overlaps with the main financial liabilities, in terms of interest and linkage over the lifetime of the policies. As of December 31, 2019 and 2018, the designated bonds covered approximately 75% and approximately 75%, respectively, of all insurance liabilities in life insurance in these plans.

2) With respect to the remaining investments of Clal Insurance, as part of its life and health insurance activities, exposure exists to the interest rates which will be in force upon the refinancing of investments the lifetime of which may be shorter than the average lifetime of the insurance liabilities. With respect to these products, including with respect to ongoing payment claims in long-term care insurance and loss of working capacity insurance, the calculation of the insurance liabilities is based on the nominal interest rate in the policy, subject to an evaluation of the discount rate in some of the pension reserves and to a liability adequacy test (LAT) which is calculated based on the risk-free interest rate curve. For additional details regarding the discount rates of insurance liabilities, see section e(e1)(d) and e(e2)(4)(a) below.

Note 39: Risk Management (Cont.)

C. Market risks (Cont.)

3. Direct interest rate risk (Cont.)

	As of December 31, 2018		
NIS in thousands	Non-investment-linked	Investment-linked	Total
Assets with direct interest rate risk			
Marketable debt assets	5,231,862	26,681,982	31,913,844
Non-marketable debt assets:			
HETZ bonds and deposits in treasury	15,775,836	-	15,775,836
Other	6,214,507	6,236,989	12,451,496
Other financial investments	343,395	4,134,085	4,477,480
Cash and cash equivalents	1,298,286	3,648,899	4,947,185
Reinsurance assets	2,793,751	185,628	2,979,379
Total assets with direct interest rate risk	31,657,637	40,887,583	72,545,220
Assets without direct interest rate risk *)	10,213,741	25,233,665	35,447,406
Total assets	41,871,378	66,121,248	107,992,626
Liabilities with direct interest rate risk			
Financial liabilities	3,304,276	239,423	3,543,699
Liabilities with respect to insurance contracts and investment contracts	30,646,995	65,366,897	96,013,892
Other	1,024,097	169,270	1,193,367
Total liabilities with direct interest rate risk *)	34,975,368	65,775,590	100,750,958
Liabilities without direct interest rate risk	2,091,135	203,613	2,294,748
Capital	4,946,920	-	4,946,920
Total capital and liabilities	42,013,423	65,979,203	107,992,626
Total assets, less liabilities	4,804,875	142,045	4,946,920
Off-balance sheet risk	968,591	702,246	1,670,837

*) Assets and liabilities without direct interest rate risk - Including stocks, property, plant and equipment and investment property, deferred acquisition costs and intangible assets, as well as balance-sheet groups of financial assets (other accounts receivable, outstanding premiums, and current balances of insurance companies) whose average lifetime is up to one year, and therefore the interest rate risk with respect to which is relatively low.

Note 39: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details regarding assets and liabilities, distributed by linkage bases

As of December 31, 2019:

	NIS		Foreign currency						
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	Non-monetary items	Liabilities with respect to investment-linked contracts 1)	Total
Intangible assets	-	-	-	-	-	-	1,297,627	-	1,297,627
Deferred tax assets	-	-	-	-	-	-	9,953	-	9,953
Deferred acquisition costs	-	-	-	-	-	-	2,013,488	7,716	2,021,204
Property, plant and equipment	-	-	-	-	-	-	219,785	-	219,785
Right-of-use asset	-	-	-	-	-	-	541,700	-	541,700
Investments in investee companies accounted by the equity method	-	-	-	-	-	-	183,649	-	183,649
Investment property for investment-linked contracts	-	-	-	-	-	-	-	3,097,370	3,097,370
Other investment property	-	-	-	-	-	-	1,250,039	-	1,250,039
Reinsurance assets	7,789	3,321,870	3,936	437	-	-	-	217,778	3,551,810
Current tax assets	-	282,539	-	-	-	-	-	-	282,539
Other accounts receivable	131,699	237,853	4,361	1,081	-	-	36,488	387,304	798,786
Outstanding premiums	4,445	450,263	93,840	268	-	-	-	151,332	700,148
Financial investments for investment-linked contracts 2)	-	-	-	-	-	-	-	62,397,461	62,397,461
Other financial investments:									
Marketable debt assets	747,148	4,966,695	172,162	21,388	-	28,015	-	-	5,935,408
Non-marketable debt assets	1,371,374	20,771,088	196,866	12,414	118,116	-	-	-	22,469,858
Stocks	-	-	-	-	-	-	1,357,758	-	1,357,758
Other	59,625	19,222	126,385	880	18,349	222	2,373,873	-	2,598,556
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	6,554,645	6,554,645
Other cash and cash equivalents	2,329,072	-	182,720	39,556	7,025	344	-	-	2,558,717
Total assets	4,651,152	30,049,530	780,270	76,024	143,490	28,581	9,284,360	72,813,606	117,827,013

The majority of insurance contracts issued by the consolidated insurance companies in Israel are denominated in NIS, and their exposure to changes in exchange rates is immaterial. In cases where exposure to exchange rates exists, it primarily results from exposure to the USD and to the EUR.
See Note 39(g) below.

Note 39: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details of assets and liabilities by linkage bases (Cont.)

As of December 31, 2019 (Cont.):

NIS in thousands	NIS		Foreign currency				Non-monetary items	Liabilities with respect to investment-linked contracts [1)]	Total
	Unlinked	CPI-linked	USD	EUR	GBP	Other			
Total capital	-	-	-	-	-	-	5,233,297	-	5,233,297
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	25,100	32,168,765	44,708	460	-	-	-	-	32,239,033
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	71,833,004	71,833,004
Deferred tax liabilities	-	-	-	-	-	-	329,798	-	329,798
Liabilities with respect to employee benefits, net	96,269	-	-	-	-	-	-	-	96,269
Other accounts payable	1,619,639	1,030,258	108,719	5,150	-	-	46,147	459,240	3,269,153
Lease liability	-	591,263	-	-	-	-	-	-	591,263
Current tax liabilities	-	513	-	-	-	-	-	-	513
Financial liabilities	3,216,391	909,313	130	5,767	-	-	-	103,082	4,234,683
Total liabilities	4,957,399	34,700,112	153,557	11,377	-	-	375,945	72,395,326	112,593,716
Total capital and liabilities	4,957,399	34,700,112	153,557	11,377	-	-	5,609,242	72,395,326	117,827,013
Total balance sheet exposure	(306,247)	(4,650,582)	626,713	64,647	143,490	28,581	3,675,118	418,280	-
Exposure to underlying assets via derivatives, in delta terms	1,336,039	1,521,096	(2,552,694)	(103,581)	(250,172)	(5,963)	55,275	-	-
Total exposure	1,029,792	(3,129,486)	(1,925,981)	(38,934)	(106,682)	22,618	3,730,393	418,280	-

1) The majority of insurance contracts issued by the consolidated insurance companies in Israel are denominated in NIS, and their exposure to changes in exchange rates is immaterial. In cases where exposure to exchange rates exists, it primarily results from exposure to the USD and to the EUR.

Note 39: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details of assets and liabilities by linkage bases (Cont.)

As of December 31, 2018

Assets

	NIS		Foreign currency						
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	Non-monetary items	Liabilities with respect to investment-linked contracts [1]	Total
Intangible assets	-	-	-	-	-	-	1,342,759	-	1,342,759
Deferred tax assets	-	-	-	-	-	-	6,554	-	6,554
Deferred acquisition costs	-	-	-	-	-	-	1,966,956	6,583	1,973,539
Property, plant and equipment	-	-	-	-	-	-	225,160	-	225,160
Investments in investee companies accounted by the equity method	-	-	-	-	-	-	214,504	-	214,504
Investment property for investment-linked contracts	-	-	-	-	-	-	-	3,000,340	3,000,340
Other investment property	-	-	-	-	-	-	1,266,895	-	1,266,895
Reinsurance assets	6,075	2,782,067	4,151	1,458	-	-	-	185,628	2,979,379
Current tax assets	-	259,338	-	-	-	-	-	-	259,338
Other accounts receivable	100,705	191,028	76,185	313	-	-	41,451	803,645	1,213,327
Outstanding premiums	5,888	494,519	85,262	267	-	-	-	290,920	876,856
Financial investments for investment-linked contracts [2]	-	-	-	-	-	-	-	58,185,233	58,185,233
Other financial investments:									
Marketable debt assets	472,111	4,315,992	414,972	28,604	5	178	-	-	5,231,862
Non-marketable debt assets	1,220,816	20,343,877	203,237	20,903	197,679	-	3,831	-	21,990,343
Stocks	-	-	-	-	-	-	1,416,975	-	1,416,975
Other	16,059	18,946	245,399	46,932	11,107	156	2,523,778	-	2,862,377
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	3,648,899	3,648,899
Other cash and cash equivalents	1,153,627	-	112,891	5,332	21,078	5,358	-	-	1,298,286
Total assets	2,975,281	28,405,767	1,142,097	103,809	229,869	5,692	9,008,863	66,121,248	107,992,626

The majority of insurance contracts issued by the consolidated insurance companies in Israel are denominated in NIS, and their exposure to changes in exchange rates is immaterial. In cases where exposure to exchange rates exists, it primarily results from exposure to the USD and to the EUR.

2) See Note 39(g) below.

Note 39: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details of assets and liabilities by linkage bases (Cont.)

As of December 31, 2018 (Cont.)

Liabilities

	NIS		Foreign currency						
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	Non-monetary items	Liabilities with respect to investment-linked contracts [1)]	Total
Total capital	-	-	-	-	-	-	4,946,920	-	4,946,920
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	24,404	30,578,231	42,180	2,180	-	-	-	-	30,646,995
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	65,366,897	65,366,897
Deferred tax liabilities	-	-	-	-	-	-	401,903	-	401,903
Liabilities with respect to employee benefits, net	80,757	-	-	-	-	-	-	-	80,757
Other accounts payable	1,471,729	1,012,494	93,621	5,252	-	-	44,186	372,883	3,000,165
Current tax liabilities	-	5,290	-	-	-	-	-	-	5,290
Financial liabilities	1,551,970	1,677,101	74,919	286	-	-	-	239,423	3,543,699
Total liabilities	3,128,860	33,273,116	210,720	7,718	-	-	446,089	65,979,203	103,045,706
Total capital and liabilities	3,128,860	33,273,116	210,720	7,718	-	-	5,393,009	65,979,203	107,992,626
Total balance sheet exposure	(153,579)	(4,867,349)	931,377	96,091	229,869	5,692	3,615,854	142,045	-
Exposure to underlying assets via derivatives, in delta terms	2,058,273	1,488,341	(3,048,099)	(210,868)	(300,975)	(37,679)	51,007	-	-
Total exposure	1,904,694	(3,379,008)	(2,116,722)	(114,777)	(71,106)	(31,987)	3,666,861	142,045	-

1) The majority of insurance contracts issued by the consolidated insurance companies in Israel are denominated in NIS, and their exposure to changes in exchange rates is immaterial. In cases where exposure to exchange rates exists, it primarily results from exposure to the USD and to the EUR.

Note 39: Risk Management (Cont.)

C. Market risks (Cont.)

5. Details regarding exposure to market branches with respect to equity instruments

NIS in thousands	As of December 31, 2019 Listed on the Tel Aviv 125 Index	Listed on the Yeter stock index	Non-marketable	abroad	Total	% of total
Industry	**52,928**	**-**	**7,369**	**15,434**	**75,731**	**6%**
Construction, real estate and infrastructure	**213,465**	**29,396**	**-**	**219,199**	**462,060**	**34%**
Electricity and water	**93,587**	**-**	**-**	**48,489**	**142,076**	**10%**
Trading	**49,078**	**-**	**-**	**-**	**49,078**	**4%**
Tourism and hotels	**15,332**	**-**	**-**	**7,496**	**22,828**	**2%**
Telecommunications and IT services	**52,841**	**-**	**12,684**	**78,613**	**144,138**	**11%**
Banks	**193,561**	**5,217**	**9,373**	**8,836**	**216,987**	**16%**
Financial services	**51,167**	**4,955**	**-**	**5,007**	**61,129**	**4%**
Other business services	**27,756**	**-**	**74,478**	**37**	**102,271**	**7%**
Food	**21,771**	**-**	**-**	**104**	**21,875**	**2%**
Drugs and medical services	**8,938**	**-**	**2,975**	**47,554**	**59,467**	**4%**
Total	**780,424**	**39,568**	**106,879**	**430,769**	**1,357,640**	**100%**

NIS in thousands	As of December 31, 2018 Listed on the Tel Aviv 125 Index	Listed on the Yeter stock index	Non-marketable	abroad	Total	% of total
Industry	84,504	4,301	3,961	19,771	112,537	8%
Construction, real estate and infrastructure	147,187	28,129	-	229,457	404,773	29%
Electricity and water	122,911	-	87	48,714	171,712	12%
Trading	57,016	3,157	-	-	60,173	4%
Tourism and hotels	-	6,580	-	7,648	14,228	1%
Telecommunications and IT services	49,193	2,814	4,347	72,340	128,694	9%
Banks	207,197	-	3,346	10,012	220,555	16%
Financial services	65,602	18,960	5,836	10,706	101,104	7%
Other business services	-	-	77,052	28,829	105,881	7%
Food	38,252	-	-	-	38,252	3%
Drugs and medical services	18,459	-	3,060	37,477	58,996	4%
Total	790,321	63,941	97,689	464,954	1,416,905	100%

Note 39: Risk Management (Cont.)

D. Liquidity risks

1. General

The Company's policy is to verify the existence of the cash balances which it requires in order to service its financial liabilities, inter alia, through dividend distributions from investee companies.

Clal Insurance Group is exposed to risks arising from uncertainty associated with the date when it will be required to pay claims and other benefits to policyholders, relative to the total amount of funds available for this purpose at that time. It is noted that the possible need to raise sources in an unexpected manner, and within a short time, may require significant and rapid disposal of assets, and the sale of such assets at prices that may not necessarily reflect their market value.

A significant part of the insurance liabilities of Clal Insurance in the long term savings segment and the health segment is not exposed to liquidity risk, due to the characteristics of the various insurance contracts, as described below:
Investment-linked contracts - Under the contractual terms, the owners are entitled to receive only the value of the aforementioned investments. Therefore, if the value of the investments declines for any reason, a corresponding decline will take place in Clal Insurance's amount of liabilities. The total liabilities in these contracts as of December 31, 2019 and 2018 amounted to approximately NIS 72.8 billion and approximately NIS 66.1 billion, respectively.
respectively.

B. Approximately 75% of the liabilities with respect to non-investment-linked insurance contracts and investment contracts in the life insurance branch which were issued until 1990 are backed by designated (HETZ) bonds, which are issued by the Bank of Israel. Clal Insurance is entitled to realize these bonds when the redemption of the aforementioned policies is required. The scope of HETZ bonds as of December 31, 2019 and 2018 amounted to a total of approximately NIS 14.1 billion and approximately NIS 13.7 billion, respectively.

C. Deposits with the Accountant General are held with respect to approximately 89% of the liabilities to members of the guaranteed-return provident fund "Bar A Keren Gemulim Ltd." (hereinafter: "**Bar A**"), which Bar A is entitled to withdraw upon demand for redemption of member funds. The scope of these deposits as of December 31, 2019 and 2018 amounted to a total of approximately NIS 2.1 billion.

The Group's potential liquidity risk therefore primarily arises from the Group's balance of assets held against liabilities which are non-investment-linked and which are also not designated (HETZ) bonds or deposits with the Accountant General. The sum of these assets amounted to a total of approximately NIS 23.6 billion (last year - approximately NIS 21.1 billion), and constitutes approximately 20% (last year - approximately 20%) of the total assets in the statement of financial position.

Out of assets which are not held against investment-linked liabilities, a total of approximately NIS 10.2 billion (last year - approximately NIS 8.8 billion) constitutes marketable assets and balances of cash and cash equivalents.

It is noted that in accordance with the Investment Rules Regulations, the consolidated insurance companies are required to hold liquid assets against liabilities due to insurance business in an amount which will not fall below 30% of part of the minimum equity required of them. In this regard, liquid assets, as defined in the Ways of Investment Regulations include, inter alia, government bonds, cash and cash equivalents, corporate bonds and short term deposits with high ratings, stocks which are included in major indices, ETF's and mutual funds.
The institutional entities in Israel manage their assets and liabilities in accordance with the relevant requirements set forth in the Control Regulations, including the amendments enacted pursuant thereto.

2. Estimated maturity dates of liability amounts

The following tables present the estimated maturity dates of the Company's non-discounted insurance and financial liability amounts. Due to the fact that the amounts in question are not discounted, they do not correspond to the balances of financial and insurance liabilities in the statement of financial position.

D. Liquidity risks

2. Estimated maturity dates of liability amounts (Cont.)

A. The estimated repayment dates of the liabilities in the long term savings segment and in the health segment were included in the tables as follows:
Savings funds - On the basis of contractual repayment dates, i.e., retirement age, without cancellation discounts, and assuming that the entire savings will continue in the capital track, and not the annuity track.
Paid retirement, paid loss of working capacity, and paid long-term care - Based on an actuarial estimate.
Outstanding claims and risk reserves - Reported under the item for "Without defined maturity date".

B. The liabilities in non-life insurance, for the purpose of this note, also include net surplus revenues - see Note 3(d)(2)(b)(4)(4.3), the unexpected deviations reserve, and the reserve for unearned premiums, and are net of deferred acquisition costs.
The estimated maturity dates of the aforementioned undertakings were included in the tables as follows:
Liabilities in statistical branches which are estimated by an actuary - are reported in the columns on the basis of an actuarial estimate which assigns an estimated date to the amount of non-discounted liabilities, based on past claims payment experience.
Insurance liabilities in non-statistical debt branches and net surplus revenues - are reported in a column without a defined repayment date.

Note 39: Risk Management (Cont.)

Insurance liabilities in property and others branches, which are not statistical or on whose estimates the actuaries do not sign - are reported in the column representing a repayment period of up to 3 years.

The liabilities are exposed to reserve risks, as described in Section E below. The actuarial models are based on the assumption that the pattern of past behavior and claims will also continue in the future. The estimated flow is exposed to model risk and to parameter risk, which includes the risk that the amount that paid to settle the insurance liabilities will be different than expected.

C. The maturity dates of the financial liabilities and liabilities with respect to investment contracts were included on the basis of the contractual maturity dates. In contracts where the counterparty is entitled to choose the timing of the payment, the liability is included on the basis of the earliest date when the Company may potentially be required to pay the liability.

The repayment dates of liabilities with respect to investment contracts in Bar A were calculated based on the average abandonment rate and redemption rate.

Liabilities in the long term savings segment and health segment *)

NIS in thousands	Up to one year **)	1 to 5 years	5 years to 10 years	10 years to 15 years	Over 15 years	No defined repayment date	Total
As of December 31, 2019	**3,188,004**	**6,553,581**	**4,365,099**	**2,756,588**	**2,982,221**	**2,624,116**	**22,469,609**
As of December 31, 2018	4,389,810	5,396,048	4,289,134	2,677,956	3,098,270	1,157,140	21,008,358

*) Excluding liabilities with respect to investment-linked contracts.

**) The liabilities up to one year include a total of NIS 192,585 thousand (as of December 31, 2018 - approximately NIS 186,737 thousand), repayable on demand. These liabilities were classified as required for repayment in up to one year, despite the fact that the actual repayment dates may be in later years.

Liabilities with respect to insurance contracts

NIS in thousands	Up to 3 years	3 years to 5 years	Over 5 years	No defined repayment date	Total
As of December 31, 2019	**3,249,491**	**879,992**	**904,180**	**1,025,209**	**6,058,873**
As of December 31, 2018	3,197,853	873,875	922,050	903,022	5,896,801

Financial liabilities and liabilities with respect to investment contracts

NIS in thousands	Book value	Up to one year	1 year to 5 years	5 years to 10 years	10 years to 15 years	Over 15 years	No defined repayment date	Total
As of December 31, 2019								
Liabilities with respect to investment contracts	**2,396,604**	**150,290**	**506,684**	**475,620**	**345,391**	**916,046**	**2,573**	**2,396,604**
Liabilities with respect to investment-linked investment contracts	**2,828,148**	**-**	**-**	**-**	**-**	**-**	**2,828,148**	**2,828,148**
Deferred liability notes	**4,085,965**	**150,553**	**1,398,266**	**3,362,417**	**-**	**-**	**-**	**4,911,236**
Other accounts payable	**3,223,006**	**3,223,006**	**-**	**-**	**-**	**-**	**-**	**3,223,006**
Lease liabilities	**4,085,965**	**150,553**	**1,398,266**	**3,362,417**	**-**	**-**	**-**	**4,911,236**
Total	**17,210,951**	**3,714,726**	**3,489,420**	**7,431,606**	**560,016**	**1,030,126**	**2,830,721**	**19,056,615**
As of December 31, 2018								
Liabilities with respect to investment contracts	2,358,204	99,657	351,101	370,049	298,160	1,236,627	2,610	2,358,204
Liabilities with respect to investment-linked investment contracts	1,781,735	-	-	-	-	-	1,781,735	1,781,735
Other accounts payable	2,955,979	2,955,979	-	-	-	-	-	2,955,979
Deferred liability notes	3,209,815	132,914	1,644,119	1,978,983	-	-	-	3,756,016
Total	10,305,733	3,188,550	1,995,220	2,349,032	298,160	1,236,627	1,784,345	10,851,934

Note 39: Risk Management (Cont.)

E. Insurance risks

Insurance risks include the following, inter alia:

Underwriting risks: The risk that erroneous costing will be used as a result of deficiencies in the underwriting process, and of the gap between the risk at the time of pricing and the determination of premium, and the actual occurrence, such that the collected premiums are not sufficient to cover future claims and expenses. The gaps may result from incidental changes in business results, and from changes in average claims costs and/or in the prevalence of claims as a result of various factors.

Reserve risks: The risk of an incorrect estimation of insurance liabilities, which may result in the actuarial reserves being insufficient to cover all of the liabilities and claims. The actuarial models which are used by the insurance companies in the Group, inter alia, to estimate their insurance liabilities, are mostly based on the assumption that the pattern of past behavior and claims represent what will happen in the future. The exposure of the Group's insurance companies is comprised of the following risks:

Model risk - The risk that the wrong model will be chosen for pricing and/or for the evaluation of insurance liabilities;

Parameter risk - The risk that incorrect parameters will be used, which may result in a situation wherein, inter alia, the amount paid to settle the insurance liabilities of Clal Insurance, or the settlement date of the insurance liabilities, is different than expected.

The total maximum expected loss in non-life insurance business operations, as a result of the exposure to a single damage event or to the accumulation of damages with respect to a particularly large event, with an MPL ranging from 1.5% to 3.15%, amounts to approximately NIS 10,165 million gross and approximately NIS 45 million on self-retention, as of December 31, 2019.

For details regarding the various insurance products with respect to which insurance risk is created for the insurer, see details regarding insurance liabilities by insurance risks in Notes 5, 19, 20(a) and 21.

E1. Insurance risk in life and health insurance contracts

General

The following describes the various insurance products and the assumptions used to calculate the liabilities in respect thereto, by product type.

In general, according to instructions issued by the Commissioner, the insurance liabilities are calculated by an actuary, using generally accepted actuarial methods in Israel, and in a manner that is consistent with the previous year. The liabilities are calculated using the relevant coverage data, including the policyholder's age and gender, the insurance period, the insurance commencement date, insurance type, periodic premium and insurance amount.

A. Actuarial methods used to calculate insurance liabilities

1. Insurance plans of the "Preferred" and "Investment tracks" types

   Insurance plans of the "Preferred" type and "Investment Tracks" type include an identified savings component. The basic and main reserve is equal to the cumulative savings amount, with the addition of returns under the policy terms, as follows:

   - Fund linked to investment portfolio returns (investment-linked contracts).
   - CPI-linked fund with the addition of fixed interest is guaranteed or credited with guaranteed returns against adjusted assets (guaranteed-return contracts).

   A separate insurance liability is calculated with respect to the insurance components which are attached to these policies (loss of working capacity, death, long-term care, etc.), as described below.

2. Insurance plan of the "Traditional" type, with fixed premiums

There are insurance plans of the "Traditional" type with fixed premiums, such as the "Combined" insurance plan, etc., which combine a savings amount component, in case the policyholder remains alive at the end of the plan period, with an insurance component involving risk of death during the plan period, as well as pure savings plans (primarily loss of working capacity and long-term care) with fixed premiums.

The insurance liability with respect to these products is calculated for each coverage as a discount of cash flows with respect to expected claims, including payment upon conclusion of the period, less projected future claims. This calculation is based on the assumptions used to price the products and/or on discounts derived from claims experience, including the interest rates (hereinafter: the "**Nominal Interest**"), mortality table or morbidity table. The calculation is performed using a method known as "Net Premium Reserve", which does not include, in the projected flow of receipts, the component loaded on the premium rate to cover fees and expenses, while also not deducting the expected expenses and fees.

With respect to investment-linked insurance plans of the "Traditional" type, the reserve also includes a provision in the amount of the balance of the actual accumulated bonus. The bonus reflects the difference between the actual return less management fees, and the nominal interest rate.

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

A. Actuarial methods used to calculate insurance liabilities (Cont.)

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

Paid pension liabilities are calculated in accordance with the guidelines specified in the consolidated circular, section 5, part 2, chapter 1(c), in accordance with life expectancy, based on mortality tables which were created based on the tables which were published in 2019 (hereinafter: the "**Annuity Reserves Circular**").

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

Calculation of the liability to supplement the annuity reserve

Liabilities to supplement annuity reserves are calculated, inter alia, in accordance with the probability of annuity withdrawal upon retirement (realization of eligibility for annuity), in accordance with the annuity tracks which policyholders are expected to choose, and based on life expectancy in accordance with mortality tables, which were published in the annuity reserves circular.

Insofar as the probability of annuity withdrawal is higher, the liabilities required to supplement the annuity reserve are also higher. Additionally, insofar as the difference between the updated mortality tables in the annuity reserves circular (which indicate increased life expectancy) and the mortality tables which were used to price the guaranteed annuity factors in the policies is greater, the paid pension liability and the liability to supplement annuity reserves are also higher.

From time to time, the Company conducts studies in which it evaluates the rate of policyholders who are expected to realize their eligibility to receive annuities, the mix of annuity tracks that retiring policyholders choose to receive, which were used to estimate the annuity payment period, as well as other parameters which affect the amount of the liability to supplement the annuity reserve. The realization rates and annuity tracks are adjusted to the various insurance plans and savings types.

Gradual provision to supplement the annuity reserve using the K factor

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

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

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

During the reporting period, the Company updated the life expectancy rate (see section D(2) below) and the expected retirement age, according to age, as well as the cancellation rate, including reference to the impact of the deficit of variable management fees (see section D(3) below). Additionally, during the reporting period, the risk-free interest rate curve decreased (see section D below). As a result, the K factor was updated in the manner specified in the following table:

As of December 31	2019	2018	2017
For guaranteed-return policies	**0.0%**	0.0%	0.0%
For investment-linked policies	**0.73%**	0. 96%	0. 88%

The total estimated cost of the increase in life expectancy may change due to several factors, including, inter alia, changes in life expectancy and in the rate of policyholders who exercise their eligibility to receive annuities, change in the reasons of policyholders for choosing the annuity tracks upon retirement, increase in the savings funds of policyholders, due to future premium payments and/or an increase in investment income, and due to changes in discount interest rate assumptions, and other assumptions.

For additional details regarding the amount of the provision and the total cost, see Note 20A.

For details regarding the discount interest rate for liabilities in the supplementation of annuity reserves, see b(1) below.

4. Other life insurance plans include a pure risk products with fixed premiums (loss of working capacity, death, long-term care, etc.) which are sold as independent policies or are attached to policies with a basic plan of the "preferred", "investment tracks" or "traditional" types. An actuarial liability is calculated with respect to these plans. The calculation was performed using the net premium reserve method. In the other plans, the reserve is calculated in accordance with the amount of outstanding and IBNR claims.

5. Insurance plans for medical expenses, critical illness and personal accidents

Medical expenses insurance plans primarily include coverages for surgery abroad, and for transplants and special treatments abroad, selection of a private surgeon in private hospitals, drugs which are not included in the basket, and additional ambulatory covers.

Note 39: Risk Management (Cont.)

E.1. Insurance risk in life and health insurance (Cont.)

A. Actuarial methods used to calculate insurance liabilities (Cont.)

5. Insurance plans for medical expenses, critical illness and personal accidents (Cont.)

The illness and hospitalization branch includes the following basic insurance coverages:

Insurance coverage that provides the policyholder the right to finance private medical services. Within this framework, the insurant is given the right to choose the date of receiving the medical service, the identity of the attending physician and the medical institution. The aforementioned insurance coverage provides a refund for medical expenses or compensation, inter alia, in connection with surgery, transplants and/or special treatment overseas etc.

Insurance coverage in case of diagnosis of a critical illness, in which the policyholder is entitled to receive compensation in the amount which was determined upon joining the insurance.

Insurance coverage for purchasing medication which is not included in the national health basket.

Additionally, it is possible to acquire additional coverage, as a rider to the policy, or as a chapter in the basic policy, such as ambulatory services (medical services given not at the time of hospitalization, including consultation with specialized physicians, tests, and physiotherapy treatments).

The personal accidents branch is sold in the Company as an independent policy or as a rider to health policies in the illness and hospitalization branch. The insurance coverages include:

Accidental death

Accidental disability and/or loss/reduction of working capacity

Fractures due to accidents

Burns due to accidents

Daily compensation due to hospitalization as a result of an accident

Compensation due to long-term care situation as a result of an accident

With respect to these plans, which are sold as individual policies, the reserve is calculated using the gross premium reserve method, which includes the total expected flow of receipts, including all premium components, and deducts the cost of the liability, and the expected expenses and commissions, and the expected reinsurance payments (if a sub-arrangement for coverage exists). The calculation assumptions regarding parameters pertaining to morbidity assumptions, demographic assumptions and economic assumptions were made on a stringent basis as compared with the pricing basis, which is a commonly accepted practice for the pricing of reserves.

The international travel branch is comprised of a basket of insurance coverages which are intended for policyholders in connection with their time spent abroad, which includes, inter alia, coverage with respect to illness, personal accidents, reduction of travel period, location, extraction and cargo. The insurance period in an international travel policy is specified in days, according to the period of the policyholder’s residence abroad, or for the duration of all travel days in a single calendar year.

In the international travel branch, outstanding claims are calculated based on reports submitted by the claims department of Clal Insurance, and on an actuarial valuation performed on the basis of accumulated experience in the portfolio.

Outstanding claims are calculated based on the report submitted by the claims department, and on a statistical model of claim payments based on past experience. The calculation is performed by based on the triangle methods (Bornhuetter-Ferguson, Chain Ladder) for paid claim amounts, for outstanding claims, and for claim amounts by damage months, including a discounting and confidence range for the personal accidents for students branch.

6. With respect to ongoing payment claims, in long-term care insurance and in loss of working capacity insurance, an insurance liability is calculated according to the expected payment period, and is discounted according to the product’s nominal interest rate.

7. Insurance liabilities with respect to collective insurance are comprised of liabilities with respect to unearned premiums, ongoing claims reserve, outstanding claims, continuity reserve and the provision for future losses, as required. Additionally, the provision for participation in profits is presented under the item for payables, as relevant.

8. Liabilities with respect to outstanding claims in life insurance primarily include provisions for outstanding claims with respect to death and disability cases.

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life and health insurance (Cont.)

B. Main assumptions used to calculate insurance liabilities

1. Discount rate

A. With respect to insurance plans and pure savings products with fixed premiums, the interest rate used for discounting is as follows:

In insurance plans of the “traditional” and “preferred” types, which are non-investment-linked, and which are primarily backed by designated bonds, an official real interest rate of 3.5% to 4.8% is used.

With respect to investment-linked products which were issued in 1991 or later, an official real interest rate of 2.5% is used. Under the policy terms, changes will be charged to policyholders.

With respect to long term, non-investment-linked individual long-term care and health products, a real nominal interest rate of 2.5% is applied.

B. With respect to paid pension liabilities and liabilities to supplement guaranteed-return annuity reserves, the discount rate was calculated for each fund separately by weighing the estimated market returns on the mix of free assets (2.6%-2.79%; last year - 2.6%-2.79%), and the HETZ bond gross interest rate for the fund. The weighting process is implemented based on the weight of free assets and the weight of HETZ bonds in the fund backing up those reserves. The determination of the discount rate also includes reference to the risk-free interest rate for an average lifetime which is suitable for the liability.

with respect to liabilities for paid pensions, and the supplementation of the profit sharing annuity reserve, in accordance with the estimated market returns on the mix of assets, including with respect to the investment tracks where the funds are intended for investment.

The Company may decide to implement a change to the discount rate as a result changes in the risk-free interest rate and/or in the estimated rate of return in the portfolio of assets held against insurance liabilities. For details regarding the impact of the update to the interest rates which are used to discount the liabilities to supplement annuity and paid pension reserves, see section D below.

2. Mortality and morbidity rates

A. The mortality rates used to calculate insurance liabilities with respect to the mortality of policyholders before reaching retirement age (in other words, not including the mortality of policyholders receiving pension annuities, and those receiving monthly benefits with respect to loss of working capacity or long-term care) are generally identical to the rates used to determine the rate which was approved by the Commissioner.

B. The liabilities for lifetime payout annuities are calculated in accordance with mortality tables which were published by the actuary of the Ministry of Finance in the annuity reserves circular.

An increase in assumed mortality rates, due to an increase in the actual mortality rate above the current assumption level, will result in an increase in insurance liabilities with respect to policyholder mortality before retirement age, and in a reduction of liabilities for lifetime payout annuities.

It should be noted that in recent decades an opposite trend has occurred, which involved increased life expectancy and a decreased mortality rate. The mortality assumption which is used to calculate the liability annuity takes into account the assumption regarding the future increase in life expectancy.

For details regarding the impact of the update to mortality tables, see section D(2) below.

C. The morbidity rates refer to the prevalence of claim events with respect to critical illness, loss of working capacity, long-term care, surgeries and hospitalization, accidental disability, etc. These rates were determined based on the experience of Clal Insurance and/or data from reinsurer studies. In the long-term care and loss of working capacity branches, the annuity payment period used by the Company to calculate the liabilities is determined according to the experience of Clal Insurance or information obtained from reinsurer studies.

The higher the increase in the assumption regarding the morbidity rate and/or annuity payment period, the higher the insurance liability with respect to morbidity from critical illness, loss of working capacity, long-term care, surgeries and hospitalization, and accident disability.

For details regarding the effect of the prevalence update and the payment period for long-term care claims, see section d(5) below.

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

B. Main assumptions used to calculate insurance liabilities (Cont.)

3. Annuity realization rates upon retirement

Life insurance contracts which include a savings component, with respect to funds which were deposited until 2008, allowed two tracks for the withdrawal of funds: a capital (one time) track or an annuity-paying track with a guaranteed annuity conversion factor, which can also be chosen through different tracks (such as entire lifetime, couple, 10 year guarantee, and others). In some of the contracts, the policyholder is entitled to choose the way in which they will receive the funds upon withdrawal. Due to the fact that the amount of the insurance liability is different in each of these tracks, the Company estimates, from time to time, the annuity eligibility realization rate upon retirement, and the chosen track. Beginning in 2008, new deposits in all of the plans are for annuities. For details regarding the impact of the update to the annuity withdrawal rate upon retirement, see section D(3) below.

4. Cancellation rates

The cancellation rate affects insurance liabilities with respect to some types of health insurance, as well as lifetime payout annuities in the period prior to commencement of the payments. Insurance contract cancellations may arise due to policy cancellations initiated by Clal Insurance due to discontinuation of premium payments, or redemption of policies at the request of their owners. The assumptions regarding cancellation rates are based on the experience of Clal Insurance, and also on the product type, product lifetime and sale trends. For details regarding the impact of the update to the cancellation rate, including reference to the effect of the deficit of variable management fees, see section D(3) below.

5. Continuity rates

Certain types of collective life insurance, health insurance and long-term care insurance allow policyholders to remain insured under the same terms, even in the event that the collective contract is not resumed. The Company has a liability with respect to this policyholder option, which is based on assumptions regarding the continuity rates of collective insurance types, and on the continuity rates of contracts with the policyholders after the termination of the collective contract. See section E1(a)8 for details regarding the actuarial methods used to calculate the aforementioned insurance liabilities.

The higher the probability that the collective contract will not be renewed (therefore meaning a higher continuity rate), the higher the insurance liability with respect to continued insurance under the previous conditions, without adjusting the underwriting to the change in the policyholder's health condition.

C. Sensitivity tests in life and health insurance

As of December 31, 2019

	Cancellation rate (redemptions, settlements and reductions)		**Morbidity rate**		**Mortality rate**		**Pension realization rate**	
NIS in thousands	**+10%**	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**	**+5%**	**-5%**
Income (loss)	**6,533**	**(7,190)**	**(288,688)**	**278,905**	**562,886**	**(625,998)**	**(146,186)**	**146,186**

*) For the total supplementary pension reserve, see Note 20(a).

As of December 31, 2018

	Cancellation rate (redemptions, settlements and reductions)		**Morbidity rate**		**Mortality rate**		**Pension realization rate**	
NIS in thousands	**+10%**	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**	**+5%**	**-5%**
Profit (loss)	21,595	(22,795)	(173,555)	64,259	437,599	(524,136)	(82,098)	82,098

*) For the total supplementary pension reserve, see Note 20(a).

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

D. Changes in main estimates and assumptions which were used to calculate insurance liabilities

The impact of the update to the assumptions in the life and long-term care insurance branch of the financial results is specified below:

NIS in millions	For the year ended December 31 2019	2018	2017
Life insurance			
Change in the discount interest rate used in the calculation of the liabilities to supplement the annuity and paid pension reserves *)	**(26)**	85	(197)
Change in pension reserves following the decreased forecast of future income due to change in interest rate (K factor)	**(805)**	135	(126)
Total effect of interest rate changes on the liability to supplement the annuity and paid pension reserves	**(831)**	220	(323)
Change in mortality assumptions used in the calculation of paid pension liabilities and liabilities to supplement annuity reserves (see section 2)	**(353)**	-	-
Change in other assumptions used in the calculation of liabilities to supplement annuity reserves (see section 3)	**762**	-	-
Cancellation rate during the period before retirement	**-**	-	67
Total effects on the liability to supplement the annuity and paid pension reserves	**(422)**	-	(256)
Liability adequacy test (LAT) (see section 4)	**(648)**	75	64
Total life insurance	**(1,070)**	295	(192)
Frequency and payment period of long-term care claims	**-**	(68)	-
Liability adequacy test (LAT) in long-term care insurance (see section 4)	**(537)**	-	-
Total long-term care in the health segment	**(537)**	(68)	-
Total income (loss) before tax	**(1,607)**	227	(192)

*) In 2017, including the effect of interest on the assets of pension recipients, and the management fees which are derived therefrom.

1. Strengthening of insurance reserves in the low interest rate environment, and its effect on discount rates in life and long-term care insurance and the Commissioner's directives with respect to the liability adequacy test (LAT)

A. The Commissioner's directives regarding the liability adequacy test (LAT)

further to that stated in Note 3(d)1(d), in August 2015, an insurance circular was published regarding the method used to calculate the liability adequacy test (LAT) in life and long-term care insurance, which was updated in March 2020 (the "LAT Circular"). The LAT circular applies to measurement guidelines and to the selection of certain assumptions, and applies to the financial statements as of June 30, 2015 and thereafter. For details regarding the publication of a draft update to the LAT circular, see Note 43(j) below.

B. Strengthening of insurance reserves in light of the low interest rate environment

Further to that stated in section B(1) above, the discount rates which are used to calculate the liabilities to supplement the annuity and paid pension reserves may change as a result of changes in the risk-free interest rate and/or the estimated rate of return in the portfolio of assets held against insurance liabilities.

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

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

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

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

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

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

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

3. Change in other assumptions used in the calculation of liabilities to supplement annuity reserves

Further to that stated in Note 39(e)(e1)(b)(3) and (4), regarding the periodic estimation of annuity withdrawal rates upon retirement, and the cancellation rate, during the reporting period the Company updated various assumptions, inter alia, in light of the improved model of annuity withdrawal upon retirement, in light of new studies which it performed, regarding the trend towards differing rates of annuity withdrawal, in accordance with retirement age, in light of the accumulated experience on the subject, as opposed to the default which was determined in the annuity reserves circular. As a result, the Company reduced its estimates regarding the liabilities in the amount of approximately NIS 455 million, which includes a total of approximately NIS 539 million with respect to the liability to supplement the annuity reserve, and on the other hand, a total of approximately NIS 84 million representing the increased provision due to the liability adequacy test. The Company also updated the annuity withdrawal rate according to age, as well as the cancellation rate, including reference to the impact of the deficit of variable management fees. As a result, the Company reduced its estimates regarding the liabilities in the amount of approximately NIS 196 million, which includes a total of approximately NIS 223 million with respect to the liability to supplement the annuity reserve, and on the other hand, a total of approximately NIS 27 million representing the increased provision due to the liability adequacy test.

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

During the reporting period, the Company's investment committee and Board of Directors approved and updated the investment policy, and the corresponding allocation of managed assets against capital and insurance liabilities in the life, health and non-life insurance segments, in consideration of the returns and lifetimes of the liabilities, and the required liquidity.

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

5. <u>Change in the frequency and payment periods of ongoing long-term care claims</u>

During the corresponding period last year, the Company observed an increase in the prevalence and payment period of long-term care claims, and accordingly, updated its liabilities in the amount of approximately NIS 68 million.

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

(1) Summary description of the main insurance branches in which the Group operates

The Group issues non-life insurance contracts primarily in the compulsory motor, liabilities, motor property and property insurance branches.

Compulsory motor insurance policies cover the policyholder and the driver for all liabilities which they may incur under the Compensation for Victims of Road Accidents Law, 1975, due to physical injury caused as a result of the use of a motor vehicle, to the vehicle driver, to passengers in the vehicle, or to pedestrians injured by the vehicle. Claims in the compulsory motor branch are characterized as “long-tail” claims, meaning that a long period of time passes from the actual occurrence of the event until the final settlement of the claim.

Liability insurance is intended to cover the policyholder’s liability for any damages which it may cause to third parties. The main types of insurance include: third party liability insurance, employers’ liability insurance and other liability insurance such as professional liability, product liability and directors and officers liability insurance. The timing of the filing and settlement of claims is affected by a number of factors, including coverage type, policy terms and legal precedents. In general, claims in the liabilities branch are characterized as “long-tail” claims, meaning that a long period of time passes from the actual occurrence of the event until the final settlement of the claim.

Insurance policies covering motor property damage and third party motor property damage grant the policyholder coverage for property damages. The coverage is generally limited to the value of the damaged vehicle and/or to the third party liability limit in the policy. The Insurance Commissioner’s approval is required for the motor property insurance rate, as well as for the entire policy. This rate is a statistical rate, and is in part also differential (not uniform to all policyholders, and adjusted for risk). The above rate is based on several parameters, including those related to the policyholder’s vehicle (such as vehicle type, production year, etc.) and those related to the policyholder’s characteristics (driver age, claims experience, etc.). The underwriting process is partly performed using the rate itself, and partly using a series of policies, which are intended to evaluate the policyholder‘s claims experience, including presentation of an approval regarding lack of claims from previous insurers during the preceding three years, presentation of an updated protection approval, etc., and are combined in an automated manner into the policy production process. In most cases, the motor property insurance policies are issued for a period of one year. Additionally, in most cases, claims with respect to these policies are settled near the date of the insurance event, and are characterized as “short tail” claims.

Property insurance types are intended to grant the policyholder coverage against physical damage to their property, and loss of income due to the damage to their property. The primary risks covered in property policies include risks of fire, explosion, break-in, earthquake and natural disasters. Property insurance branches sometimes include coverage for loss of income damages due to physical damage to property. Property insurance types constitute an important component of apartment insurance, business insurance, engineering insurance, cargo transportation (land, air, and sea) insurance, etc. In most cases, claims with respect to these policies are evaluated proximate to the date of the occurrence of the insurance event, and characterized as “short tail”.

(2) Principles used in the calculation of the actuarial estimate in non-life insurance

General

A. The liabilities with respect to non-life insurance contracts include the following main components: unearned premium reserve; premium deficiency; outstanding claims; and net surplus revenues, depending on the relevant branch. The provisions for unearned premiums and net surplus revenues are calculated using a method than is independent of any assumptions, and therefore they are not directly exposed to reserve risk. For details regarding the method used to calculate these provisions, see Note 3(d)(2).

B. In accordance with instructions issued by the Commissioner, outstanding claims are calculated by an actuary, using commonly accepted actuarial methods, and in a manner that is consistent with the previous year. The selection of the appropriate actuarial method for each insurance branch and for each event/underwriting year is determined based on judgment, according to the degree of correspondence between the method and the branch. At times, a combination of the various methods is employed. The estimates are primarily based on past experience of the development in claim payments and/or the development of payment amounts and individual estimates. The estimates include assumptions with regard to the average claim cost, claims handling costs and frequency of claims. Other assumptions may refer to changes in interest rates, in exchange rates and in the timing of payments. The claim payments include direct and indirect expenses for the settlement of claims, less subrogation claims and deductibles.

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

C. The use of actuarial methods which are based on the development of claims, is for the most part appropriate when stable and sufficient information exists regarding claim payments and/or individual estimates in order to estimate the total projected cost of claims. When the available information regarding actual claims experience is insufficient, the actuary will at times use a calculation that weighs a known approximation (in the Company and/or in the branch), such as the loss ratio, against the actual development of claims. A greater weight is given to an estimate based on claims experience as time passes, and as additional information regarding the claims is accumulated.

D. Additionally, qualitative estimates and judgments are prepared with respect to the degree to which past trends will not continue in the future. For example: due to a one-time event, internal changes such as a change in the portfolio mix, in the underwriting policy, in the claims handling policies, and with respect to the impact of external factors, such as legal ruling, legislation, etc. When changes as above are not fully reflected in past experience, the actuary updates the models and/or performs specific provisions based on statistical and/or legal estimates, as relevant.

E. In a number of large claims with non-statistical characteristics, the reserve is determined (gross and retention) based on the opinion of experts in Clal Insurance, and in accordance with the recommendations of their legal counsel.

F. The share of reinsurers in outstanding claims is estimated in consideration of the agreement type (relative / non-relative), actual claims experience and premiums transferred to reinsurers.

G. The estimate of outstanding claims for Clal Insurance's share in the Pool, in incoming business and in joint insurances which are received from other insurance companies (leading insurers), was based on a calculation performed by the Pool or by the leading insurers, or on a separate calculation in the Company.

(3) Details of actuarial methods in the main insurance branches in non-life insurance

For the purpose of evaluating outstanding claims, use was made of the following actuarial models, in combination with the various assumptions:

A. <u>Chain ladder</u>- This method is based on the historical development of claims (development of payments and/or development of the payment amounts and individual claim estimates, development of claim amounts, etc.) in order to estimate the projected development of current and future claims. The use of this method is primarily appropriate after passage of a sufficient period from the event or the policy underwriting, when sufficient information exists from past claims to estimate the amount of projected claims.

B. <u>Bornhuetter-Ferguson</u>- This method combines an a priori estimate which is known among the consolidated insurance companies or in the branch, and an additional estimate, which is based on the claims themselves. The preliminary estimate is used in premiums and damage rates to estimate the total amount of all claims. The second estimate uses actual claims experience, based on other methods (such as Chain Ladder). The integrated claims estimate weighs both estimated figures, with a greater weight given to the estimate that is based on past claims experience as time passes, and as additional information regarding the claims is accumulated. The used of this method is for the most part suitable in cases where insufficient claims information exists, or where the business in question is new, or does not have sufficient historical information.

C. <u>Averages</u> - At times, similarly to the Bornhuetter-Ferguson method, when the claims experience in past periods is insufficient, use is made of the historical average method. When using this method, the cost of claims is determined based on the claim cost per policy in earlier years, and on the amount of policies in the later years. Similarly, the cost of claims is calculated based on the forecasted amount of claims (the chain ladder method) and on the historical average of claims.

D. <u>Other</u> - For professional illness type claims in employers' liability insurance, which are claims based on continuing damages, a provision is calculated based on projected future cost. Such claims include no specific date in which the worker was injured, and the formation of the damage is as a result of prolonged exposure to risk factors. Claims of this kind are characterized by a very long period following the exposure to the risk factors (the insurer's exposure) until reporting of the claim (long-tail claims). This pattern of the rate of reporting and of the insurer's exposure to continuing damages requires a provision for each exposure year in employers' liability insurance, even if no claims were reported, or if the policy expired many years ago.

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

(3) Details of actuarial methods in the main insurance branches in non-life insurance (Cont.)

In the motor property, comprehensive apartment and personal accidents branches, a payment development model was used for payments and gross contingencies. For periods which have not yet reached maturity, the averages method and the Bornhuetter-Ferguson method were used. The model is calculated in terms of gross claims. The estimate of the share of reinsurers, insofar as it is relevant, is done in accordance with the estimate of specific claims plus IBNR, according to the gross IBNR rate which was determined in the actuarial model.

In the compulsory motor and liabilities branches, semi-annual models were used for the development of payments, and the development of payments and contingencies. For periods which have not reached maturity, the Bornhuetter-Ferguson and/or the Expected Loss Ratio methods are used. The claims development model in the liabilities branches is based on net claims from facultative reinsurance. The estimated share of reinsurers in the non-relative contract is obtained based on an estimation of individual outstanding claims for old years, and according to the loss ratio for recent years.

In the loss of property and engineering branches, an annual development model was prepared based on payments and contingencies.

In branches for which no actuarial valuation was performed, including the branches for cargo shipping insurance, marine insurance, aviation insurance, guarantees, credit risks and incoming business, outstanding claims were included according to expert estimates, as described in Note 3(d)(2)(d), in section 4.2.

In the investment insurance branch for apartment buyers, in accordance with the Reserve Calculation Regulations, and in accordance with an evaluation which was conducted by the Company through an independent expert, the reserve for net surplus revenues is calculated cumulatively over 3 years, which, according to the Company's estimate, represents the required degree of conservatism according to best practices.

(4) Main assumptions used for the purpose of the actuarial estimate

A. The reserves for outstanding claims in the compulsory motor, liabilities and personal accidents branches are discounted according to the annual real interest rate determined by the chief actuary. As part of the process of preparing the financial statements, the actuary evaluates, on a quarterly basis, the discount rate for the indicators, including:

Returns in the portfolio of assets held against insurance liabilities, following an amortization with respect to expected credit defaults;

Market returns - as reflected in the "deposit yield curve", in accordance with average lifetime and the investments' rating in the portfolio.

These indicators are also evaluated in combination with the evaluation of macro-economic assessments with respect to long term developments in the interest rate environment, and with respect to the average lifetime of the relevant liabilities.

The Company may decide to change the discount rate as part of the overall evaluation of the adequacy of the insurance liabilities, as a result of material and ongoing changes in the risk-free interest rate and/or in the rate of return of the portfolio of assets held against liabilities in non-life insurance and/or changes in market returns.

In the years 2016-2019, no change occurred in the discount interest rate, and it stands at 1.30%.

The amortization with respect to discounting on retention in Clal Insurance, as of the date of the update to the actuarial model amounted to approximately NIS 109 million during the reporting year (last year - approximately NIS 113 million).

B. In the compulsory motor, liabilities and student personal accidents branches, an addition was included with respect to the risk margin (standard deviation) which underlies the reserve.

The total addition on retention in Clal Insurance, as of the date of the update to the various actuarial models, amounted to approximately NIS 182 million (last year - approximately NIS 186 million).

C. When necessary, Clal Insurance adds a claim tail to the analysis of payment developments. In the analysis of the development of payment amounts and outstanding individual claims, actuarial judgment for the most part does not allow negative IBNR on the level of each underwriting year.

D. See also Note 19(c).

E. Implementation of the Commissioner's position was implemented in connection with best practices in the calculation of insurance reserves in non-life insurance (hereinafter: the "Practice"), which serves as the basis for determining a minimum amount for the required reserves.

The policy includes, inter alia, the following determinations:

1. "Applying caution" means, with respect to a reserve which was calculated by an actuary, that an "adequate reserve to cover the insurer's liabilities" signifies that it is fairly likely that the determined insurance liability will suffice to cover the insurer's liabilities. Regarding outstanding claims in compulsory and liabilities branches, the evaluation of "fairly likely" will mean an estimated likelihood of at least 75%.

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

(4) Main assumptions used for the purpose of creating the actuarial valuation (Cont.)

E. (Cont.)

1. (Cont.)

However, insofar as there are restrictions in the statistical analysis, the actuary will exercise judgment, and will take into account, for example, the following considerations:

A. Random risk (risk of random deviation from the results of the actuarial model)

B. Systemic risk (risks which are not included in the model, such as risk of use of an incorrect model or incorrect parameters, or external changes which are not reflected in the model).

The appropriate discount interest rate used to evaluate caution is in accordance with the risk free interest curve which is adjusted to the illiquid nature of the liabilities. This evaluation also requires taking into account the revaluation method used in the financial statements for assets held against liabilities.

2. Selection of a discount rate for the flow of liabilities.

3. Grouping - for the purpose of the principle of caution in non-grouped branches (as defined in the circular - non-grouped branches), it is necessary to address each branch separately, although it is possible to group together all of the underwriting (or damage) years in the branch. In grouped (grouped) branches, all can be addressed as a single unit. Additionally, it is possible to take into account the absence of a complete correspondence between the various branches for the purpose of reducing the total margin.

4. The determination of the amount of insurance liabilities with respect to policies which were sold in time frames proximate to the balance sheet date and the risks which have not yet passed.

It is noted that in accordance with the LAT circular, the implementation of the principle of caution, as stated above, constitutes sufficient calculation for the purpose of the liability adequacy test in non-life insurance.

F. National Insurance annuity discount rate

In June 2014, an inter-ministerial committee led by the Hon. Judge (Emeritus) Dr. Eliyahu Winograd was appointed in order to evaluate a correction to the life expectancy tables and the interest rate which is used to discount annuities in accordance with the National Insurance Regulations (Discounting), 1978 (the "**Discounting Regulations**" and the "**Committee**"). In June 2016, an amendment to the Regulations (hereinafter: the "**Amendment**") was published which includes, inter alia, updates to the mortality tables and the discount rates which are used to calculate the aforementioned annuities.

The Discounting Regulations formalize, inter alia, the discount rate which is used to calculate the subrogation claims which are submitted by National Insurance towards third parties, in accordance with the right which is conferred upon it by virtue of the National Insurance Law (Consolidated Version), 1995 (hereinafter: the "**Law**"), in cases where the event constitutes grounds to charge the third party in accordance with the Civil Wrongs Ordinance or the RAVC law.

In accordance with the amendment, the interest rate for the purpose of determining the annual annuity will be 2% instead of 3%, as specified in the Discounting Regulations prior to the amendment. The amendment also determines that the mortality tables and annuity discount rates will be updated again on January 1, 2020, and once every four years thereafter.

Note 39: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

(4) Main assumptions used for the purpose of creating the actuarial valuation (Cont.)

F. National Insurance annuity discount rate (Cont.)

The amendment to the Discounting Regulations entered into effect in October 2017, and led to an evaluation by the courts of the effect of the aforementioned change in the discount rate, including with respect to compulsory and liabilities insurance. This matter was presented to the Supreme Court for a decision, as part of a specific case which was conducted against the Pool (hereinafter: the “**Specific Case**”). In April 2018, an inter-ministerial committee was established (by the Ministry of Justice and the Ministry of Finance) for the purpose of evaluating the subject of the discount rate for tort damages, for all intents and purposes, which submitted its conclusions in June 2019 (hereinafter: the “**Kaminetz Committee Report**”). The Kaminetz Committee recommended, inter alia, that the discount rate for tort damages which is used, among other purposes, to discount insurance benefits for policyholders, be kept at the fixed rate of 3% for all injured parties (hereinafter: the “**Determined Discount Rate**”). It also recommended to allow changes to the determined discount rate, according to an evaluation mechanism which will be implemented once every two years, based on an evaluation of the returns which are received from investment in AA rated corporate bonds, over a period of 25 years, during the half year preceding the aforementioned date. Insofar as a deviation of over one percent in either direction has been identified, the interest rate will be updated by the Accountant General (hereinafter: the “**Update Mechanism**”), except in extraordinary circumstances, as specified in the committee’s recommendations. In August 2019, a ruling was given regarding the specific case, which adopted the main conclusions of the Kaminetz Committee report (hereinafter: the “**Ruling**”), and which kept the discount rate at 3%. The Court also determined that until a legislative amendment on the matter, for the purpose of evaluating a significant economic change which requires a change in the discount rate, it will adopt the update mechanism. It was further determined in the ruling, with respect to the discount rates which will be used by insurers for the purpose of deducting National Insurance Institute compensation from the policyholders, and for the purpose of paying subrogation claims to the National Insurance Institute, that during the interim period, until the amendment to the Discounting Regulations, according to the committee’s recommendations, the insurers’ consent to deduct National Insurance Institute compensation from insurance benefits for policyholders, according to a discount rate of 3%, will remain in effect. However, it was determined that in light of the damage caused to the injuring parties (including the insurance companies), it is presumed that, until the amendment to the Discounting Regulations, National Insurance will also have recourse to the injuring party, through a demand according to a discount rate of 3% (hereinafter: “Subrogation Claims of the National Insurance Institute”). At this stage, an agreement has not yet been reached with National Insurance on the matter.

A motion to conduct an additional hearing, which has not yet taken place, was filed with respect to the ruling in September 2019.

The ruling’s impact on the financial results during the reporting period, without addressing, at this stage, also a possible change, in accordance with the Supreme Court’s recommendation, regarding the discount rate with respect to the payment of National Insurance subrogation claims, is a reduction of the insurance reserves in the amount of approximately NIS 122 million, before tax, as compared with a decrease of approximately NIS 52 million last year. The balance of the provision as of December 31, 2019 amounted to approximately NIS 45 million before tax.

At this stage, before the Supreme Court has given a decision regarding the motion for an additional hearing on the subject of the discount rate for tort damages, and before the legislator has decided regarding the Discounting Regulations, in light of the gap which was created, as stated above, and in light of the update mechanism, the uncertainty regarding the possibilities of evaluating deviations from the mobility band, which would affect the Company’s liabilities, and in consideration of the developments in the interest rate environment after the balance sheet date, as specified in Note 43(k) to the financial statements, it is not possible to predict the impact on insurance liabilities.

Note 39: Risk Management (Cont.)

F. Credit risks

1. Distribution of debt assets by location

	As of December 31, 2019		
NIS in thousands	Marketable *)	Non-marketable	Total
In Israel	5,760,370	22,325,971	28,086,341
Foreign	175,038	143,887	318,925
Total debt assets	5,935,408	22,469,858	28,405,266

	As of December 31, 2018		
NIS in thousands	Marketable *)	Non-marketable	Total
In Israel	4,876,880	21,764,827	26,641,707
Foreign	354,982	225,516	580,498
Total debt assets	5,231,862	21,990,343	27,222,205

*) For additional details regarding marketable debt assets, see Note 14(a).
See also section 2 below for details regarding assets distributed by ratings, as presented below.

It is noted that the data presented above are not with respect to debt assets for investment-linked contracts. For details regarding financial investments for investment-linked contracts, see section G below.

Note 39: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating

A.1. Debt assets

	Local rating *)				
	As of December 31, 2019				
NIS in thousands	AA or higher	A to BBB	Lower than BBB-	Unrated	Total
Debt assets in Israel					
Marketable debt assets					
Government bonds	3,642,843	-	-	-	3,642,843
Corporate bonds	1,675,632	425,511	-	16,384	2,117,527
Total marketable debt assets in Israel	5,318,475	425,511	-	16,384	5,760,370
Non-marketable debt assets					
Government bonds	16,295,186	-	-	-	16,295,186
Corporate bonds	552,588	86,420	-	36,822	675,830
Deposits in banks and financial institutions	736,275	-	-	-	736,275
Other debt assets by type of collateral:					
Mortgages	-	-	-	2,503,643	2,503,643
Loans on policies	-	-	-	14,817	14,817
Loans secured by real estate	-	232,922	-	393,292	626,214
Secured by bank guarantee	130,262	-	-	-	130,262
Loans secured by control shares	30,458	30,417	-	27,816	88,691
Secured by a lien on vehicles	-	1,915	-	-	1,915
Other collateral	667,382	305,380	-	242,079	1,214,841
Unsecured	31,854	-	-	6,443	38,297
Total non-marketable debt assets in Israel	18,444,005	657,054	-	3,224,912	22,325,971
Total debt assets in Israel	23,762,480	1,082,565	-	3,241,296	28,086,341
Of which - internally rated debt assets	-	232,922	-	-	232,922
Of which - debt assets which fulfill the principal and interest test only **)	23,762,480	1,082,565	-	3,180,952	28,025,997

*) The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.

**) For details regarding debt assets which fulfill the principal and interest test, see Note 14(g).

Note 39: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.1. Debt assets (Cont.)

	International rating *)				
	As of December 31, 2019				
NIS in thousands	A or higher	BBB	Lower than BBB-	Unrated	Total
Foreign debt assets					
Marketable debt assets					
Government bonds	20,291	27,963	-	-	48,254
Corporate bonds	-	65,393	61,391	-	126,784
Total foreign marketable debt assets	20,291	93,356	61,391	-	175,038
Non-marketable debt assets					
Loans secured by real estate	-	-	-	89,234	89,234
Other debt assets	-	-	-	54,653	54,653
Total foreign non-marketable debt assets	-	-	-	143,887	143,887
Total foreign debt assets **)	20,291	93,356	61,391	143,887	318,925
Of which - debt assets which fulfill the principal and interest test only ***)	20,291	40,349	29,163	143,887	233,690

*) All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.

**) The Group has no financial guarantees which are not treated as insurance contracts.

***) For details regarding debt assets which fulfill the principal and interest test, see Note 14(g).

Note 39: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.1. Debt assets (Cont.)

	Local rating *)				
	As of December 31, 2018				
NIS in thousands	AA or higher	A to BBB	Lower than BBB-	Unrated	Total
Debt assets in Israel					
Marketable debt assets					
Government bonds	3,170,461	-	-	-	3,170,461
Corporate bonds	1,443,552	222,321	4,668	35,878	1,706,419
Total marketable debt assets in Israel	4,614,013	222,321	4,668	35,878	4,876,880
Non-marketable debt assets					
Government bonds	15,775,836	-	-	-	15,775,836
Corporate bonds	537,939	95,012	836	39,116	672,903
Deposits in banks and financial institutions	759,554	736	-	-	760,290
Other debt assets by type of collateral:					
Mortgages	-	-	-	2,534,545	2,534,545
Loans on policies	-	-	-	16,737	16,737
Loans secured by real estate	-	225,098	-	217,863	442,961
Secured by bank guarantee	121,353	-	-	-	121,353
Loans secured by control shares	41,399	955	-	19,134	61,488
Other collateral	661,195	391,875	1,462	266,894	1,321,426
Unsecured	40,120	3,235	-	13,933	57,288
Total non-marketable debt assets in Israel	17,937,396	716,911	2,298	3,108,222	21,764,827
Total debt assets in Israel	22,551,409	939,232	6,966	3,144,100	26,641,707
Of which - internally rated debt assets	-	203,789	-	-	203,789
Of which - debt assets which fulfill the principal and interest test only **)	22,551,409	922,694	6,130	3,086,997	26,567,230

*) The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.
**) For details regarding debt assets which fulfill the principal and interest test, see Note 14(g).

Note 39: Risk Management (Cont.)

F. Credit risks (Cont.)
2. Details of assets by rating (Cont.)
A.1. Debt assets (Cont.)

	International rating *)				
	As of December 31, 2018				
NIS in thousands	A or higher	BBB	Lower than BBB-	Unrated	Total
Foreign debt assets					
Marketable debt assets					
Government bonds	23,443	178	-	-	23,621
Corporate bonds	5,217	241,413	84,731	-	331,361
Total foreign marketable debt assets	28,660	241,591	84,731	-	354,982
Non-marketable debt assets					
Loans secured by real estate	-	-	-	225,482	225,482
Other debt assets	-	-	-	34	34
Total foreign non-marketable debt assets	-	-	-	225,516	225,516
Total foreign debt assets **)	28,660	241,591	84,731	225,516	580,498
Of which - debt assets which fulfill the principal and interest test only ***)	28,660	165,417	52,297	225,516	471,890

*) All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.
**) The Group has no financial guarantees which are not treated as insurance contracts.
***) For details regarding debt assets which fulfill the principal and interest test, see Note 14(g).

The following table presents a comparison between the fair value and the book value of the assets which fulfill the principal and interest test, which do not have a low credit risk. Book value is measured in accordance with IAS 39, but before the provision for impairment.

NIS in thousands

	Balance as of December 31, 2019		Balance as of December 31, 2018	
	Book value	Fair value	Book value	Fair value
Marketable debt assets	**29,163**	**29,163**	56,965	56,965
Non-marketable debt assets	**117,896**	**46,686**	135,676	54,410

Note 39: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.2. Credit risks with respect to other assets (in Israel)

	Local rating *)			
	As of December 31, 2019			
NIS in thousands	AA or higher	A to BBB	Unrated	Total
Other accounts receivable, excluding reinsurer balances	14,799	726	203,589	219,114
Deferred tax assets	-	-	9,953	9,953
Other financial investments	34,541	5,537	43,425	83,503
Cash and cash equivalents	2,466,963	42,204	-	2,509,167
Total	2,516,303	48,467	256,967	2,821,737

	Local rating *)			
	As of December 31, 2018			
NIS in thousands	AA or higher	A to BBB	Unrated	Total
Other accounts receivable, excluding reinsurer balances	49,704	-	186,822	236,526
Deferred tax assets	-	-	6,554	6,554
Other financial investments	10,718	-	29,106	39,824
Cash and cash equivalents	1,236,186	40,095	-	1,276,281
Total	1,296,608	40,095	222,482	1,559,185

*) The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.

A.3. Credit risks with respect to off-balance sheet instruments (in Israel))**

	Local rating *)			
	As of December 31, 2019			
NIS in thousands	AA or higher	A to BBB	Unrated	Total
Unused credit lines	5,252	164,998	667,914	838,164

	Local rating *)			
	As of December 31, 2018			
NIS in thousands	AA or higher	A to BBB	Unrated	Total
Unused credit lines	-	45,398	851,236	896,634

*) The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.

**) The Group has no financial guarantees which were given in Israel and which are not treated as insurance contracts.

Note 39: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.4. Credit risks with respect to other assets (foreign)

	International rating *)				
	As of December 31, 2019				
NIS in thousands	A or higher	BBB	Lower than BBB-	Unrated	Total
Other accounts receivable, excluding reinsurer balances	192,368	-	-	-	192,368
Other financial investments	163,409	7,077	-	144	170,630
Cash and cash equivalents	49,550	-	-	-	49,550
Total	405,327	7,077	-	144	412,548

	International rating *)				
	As of December 31, 2018				
NIS in thousands	A or higher	BBB	Lower than BBB-	Unrated	Total
Other accounts receivable, excluding reinsurer balances	5,951	4,713	-	162,492	173,156
Other financial investments	104,245	8	-	199,318	303,571
Cash and cash equivalents	22,005	-	-	-	22,005
Total	132,201	4,721	-	361,810	498,732

*) All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.

A.5. Credit risks with respect to off-balance sheet instruments (foreign) **)

	International rating *)				
	As of December 31, 2019				
NIS in thousands	A or higher	BBB	Lower than BBB-	Unrated	Total
Unused credit lines	-	-	-	13,634	13,634

	International rating *)				
	As of December 31, 2018				
NIS in thousands	A or higher	BBB	Lower than BBB-	Unrated	Total
Unused credit lines	-	-	-	71,957	71,957

*) All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.

**) The Group has no financial guarantees which were given abroad and which are not treated as insurance contracts.

Note 39: Risk Management (Cont.)

3. Additional information regarding the rating of debt assets

Internal rating is based on a model formulated by Clal Insurance. Clal Insurance periodically conducts validation of the internal model against the ratings of external rating agencies, and other credit rating models. These tests showed a good correlation between the internal rating and the external criteria. Additionally, the model was monitored by external entities which approved the ability to rely on the internal rating model.

4. The information presented in this note regarding credit risks does not include assets for investment-linked contracts, which are presented in section G below.

5. For details regarding balances of outstanding premiums, see Note 12.

6. For details regarding the aging of investments in non-marketable financial debt assets, see Note 14(b)(2).

7. Details regarding the exposure to industry branches with respect to investments in marketable and non-marketable financial debt assets

	As of December 31, 2019		
NIS in thousands	Amount	% of total	Off-balance sheet risk
Market branch			
Industry	36,384	0%	-
Construction and real estate	2,345,218	8%	637,679
Electricity and water	1,015,207	4%	44,435
Trading	506	0%	-
Telecommunications and IT services	139,840	0%	-
Banks	1,526,498	5%	-
Financial services	189,117	1%	-
Other business services	93,597	0%	-
Public services	422,998	1%	-
Private individuals	2,649,618	11%	169,684
Government bonds	19,986,283	70%	-
Total	28,405,266	100%	851,798

	As of December 31, 2018		
NIS in thousands	Amount	% of total	Off-balance sheet risk
Market branch			
Industry	105,631	%0	-
Construction and real estate	1,707,124	%6	641,098
Electricity and water	1,279,622	%5	81,988
Trading	5,614	%0	-
Telecommunications and IT services	88,950	%0	-
Banks	1,615,651	%6	-
Financial services	288,264	%1	-
Other business services	123,078	%0	-
Public services	313,662	%1	-
Private individuals	2,724,691	%11	245,505
Government bonds	18,969,918	%70	-
Total	27,222,205	%100	968,591

Note 39: Risk Management (Cont.)

F. Credit risks (Cont.)

8. Reinsurance

A. Policy of Clal Insurance regarding the management of credit risks in connection with reinsurers

Clal Insurance Group insures some of its business operations in reinsurance, mostly through foreign reinsurers. However, the reinsurance does not release the consolidated insurance companies from their obligation towards their policyholders according to the insurance policies.

The Group is exposed to risks arising from uncertainty regarding the ability of reinsurers to pay their share in liabilities with respect to insurance contracts (reinsurance assets), and their debts with respect to claims paid. This current exposure is managed via ongoing monitoring of the reinsurer's position in the global market, and of its fulfillment of its financial liabilities.

In accordance with the instructions issued by the Commissioner, the boards of directors of the consolidated insurance companies determine, once per year, maximum exposure frameworks to specific reinsurers and to groups of reinsurers, with which Clal Insurance Group has entered / will enter into contractual agreements, based on their international ratings. These exposures are managed by means of case-by-case evaluations of the reinsurers to which exposure is material, and by monitoring indicators of the risk level relative to all reinsurers with which Clal Insurance is engaged. The risk management unit conducts quarterly monitoring of the exposures to reinsurers which are reported to it, monitors the financial position of the large reinsurers based on various data, including from international capital markets, and conducts credit monitoring of analyses which were performed with respect to specific reinsurers. The risk management unit reports to the boards of directors on a quarterly basis regarding the exposure relative to the defined limits.

The exposures of these companies are also distributed between different reinsurers, with the primary ones being to reinsurers with high international ratings.

As a result of the implementation of the policy described above, the concentration of exposure to any single reinsurer is not high, however, the Company may be exposed to concentrated credit risk with respect to a single reinsurer in case of a catastrophic event.

Note 39: Risk Management (Cont.)

F. Credit risks (Cont.)

8. Reinsurance (Cont.)

B. Information regarding exposure to credit risks of reinsurers

As of December 31, 2019

NIS in thousands	Total premiums for reinsurers in 2019	Debit (credit) balances, net [2]	Reinsurance assets less reinsurers' share of deferred acquisition costs: In life insurance	In health insurance	In property insurance	In liabilities insurance	Total reinsurance assets	Deposits of reinsurers	Total letters of credit received from reinsurers	Total exposure [1]	Debts in arrears: Six months to one year	Over one year
Rating group												
AA												
Swiss Re	252,503	(83,694)	120,630	27,987	165,601	102,819	417,037	121,841	57,311	154,191	-	-
Munich Re	218,926	(30,705)	66,761	24,889	51,182	298,059	440,891	214,129	-	196,057	-	-
Others	400,498	92,741	30,791	346,653	187,480	764,535	1,329,459	579,157	1,441	841,602	22,932	498
Total	871,927	(21,658)	218,182	399,529	404,263	1,165,413	2,187,387	915,127	58,752	1,191,850	22,932	498
A	458,741	6,859	1,606	204,268	363,057	653,175	1,222,106	313,739	21,004	894,222	568	361
BBB	-	15	-	-	56	71	127	-	-	142	-	15
Lower than BBB- or unrated	3,777	(752)	337	-	288	51,768	52,393	-	-	51,641	7	141
Total	1,334,445	(15,536)	220,125	603,797	767,664	1,870,427	3,462,013	1,228,866	79,756	2,137,855	23,507	1,015

Note 39: Risk Management (Cont.)

F. Credit risks (Cont.)

8. Reinsurance (Cont.)

B. Information regarding exposure to credit risks of reinsurers (Cont.)

As of December 31, 2018

			Reinsurance assets less reinsurers' share of deferred acquisition costs								Debts in arrears	
NIS in thousands	Total premiums for reinsurers in 2018	Debit (credit) balances, net 2)	In life insurance	In health insurance	In property insurance	In liabilities insurance	Total reinsurance assets	Deposits of reinsurers	Total letters of credit received from reinsurers	Total exposure 1)	Six months to one year	Over one year
Rating group												
AA												
SCOR	239,119	97,140	-	377,172	21,502	83,272	481,946	400,103	-	178,983	-	-
Munich Re	217,599	(33,062)	58,269	21,137	54,122	189,617	323,145	157,361	-	132,722	-	-
Swiss Re	180,987	(29,241)	99,407	22,995	100,876	107,450	330,728	127,646	57,460	116,381	-	-
Others	301,836	(32,095)	28,243	10,522	100,331	475,422	614,518	125,481	6,256	450,686	367	312
Total	939,541	2,742	185,919	431,826	276,831	855,761	1,750,337	810,591	63,716	878,772	367	312
A												
Lloyd's	70,997	(9,347)	-	96	41,316	160,809	202,221	9	-	192,865	-	-
Others	433,441	29,222	1,309	253,904	276,557	365,291	897,061	350,860	24,953	550,470	1,204	299
Total	504,438	19,875	1,309	254,000	317,873	526,100	1,099,282	350,869	24,953	743,335	1,204	299
BBB	3	15	-	-	60	77	137	-	-	152	-	15
Lower than BBB- or unrated	4,703	(1,385)	408	-	787	36,451	37,646	-	-	36,261	31	198
Total	1,448,685	21,247	187,636	685,826	595,551	1,418,389	2,887,402	1,161,460	88,669	1,658,520	1,602	824

The total exposure to reinsurers equals total insurance assets (share of reinsurers in liabilities with respect to insurance contracts, less deferred acquisition costs for reinsurance), less deposits and less the sum of letters of credit received from reinsurers as collateral to secure their liabilities, plus (less) current net debit (credit) balances.

Following an amortization of the provision for doubtful debts in the amount of approximately NIS 6,231 thousand (last year: NIS 7,427 thousand). The balances do not include balances of insurance companies with respect to current insurance.

Total provisions for doubtful debts, plus the reduction of the share of reinsurers in liabilities with respect to insurance contracts, amounted to a total of approximately NIS 7,413 thousand (last year: NIS 8,610 thousand), which constitutes 0.3% (last year: 0.5%) of the overall exposure.

The rating was primarily determined by the rating company S&P. In cases where a rating has not been given by S&P, the rating is determined by another rating company, and the rating was converted according to the index prescribed in the Ways of Investment Regulations.

The total exposure of reinsurers to an earthquake event with an MPL of 1.5% to 3.15% of the insurance amount, according to the insurance branches and the characteristics of the insured property, is NIS 10,141 million (last year: MPL of 1.5% to 2.9% of the insurance amount, according to the insurance branches and the characteristics of the insured property, in the amount of NIS 9,673 million) of which the reinsurer's most material share in the exposure is 16.4% (last year: 15.95%).

There are no additional reinsurers beyond those specified above, the exposure to which exceeds 10% of the total exposure of reinsurers in non-life insurance, or where the premiums with respect to them exceeds 10% of the total premiums for reinsurance in non-life insurance for 2019.

The unrated group includes balances with respect to outstanding claims through brokers up to and including 2003, the exposure to which amounted to approximately NIS 65 thousand (last year: NIS 19 thousand).

The data includes balances of companies in Israel which were included in accordance with the rating conversion table as specified in section 4 above, in the amount of approximately NIS (71) thousand (last year: NIS (152) thousand).

Note 39: Risk Management (Cont.)

G. Information regarding financial investments for investment-linked contracts

1. Details regarding the composition of investments by linkage bases

	As of December 31, 2019				
NIS in thousands	Unlinked	CPI-linked	In foreign currency or linked thereto *)	Non-monetary items and others	Total
Cash and cash equivalents	6,115,096	-	439,549	-	6,554,645
Marketable assets	11,564,676	12,402,598	6,433,965	20,671,547	51,072,786
Non-marketable assets	1,459,671	4,478,448	923,060	4,463,496	11,324,675
Total assets	19,139,443	16,881,046	7,796,574	25,135,043	68,952,106

	As of December 31, 2018				
NIS in thousands	Unlinked	CPI-linked	In foreign currency or linked thereto *)	Non-monetary items and others	Total
Cash and cash equivalents	3,508,640	-	140,259	-	3,648,899
Marketable assets	9,615,830	14,118,525	6,609,948	17,559,231	47,903,534
Non-marketable assets	1,056,563	4,281,490	1,141,350	3,802,296	10,281,699
Total assets	14,181,033	18,400,015	7,891,557	21,361,527	61,834,132

*) The USD is a major foreign currency.

2. Credit risk for assets in Israel

As of December 31, 2019

	Local rating *)				
NIS in thousands	AA or higher	A to BBB	Lower than BBB-	Unrated	Total **)
Debt assets in Israel:					
Government bonds	14,343,641	-	-	-	14,343,641
Other debt assets - marketable	7,664,779	1,215,255	11,604	67,379	8,959,017
Other debt assets - non-marketable	3,277,770	1,451,766	-	1,442,759	6,172,295
Total debt assets in Israel	25,286,190	2,667,021	11,604	1,510,138	29,474,953
Of which - internally rated debt assets	-	466,202	-	-	466,202

As of December 31, 2018

	Local rating *)				
NIS in thousands	AA or higher	A to BBB	Lower than BBB-	Unrated	Total **)
Debt assets in Israel:					
Government bonds	15,370,063	-	-	-	15,370,063
Other debt assets - marketable	6,412,137	1,273,272	23,816	108,006	7,817,231
Other debt assets - non-marketable	3,361,582	1,398,418	2,531	942,853	5,705,384
Total debt assets in Israel	25,143,782	2,671,690	26,347	1,050,859	28,892,678
Of which - internally rated debt assets	-	328,892	-	-	328,892

*) The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.

**) The book value constitutes an approximation of the maximum credit risk. Therefore, the total column represents maximum credit risk.

Note 39: Risk Management (Cont.)

G. Information regarding financial investments for investment-linked contracts (Cont.)

3. Credit risk for foreign assets

As of December 31, 2019

	International rating *)				
NIS in thousands	A or higher	BBB	Lower than BBB-	Unrated	Total **)
Total foreign debt assets	156,757	2,220,649	1,127,349	448,605	3,953,360

As of December 31, 2018

	International rating *)				
NIS in thousands	A or higher	BBB	Lower than BBB-	Unrated	Total **)
Total foreign debt assets	327,687	2,143,623	1,027,291	527,692	4,026,293

*) All foreign rated debt assets were rated by recognized international rating agencies. Each rating includes all ranges, for example: an A rating includes A- to A+.

**) The book value constitutes an approximation of the maximum credit risk. Therefore, the total column represents maximum credit risk.

Note 39: Risk Management (Cont.)

H. Geographical risks

As of December 31, 2019

NIS in thousands	Government bonds	Corporate bonds	Stocks	ETF's / mutual funds *)	Mutual funds	Investment property	Other investments	Total balance sheet exposure	Derivatives in delta terms	Total
Israel	**19,958,268**	**2,832,238**	**1,072,552**	**73,678**	**-**	**938,391**	**8,690,225**	**33,565,352**	**39,366**	**33,604,718**
USA	**-**	**63,848**	**259,291**	**490,604**	**122,705**	**176,819**	**1,264,254**	**2,377,521**	**8,018**	**2,385,539**
Great Britain	**-**	**-**	**-**	**-**	**-**	**-**	**536,475**	**536,475**	**-**	**536,475**
Germany	**-**	**-**	**-**	**-**	**-**	**-**	**860,041**	**860,041**	**-**	**860,041**
Switzerland	**-**	**-**	**-**	**-**	**-**	**-**	**427,692**	**427,692**	**-**	**427,692**
Emerging markets	**-**	**-**	**-**	**-**	**-**	**-**	**99,244**	**99,244**	**-**	**99,244**
Others	**28,015**	**21,387**	**25,915**	**14,631**	**18,349**	**134,829**	**1,572,333**	**1,815,459**	**7,891**	**1,823,350**
Total assets	**19,986,283**	**2,917,473**	**1,357,758**	**578,913**	**141,054**	**1,250,039**	**13,450,264**	**39,681,784**	**55,275**	**39,737,059**

As of December 31, 2018

NIS in thousands	Government bonds	Corporate bonds	Stocks	ETF's / mutual funds *)	Mutual funds	Investment property	Other investments	Total balance sheet exposure	Derivatives in delta terms	Total
Israel	18,969,740	2,526,914	1,112,742	71,397	-	917,587	7,387,707	30,986,087	15,837	31,001,924
USA	-	107,989	270,616	455,209	85,140	194,814	1,192,931	2,306,699	153,192	2,459,891
Great Britain	-	-	-	-	-	-	548,813	548,813	-	548,813
Germany	-	-	-	-	-	-	604,615	604,615	-	604,615
Switzerland	-	-	-	-	-	-	357,091	357,091	-	357,091
Emerging markets	-	-	-	-	-	-	70,821	70,821	-	70,821
Others	178	75,946	33,617	326,971	197,988	154,494	1,411,673	2,200,867	6,592	2,207,459
Total assets	18,969,918	2,710,849	1,416,975	853,577	283,128	1,266,895	11,573,651	37,074,993	175,621	37,250,614

*) Including foreign ETF's.

Note 40: Related Parties and Interested Parties

A. Parent company, controlling shareholder and subsidiaries

Further to that stated in Note 1, regarding the appointment of Mr. Terry as the trustee for the control shares of IDB Development on August 21, 2013, and the letters of the Commissioner regarding IDB Development's inability to direct the Company's activities, Mr. Terry, and for the sake of caution also IDB Development and its controlling shareholder, were considered, during the reporting year and during the period until the receipt of the Commissioner's letter, as the Group's the controlling shareholders.

On December 8, 2019, the Company received a letter from the Commissioner, in which the Commissioner announced, inter alia, that in light of the changes which have occurred in IDB Development's holding rate in the Company, the Commissioner evaluated the issue of the control of the Company, and found that, as of the present date, 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 Insurance Law, and therefore, the Company is required to receive a permit for the control of Clal Insurance from the Commissioner.

As of the present date, a permit for the control of Clal Insurance has not yet been received, and the Company is holding discussions with the Commissioner on the matter.

Accordingly, IDB Development is no longer considered the Company's controlling shareholder, including for the purpose of the provisions of the Companies Law, 1999, and the provisions of the Securities Law, 1968.

For additional information, see Note 1 above.

As of the present date, permits have been received for the holding of the Company's means of control, by two entities which are interested parties of the Company (Phoenix Group and Moshe Arkin).

(2) For details regarding investee companies, see Note 9.

(3) In the ordinary course of business, the Group engaged in transactions with entities who are considered its controlling shareholders, or with entities who were considered, as a precaution, as entities in which the controlling shareholders have a personal interest (hereinafter: "**Interested Party Transactions**"), including transactions with companies which were considered, as a precaution, as companies in which the Company's controlling shareholders have a personal interest, as well as undertakings to perform transactions under ordinary commercial conditions, as part of the provision of the Group's services to the entities which were considered, as a precaution, as the controlling shareholders and to companies held by them (such as insurance policies, insurance agency services, management services with respect to provident funds and/or pension funds and/or various financial services) and/or as part of the acquisition of services and products from the controlling shareholders and/or from companies which are held by them (such as telecommunication and telephony services, shopping vouchers, asset management services, etc.) and/or as part of the Group's investments (including investments in securities, credit, real estate and funds). Insofar as these transactions constitute non-extraordinary and insignificant transactions, according to the guidelines and rules specified in the policy which was adopted by the Group as specified in regulation 41(a3)(1) of the Securities Regulations (Annual Financial Statements), 2010, they are not separately described in these reports.

Note 40: Related Parties and Interested Parties (Cont.)

For details regarding engagement, during the reporting year and until December 8, 2019, in transactions with entities from the IDB Group and/or with other parties in which IDB and/or the trustee have a personal interest, and which were not listed in section 270(4) of the Companies Law, and are not insignificant, see section E below.

It is noted that, in accordance with a legal opinion which the Company received and which was approved in the Company's Audit Committee and Board of Directors on January 27, 2016, IDB Development was not considered a controlling shareholder in the Company with respect to the chapter regarding interested party transactions in the Companies Law. However, for the sake of caution only, the Company decided to continue regarding transactions with IDB Development as transactions with a controlling shareholder, and will also regard transactions with third parties in which IDB Development has a personal interest as transactions in which the controlling shareholder has a personal interest, except with respect to engagement in transactions with entities which may be considered material creditors of IDB Development or its controlling shareholders, including banking corporations, in which case it will not regard them as transactions in which the Company's controlling shareholders have a personal interest, which require approvals in accordance with sections 270(4) and 275 of the Companies Law.

Following the Commissioner's letter, the legal opinion was also updated such that, beginning on December 9, 2019, IDB Development is no longer considered the Company's controlling shareholder, including for the purpose of controlling shareholder transactions.

B. Benefits to key management personnel (including directors)

The Company's Chairman of the Board, as well as the Group's CEO and senior executives, are also entitled, in addition to their salaries, to receive non-cash benefits (such as a vehicle, etc.). The Group also deposits, on their behalf, funds as part of a post-employment defined benefit plan and a defined deposit plan.

Executives also participate in the plan involving warrants for Company shares which were granted in years preceding the reporting year (see Note 41).

Note 40: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

1. Employment benefits for key management personnel (including the Chairman of the Board) include [1)]:

	For the year ended December 31					
	2019*)		2018		2017	
	No. of people	NIS in thousands	No. of people	NIS in thousands	No. of people	NIS in thousands
Short term employee benefits	**11**	**17,651**	15	20,367	11	24,365
Post-employment benefits	**11**	**1,547**	15	3,028	11	740
Share-based payments [2)]	**1**	**11**	4	(113)	10	1,210
		19,209		23,282		26,315

*) The data do not include 2 key members of management who left in January and February 2019.

1) The benefits include benefits for key management personnel until the conclusion of their employment, and benefits with respect to key management personnel, beginning on the date of their appointment.

2) This amount is determined based on the value of the warrants as of the date of their allocation, such that the fair value of each tranche is spread over its vesting period.

2. Benefits with respect to the employment of key management personnel who are directors not employed in the Company[5]:

	For the year ended December 31					
	2019		2018		2017	
NIS in thousands	No. of people	NIS in thousands	No. of people	NIS in thousands	No. of people	NIS in thousands
Directors compensation [1]	**5**	**1,299**	6	1,928	6	1,670

The compensation provided to directors in the Company, except for the Chairman of the Board, is based on the Company's rating, and constituted, during the reporting year, the maximum limit with regard to directors who do not have expertise (the compensation is not in consideration of any particular skill), in accordance with the Companies Regulations (Rules for Compensation and Expenses of an External Director), 2000. It is noted that Clal Insurance bears 80% of the compensation to a joint director. The aforementioned amount is after the participation of Clal Insurance. For details regarding the compensation terms of the Chairman of the Board, which are paid in their entirety by Clal Insurance, see section 4 below. Beginning in 2020, and in accordance with the Board of Directors' resolution on December 30, 2019, both the outside directors and the other directors who are not controlling shareholders of the Company, excluding the Chairman of the Board, will be paid the maximum amount permitted for an expert outside director, in accordance with the Company's level, and in accordance with the Company's compensation policy. See also the Company's immediate report dated December 31, 2019.

3. The Company acquires (on its behalf and on behalf of the Group's member companies) directors and officers liability insurance. See section 6 below. Amount paid on behalf of the Company and on behalf of the Group's member companies:

	For the year ended December 31		
NIS in thousands	2019	2018	2017
With respect to directors and officers liability insurance	**989**	931	1,001

5 The data for 2018 include data with respect to a director whose tenure concluded in December 2018.

Note 40: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

4. Chairman of the Board

Mr. Danny Naveh (hereinafter: "**Mr. Naveh**") has served as the Chairman of the Board of Directors of the Company and of Clal Insurance in a 85% position since June 5, 2013.

Further to the approval of the Company's Compensation Committee and Board of Directors, on July 14, 2013, the general meeting of the Company's shareholders approved an agreement regarding the tenure of Mr. Naveh for a period of three years, until June 5, 2016 (hereinafter: the "**Old Agreement**"). The agreement was approved before the approval of the Company's previous compensation policy, and his terms of tenure were approved by the Audit Committee, Board of Directors and the general meeting.

On April 17 and 18, 2016, the Company's Compensation Committee and the Company's Board of Directors, respectively, approved the Company's engagement in a new agreement with Mr. Naveh, beginning on June 5, 2016, for an undefined period (hereinafter: the "**New Agreement**"), for the purpose of his continued tenure as the Acting Chairman of the Board of the Company and of Clal Insurance, in a 85% position, as specified below. The agreement was approved in the general meeting, for the sake of caution, by a special majority, on May 26, 2016.

The agreement was approved as required in accordance with the Compensation to Corporate Officers in Financial Corporations Law (Special Approval and Non-Permissibility of Expenses for Tax Purposes due to Exceptional Compensation), 2016 (hereinafter: the "**Executive Compensation Law**"), which was published on April 12, 2016, in accordance with the Commissioner's directives from October 2015 with respect to the compensation to the Chairman of the Board of institutional entities, within the framework of an amendment to the circular regarding compensation in institutional entities from April 2014 (hereinafter: the "**Amendment to the Compensation Circular**"), and in accordance with the compensation policy of the Company and of Clal Insurance.

During the period of the agreement, the Chairman of the Board will be entitled to hold other position/s, either as an employee or as a service provider, subject to the aforementioned scope of employment, which will be dedicated to members in the group of companies which is owned by the Company, and to restrictions regarding avoidance of conflicts of interest and/or competition with the Company's business and/or the Commissioner's directives, as agreed upon between the parties on the date of his first appointment.

On May 26, 2016, the general shareholders' meeting approved the compensation terms of the Chairman of the Board, in a manner whereby the monthly salary of Mr. Naveh as the Chairman of the Board amounts to a total of NIS 131,750, linked to the index for June 2016, in accordance with the definition of "linkage to the index" in the Company's compensation policy (the "**Base Salary**"). The annual employment cost of Mr. Naveh, as approved, was expected to amount to approximately NIS 2.37 million, including the provisions for the severance pay component, compensation component, study fund, loss of working capacity insurance, National Insurance and vacation days. Mr. Naveh is not entitled to any variable component (in cash or in capital) or to a 13th salary. The aforementioned employment cost (translated to terms of a full time position) will not exceed a ratio of 35 of the lower employment cost of any employee in the Company (including a contract employee who is employed directly by the Company, or who is employed by a directly or indirectly service provider which is employed by the Company), directly or indirectly.

On November 7, 2016, the Company's Compensation Committee and Board of Directors approved that in accordance with the Company's new compensation policy, which was approved in parallel, and with clarifications which were received in connection with the interpretation of the Executive Compensation Law, in a manner whereby the employment cost of the Chairman of the Board may not exceed 85% of NIS 2.5 million, plus the provisions for severance pay and compensation, in accordance with the law[6] (hereinafter, jointly: the "**Updated Restrictions**"). The update was approved in the general meeting, for the sake of caution, by a special majority, on December 18, 2016[7].

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6 It is hereby clarified that provisions with respect to employer compensation, beyond the relevant cap for the tax exemption, insofar as they are not directed to a provident fund, but instead to the monthly salaries, will not be recognized as a bonus beyond a total of NIS 2.5 million, as stated above.

7 In the decision, it was clarified that the decision reached by the meeting in May 2016 would remain in effect, the Company's Compensation Committee and Board of Directors will be entitled to approve a raise of up to 5% to the aforementioned salary (i.e., a raise of up to approximately NIS 6.5 thousand to the monthly salary), in accordance with the updated restrictions. As of the publication date of the report, the salary has not been updated according to the above.

Note 40: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

4. Chairman of the Board (Cont.)

In accordance with his employment agreement, Mr. Naveh is entitled to request that the Company's provisions to the study fund and to directors' insurance (not including the severance pay component), beyond the relevant cap for the tax exemption, for each of those payment types, be paid as part of the monthly salary, instead of being transferred to the study fund or to managers insurance, as applicable. The payments in accordance with the provisions of this section will not constitute a salary component, and will not be considered a monthly salary for any other purpose, and the Chairman will not be entitled, with respect thereto, to any social and/or pension and/or severance pay benefits.

Standard salary components are effectively added to the Chairman's aforementioned monthly salary, including provisions to a study fund and for compensation beyond the cap, which were converted to a salary, as well as value and grossing-up of vehicle costs. The aforementioned additional components are in addition the base salary.

Additionally, Mr. Naveh is entitled to receive repayment of expenses spent in connection with the fulfillment of his position, according to the conventional practice in the Company, for the cellphone and vehicle which will be used by Mr. Naveh during the entire period of the agreement, and the Company will also bear all expenses involved in the vehicle's maintenance, including the grossing-up of crediting the benefit with respect to the vehicle and the cellphone for tax purposes. During the reporting year, Mr. Naveh replaced the vehicle with equivalent vehicle value, at no additional cost to the Company.

The agreement includes various provisions with regard to eligibility for annual holiday, convalescence pay, sick pay and social benefits as is conventionally practiced in the Company. In case of the termination of the employer - employee relationship, excluding under extraordinary circumstances, Mr. Naveh will be entitled to release and/or to transfer to his ownership all of the which were funds accumulated on his behalf in the managers' insurance and in the study fund, including their accumulated profits. Additionally, if and inasmuch as the amount accumulated in the severance pay component of the managers' insurance policy does not reach the severance pay amount to which Mr. Naveh would be entitled by law in the event that of dismissal, the Company will supplement the difference owed to Mr. Naveh.

In the agreement, it was determined that the cancellation of the agreement will be effected by providing written notice six months in advance, and the Company will be entitled to shorten the above period subject to the payment of all rights until the end of the advance notice period.

The agreement stipulates non-competition restrictions during the agreement period. The aforementioned restrictions will apply to Mr. Naveh during a period of six months after the end of the advance notice period.

It is noted that, upon the approval of the agreement, it was clarified that existing rights which accrued by virtue of the previous agreement would not be harmed, including options, a proportional annual bonus and a deferred variable bonus with respect to the period during which the previous agreement was in effect, the supplementation with respect to severance pay according to the last salary, and an adjustment bonus, as specified below:

Adjustment bonus - Mr. Naveh will also be entitled to receive an adjustment holiday period of six (6) months following the end of the advance notice period, during which time Mr. Naveh will be paid the full monthly linked salary, as well as the value of the full social benefits and fringe benefits under this agreement (excluding vehicle and cellphone), without Mr. Naveh being required to appear for his work.

Warrants - On June 5, 2013, prior to the entry into effect of the Executive Compensation Law, the Company's Board of Directors approved, further to the approval of the Company's Compensation Committee, the Company's Board of Directors approved a material private offer to Mr. Naveh of 175,000 warrants (not listed for trading) (herein, jointly: the "**Warrants**"), exercisable into ordinary shares in the Company, according to the value of the benefit embodied in the Warrants in accordance with the terms of the 2013 plan, as specified in Note 41(a)(1). As of the present date, all of the have warrants expired without being exercised.

It is noted that Clal Insurance has invested in two funds in which Mr. Naveh was a partner and manager was a partner and manager before his appointment as the Company's Chairman of the Board. As part of the approval process of Mr. Naveh's appointment, inter alia, it was agreed that Mr. Naveh will not receive any compensation on account of members' funds which were invested in the R.M. Investments and Medical Technologies Fund Ltd. (hereinafter: the "**First Fund**"), and that it will sell its share in the second fund, within a defined period.

The investment period of the first fund including extension periods, in accordance with the partnership agreement, concluded on August 26, 2017. From that date onwards, the fund did not charge management fees from the fund partners, including Clal Insurance. Proximate to the conclusion of the first fund's investment period, the fund's general partner contacted the investors and allowed the investors to choose one of the following options: liquidation of the fund by the general partner, or distribution in kind of the proportional part in the portfolio companies, in consideration of the partnership's rights in the fund. Clal Insurance decided to implement the distribution in kind alternative, and accordingly, received its rights in all of the fund's portfolio companies in consideration of its rights in the partnership. As of the publication date of the report, Clal Insurance is not a partner in the fund, and Mr. Naveh's share in the general partner and managing partner of the first fund amounts to 100% (directly).

Note 40: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

5. CEO employment agreement

On June 17, 2018, the boards of directors of the Company and of Clal Insurance approved the appointment of Mr. Yoram Naveh as the CEO of the Company and of Clal Insurance, beginning on July 1, 2018.

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

Presented below are the main terms of the employment agreement of Mr. Naveh (hereinafter: the "**CEO**"):

The CEO's salary will be calculated subject to the provisions of the Executive Compensation Law, in a manner whereby the projected expense with respect to the CEO's compensation, according to the total cost of the compensation components, per year, in accordance with generally accepted accounting principles, will be in accordance with section 2 of the Executive Compensation Law, according to the higher of either: (1) Two million and a half Shekels (NIS 2.5 million) per year[8] (hereinafter: the "**Compensation Limit**"); or (2) A multiple of the expense with respect to the lowest compensation, according to a full time 100% position, which was paid by the Company to an employee, directly or indirectly (including to a contract employee who is employed directly by the Company, or to an employee who is employed by a service provider who is employed by the Company), times 35 (hereinafter, respectively: the "**Minimum Salary**" or the "**Minimum Salary Limit**").

"Compensation limit" - The higher of either minimum salary limit and the amount limit.

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

It is hereby clarified that the aforementioned decision is binding towards the Company even if the Company is found to bear additional cost with respect to "excess employment cost", as defined in the Executive Compensation Law (e.g., as a result of an interpretation of the provisions of the Executive Compensation Law), i.e., due to the fact that the aforementioned expense will not be deductible from the Company's taxable income.

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

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

In accordance with the above, the monthly salary of the Company's CEO, since January 2019, amounted to a total of approximately NIS 195 thousand (plus vehicle value), plus social benefits, whereby the expense with respect to the CEO's compensation, according to the total cost of the compensation components, per year, amounted to a total of approximately NIS 3 million. A "tax penalty" may arise in respect of the aforementioned expense, in accordance with the provisions of the Executive Compensation Law.

Note 40: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

5. CEO Employment Agreement (Cont.)

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

It is noted that Mr. Yoram Naveh's salary, excluding provisions for compensation, including loss of working capacity and the lawful provision for severance pay, amounted to approximately NIS 2.4 million. Added to this amount were provisions for compensation, for loss of working capacity insurance and for severance pay, with respect to 2019, in the amount of approximately NIS 591 million. Additionally, due to the increase in the CEO's salary in accordance with the Company's compensation policy, the liability for severance pay increase, and for this purpose, a provision was made in the Company's books in the amount of approximately NIS 290 thousand, and there may also be an actual supplementation of the severance pay fund, in accordance with the CEO's current salary in 2019, and his period of employment in the Group (since February 1, 2018). An increase in the aforementioned liability may also occur, from time to time, in consideration of the update to his actual salary. A "tax fine" may materialize with respect to the aforementioned liability, in accordance with the provisions of the Executive Compensation Law.

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

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

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

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

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

It is noted that the CEO has a balance with respect to the annual bonus that was given with respect to 2017, which will be released shortly after the reporting year, due to the distribution requirements set forth in the provisions of the compensation circular and of the compensation policy, for which a provision was made in the Company's books, in the full amount, in the year when it was granted[9].

The CEO remains entitled to receive an adjustment bonus in accordance with the provisions of his previous employment agreement, in which it was determined that he will be entitled to 6 months' employment without social benefits and fringe benefits. The provisions of the compensation circular with respect to severance packages apply to the supplementation of the adjustment bonus, as stated above.

The CEO will continue being subject to the arrangements regarding insurance, exemption and indemnification which apply to the Company's directors and corporate officers[10].

[9] A total of approximately NIS 460 thousand, which will be paid to him in equal parts during the years 2019 to 2021, subject to the fulfillment of the preconditions for the release. In 2018, the minimum conditions for release were not fulfilled, and accordingly, the payment of the proportional part which was supposed to be paid, was to 2019, and will be paid shortly after the approval of the financial statements for that year.

[10] The CEO has received from the Company a letter of exemption and letter of indemnity, similarly to the Company's corporate officers and directors.

Note 40: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

5. CEO Employment Agreement (Cont.)

In February 2014, as part of his previous position, 90,000 warrants were allocated to the CEO out of the 2013 plan. As of the present date, all of the tranches expired without being exercised. The CEO also privately purchased, on July 3, 2018, 3,934 shares in the Company.

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

6. Exemption, insurance or indemnity undertakings towards corporate officers which are in effect as of the end of the reporting period

A. The following is a description of the arrangement that applies with respect to liability insurance for directors and corporate officers in the Company:

(1) Beginning on December 1, 2014, the Company buys corporate officers' liability insurance policies for a period of one year. Each of the aforementioned policies is shared by the Company and member companies of the Group, including Clal Finance. Clal Insurance is not the insurer in the aforementioned policies. On December 18, 2016, the general meeting of the Company's shareholders approved the compensation policy for the first time, which includes a clause regarding exemption, indemnification and insurance for corporate officers. In the compensation policy, it was determined that the Company will be entitled to acquire, for the corporate officers in the Group, corporate officers' liability insurance, in insurance amounts which will not exceed USD 400 million, and in consideration of an annual premium which will not exceed USD 1 million, and that the Company will be entitled to acquire runoff insurance for corporate officers, in case of the transfer of the control of the Company and/or of a subsidiary.

In accordance with the aforementioned resolution, the Company engaged in an insurance policy which was issued by an insurer which is a non-related party, for the period from December 1, 2018 to November 30, 2019, and later from December 1, 2019 to November 30, 2020 (the "**Policies for 2019 and 2020**"), in which the Company acquired insurance coverage for the Company and its investee companies, including Clal Finance Ltd. and its investee companies. The overall liability limit of each of the insurance policies for 2019 and 2020 is up to USD 150 and 200 million with respect to a single claim or cumulatively, respectively. The total annual premium is within the amount which was approved in the general meeting.

(2) It is noted that over the years 2005–2014, member companies of the IDB Group, including the Company ((hereinafter: "**Member Companies of the IDB Group**") acquired basic insurance policies for each division in the Group, separately (hereinafter: the "**Basic Policy**"). The liability limits of the basic policy in those years was between USD 20 and 50 million for the insurance period, according to the relevant policy. Additionally, member companies of the IDB Group in those years acquired collective insurance which were shared by the Group's member companies (hereinafter: the "**Collective Policy**"). The collective policy applies (subject to its terms) only beyond the liability limits by virtue of the basic policy of each division in the Group. The maximum total of the insurer's liability limits within the framework of each collective policy, as stated above, was USD 90 million (hereinafter: the "**Original Liability Limit**") for the insurance period, in accordance with the relevant policy. Additionally, beginning in August 2010, the insurance coverage of the Group's member companies included an additional layer of insurance layer, in which insurance coverage was provided to supplement the liability limit amount according to the collective policy, up to the original liability limit, in cases where the liability limit according to the collective policy has decreased or has been exhausted due to a claim or claims, insofar as these have been submitted according to the collective policy by any of the Group's member companies which participated in it, provided that the aforementioned supplementation amount did not cumulatively exceed an amount equal to the original liability limit of the collective policy (hereinafter: "**Additional Insurance Layer**"). It is hereby clarified that the additional insurance layer applies to new claims, which are not related to a claim or claims which caused a reduction or exhaustion of the original liability limit amount. Despite the above, beginning in August 2012, the additional insurance layer does not apply to the IDB division (which includes IDB Holding, IDB Development and private companies under their control).

Note 40: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

6. Exemption, insurance or indemnity undertakings towards corporate officers which are in effect as of the end of the reporting period (Cont.)

The following is a description of the arrangement that applies with respect to liability insurance for directors and corporate officers in the Company:(Cont.)

(3) It is further noted that in recent years, various claims were filed against member companies of the IDB Group and against corporate officers in member companies of the IDB Group, as well as alerts regarding additional claims against them, in the total sum amounting to billions of NIS. The aforementioned claims and alerts refer to different underwriting years, each of which was covered by the separate policies, as stated above. Some of the claim and demand amounts are beyond the liability limits in the policies.

Clal Insurance is covered, through these policies, in 100% reinsurance, whereby the reinsurers in the policies are international reinsurers with an international rating of at least A-. For details regarding the exposure to reinsurers, see Note 39(f). It is hereby clarified that non-fulfillment of the reinsurers' undertakings towards Clal Insurance will not release Clal Insurance from its liabilities towards the policyholder according to the insurance policies. A reinsurer which does not fulfill its undertakings in accordance with the reinsurance contracts may cause the Company to incur losses.

It is noted that member companies of the IDB Group, and its controlling shareholder, purchase, from time to time, directors and officers liability insurance from Clal Insurance. These engagements are insignificant for the Company.

B. Presented below is a description of the arrangement which applies to the indemnification of directors and senior officers in the Company:

(1) On October 10, 2002, the general meeting of the Company's shareholders approved an undertaking to indemnify directors and corporate officers in the Company and in additional member companies of the Group, up to a rate of 25% of the Company's equity on the indemnification date. Accordingly, the Company issues letters of indemnity to officers in the Company and in certain subsidiaries.

(2) On April 16, 2008, the Company's Audit Committee and Board of Directors approved the provision of updated letters of indemnity to corporate officers in certain member companies of the Group, including the Company, which are materially similar to the letters of indemnity which were approved, as stated above.

(3) On May 3, 2012, in light of Amendment 16 to the Companies Law, and in accordance with the provisions of the Efficiency of Enforcement Procedures Law (Legislative Amendments), 2011, and the Law to Increase Enforcement in the Capital Market (Legislative Amendments), 2011, the general meeting of the Company's shareholders approved the provision of new letters of indemnity by the Company to directors and corporate officers in the Company and/or in additional member companies of the Group (hereinafter: the "**New Letter Of Indemnity**"), up to a rate of 25% of the capital attributed to the Company's shareholders on the date of indemnification. Accordingly, the Company issues letters of indemnity to officers in the Company and in certain subsidiaries.

The provisions of the new letter of indemnity take precedence over any previous obligation or agreement (prior to the signing of the new letter of indemnity), whether verbal or in writing, between the Company and a corporate officer on the subjects specified in the new letter of indemnity, including with regard to events which took place prior to the signing of the new letter of indemnity. The above is subject to the condition that a previous letter of indemnity which has been provided to a corporate officer, if any, will continue to apply and will remain valid with respect to any events which occurred prior to the signing of the new letter of indemnity (including in the event that legal proceedings with respect to the above have been filed against a corporate officer after the signing of the new letter of indemnity), in the event that the terms of the new letter of indemnity worsen the reimbursement terms for the corporate officer with respect to the above event, subject to all laws.

Note 40: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

6. Exemption, insurance or indemnity undertakings towards corporate officers which are in effect as of the end of the reporting period (Cont.)

On July 28, 2013, the general meeting of the Company's shareholders approved a correction of omissions in the definitions of "administrative procedure" and "payment to injured party" in the new letter of indemnity, which is not in accordance with the definitions which appear in the Company's bylaws. Accordingly, the definitions of "administrative procedure" and "payment to injured party" in the new letter of indemnity were adjusted in accordance with the definitions which appear in the Company's bylaws.

(4) On December 18, 2016 and October 27, 2019, the Company's general meeting of shareholders approved the compensation policy, which includes, as stated above, a clause regarding exemption, indemnification and corporate officer's insurance.

Within the framework of the Company's compensation policy, it was determined that the Company will be entitled to grant letters of indemnity, according to a wording which will be decided by the Company, and which has been approved and/or will be approved by the general meeting of the Company's shareholders.

C. Presented below is a description of the arrangement which applies with respect to the exemption for directors and senior officers in the Company:

On October 9, 2016, the Company's Compensation Committee and Board of Directors approved the provision of an exemption from liability to the Company's corporate officers, subject to the receipt of the authorizations which are required by law in order to grant the exemption. The aforementioned exemption will not apply to any decision or transaction in which the controlling shareholder, or any corporate officer in the Company (including a different corporate officer than the one to whom the letter of exemption was given), have a personal interest. The compensation policy which was approved in December 2016 includes a determination according to which the Company will be entitled to grant an exemption from liability to the Company's corporate officers, as stated above.

Accordingly, the Company granted letters of exemption to directors and corporate officers in the Company.

Note 40: Related Parties and Interested Parties (Cont.)

C. Balances of related parties and interested parties

	As of December 31, 2019		As of December 31, 2018	
	Related party / interested party			
NIS in thousands	Other related parties [2]	Investee companies	Other related parties [2]	Investee companies
Financial investments for investment-linked contracts	**769,754**	**19,067**	531,065	59,663
Other financial investments:				
Marketable debt assets	**35,267**	**-**	90,032	-
Stocks	**58,690**	**-**	46,710	-
Others	**-**	**3,910**	-	4,764
Loans to investee companies accounted by the equity method [1]	**-**	**5,894**	-	36,688
Other accounts receivable	**1,442**	**-**	631	-
Outstanding premiums	**13,175**	**-**	14,268	-
Other accounts payable	**341**	**12,283**	261	16,076

1) Included under the item for investments in investee companies.
2) The highest balance of debt assets of the IDB Group in 2019 amounted to a total of NIS 91,068 thousand (2018: NIS 105,379 thousand).

Note 40: Related Parties and Interested Parties (Cont.)

D. Amounts included in the statement of income with respect to transactions with related parties and interested parties, and descriptions of these transactions

	For the year ended December 31, 2019			For the year ended December 31, 2018				For the year ended December 31, 2017			
	Related party / interested party										
NIS in thousands	IDB Development Corporation Ltd. and IDB Holding Corporation Ltd.	Other related parties	Investee companies	IDB Development Corporation Ltd. and IDB Holding Corporation Ltd.	Other related parties	Bank Hapoalim group	Investee companies	IDB Development Corporation Ltd. and IDB Holding Corporation Ltd.	Other related parties	Bank Hapoalim group	Investee companies
Gross premiums	**3,986**	**73,464**	**-**	2,800	55,584	16,346	-	4,033	52,737	21,406	-
Income(loss)from investments , net, and financing income	**-**	**58,753**	**(7,320)**	-	(38,151)	46,933	8,311	-	66,866	265,418	5,039
Income from management fees and portfolio management	-	-	-	-	-	-	-	-	-	20,246	-
Payments with respect to insurance contracts	-	**14,917**	-	1,950	14,938	3,399	-	1,706	41,070	9,480	-
Insurance fees	-	**1,132**	-	-	1,146	27	-	-	813	1	-
General and administrative expenses	**-**	**5,129**	-	-	5,060	1,612	-	-	5,482	4,909	-
Financing expenses	-	-	**477**	-	-	2,694	485	-	-	4,361	469

Note 41: Share-Based Payment

A. Details regarding plans for the allocation of warrants exercisable into Company shares

1. 2013 plan

On December 6, 2012, the Company's Board of Directors adopted a warrants plan for employees and corporate officers (hereinafter: the "**2013 Plan**"), according to which the Company will be entitled to allocate to employees and corporate officers in the Group up to 2,400,000 warrants. The warrants are each exercisable into ordinary shares with a par value of NIS 1 each, in accordance with the monetary benefit value which is embodied in the warrants as of the exercise date, in three equal annual tranches, and subject to adjustments and conditions, of which the primary ones are specified below. In 2015, the Company's Board of Directors resolved not to allocate, in accordance with the aforementioned plan, 35,000 unregistered warrants out of those which are held in the register of warrants, and to erase them from the Company's register of securities.

The warrants' exercise price will be subject to adjustments with respect to the following events: distribution of bonus shares; cash dividend payment; a share exchange arrangement (such as a merger transaction or re-organization); issuance of interests; cash dividend payment; and separation or consolidation of the Company's share capital, or any corporate capital events of a significantly similar nature. The adjustments will be performed according to the manner set forth in the 2013 plan. The 2013 plan was approved in a capital taxation track in accordance with section 102 of the Income Tax Ordinance.

The vesting dates of the warrants are as follows:

First tranche - after the end of two years following the allocation date.

Second tranche - after the end of three years following the allocation date.

Third tranche - after the end of four years following the allocation date.

Each aforementioned tranche will expire two years after its vesting date (excluding exceptions in case of termination of employer - employee relationships, as specified in the 2013 plan).

The plan manager is entitled to determine, upon the allocation of the warrants, that if after the vesting of a certain tranche of warrants, and before its expiration, the stock exchange price at the closing of any trading day reaches a certain price which will be determined by him (with this price being subject to the adjustments specified above, mutatis mutandis), all of the warrants from that tranche will be automatically exercised (hereinafter: the "**Maximum Price**"). It is noted, with respect to all of the warrants which were allocated in accordance with the 2013 plan, that a maximum price was determined, as stated above.

In 2018, the Company's Board of Directors approved an extension of the outline, for a period of three years, according to which warrants were allocated in accordance with the 2013 plan, and the publication thereof, without any change to its conditions, in order to allow the Company to perform future allocations to employees who are not senior position holders, of warrants by virtue of the 2013 plan, which have been returned, and will be returned in the future (if any) to the register of warrants.

For additional details, see sections B and C below.

Note 41: Share-Based Payment (Cont.)

A. Details regarding plans for the allocation of warrants exercisable into Company shares (Cont.)

2. 2015 plan

In accordance with the compensation policy of Clal Insurance, on March 24, 2015 the Company's Board of Directors adopted a capital compensation plan conditional upon performance for 2015 (hereinafter: the "**2015 Plan**"), according to which the Company will be entitled to allocate warrants to employees who are not senior position holders[11] (as this term is defined in the compensation circular).

The warrants are each exercisable into ordinary shares with a par value of NIS 1, in accordance with the monetary benefit value embodied in the warrants on the exercise date, and subject to adjustments and conditions, of which the primary ones are specified below, in three equal annual tranches.

The warrants' exercise price will be subject to adjustments with respect to the following events: distribution of bonus shares; cash dividend payment; a share exchange arrangement (such as a merger transaction or re-organization); issuance of interests; cash dividend payment; and separation or consolidation of the Company's share capital, or any corporate capital events of a significantly similar nature. The adjustments will be performed according to the manner set forth in the 2015 plan. The 2015 plan was approved in a capital taxation track, in accordance with section 102 of the Income Tax Ordinance.

The eligibility of an offeree to the warrants and to the exercise thereof will be subject to the fulfillment of the preconditions for the formulation of eligibility, the fulfillment of target profit, as defined below, and the vesting conditions which constitute measurable quantitative targets.

The eligibility materialization conditions are preconditions involving (a) Clal Insurance's fulfillment of the minimum solvency ratio with respect to that bonus year, as defined in the compensation policy of Clal Insurance, or another metric to be determined in case of a regulatory changes to the capital regime ("**Minimum Solvency Ratio**"); (b) The Company's fulfillment of a return on equity target rate of at least 5%, with respect to that year. Additionally, as a condition for materialization of the eligibility, the Company is entitled to fulfill a target of at least 70% of the target which will be determined for the purpose of the profit target, and which will be determined in the range between NIS 250 million and NIS 600 million, with respect to each bonus year (the "**Profit Target**"). A condition for eligibility for warrants with respect to an eligibility year is the fulfillment of the preconditions and fulfillment of the profit target (hereinafter: the "**Conditions for Eligibility**"). In the event that any of the conditions for eligibility have not been fulfilled in a particular bonus year, the offeree will not be entitled to all of the warrants which were allocated to him with respect to that bonus year, and those warrants will be returned to the register of warrants, and may be re-allocated to any offeree.

The materialization of the conditions for eligibility for a certain year will be evaluated proximate to the publication date of the period report for the evaluated year (the "**Materialization of Eligibility Date**"). The warrants will vest in three tranches. The first warrant vesting date will be April 1 after the passage of one year, two years and three years after the materialization date. The vesting will be conditional upon the fulfillment of a minimum solvency ratio at the end of the calendar year before the vesting date[12]. Each tranche will vest two years following after its vesting date (the "**Expiration Date**").
Notwithstanding the foregoing, if the option period of a certain tranche concludes during a period which was determined by the Company as a lock-up period with respect to the existence or potential existence of insider information, then subject to the plan terms, the option period will be extended automatically, for an additional period, in a number of days equal to the number of days in the lock-up period.
The plan manager will be entitled to determine, upon the allocation of the warrants, a maximum price, as defined above. It is noted, with respect to all warrants which were allocated in accordance with the 2015 plan, that a maximum price was determined, as stated above.

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11 "Senior position holder" is as defined in the compensation circular, and as determined from time to time by the Board of Directors. As of the present date, the Board of Directors determined that the managers of the Company's distribution channels will be included under this definition. Additionally, with respect to investment managers whose impact on the investment risk profile of the Company and of the funds of those saving through it is negligible, will be excluded from the list of the Company's senior position holders.

12 In accordance with the compensation policy and the Board of Directors' resolution, "the minimum solvency ratio" for the purpose of the 2015 options plan, with respect to 2019, will be no less than a ratio of 100%, in accordance with the Commissioner's directives regarding the economic solvency regime, calculated without taking into account the provisions regarding the distribution period which was defined by the Commissioner; however, in case of non-fulfillment of the aforementioned target, due to a significant and broad exogenous event which affects the entire insurance sector in Israel, the Board of Directors will be entitled to determine that the Company has met the minimum solvency ratio. The solvency ratio is the last known ratio which was published by the Company, including equity transactions which were performed until the publication date of the solvency ratio.

Note 41: Share-Based Payment (Cont.)

A. Details regarding plans for the allocation of warrants exercisable into Company shares (Cont.)

2. 2015 plan (Cont.)

In 2015, the Company's Board of Directors resolved to publish outlines pertaining to the allocation of up to 470,000 warrants, which will be offered by virtue thereof, in accordance with the plan, to employees and corporate officers of the Company and/or of companies under its control. All of the warrants according to the aforementioned outline were allocated.

In 2018, the Company's Board of Directors approved an extension of the outline according to which warrants were allocated in accordance with the 2015 plan, and the publication thereof, without any change to its conditions, in order to allow the Company to perform future allocations to employees who are not senior position holders, of warrants by virtue of the 2015 plan, which have been returned, and will be returned in the future (if any) to the register of warrants.

For additional details, see sections B and C below.

For details regarding the granting of warrants, in accordance with the 2013 plan, to the Company's Chairman of the Board and CEO (which expired without being exercised), see Note 40(b)(4) and (5), respectively.

B. Movement in warrants and additional details

	Average lifetime *) in years	Weighted average of the exercise addition in NIS 1)	Number of warrants
Balance as of January 1, 2017	1.88	63.19	2,655,667
Forfeited during 2017		68.91	(8,667)
Expired during 2017		66.22	(294,997)
Exercised during 2017		55.46	(1,101,667)
Total outstanding warrants as of December 31, 2017	1.78	69.24	1,250,336
Forfeited during 2018		70.33	(62,322)
Expired during 2018		69.82	(334,333)
Exercised during 2018		59.80	(122,999)
Total outstanding warrants as of December 31, 2018	1.29	70.48	730,682
Forfeited during 2019		**69.71**	**(4,333)**
Expired during 2019		**70.91**	**(371,451)**
Total outstanding warrants as of December 31, 2019	1.24	70.03	354,898
Of which, total outstanding warrants as of December 31, 2019			
2013 plan	0.72	70.58	97,335
2015 plan	1.60	69.21	227,563
In the CEO's plan 2)	0.10	74.50	30,000
Total exercisable warrants:			
At the end of 2017		68.83	819,561
At the end of 2018		70.78	513,455
At the end of 2019		**69.74**	**269,566**

*) Weighted average of the remaining contractual duration to expiration.

The weighted average of the exercise addition with respect to forfeitures and expirations was calculated based on the value of the exercise addition at the end of each year.

The range of exercise prices for the warrants as of December 31, 2019 amounted to NIS 60.64 - 74.50 (2018 - NIS 59.23 - 77.50; 2017 - NIS 57.83 - 77.50).

Options which were given to the CEO before his appointment as CEO, during his tenure as s corporate officer of the Company, within the framework of the 2013 plan, which have expired as of the publication date of the report.

Note 41: Share-Based Payment (Cont.)

B. Movement in warrants and additional details

Based on a maximum theoretical assumption of the exercise of all of the warrants from the 2013 plan and the 2015 plan, when the price of the Company's shares on the stock exchange reaches a price where, according to the terms of the warrants plan, an automatic exercise is implemented, and subject to the adjustments specified in the 2013 plan and the 2015 plan, the outstanding warrants will confer upon the recipients, as of December 31, 2019, 2018 and 2017, approximately 0.27%, approximately 0.67%, and approximately 1.16%, respectively, of the Company's issued and paid-up share capital after the allocation.
This assumption, regarding the full exercise of the warrants, is theoretical only. Offerees who exercise the warrants will not be allocated all shares arising therefrom, but rather, only shares in a quantity which reflects the amount of the monetary benefit which is embodied in the warrants, in accordance with the actual benefit amount on the exercise date, i.e., the difference between the price of an ordinary company share on the exercise date, and the exercise price of the warrant.

C. Details regarding the fair value measurement of the warrant plans

The fair value of the warrants is estimated using the binomial model with respect to the warrants which were allocated, as stated above, to the offerees as part of the 2013 plan and the 2015 plan.
The main assumptions in the models includes the share's closing price on the measuring date, the instrument's exercise price, the expected volatility (based on the average historical volatility of the Company's stock, over the expected lifetime of the warrants), the expected lifetime of the instruments (based on the past experience and the general behavior of warrant holders) and the risk-free interest rate according to the lifetime of the warrants (based on the interest rate curve). Terms of service and performance conditions which are not market conditions are not taken into account when determining fair value.
Presented below are the parameters which were used in the application of the models and the fair value on the allocation date:

	Company CEO	2013 plan [1)]	2015 plan [1)]
Number of warrants allocated, less forfeitures, until the balance sheet date	90,000	1,928,333	313,333
Weighted average share price (in NIS)	70.03	58.91	61.70
Weighted average of the exercise addition on the allocation date (in NIS)	72.75	62.38	68.73
Weighted average of expected volatility [2)]	39.23%	42.61%	34.06%
Average warrant lifetime (in years) [3)]	5.00	4.88	5.75
Weighted average of risk free interest rate [4)]	2.45%	2.47%	1.49%
Maximum price	151	135-151	139-146
Fair value as of the allocation date of all warrants issued by the Company (NIS in thousands) [5)]	1,673	32,510	4,550

1) The data presented below constitute a weighted average of the allocations on the various dates, by tranches, after deducting forfeitures and replacements of offerees.
2) The expected volatility of the share price over the expected lifetime of the warrants was determined based on the historical volatility of the Company's share price, and is based on the assumption that the historical volatility of the share price constitutes a good indication of future trends.
3) The projected average lifetime of the warrants was determined based on past experience and general behavior of warrant holders, which does not necessarily represent the future pattern of exercising the warrants into shares. Accordingly, it was assumed that the warrants would be exercised on the expiration date.
4) The risk-free interest rates were determined by a company providing interest rate quotes for interest rates (for additional details, see Note 14(f)(4)), where the interest rate periods corresponded to the expected lifetime of the warrants (based on the interest rate yield curve).
5) The cumulative fair value of all of the allocation, in each of the warrants plans.

D. Payroll expenses with respect to share-based payments

NIS in thousands	Chairman of the Board	Company CEO	2013 plan	2015 plan	Total
In 2017	107	153	1,345	954	2,559
In 2018	-	14	(181)	-	(167)
In 2019	-	-	**(8)**	-	**(8)**

Note 42: Contingent Liabilities and Claims

Presented below are details regarding claims which are not in the ordinary course of business, as follows: material claims[13] whose filing as class actions was approved; Pending motions to approve class action status for material claims; material and immaterial class actions which concluded during the reporting period, until its signing date, other material claim and derivative claims against the Group's member companies.

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

A. Class action claims

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

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

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

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

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

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[13] 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) for details regarding profit in accordance with 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 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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.

Note 42: 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
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[14] 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.	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.[15]

Note 42: Contingent Liabilities and Claims (Cont.)

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14 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.

15 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.

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 42: 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 claim handling stage.	The plaintiff estimates the cumulative amount for the first class in the amount of NIS 518 million (if it is ruled that the interest should be calculated beginning from the date of the occurrence of the insurance event), and in the amount of NIS 210 million (if it is ruled that the interest should be calculated beginning from 30 days after the date of the claim's submission to the insurance company). The plaintiff estimates the cumulative amount for the second class, for which the motion to approve was dismissed, with respect to linkage differentials, in an additional amount of NIS 490 million.

Note 42: 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.	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 42: 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 661.9 million is attributed to Clal Insurance, according to its alleged market share.

Note 42: 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 claim handling stage. The parties are conducting mediation proceedings between them.	The total claim amount was estimated by the plaintiff as a total of approximately NIS 26 million. The estimate of damage, as stated in the class action plaintiff's affidavit of evidence in chief, amounted to a cumulative total of approximately NIS 100 million, with respect to a period of 11 years.

Note 42: 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[16]. 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.

[16] 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 42: 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 42: 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 "Netiv - Southern and Central Region" pension fund (hereinafter: the "**Association**" and the "**Policy**", respectively), and who paid premiums as required, Clal Insurance unilaterally and unlawfully canceled the policy, because the policy was a losing policy, and did not reimburse the premiums which it had charged. The plaintiff also contends that Clal Insurance illegally collected premiums from policyholders with respect to June 2014, after the date when the policy was canceled.	To order Clal Insurance to pay to each of the class members who did not receive the benefits of the policy, the entire premiums which were collected from them with respect to the policy over the years when they were insured, with the addition of duly calculated interest and linkage.	Anyone who was insured by Clal Insurance in a policy which was canceled on March 2, 2014, as well as all policyholders under the policy from whom Clal Insurance collected premiums in June 2014.	In May 2019, the Court dismissed the claim for reimbursement of all premiums which were paid with respect to the policy over the years. The Court approved the claim as a class action against Clal Insurance and against the association, on the grounds of breach of the provisions of the Insurance Contract Law, 1981, the Control of Insurance Business Regulations (Collective Life Insurance), 1999, the provisions of the policy and on grounds of negligence, and determined that Clal Insurance had not properly alerted the policyholders of the cancellation of the insurance contract, and that the association had breached, inter alia, the fiduciary duty and duty of care which applied to it as the "policyholder". The approved class includes the beneficiaries of the retirees who are covered under the collective insurance contract, who passed away since the cancellation date of the insurance contract until the termination date of the insurance period specified in the insurance contract (a two year period). The claimed remedy is payment of insurance benefits to the class members. The proceedings are currently in the claim handling stage.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 90 million.

Note 42: 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 claim handling stage.	The plaintiffs estimate that the management fees which were unlawfully collected by the defendants from current pensioners amount to NIS 48 million, that the management fees which will be unlawfully collected in the future from current pensioners amount to NIS 152 million, and that the management fees which will be unlawfully collected in the future by the defendants from future pensioners, with respect to accrual which was performed until now, amount to NIS 2,800 million. The aforementioned amounts are claimed with respect to all of the defendants.

Note 42: 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. The settlement arrangement's entry into effect is conditional upon the receipt of approval from the Court, the provision of which is uncertain.	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 70 million.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	7/2015 District - Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance calculates the rights for payment of stipends and/or for the discounting of stipends which are owed to policyholders who freeze the payment of premiums (in full or in part) temporarily for a certain period and/or who do not pay the premiums for a number of months, in breach of the provisions of the law, in breach of the provisions of the policy and the required formula for the calculation of the stipend, as included in the policy (hereinafter: the "**Required Formula**"), and also asserted that Clal Insurance refuses to deliver information to its policyholders.	To order Clal Insurance to reimburse the monthly stipend and/or the discounting of the stipend, in accordance with the provisions of the required formula, and to order Clal Insurance to pay to the class members who already incurred damages, the stipend differences or the stipend discounting differences which are owed to them, with the addition of duly calculated linkage differentials and interest. Alternatively, the plaintiff is petitioning for the issuance of a declaratory order stating that Clal Insurance is in breach of the policy provisions.	Regarding the non-monetary remedies - all policyholders of Clal Insurance who hold policies which are similar to the plaintiff's policies (the "**Policyholders**"), who, during a certain period or periods, did not pay, temporarily, the premiums under the policy. Regarding the monetary remedies: all of the policyholders who began receiving from Clal Insurance a monthly stipend which is lower than the monthly stipend which would have been paid in accordance with the required formula, as well as policyholders who chose discounting of the stipend, and where the calculation used to discount their stipend was lower than the discounting of their stipend which would have been paid in accordance with the required formula.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. In June 2016, the motion of the parties to transfer the hearing to a board which is hearing an additional claim by the plaintiff, on the subject of the calculation of the rights in life insurance policies, where the policyholder does not pay the full premiums, as specified in section 7(a)(a1)(10) above, was approved.	The total damage claimed for all of the class members, in the plaintiff's estimate, to a total of no less than NIS 25 million.
4.	9/2015 District - Center	Clal Insurance and four other insurance companies	The plaintiffs contend that the defendants, when giving points for the "continence" action, as part of the evaluation of insurance benefits in long-term care policies, adopted an interpretation according to which, in order to recognize a policyholder's claim with respect to "incontinence", the condition must result from a urological or gastroenterological illness or impairment only, instead of giving points also when the policyholder's medical condition and impaired functioning which have caused his "incontinence", may be due to an illness, accident or health impairment which are not urological or gastroenterological in nature.	To order the defendants to compensate the class members for all damages which they incurred due to their alleged beaches of the agreement, and to fulfill the agreement from this point forward, or alternatively, to order the provision of any other remedy considered appropriate by the Court, in light of the applicable circumstances.	Any person who held a long-term care insurance policy which was sold by the defendants (or his inheritors, as applicable), and who suffered from a health condition and impaired functioning as a result of an illness or accident or health condition, which caused them to be incontinent and/or to require the permanent use of a stoma or catheter in the bladder, or diapers or absorbent pads of various kinds, and notwithstanding the foregoing, who did not receive from the defendants (as applicable) points with respect to the "continence" component, in a manner which injured his rights.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs contend that the damage cannot be estimated at this stage, but estimate it at tens or even hundreds of millions of NIS. The personal damage claimed by the plaintiff from Clal Insurance, as alleged, amounts to a total of approximately NIS 32,500 (without linkage differentials and interest).

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
5.	9/2015 District - Tel Aviv	Clal Pension and Provident Funds Ltd. and four additional managing companies of pension funds	The plaintiffs, members of pension funds managed by the defendants, contend that the mechanism for the compensation, by commission, of agents and brokers, as a percentage of the management fees which are charged from members, as was practiced by the defendants, constitutes a breach of fiduciary duty towards the members of provident funds managed by the defendants, and results in the defendants' collection of management fees in amounts which are higher than appropriate.	To order the defendants to change the mechanism for compensation of agents, and to repay to the members the management fees which were overcollected from them.	Members of provident funds managed by the defendants, from whom management fees were collected while providing a commission to agents which was derived from the amount of management fees.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the total damage incurred by all of the class members as approximately NIS 2 billion, reflecting damage at a rate of approximately NIS 300 million per year since 2008.
6.	10/2015 District - Center	Clal Insurance	The plaintiff brings claims against the definition of "disability" in accidental disability policies, which allegedly create uncertainty, and against the policy terms, which require the receipt of reasonable proof within one year after the date of the accident. In this regard, it was claimed that despite the fact that the Company received "reasonable proof" regarding the permanent disability of policyholders as a result accidents which occurred since June 2009, it paid to them reduced insurance benefits, or rejected their claims for insurance benefits due to disability. The claim also includes assertions regarding the calculation of disability rates in the payment of insurance benefits in the event that the policyholder has more than one disability, as well as assertions regarding the revaluation of insurance benefits with respect to linkage differentials and interest.	To order Clal Insurance to pay to the class members insurance benefits with respect to permanent disability as a result of an accident, in accordance with the terms of the policy, and to order it to cease its unlawful conduct.	Any person who was insured by Clal Insurance in accidental disability policies, where, despite the fact that Clal Insurance received "reasonable proof" of the permanent disability due to an accident which occurred beginning in June 2009, paid reduced insurance benefits with respect to his disability, or rejected his claim for insurance benefits due to his disability, for the reasons specified in the claim (in whole or in part).	In July 2016, following the announcement of the class action plaintiff, who agreed to the summary dismissal of the claim, and withdrew his claim, the Court summarily dismissed the claim. In September 2016, an appeal was filed with the Supreme Court on behalf of the class action plaintiff against the ruling, in which the claim was summarily dismissed. In November 2017, the Supreme Court revoked the ruling, insofar as it pertains to the summary dismissal of the claim, and ordered the plaintiff to file a clarification notice with the District Court, regarding the question of based on which causes of action the claim is requested to be conducted, and which of the plaintiff's assertions meets the requirement of personal cause of action, and the plaintiff filed the foregoing clarification notice, and in April 2018, the District Court instructed the plaintiff to file an amended motion for approval of the claim as a class action, according to the specific causes of action which it specified. After the dismissal of the aforementioned motion for leave to appeal, which the plaintiff had filed with the Supreme Court, the plaintiff filed with the Court an amended motion to approve, which pertained to the specific causes of action which were determined by the Court, as stated above.	The petitioner estimates the damage incurred by the class at a total of NIS 90 million.

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
7.	12/2015 District - Tel Aviv	Clal Insurance and an additional insurance company	The plaintiffs contend that the defendants charged, from holders of life insurance policies which were issued beginning on August 1, 1982, in which the sub-annual installments component was reduced, where the premium is paid in installments during the year (hereinafter: "**Sub-Annual Installments**"), an effective interest rate which is higher than the maximum interest rate which the Insurance Commissioner allowed insurance companies to charge with respect to the sub-annual installments component. According to the plaintiffs, this collection is in breach of the law, policy and common practice in the finance segment, and ignores the monthly premium payment date, and the fact that the annual premiums gradually decrease during the year.	To order the defendants to change the method used to calculate the sub-annual installments component, in a manner whereby it will be calculated in consideration of the actual premium payment dates, and in consideration of the reduction of the annual premiums for each payment. To reimburse to the class members the amounts of the sub-annual installments component which were overcollected from them, beginning on the date when the sub-annual installments component was charged to the policyholders, until a ruling has been given on the claim, or alternatively, in the seven years prior to the plaintiff's claim, until a ruling has been given on the claim. Alternatively, the plaintiff is petitioning for the issuance of a declaratory ruling, according to which the method used by Clal Insurance to calculate the sub-annual installments component is illegal, or for the issuance of another declaratory ruling considered appropriate by the Court, in light of the circumstances.	Holders of life insurance policies which were issued beginning on August 1, 1982, and in which a sub-annual installments component was collected, where the premium is paid in installments throughout the year.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The total damage claimed for all of the class members, in the plaintiffs' estimate, amounts to a total of no less than NIS 50 million.
8.	2/2016 District - Center Lod	Clal Pension and Provident Funds Ltd. and four additional managing companies of pension funds	According to the plaintiff, an association which alleges that its purpose is to act on behalf of weak population groups and persons with special needs, the defendants charge, from recipients of disability and survivor annuities, management fees at the maximum rate permitted by law, while exploiting the fact that they are not permitted to transfer their monies to another fund.	To order the defendants to reimburse, to all recipients of disability and/or survivor annuities, all of the management fees which were unlawfully collected from them, with the addition of interest, or alternatively, to reimburse to the pension fund the management fees which were and/or which will be unlawfully collected from recipients of disability and/or survivor annuities, and to implement a just and fair distribution of the funds.	Any person who receives and/or who has the right to receive a disability annuity, as well as any person who receives and/or who has the right to receive a survivor annuity, and any person who is a member of a pension fund managed by the defendants, and who incurred damage as a result of the collection of management fees in connection with the disability and survivor annuities.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount of the class action claim was not quantified in the statement of claim; however, in accordance with an actuarial opinion which was attached to the motion, the damages caused to the class members was estimated, according to an initial estimate, as a total of approximately NIS 1 billion, against all of the defendants.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
9.	8/2016 Regional Court - Tel Aviv (1) 10/2016 Regional Labor Court of Jerusalem (2) 11/2016 Regional Court of Jerusalem (3) 12/2016 Regional Court - Tel Aviv (4) 7/2019 Regional Court - Tel Aviv (5)	Clal Pension and Provident Funds Clal Insurance "Atudot" - Pension Fund for salaried Employees and Self-Employees Ltd. (a subsidiary of Clal Insurance (held 50%)) (hereinafter: "**Atudot**")	The five claims involve the assertion that the defendants collect from members in the pension funds, in the Tamar provident funds, and in the study funds which are managed by them, and in managers' insurance policies, in addition to the management fees, also "investment management expenses" (hereinafter: "**Direct Expenses**"), although there is no contractual provision which allows them to collect those expenses, and in breach of the fund regulations.	The plaintiffs in the five claims request to order the defendants to reimburse the 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 11(1) and 11(4). The proceedings are currently in the stage of hearing the motions to approve the claims as class actions. It is noted that in May 2019, the District Court of the Central District decided to approve a motion to approve a class action regarding the collection of direct expenses in individual life insurance policies (the "**Decision to Approve**"). In the decision to approve, it was determined that the absence of a clear provision in the policy regarding the collection of direct expenses constitutes a negative arrangement, and therefore, the defendants were not entitled to collect those expenses. In September 2019, a motion for leave to appeal the decision to approve was filed with the Supreme Court, and in November 2019, a decision was given, stating that a hearing would be conducted regarding the motion for leave to appeal, and the position of will be filed. The Group's institutional entities are not party to the aforementioned proceedings.	In claim 1, which refers to the pension funds, the amount of the class action was set as NIS 341 million, with respect to the years 2009-2015, plus the investment management expenses which were collected by the defendant from the Group members in 2016, and plus the returns which would have been earned by the funds which were deducted as investment management expenses. In claim 2, which refers to the study fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 53 million. In claim 3, which refers to the Tamar provident fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 181 million. In claim 4, which refers to managers' insurance policies, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 404 million, plus the investment management expenses which the defendant charged to the class members in 2016, as well as interest and linkage. 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 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
10.	9/2016 District - Tel Aviv	Clal Insurance and three other insurance companies	The claim involves the assertion that the defendants allegedly collected and continues to collect from the holders of health insurance policies premiums with respect to unnecessary coverages which the policyholders do not need, and that the respondents allegedly sold to the policyholders, knowingly and deliberately, health insurance policies which include coverages for which the policyholders had no need, since they have supplementary health insurance from the health fund to which they belong, and that they also made one service conditional upon another, with no possibility to acquire a limited policy, which includes only coverages which are not included in the supplementary health insurance policies of the health funds, thereby creating "double insurance".	Reimbursement of the excess premium amounts which were allegedly unlawfully overcollected, issuance of a mandamus order instructing the defendants to change their method of action, as described in the claim, as well as any other additional remedy which may be considered appropriate by the Court, in light of the circumstances.	Anyone who is insured, or was insured, by any or all of the defendants in any of the health insurance policies which include coverages which overlap, either fully or partially, with the coverages which are included in the supplementary health insurance policies of the health funds.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The amount of the class action against the defendants was set as a total nominal amount of NIS 4.45 billion, where the share of Clal Insurance out of that total, as calculated by the plaintiffs, was set as NIS 995 million.
11.	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 parties' closing arguments were filed, and the case is now pending a decision regarding the motion to approve.	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 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
12.	9/2017 District - Jerusalem	Clal Insurance and additional insurance companies	The plaintiffs contend that the defendants do not duly apply section 5(b) of the Adjudication of Interest and Linkage Law, 1961 (hereinafter: the "**Adjudication of Interest and Linkage Law**"), and do not pay, as a matter of policy, the required interest and linkage pursuant to that law, with respect to any debt which was ruled against them by a judicial authority, and which was not paid by them on the date set for its payment.	Declaratory relief with respect to the breach of the provisions of the law, compensation to the class members with respect to the alleged damages which they incurred, and ordering the defendants to correct the policy from this point forward.	Anyone to whom amounts were paid by the defendants which were ruled in their favor by a judicial authority, without the addition of linkage differentials and/or interest and/or linked interest to the ruled amount.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. The parties are conducting mediation proceedings between them.	The amount of personal damages alleged by the plaintiff against Clal Insurance amounted to NIS 56.47. The plaintiffs, in the absence of accurate data regarding the aggregate damage incurred by the class, estimate the damage as a minimum of tens of millions of NIS, if not more.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
13.	1/2018 District - Jerusalem	Clal Insurance, two additional insurance companies, Clalit Health Services and Maccabi Health Services.	The plaintiffs contend that the defendants refuse, allegedly, to cover with long-term care insurance people who are on the autistic spectrum, or set impossible and unreasonable conditions for them, without providing any explanation or justification for their actions.	Issuance of a declarative order stating that the defendants have breached, by their conduct, Part H of the Equal Rights for Persons with Disabilities Law, 1998, the Equal Rights for Persons with Disabilities Regulations (Notice of Insurer Regarding Provision of Different Treatment for a Person or Regarding Refusal to Insure a Person), 2016 (the "**Equality Law**"), and additional legislation; the issuance of a mandamus order requiring the defendants to stop discriminating against the class members, and to establish clear work policies regarding individual and equal treatment, without prejudice, of persons with disabilities; the issuance of a mandamus order requiring the defendants to retroactively insure the class members, who will be found qualified to receive long-term care insurance, following an egalitarian underwriting process, in accordance with the aforementioned policies.	People with disabilities on the autistic spectrum who request to be covered under long-term care insurance at any of the defendants, and who unlawfully received from the defendants different and discriminatory treatment, due to the fact that they are people with disabilities, whereby the decision was not based on reliable and relevant statistical, actuarial and medical data regarding the specific insurance risk, and/or for which no reason was given, as required in accordance with the Equal Rights Law and other provisions of the law, during the seven years preceding the filing of the motion to approve.	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. The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs have not quantified the damage for all of the class members, and have estimated the personal damage incurred by the plaintiffs as tens of thousands of NIS per plaintiff.
14	1/2018 District - Center	Clal Insurance and five additional insurance companies.	The plaintiff, Public Trust, a Public Benefit Company, contends that the defendants unlawfully avoid paying to their policyholders and/or to third parties the VAT component which applies to the cost of the damage, when the damage was not actually repaired.	To order the defendants to pay the VAT component, according to the rate which applies to the damage amount, to the class members; to determine and declare that the defendants' avoidance of payment of insurance benefits and/or indemnification with respect to the VAT component which applies to the amendment, in cases where the damage was not actually repaired, is done in violation of the law; to issue a mandamus order requiring the defendants, from this point forward, to include in the insurance benefits which they pay also the VAT which applies to the cost of the repair, including if the damage has not been actually repaired, and as a result, also in case the policyholder or a third party receives insurance benefits at "reimbursement value", and not at "reinstatement value", and to order the defendants to pay to them insurance benefits with respect to the full amount of damage, including VAT.	Any policyholder and/or beneficiary and/or third party, in any insurance type whatsoever, who, as of the filing date of the insurance claim, has not repaired the damage which he claimed, and who received from the insurance company insurance benefits and/or reimbursement with respect to the damage, and where the insurance benefits did not include the VAT component which applies to the repair.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. It is noted that a claim and a motion to approve it as a class action, based on the same cause of action, were filed in the past against the Company and three additional insurance companies, and were struck out on procedural grounds.	The plaintiff estimates the damages owed to the class members by Clal Insurance, with respect to each year, at a total of NIS 17,732,580. The plaintiff is petitioning for the payment of damages with respect to the beginning on since June 4, 2001, or alternatively, for a period of 7 years since the filing date of the previous claim, or alternatively, for a period of 7 years since the filing date of the claim in question.

Note 42: 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.	3/2018 Regional Labor Court of Tel Aviv	Clal Pension and Provident Funds Ltd. and five additional managing companies of pension funds.	According to the plaintiffs, members of pension funds which are managed by the defendants, the defendants collect survivor premiums from members who join the pension funds which are managed by them, who have no survivors, without actively attempting to disclose and explain to such members that they should avoid purchasing and paying for survivors insurance coverage, and without clarifying to members who have chosen to waive survivors insurance coverage, shortly before the end of the waiver period, that the waiver is about to expire.	Issuance of a mandamus order instructing the defendants to credit, to the savings fund of the class members, all of the funds which were paid by them and applied to survivor premiums, plus the returns which those funds would have received had they been credited to the savings funds on the date of their payment to the pension fund, as well as the issuance of a mandamus order instructing the defendants to duly disclose, clarify and explain to anyone who joins or is added to the fund, that if they do not have survivors, they would benefit from waiving the purchase of survivors insurance.	Anyone who does not have survivors, who joined or was added to a pension fund which is managed by any of the defendants, and from whom the fund collected survivors insurance premiums, despite the fact that they have no survivors, as this term is defined in the directives of the Authority of Capital Markets, Insurance and Savings.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	In the statement of claim, it was stated that the plaintiffs are unable to estimate, at this point, the rate of cumulative damages incurred by all of the class members.
16.	5/2018 District - Tel Aviv	Clal Insurance and an additional insurance company	The plaintiffs contend that the defendants overcollect insurance premiums with respect to comprehensive motor insurance, which are calculated according to a value of the vehicle which is greater than the actual value of the vehicle, as weighted by them upon the occurrence of a total loss insurance event, in different situations wherein the value of the vehicle is reduced due to “special variables” or “special components”, in a manner whereby the “true value” of the insured vehicle is significantly lower than its value for the purpose of insurance (before weighing the “special variables”), and particularly, when the vehicle was purchased from a rental company or leasing company.	To order the defendants to reimburse the amounts which were unlawfully overcollected from the policyholders, plus duly calculated interest; To declare that the defendants are not entitled to collect premiums based on a vehicle value which does not include the deduction of the “special component” from the vehicle value; To issue an injunction prohibiting the defendants from continuing their aforementioned practice of overcollection, as well as any remedy which the Court considers fair and just in light of the circumstances.	All policyholders who acquired from the defendants, with respect to a vehicle to which special variables apply under the policy, and whose insurance policy states that, in case of an insurance event of the “total loss” type or “constructive total loss” type, a certain rate will be deducted from the vehicle value, without reducing the premiums accordingly, during the seven years preceding the filing date of the claim.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The total alleged personal damage claimed by the plaintiff against Clal Insurance was estimated at a total of NIS 650. The aggregate damage incurred by the class members, during the last seven years, was estimated in the total amount of approximately NIS 50 million, for both defendants.

Note 42: 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.	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 as a total of NIS 597, with the addition of linkage differentials and interest, and the damages incurred by the second plaintiff were not specified.
18.	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 in respect of a delay in redemption. The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff did not specify the cumulative damage incurred by all class members (however, it was asserted that the damage exceeds NIS 2.5 million). The plaintiff's personal damage was estimated at a total of NIS 133,657.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
19.	9/2018 District - Tel Aviv	Clal Insurance	The plaintiffs contend that Clal Insurance unilaterally changed the terms of life, accident, illness and disability insurance policies, against the policyholder's interests, without the policyholders' express consent.	Declaratory relief determining that Clal Insurance is required to cancel the unilateral amendments which it made to the policies, and to restore the policies to their original terms, as well as monetary relief ordering Clal Insurance to reimburse to the class members the value of the economic damage which was incurred due to the unilateral amendments.	Holders, during the 7 years preceding the filing date of the claim, of life, accident, illness and disability insurance policies, and whose policy terms were changed for the worse following the unilateral decision of Clal Insurance, without their express consent.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs contend that the average damage incurred by the plaintiffs amounts to a total of NIS 1,649 from March 2017, and the cumulative damage incurred by all of the class members is estimated by the plaintiffs at NIS 4,947,000. The plaintiffs assert that, after receiving all of the relevant data from Clal Insurance, they will be able to accurately estimate the extent of the alleged overcollection.
20.	11/2018 District - Center	Clal Insurance	The plaintiffs contend that Clal Insurance breaches its contractual obligation under the policy, and allegedly refuses to pay, to holders of comprehensive motor insurance policies for vehicles weighing over 3.5 tons, compensation with respect to the vehicle's loss of value as a result of the insurance event, although the policy covers the "damage" caused to the vehicle, while affecting the assessments which are prepared by the arrangement loss adjusters.	Declaratory relief; Ordering Clal Insurance to indemnify all of its policyholders who were covered under the policy, and whose vehicles suffered and/or will suffer loss value as a result of the insurance event, as well as any other remedy considered by the Court to be appropriate and just, in light of the circumstances.	All policyholders of Clal Insurance who acquired and/or will acquire from Clal Insurance comprehensive motor insurance for vehicles weighing up to 3.5 tons, and whose vehicles, as a result of the insurance event, as defined in the policy, suffered and/or will suffer damage in the form of loss of value.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. The parties initiated mediation proceedings.	The plaintiff estimates the amount of damages incurred by the class members at approximately NIS 75 million. The plaintiff's personal damage was estimated at a total of NIS 21,605.

Note 42: 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.	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 March 2020, a motion was filed to withdraw the proceedings. The parties are negotiating regarding charging the plaintiffs for expenses.	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.
22	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 currently conducting mediation proceedings. The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs 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.
23	6/2019 Regional Labor Court of Tel Aviv	Clal Insurance	The plaintiff contends that the defendant systematically reduces the benefits of loss of working capacity insurance which it pays to its policyholders by virtue of loss of working capacity insurance policies of the profit sharing type, by unlawfully deducting management fees and nominal interest.	Repayment in kind of the funds which were unlawfully withheld, according to the plaintiff, from the class members, and crediting the savings in the policies with respect to the released premium funds. The plaintiff is also petitioning for a declaration announcing the non-validity of the provisions in the policies pertaining to the deduction of interest and management fees from the returns to which policyholder are entitled.	All holders, or former holders, of profit-sharing loss of working capacity policies which included a mechanism for linking the monthly compensation and/or premium release payments to the investment portfolio's returns, beginning with the 25th payment, to whom Clal Insurance paid monthly compensation and/or release for a period exceeding 24 months, and deducted from the returns, beginning with the 25th payment, interest and/or management fees.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The total damage allegedly incurred by all of the class members was estimated by the plaintiff in the amount of NIS 2,402,836,000.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
24	10/2019 District- Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance unlawfully collects linkage differentials and interest with respect to premiums in motor property policies, which are paid on the dates listed in the policy schedule. Alternatively, it was asserted that if the Court determines that Clal Insurance is entitled to collect linkage differentials and interest, as stated above, then its calculation of linkage differentials is performed unlawfully, and the linkage differentials should be calculated according to the difference between the index which was published either 30 days after the commencement date of the insurance period or after the date of submission of the account for the premiums (whichever is later), and the index on the date of actual payment.	To repay to the class members the amounts with respect to the charges, plus linkage differentials and interest from the date they were charged until the date of their repayment.	Anyone who purchased from the defendant an individual motor insurance policy, where it was determined, in the policy schedule, that the premiums will be paid according to the determined amounts and dates, and who paid on those dates, but were still charged linkage differentials and interest by Clal Insurance, during the seven years preceding the filing of the motion. alternatively, insofar as the Court has determined that Clal Insurance was entitled to add linkage differentials and interest with respect to the premium payments, the plaintiff requests to define the class which it wishes to represent as including anyone who purchased from the defendant an individual motor insurance policy, where it was determined, in the policy schedule, that the premiums will be paid according to the determined amounts and dates, and from whom linkage differentials were charged, were not calculated according to the difference between the index which was published either 30 days after the commencement date of the insurance period or after the date of submission of the account for the premiums (whichever is later), and the index on the date of actual payment.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	Estimated at a total of no less than NIS 5,000,000
25	10/2019 District- Center	Clal Insurance	The plaintiff contends that Clal Insurance collects, in life insurance policies, premiums which include an addition for "sub-annual installments", with respect to premium payments which are made in monthly installments, without clearly and explicitly agreeing upon and disclosing the matter in the policy. The plaintiff contends that Clal Insurance is thereby breaching the provisions of the policy and other legislative provisions, and systematically misleading policyholders. The plaintiff also contends that the demand for payment of the addition with respect to sub-annual installments constitutes a discriminatory condition in a standard contract.	To grant declaratory relief ordering Clal Insurance to cancel the charge with respect to "sub-annual installments", and to compensate the class members, according to the rate of damages which they incurred, including repaying to the class members the premiums with respect to "sub-annual installments" which they paid prior to the filing date of the claim. The plaintiff is also petitioning to order Clal Insurance to correct the annual reports to policyholders, and to send to them reports which include details regarding the addition of the "sub-annual installments" which are being collected from them, and which will be collected from them, until the policy conclusion date, and to allow them to choose between prepayment of the premiums each year, without the addition of "sub-annual installments", and payment of monthly premiums, which include the addition of "sub-annual installments".	Any policyholder of Clal Insurance who purchased from it a life insurance policy, in which they were obligated to pay premiums which include an addition with respect to "sub-annual installments", without having explicitly specified in the policy that the policy includes an addition with respect to "sub-annual installments", for payment of the premium in monthly installments.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	NIS 1.8 billion

Note 42: 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.	11/2019 District-Center	Clal Insurance	The plaintiff contends that Clal Insurance collected management fees in life insurance policies combined with savings of the "profit sharing" type which were issued before January 12, 2004 (hereinafter: the "**Relevant Policies**"), in rates which deviate from what is permitted, without any legal and/or contractual basis.	A remedy of repaying the amount of management fees which were unlawfully collected from the class members, and a mandamus order instructing Clal Insurance to change its operating method with respect to the collection of management fees in the relevant policies from this point forward.	Anyone who was or is a holder of the relevant policies of Clal Insurance, and from whom Clal Insurance collected, during the 7 years preceding the filing date of the claim, and until the approval date of the claim as a class action, management fees which deviate from what is permitted in accordance with the Control of Financial Services Regulations (Insurance) (Terms of Insurance Contracts), 1981, according to their wording at the time, and/or in accordance with the provisions of the policy.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	NIS 120 million
27.	11/2019 District-Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance collected management fees from the cumulative savings in life insurance policies combined with savings, without having obtained the policyholders' consent, in breach and violation of the policy terms, and/or without having received approval from the regulator for charging the aforementioned amounts[17].	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.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	Approximately NIS 22 million.
28	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 involving an evaluation of 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.

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

Note 42: 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.	2/2020 District-Center	Clal Insurance and an additional insurance company	The claim involve the main assertion that 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 involving an evaluation of 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 were struck out by the Court on procedural grounds in January 2020; see section (a)(a3)(8) below.	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 42: 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[18].

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	5/2018 Regional Labor Court of Tel Aviv	Clal Pension and Provident Funds	According to the plaintiff, a member of the comprehensive pension fund and supplementary pension fund which are managed by Clal Pension and Provident Funds, Clal Pension and Provident Funds retroactively collects, from the members of the pension funds which it manages, costs of insurance coverage for disability and mortality risks, with respect to periods regarding which, allegedly, she does not and cannot bear any insurance risk.	To order Clal Pension and Provident Funds to compensate the plaintiff and the class members with respect to the damages which they incurred, and to reimburse them for the amounts which were collected from them in the alleged circumstances, in the amount of their damages, and as a minimum, in the amount estimated in the claim; to order the provision of any other remedy in favor of the class.	Anyone who was a member of the pension funds which are managed by Clal Pension and Provident Funds during the last seven years, and from whom insurance coverage costs were retroactively collected.	In June 2019, the Court approved the plaintiff's motion to withdraw the claim.	The cumulative damage incurred by the class members was estimated by the defendant at a total of NIS 21,415,031.

18 This section includes details regarding claims which concluded during the reporting year, and which were not reported in the financial statements for 2018, and also applies to claims in which a decision was made to strike out the claim, or in which a ruling was given, including a ruling to approve a settlement arrangement. This section does not refer to followup on the implementation of the arrangements (including changes made thereunder) which were determined in the aforementioned decisions, and which may continue over time.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	11/2012 District - Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance modifies the terms of the life insurance policy when transferring an employee policyholder from one employer to another, by way of changing the component known as "sub-annual installments", which the plaintiff contends were collected with respect to the interest to which the insurance company was allegedly entitled in circumstances wherein the premium is paid in installments throughout the year, and not as a lump sum at the start of the year (hereinafter: "**Sub-Annual Installments**"). The plaintiffs contend that this change was made by Clal Insurance unilaterally and with no contractual foundation, and therefore constitutes a breach of the policy terms.	The reimbursement of overcollected amounts with respect to the sub-annual installments component which was performed until the date of approval of the claim as a class action, and discontinuation of the overcollection of this component in the future.	All customers of Clal Insurance, employers and/or employees, from whom sub-annual installments were collected in life insurance policies, which were higher than the rates that had been agreed upon in the policy, following a change of ownership of the policy. In the petitioners' estimation, this involves 10,000 policyholders in the last 30 years.	In May 2015, a motion to approve a settlement agreement regarding the claim (hereinafter: the "**Settlement Agreement**") was filed with the Court. As part of the settlement agreement, the Court was requested to order the amendment of the motion to approve regarding the definition of the Group and the expansion thereof to include all policyholders where the rate of sub-annual installments charged from them was increased without their consent. In accordance with the settlement agreement, Clal Insurance will repay, to the class members who will be included in the settlement agreement, various rates out of the amount of the addition that was charged from them with respect to the increase of sub-annual installments, in accordance with the circumstances in which the rate of paid sub-annual installments was increased, and with reference to various periods which were defined in the settlement agreement; Additionally, Clal Insurance will send notice to the paying entity, in which Clal Insurance will allow the paying entity to choose regarding the future premium payment terms, and the associated cost from this point onwards. . In September 2016, the parties filed a joint motion for an addendum to the settlement agreement, and the addition of a third group, including all policyholders of the respondent in life insurance policies which include a sub-annual installments component, and which are of the "individual insurance" and "pure risk" types, including "compensation for the self-employed", as well as all policyholders of the respondent who are covered under health and long-term care insurance policies which include a sub-annual installments component, for whom, until the effective date, the respondent raised the rate of sub-annual installments in their policy. . In October 2019, the Court approved the settlement arrangement in the claim, and gave it force of ruling.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 120 million.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	1/2016 Regional Court of Tel Aviv	Clal Pension and Provident Funds, and three additional managing companies of pension and provident funds	According to the plaintiffs, the defendants invested in low rated bonds, in a manner which deviated from the investment rate which was permitted, at the time, in accordance with Regulation 41(d)(2) of the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964, and that despite these deviations, the defendants collected management fees from the plaintiffs, in breach of the provisions of the law.	The remedies requested by the plaintiffs include, inter alia, reimbursement of the management fees which were collected by the defendants in case of deviation from the investment restrictions, compensation of the class members with respect to the deviation from the investment restrictions, as well as any other remedy in favor of the class, in whole or in part, or in favor of the public, as considered appropriate and just in the Court's discretion, in light of the circumstances.	All persons who were members of the pension funds and provident funds which were managed by the defendants during the period from January 1, 2009 to July 4, 2012.	In September 2019, further to the plaintiffs' agreed-upon motion which was filed with the Court, following its recommendation to withdraw the motion to approve and the claim, a ruling was given in which the plaintiffs' withdrawal was approved.	According to the plaintiff, the direct damages which it incurred amounts to NIS 76 (and the damage incurred by all plaintiffs with respect to the collection of management fees allegedly amounts to NIS 563), with the addition of linkage differentials and interest. In the claim, it was stated that the claim amount for all of the class members cannot be estimated.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	9/2016 Regional Labor Court of Tel Aviv	Clal Insurance	The claim involves the assertion that Clal Insurance makes the release of the severance pay component which has accrued in managers insurance policies (hereinafter: the "**Policies**"), by virtue of the Extension to Compulsory Pension Ordinance (hereinafter: the "**Extension Order**") conditional upon the employer's consent. Clal Insurance thereby collaborates with the employer, allows the employer, over years, to argue against the transfer to the accrued severance pay to the employees, and during that time, continues collecting management fees out of the funds which remain accrued in the policies.	Declaratory relief, primarily determining that the class members are entitled to receive the accrued severance pay for which the employer made deposits in their name to the pension arrangement by virtue of the extension order, without any condition or restriction whatsoever. The plaintiff is also petitioning to order Clal Insurance to notify the class members regarding their right to withdraw the severance pay component unconditionally, and to determine the manner by which the notice will be given to the Group members.	All those covered by pension insurance in Clal Insurance, in whose favor severance pay accumulated in the pension arrangement beginning on January 1, 2008, the application date of the extension order, who concluded their employment, and to whom the employer's approval was not given to release the accrued severance pay funds which are recorded under their names. The plaintiff estimates the number of class members as 70,500 policyholders.	In May 2019, the class action plaintiff filed with the Regional Labor Court of Tel Aviv a motion to strike the claim, without ordering expenses, which was approved in October 2019.	The amount of the class action against the defendant amounts to a total of approximately NIS 479 million.

Note 42: 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
5.	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.	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 42: 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
6.	6/2013 District - Tel Aviv	Clal Insurance	The plaintiff, who is a holder of collective long-term care insurance through a comprehensive pension fund, and who was recognized as requiring long-term care, contends that Clal Insurance pays to its policyholders reduced and insufficient insurance benefits, in a manner which does not include the addition of linkage differentials and interest.	Motion to issue a declaratory ruling and a reimbursement order, for the payment of duly calculated linkage differentials and interest, from the date of the occurrence of the insurance event until the date of actual payment, in accordance with section 28 of the Insurance Contract Law, 1981; and the prospective correction of the omission.	Anyone who received, during the 7 years prior to the filing of this claim and/or who will receive, until a ruling has been given on the claim, insurance benefits from Clal Insurance, where duly calculated interest and linkage differentials were not added to the insurance benefits.	In October 2015, the State Attorney filed its position with the Court, according to which it supports the position of Clal Insurance on the aforementioned matter. In February 2017, the Court approved the claim as a class action. The Group which was approved includes all beneficiaries in the original and renewed collective insurance policy of Makefet policyholders, who received from the respondent, during the 7 years prior to the filing of the motion to approve, insurance benefits with no additional linkage differentials. The requested remedy is payment of the entire linkage differentials to which the class members are entitled. In June 2018, the parties filed with the Court a motion to approve a settlement arrangement. In accordance with the settlement arrangement, partial compensation will be paid to the class members in whose name the claim was filed, and who meet the conditions specified in the settlement agreement. The Attorney General of Israel filed a position with respect to the proposed settlement arrangement, in which it was stated that he did not consider it appropriate to object to the proposed settlement. In December 2019, after receiving a report produced by the court-appointed examiner, the Court approved the amended settlement arrangement.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 473.8 million.

Note 42: 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
7.	7/2017 District - Tel Aviv	Clal Insurance	The plaintiffs contend that Clal Insurance unilaterally implemented changes to managers insurance policies of the "Adif" type (hereinafter: the "**Policies**") by reducing the savings component and increasing the risk component, while transferring the ownership of the policy to a new employer, at the end of the "temporary risk" period, and thereby caused the policyholders in the class to incur damages.	To order Clal Insurance to supplement the savings up to the amount which would have been accumulated in the policies if not for the aforementioned unilateral change, and to prohibited it from unilaterally changing the policy terms in the future. Alternatively, to pay compensation to the class members for the damage which they incurred, according to the difference between the savings amounts which would have accumulated in the policies if not for the unilateral changes, and the savings amounts which actually accrued in the policies, or to order Clal Insurance to pay an adequate and appropriate amount to the public interest.	All of "Adif" policyholders for whom Clal Insurance unilaterally reduced the savings component and increased the risk component while transferring the ownership of the policy to a new employer at the end of the "temporary risk" period.	In May 2019, the parties filed with the District Court of Tel Aviv a motion to approve a settlement arrangement (hereinafter: the "Settlement Arrangement"), according to which Clal Insurance undertook to pay, to the members of the class which was defined in the settlement arrangement, compensation according to the amounts and rates which were determined in the settlement arrangement. The settlement arrangement includes provisions regarding the method used to effect the payment to the class members, regarding the sending of notices, and a future arrangement regarding the which form the subject of the settlement. In September 2019, the Attorney General filed objections to certain provisions of the settlement arrangement, due to the fact that, according to his position, it does not reflect the best interests of the class members, and accordingly, the parties filed an amended settlement arrangement. In February 2020, the Court approved the amended settlement arrangement. .	The plaintiffs estimate, based on various assumptions which they performed, that the damage incurred by the class members amounts to approximately NIS 343 million.

Note 42: 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
8.	11/2016 District - Tel Aviv (1) 09/2016 District Tel Aviv (2)	Clal Insurance and an additional insurance company	The claims involve the assertion that due to "lack of knowledge" because of the non-provision and publication of a students personal accidents insurance policy (the "Policy") for the policyholders and their families, the policyholder avoid exercising their right to compensation by virtue of the policy.	The plaintiffs in claim (1) request the issuance of orders against the defendants and the Commissioner of Insurance, and request, inter alia, the appointment of a committee, with the participation of external representatives, which will be authorized to discuss and determine all of the claims, and the transfer of the burden of proof to the insurer. The plaintiffs in claim (2) request, inter alia, the issuance of mandamus orders for compensation with respect to the hassle and cost of printing, in a total amount of NIS 1.5 for each class member, and an extension of the prescription period, including a determination stating that the prescription period was suspended in September 2006.	The plaintiff in claim (1) classified the plaintiffs into several groups, with respect to students who were born after October 25, 1995, and who, from ages 3 to 19 (the period of their studies in Israel, from kindergarten until the end of high school in 12th or 13th grade), went through an accident, due to which they suffered a physical injury, and who did not receive insurance benefits under the policy, as follows: (1) the "tooth fracture" group, (2) the "medical expenses" group, (3) the "disability" group, (4) and the "cases of death" group. The plaintiff further requests the establishment of an additional sub-group for each of the Groups of plaintiffs mentioned above, whose members are people and/or their parents and/or their heirs who were born and/or who studies in Israel between the years 1974 and 1995, and who were injured after 1992, and who claimed that they were not aware of the scope of the policy, and on behalf of all policyholders - all students and their parents from September 1992 until now - who were injured. The plaintiff in claim (2) requests to represent all students, at school or at home or at kindergarten, in the State of Israel, who were covered under a policy and who did not receive it at their house, beginning with the school year beginning in September 2006 and/or any student whose cause of action against the insurance company prescribed, beginning in September 2006.	In April 2018, following the plaintiffs' joint motion regarding the two claims, it was determined that the two claims would be consolidated into a single claim, accordingly, in July 2019, and the parties filed a joint motion to approve the class action. In January 2020 the claim was struck out on procedural grounds, after the plaintiffs had deviated from the Court's decision, while ruling expenses for the plaintiffs in an immaterial sum.	According to the plaintiffs in claim (1), their alleged personal damages are in the range from NIS 150 to NIS 6,260. The plaintiffs estimate the alleged damage for the members of the "tooth fracture", "medical expenses" and "all defendants" groups together, as a total of approximately NIS 1.439 billion. The plaintiffs have not specified an estimate regarding the damage caused to the other groups. According to the plaintiffs in claim (2), the damage claimed for all class members amounts to a total of approximately NIS 23 million, plus interest and linkage, beginning with the school year of September 2006.

Note 42: 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 42(a)(a1), the pending motions for the approval of class action status for material claims, as described in Note 42(a)(a2), and the motions to approve class action status for material claims which were withdrawn during the reporting period, as described in Note 42(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[19], and regarding which a detailed description was therefore not included in the financial statements. As of the reporting date, 17 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 493 million[20].

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

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

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19 See note 1 above regarding the significance threshold.

20 The foregoing number includes one filed claim whose status as a class action has been approved, one claim in which Clal Insurance is a formal defendant, and no remedies are requested against it, and two claims in which the amount claimed was not attributed to the Company only, but to additional companies as well. The aforementioned amount does not include two claims in which the plaintiff did not specify the claim amount, but estimated it at tens of millions of NIS, and one claim in which the plaintiffs did not specify the claim amount, but estimated it as millions of NIS. For additional information regarding all class actions, see Note 42(c) below.

Note 42: 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 above complexity and changes affect, inter alia, the volume and amounts of deposits, the various components of the product, the manner in which funds are associated with employees (including due to inconsistencies between the employer's reports and the policy data), products and components, their charging dates, the identification of arrears in deposits and the handling of such cases, and the employment, personal and underwriting status of customers, and affects, inter alia, the information which is given to them. The aforementioned complexity is increased in light of the large number of parties acting vis-a-vis the companies in the Group regarding the management and operation of the products, including, inter alia, distributing entities, employers, customers and reinsurers, including as regards the ongoing interface with them, and contradictory instructions which may be received from them, or from their representatives. The member institutional entities in the Group routinely investigate, identify and handle issues which may arise due to the aforementioned complexities, both with respect to individual cases, and with respect to customer types and/or product types.

Note 42: 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 to the Authority regarding the progress on the implementation of the plan.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

2. (Cont.)

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

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

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

It is noted that insofar as the customer's complaint is submitted to the public appeals unit in the Office of the Commissioner, in addition to the risk that the customer will choose to bring its claims also within the framework of a class action, the member companies in the Group are also exposed to the risk than the Commissioner will reach a determination regarding the complaint by way of a sector-wide determination, which will apply to a broad group of customers. In recent years, an increase has occurred in the exposure to the aforementioned risk, due to the 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.

Note 42: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

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

2. (Cont.)

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

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

Note 42: Contingent Liabilities and Claims (Cont.)

B. Material claims and derivative claims

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

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.

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

The Company is not party to the aforementioned proceedings; however, it received notice regarding the filing of the claim from Bank of Jerusalem Ltd., in accordance with the agreement for the sale of Clal Finance Batucha Investment Management Ltd. to Bank of Jerusalem, according to which the Company has an undertaking to indemnify. It is noted, in this regard, that in accordance with the provisions of the agreement from October 2002, in which Clal Finance Batucha Investment Management Ltd. was acquired, IDB Development Corporation Ltd. and Discount Investment Corporation Ltd. are required to indemnify the Company for any direct damage, expense or loss which the Company (or any of its subsidiaries) has incurred, including due to claims or demands whose cause of action materialized before the date specified in the aforementioned agreement.

Note 42: Contingent Liabilities and Claims (Cont.)

B. Material claims and derivative claims (Cont.)

B2. Immaterial derivative claims

Serial number	Date and instance	Defendants	Main claims and causes of action	Status / additional details	Claim amount
1.	2/2017 District - Tel Aviv	DIC, directors and corporate officers of DIC, and against certain other shareholders of DIC who are associated with IDB Development or with the controlling shareholders of DIC during the period from May 2010 up to and including March 2011, including Clal Holdings and Clal Finance (all, jointly: the **Respondents**”).[21].	Claim regarding an unlawful dividend distribution by DIC. It is noted that the amounts attributed to the Company and to Clal Finance, who held DIC shares, and who therefore received dividends, are primarily amounts which were received for customers of the Group’s member companies.	A motion to approve a derivative claim and a derivative claim (hereinafter: the “**Derivative Claim**”), which included assertions against dividend distributions which DIC had declared, during the period from May 2010 up to and including March 2011. In November 2019, the Court approved an agreed-upon motion to dismiss the derivative claim against the Company and against Clal Finance, without ordering expenses.	The claim amount attributed to the Company, to Clal Finance and to two additional shareholders who are associated with IDB Development or with the controlling shareholders of DIC, amounts to approximately NIS 44 million, including the amounts which were distributed as dividends, as stated above, and interest on the aforementioned amounts until the filing date of the motion (the aforementioned amount was not divided among the shareholders of the defendants).

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

Note 42: Contingent Liabilities and Claims (Cont.)

C. Summary details regarding exposure to claims

Presented below are details concerning the total amount claimed in class action suits, both material and immaterial, which were approved for filing as class actions, in pending motions to approve claims as class actions, in pending motions to approve derivative claims and other materials claims, as specified by the plaintiffs in their claims (nominally) within the framework of the statements of claim which were filed against companies in the Group. It is noted that in most of the cases the amount claimed by the plaintiffs is an estimated amount only, and that the exact amount will be decided within the framework of the legal proceedings. It is noted that the above amount does not include claims for which the representative plaintiff has not stated an amount. Furthermore, it is hereby clarified that the claimed amount does not necessarily constitute quantification of the Company's actual exposure amount, which may eventually turn out to be lower or higher[22].

Type of claim	Number of claims	Amount claimed in millions of NIS
A. Claims approved as class actions	Audited	
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	1	-
4. Annual amount specified (and accordingly, the total amount is period-dependent)[23]	1	107
B. Pending motions to approve claims as class actions		
1. Amount pertaining to the Company specified	29	7,434
2. The claim was filed against a number of entities, with no specific amount attributed to the Company[24]	7	6,101
3. Claim amount not specified / possible range specified [25]	12	-
C. Derivative claims		
1. Amount pertaining to the Company specified	-	-
2. The claim was filed against a number of entities, with no specific amount attributed to the Company	-	-
3. Claim amount not specified	-	-

In addition to the details provided in sections (a) and (b) above, the Company and/or the consolidated companies are also party to other legal proceedings, which are not in the ordinary course of business, are not class actions / derivative claims, and are not material claims, which were initiated by customers, former customers and various third parties, for a total sum of approximately NIS 61 million (a total of approximately NIS 70 million as of December 31, 2018). The causes of action claimed against the Company and/or the consolidated companies in these proceedings are multiple and varied.

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

[22] It is further noted that the specified amounts do not include amounts demanded by the plaintiffs with respect to compensation to the class action plaintiff, and legal fees for his representative, and do not include a claim against reserves, as specified in section (a)(a2)(9).

[23] 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.

[24] 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.

[25] These motions include one motion for inclusion as a formal defendant, one motion in which the plaintiff did not specify the claim amount, but estimated it as many millions of NIS, another motion which was estimated at hundreds of millions of NIS, and three motions which were estimated at tens of millions of NIS.25

of financial sanctions.

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

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

Note 42: Contingent Liabilities and Claims (Cont.)

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

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

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

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.

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 42: 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 the claims as class actions which are specified in sections (a)(a2)(24), (a)(a2)(25), (a)(a2)(26), (a)(a2)(27), and (a)(a2)(28).

The provision which is included in the financial statements as of December 31, 2019, with respect to all of the legal claims and exposures specified in sections (a), (b), (c) and (d) above, amounted to a total of approximately NIS 146 million (a total of approximately NIS 154 million as of December 31, 2018).

Note 43: Additional Events During and After the Reporting Period

A. Actuarial estimates

1. The low interest rate environment and its effect on discount rates in life insurance and in the long-term care branch in health insurance and non-life insurance

During the reporting period, the risk-free interest rate curve decreased, as did the estimated rate of return in the portfolio of assets held against insurance liabilities. For additional details, see Note 39(e)(e1)(d)(1).

2. Change in provisions pertaining to life insurance plans combined with savings, which include "annuity factors representing a life expectancy guarantee". For additional details, see Notes 39(e1)(a)(4).

3. Annuity withdrawal rate upon retirement. For additional details, see Note 39(e).

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

See Note 39(e)(e2)(4)(f) for details regarding the update to the provision in light of the recommendations of the Winograd and Kaminetz Committees, in accordance with the Company's estimate.

B. Changes to the control structure

For details regarding the Commissioner's letter dated December 8, 2019, in which it was stated that, as of the date of the letter, there is no entity which holds, directly or indirectly, the Company's means of control, and regarding changes in IDB's stake in the Company, see Note 1.

C. Shelf prospectus of the Company and of Clalbit Finance

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

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

D. Issuance of share capital - During the reporting period, the Company performed an equity issuance in accordance with a shelf prospectus. See Note 16(d)2.

E. Issuance of Tier 2 capital - In September 2019 Clal Insurance issued, through Clalbit Finance, deferred liability notes (Series K). For additional details, see Note 25(f).

Note 43: Additional Events During and After the Reporting Period (Cont.)

F. Termination of engagement with Maccabi and Leumit health funds

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

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

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

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

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

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

In light of the new framework for engagement in the funds' long-term care insurance segments, the winning insurer's scope of insurance liability is significantly lower than that which applied to Clal Insurance in those insurance segments, according to the previous framework. Additionally, in consideration of the preliminary phase of the regulatory changes with respect to claim settlement in the long-term care insurance segment, which were published in the circular regarding the settlement of long-term care claims, and in consideration of the prices at which, to the best of Clal Insurance's knowledge, the funds engaged with the insurers that won the tenders, Clal Insurance estimates that the profit which it would have gained from the transactions, had it won, would have been low.

G. Three-year strategic plan - During the reporting period, the Company prepared a three-year business strategy program for sustainable accelerated growth and for increased operational efficiency, and is working to implement it.

H. Publication of economic solvency ratio report - For details regarding the calculation of the Company's economic solvency ratio as of June 30, 2019, see Note 16(e).

I. Exchange of deferred liability notes - In December 2019, Clal Insurance performed, by way of an exchange offer, an exchange of NIS 698 million par value of liability certificates (Series C), in consideration of the issuance of 806 par value of Series K, for the purpose of extending the average lifetime of its liabilities. For additional details, see Note 25(g).

Note 43: Additional Events During and After the Reporting Period (Cont.)

J. Draft update to the LAT circular

Further to that stated in Note 3(d)1(d) regarding the performance of the liability adequacy test with respect to groups of policies which were defined in the LAT circular, in a manner whereby a separation is required between individual and collective policies, and such that, in individual policies, the test is performed for groups of insurance contracts (including their annexes) which were issued in various periods, according to participation types, and separately for basic risk policies. In March 2020, a draft update to the LAT circular was published, which updated the level of the group on which the evaluation is performed, beginning with the financial statements as of March 31, 2020, in a manner which allows the testing of all life insurance products together, excluding long-term care, while retrospectively applying a change in the policy regarding financial reporting. The Company estimates, according to a preliminary estimate, and assuming that it will be possible to reduce the balance of the liability with respect to the liability adequacy test in life insurance, that the insurance reserves as of December 31, 2019 will decrease, and accordingly, equity will increase in the amount of approximately NIS 794 million before tax (a total of approximately NIS 500 million after tax), which will be mostly attributed to the reporting period, as specified in Note 39(e)(e1)(d).

In light of the above, the sensitivity tests to interest rate changes, as specified in Note 39(c)2 above, will be changed and updated accordingly.

K. Events after the balance sheet date

After the balance sheet date, and until the publication date of the report, several significant events occurred, including the following:

Following the outbreak of the coronavirus in China, and its spread to many other countries, economic activity has declined around the world, including in Israel (the "**Crisis**"). These changes have affected, and continue to affect, the Company's activity and profitability. Regulatory directives were also published which, insofar as they are accepted as final directives, will have a positive impact. Details regarding the events are provided below:

Capital markets

Subsequent to the reporting date, a significant decline was 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.

As of proximate to the publication date of the report, the Company recorded impairment with respect to marketable investments only, in the nostro portfolios, in the amount of approximately NIS 0.6 billion before tax. The Company is also exposed to the impairment of non-marketable investments, which at this stage cannot be quantified.

There was also a decrease in the value of assets managed by the Group through investment-linked policies, provident funds and pension funds, which is estimated at around 10%, and which is also expected to affect the scope of variable and fixed management fees collected by the Company from its managed assets. As of proximate to the publication date of the report, 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 0.7 billion before tax.

It is noted that the returns are not final, and the Company's results are affected by the returns of the non-marketable portfolio, the Group's other revenues, and expenses. Additionally, due to the sharp volatility of financial markets, the effects described above may change significantly, depending on developments in the capital market.

Note 43: Additional Events During and After the Reporting Period (Cont.)

Implications for the Group's business activities

Due to the crisis, the exposure to credit defaults in the credit insurance activity has increased, and a certain increase has occurred in the scope of member redemptions, and the Company estimates that a significant decline may occur in future deposits to long term savings products, in light of the significant decrease in the scope of employment in the economy, according to public reports. Redemptions and the decrease in the scope of deposits are expected to affect both the scope of variable and fixed management fees which the Company collects from its managed assets, and future premium revenues, and accordingly, the recoverability of the Company's intangible assets. The Company also granted a benefit to a considerable part of its policyholders who have been furloughed, in which free risk and loss of working capacity insurance coverage was given for a period of three months.

The prolongation and intensification of the coronavirus crisis around the world and in Israel may also cause significant harm to the Company's business operations, if the crisis deepens into a recession, both in the local market and in the global markets. This could adversely affect the stability of reinsurers, and could impair the value of other investment assets, and credit defaults in the credit insurance activity may increase. The consequences of the crisis may also lead to conflicting results in the life insurance segment, which means that the overall impact on this subject cannot be quantified. A certain decline in results is possible in health insurance, due to changes in the cost of claims, and due to the decline in the sale of international travel insurance, as well as a certain increase in the scope of claims with respect to these policies. In non-life insurance, the policies do not cover pandemic events, and there a certain decline may even occur in the scope and frequency of claims, due to the reduction in economic activity. On the other hand, the situation described above may result in a decline in the scope of premiums charged, mostly in the business insurance segments. The Company is evaluating its actions in a challenging and changing business environment, including in connection with covers which were sold and changes in demand which may result in the future.

Operational implications

On March 18, 2020, the Commissioner published an announcement regarding the transition of institutional entities to work in a reduced format, and on March 21, 2020, the State of Emergency Regulations (Limit on Number of Employees Due to the Novel Coronavirus Outbreak), 2020, were signed, which are intended to prevent the spread of the coronavirus and to protect public health, and dictate that, in general, no more than 30% of the workforce may be present at a workplace. However, the regulations do not apply to the entities specified therein, provided that those entities have reduced their activities to critical activities only. the Group's institutional entities are included on the list of entities which are not subject to the regulations, as well as entities which provide services or products for the purpose of allowing the continued proper operation of entities which were excluded from the scope of the directive. In light of the foregoing, and in light of the restrictions on movement and employment, the Group has begun working 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. Additionally, other Company employees will be instructed to use vacation days, 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. The Company is preparing for remote work, including for the provision of service by the operating teams during the crisis period, and particularly with respect to critical processes which were defined. However, the longer the situation continues, and/or the more severe the restrictions become, difficulties may arise in the ability to continue providing orderly service.

Additional implications affecting the Group's results

From the reporting date until proximate to the publication date, the interest rate curve increased both in the short term and, more moderately, in the long term. In addition to the impairment of marketable assets due to these changes, as described above, these changes also affect insurance liabilities, further to that stated in Note 39(e)(e1) and (e2). However, due to the fact that the change was not made in parallel, and due to effects in opposite directions on the calculation components, at this stage it is not possible to quantify the full impact of the change in the interest rate curve.

It is noted that, insofar as the changes proposed in the draft LAT circular (see section J above) are adopted, according to which retrospective adoption of the financial reports will be performed, the Company estimates that, according to a preliminary estimate, and assuming that it will be possible to reduce the balance of the liability with respect to the liability adequacy test in life insurance, that the insurance reserves as of December 31, 2019 will decrease, and accordingly, equity will increase in the amount of approximately NIS 794 million before tax (a total of approximately NIS 520 million after tax), which will be mostly attributed to the reporting period. These changes are also expected to affect the sensitivity to changes in interest rates, relative to the current sensitivity, as specified in Note 39(c)(2) regarding risk management in the consolidated annual financial statements.

Regarding the solvency ratio of Clal Insurance as of December 31, 2019, which was scheduled for publication in May 2020, and which was expected to be negatively affected by the interest rate cut in the second half of 2019, the Company estimates that it will meet its capital requirements, taking into account the current distribution provisions.

Additionally, in light of the provisions of the draft amendment to the provisions of the economic solvency regime, which was published on March 19, 2020, and the Commissioner's letter which was published on that date, it is expected that if and when the draft circular becomes final, the required solvency ratio will improve relative to the ratio which would have been calculated according to the current format, and will be published until August 2020. For details, see Note 16(e)6(d) to the financial statements,

Regarding the solvency ratio in the period after the reporting date, at this stage, it is not possible to fully quantify these effects, due to the opposing effects of the different factors on the solvency ratio. The calculation which will take into account the above and other developments, and is expected to be calculated as of December 31, 2020, and to be published in May 2021, and by that date, the regulatory directives on this matter are expected to be clarified as well.

Summary

As of the reporting date, the Company is unable to estimate the total impact of all of the aforementioned events on the business activities of the Company and its subsidiaries, in the aforementioned respects, in a challenging business environment, or additional aspects of which it is not aware at the present time, or its results, since the event is ongoing, and is not under the Company's control, including factors such as the continued spread of the virus, or the containment thereof, and the period of disruption to business activity could affect the Company's medium term and long term preparations, including in connection with preparations for future sales. The Company is continuously monitoring developments in Israel and around the world, and is evaluating the implications for its activities and asset value, including with respect to the results for the first quarter of 2020, and the economic solvency ratio of Clal Insurance. The aforementioned uncertainty is affected, inter alia, by the fact that some of these regulatory directives are in stages of regulation or implementation, and there is no certainty regarding their final wording, if and insofar as they are accepted, and/or regarding their effects, including regarding the issues regulated therein, and whose full manner of implementation not yet been determined / clarified.

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

For details regarding the method used to collect variable management fees, see Note 3(n)(3)(a).

Annex A - Details of Other Financial Investments of Consolidated Insurance Companies Registered in Israel

The following data were included in the consolidated financial statements:

	As of December 31, 2019			
NIS in thousands	Fair value through profit and loss	Available for sale	Loans and receivables	Total
Marketable debt assets [(1)]	**86,755**	**5,848,653**	**-**	**5,935,408**
Non-marketable debt assets	**2,854**	**-**	**22,467,002**	**22,469,856**
Stocks [(2)]	**-**	**1,357,640**	**-**	**1,357,640**
Others [(3)]	**237,670**	**2,360,844**	**-**	**2,598,514**
Total other financial investments	**327,279**	**9,567,137**	**22,467,002**	**32,361,418**

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

1. Marketable debt assets

	As of December 31			
	2019		2018	
NIS in thousands	**Book value**	**Amortized cost**	**Book value**	**Amortized cost**
Government bonds				
Available for sale	**3,691,097**	**3,420,760**	3,179,217	3,190,229
Total government bonds	**3,691,097**	**3,420,760**	3,179,217	3,190,229
Other debt assets				
Non-convertible				
Presented at fair value through profit and loss:				
Designated upon initial recognition	**86,755**	**82,333**	128,088	129,715
Available for sale	**2,157,556**	**2,089,681**	1,908,558	1,931,885
Total other non-convertible debt assets	**2,244,311**	**2,172,014**	2,036,646	2,061,600
Total marketable debt assets	**5,935,408**	**5,592,774**	5,215,863	5,251,829
Fixed impairments charged to income statement (cumulative)	**5,622**		17,148	

Annex A - Details Regarding Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Stocks

	As of December 31			
	2019		2018	
NIS in thousands	Book value	Amortized cost	Book value	Amortized cost
Marketable				
Available for sale	**1,038,662**	**917,490**	1,125,663	1,080,466
Total marketable stocks	**1,038,662**	**917,490**	1,125,663	1,080,466
Non-marketable				
Available for sale	**318,978**	**348,772**	291,242	304,336
Total non-marketable stocks	**318,978**	**348,772**	291,242	304,336
Total stocks	**1,357,640**	**1,266,262**	1,416,905	1,384,802
Fixed impairments charged to income statement (cumulative)	**112,468**		148,232	

3. Other financial investments

	As of December 31			
	2019		2018	
NIS in thousands	Book value	Amortized cost	Book value	Amortized cost
Marketable				
Presented at fair value through profit or loss:				
Designated upon initial recognition	**141,052**	**141,054**	87,682	87,686
Available for sale	**578,917**	**561,670**	1,049,234	1,027,569
Derivative instruments	**1,821**	**2,056**	34,557	23,992
Total marketable financial investments	**721,790**	**704,780**	1,171,473	1,139,247
Non-marketable				
Presented at fair value through profit or loss:				
Designated upon initial recognition	**5,643**	**14,583**	17,981	26,717
Available for sale	**1,781,927**	**1,363,324**	1,646,303	1,241,792
Derivative instruments	**89,154**	**2,873**	26,564	-
Total non-marketable financial investments	**1,876,724**	**1,380,780**	1,690,848	1,268,509
Total other financial investments	**2,598,514**	**2,085,560**	2,862,321	2,407,756
Fixed impairments charged to income statement (cumulative)	**46,187**		85,994	